Court File No. CV-24-00720035-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF KIDKRAFT, INC., SOLOWAVE DESIGN HOLDINGS LIMITED, SOLOWAVE DESIGN INC., SOLOWAVE INTERNATIONAL INC. AND SOLOWAVE DESIGN LP

APPLICATION OF KIDKRAFT, INC. UNDER SECTION 46 OF THE *COMPANIES CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Applicant

SUPPLEMENTAL APPLICATION RECORD OF THE APPLICANT (VOLUME 1 OF 2)

(Initial Recognition Order and Supplemental Order, returnable May 17, 2024)

May 15, 2024

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TO: **SERVICE LIST**

Court File No. CV-24-00720035-00CL

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SUPERIOR COURT OF JUSTICE
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APPLICATION OF KIDKRAFT, INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

SERVICE LIST
(as of May 15, 2024)

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Applicant

SECOND AFFIDAVIT OF GEOFFREY WALKER
(Initial Recognition Order and Supplemental Order)

(Sworn May 15, 2024)

I, Geoffrey Walker, of the City of Dallas, in the State of Texas, MAKE OATH AND SAY:

1. I am the Chief Executive Officer and President of KidKraft, Inc. ("**KidKraft**", and together with its debtor and non-debtor affiliates, the "**Company**"). I joined the Company in 2019 and have served in my current role since that time.

2. As Chief Executive Officer and President of KidKraft, I am familiar with, and have personal knowledge regarding, the Chapter 11 Debtors' (defined below) businesses, day-to-day operations, financial affairs, and books and records, including those of Solowave Design Holdings Limited, Solowave International Inc. and Solowave Design Inc. (collectively, the "**Canadian Corporate Debtors**"), and Solowave Design LP (together with the Canadian Corporate Debtors, the "**Canadian Debtors**"). As such, I have personal knowledge of the matters deposed herein. Where I have relied on other sources of information, I have so stated and believe them to be true.

In preparing this affidavit (the "**Second Affidavit**"), I have also consulted with the Company's senior management team, and financial and legal advisors. The Company does not waive or intend to waive any applicable privilege by any statement in this Second Affidavit.

3. Capitalized terms used and not otherwise defined in this Second Affidavit have the meanings given to them in my initial affidavit sworn May 10, 2024 (the "**Initial Affidavit**"). Unless otherwise indicated, dollar amounts referenced in this Second Affidavit are references to United States Dollars.

4. This Second Affidavit supplements the Initial Affidavit and is sworn in support of an application by KidKraft in its capacity as the Foreign Representative (as defined below), for the following orders:

(a) an order (the "**Initial Recognition Order**"), among other things:

(i) recognizing the Chapter 11 Cases (as defined below) in respect of KidKraft and the Canadian Debtors as "foreign main proceedings" pursuant to Part IV of the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "**CCAA**"); and

(ii) recognizing KidKraft as the "foreign representative" in respect of the Chapter 11 Cases of KidKraft and the Canadian Debtors; and

(b) an order (the "**Supplemental Order**"), among other things:

(i) recognizing certain other First Day Orders (as defined below) issued by the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "**U.S. Court**") in the Chapter 11 Cases, including the Foreign Representative Order (as defined below);

(ii) granting a stay of proceedings in respect of KidKraft and the Canadian Debtors and their respective directors and officers;

(iii) appointing KSV Restructuring Inc. ("**KSV Restructuring**") as the information officer in this proceeding (in such capacity, the "**Information Officer**");

(iv) granting a Court-ordered charge on the present and future assets, property and undertakings of KidKraft located in Canada and of the Canadian Debtors (the "**Canadian Property**") to secure:

(A) the professional fees and disbursements incurred in respect of this proceeding by the Information Officer, its counsel and KidKraft and the Canadian Debtors' Canadian counsel (up to a maximum amount of CAD$750,000);

(B) the indemnity granted by KidKraft and the Canadian Debtors in favour of their respective directors and officers in respect of obligations and liabilities in Canada that they may incur as directors or officers after the commencement of this proceeding (up to a maximum amount of CAD$100,000); and

(C) advances under a debtor-in-possession credit facility.

5. This Second Affidavit is organized into the following sections:

PART I - OVERVIEW

6. On May 10, 2024 (the "**Petition Date**"), KidKraft, the Canadian Debtors, and six other debtors and debtors in possession (collectively, the "**Chapter 11 Debtors**") filed voluntary petitions for relief (together, the "**Petitions**") pursuant to Chapter 11 of the U.S. Bankruptcy Code with the U.S. Court. The cases commenced by the Chapter 11 Debtors in the U.S. Court are referred to herein as the "**Chapter 11 Cases**". The Chapter 11 Cases have been assigned to the Honourable Judge Michelle V. Larson.

7. Uncertified copies of the Petitions as filed were appended to the affidavit of Emilie Dillon, an associate lawyer with the law firm Osler, Hoskin & Harcourt LLP ("**Osler**"), Canadian counsel to the Chapter 11 Debtors, sworn May 10, 2024 as Exhibits "A" to "K" thereto. I am advised by the Chapter 11 Debtor's U.S. counsel that certified copies of the Petitions have been obtained from the U.S. Court and are currently in transit to Osler, and will be provided to this Court as soon as they are available.

8. I am advised by the Chapter 11 Debtors' U.S. counsel that a certified copy of the Foreign Representative Order has been obtained from the U.S. Court and is currently in transit to Osler, and will be provided to this Court as soon as it is available.

9. On May 10, 2024, the Chapter 11 Debtors filed several first day motions and applications, including a motion seeking the Foreign Representative Order, with the U.S. Court (collectively, the "**First Day Motions**").

10. Also on May 10, 2024, KidKraft, in its capacity as the proposed foreign representative of itself and the Canadian Debtors in respect of the Chapter 11 Cases (the "**Foreign Representative**"), brought an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Interim Stay Order**") pursuant to Part IV of the CCAA and section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, among other things, granting a stay of proceedings in respect of KidKraft and the Canadian Debtors, and their respective directors and officers. The Interim Stay Order was necessary to create a direct stay in Canada, alongside the automatic stay of proceedings created under the U.S. Bankruptcy Code upon the electronic filing of the Petitions. A copy of the Interim Stay Order is attached hereto as **Exhibit "A".**

11. On May 13, 2024, the U.S. Court heard the First Day Motions, including the following:

(a) The "**Joint Administration Motion**": *Emergency Motion for Entry of an Order Directing Joint Administration of the Debtors' Chapter 11 Cases*;

(b) The "**Claim Agent Retention Motion**": *Emergency Application for Entry of Order Appointing Stretto, Inc. as Claims, Noticing, and Solicitation Agent*;

(c) The "**Employee Wages Motion**": *Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief*;

(d) The "**Foreign Representative Motion**": *Emergency Motion for Entry of an Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative and (II) Granting Related Relief*;

(e) The "**Cash Management Motion**": *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System and Maintain Existing Bank Accounts, (B) Continue Using Existing Checks and Business Forms, (C) Maintain Their Corporate Card Program, and (D) Continue Intercompany Transactions and (II) Granting Related Relief*;

(f) The "**Insurance Motion**": *Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue Their Prepetition Insurance Coverage and Satisfy Prepetition Obligations Related Thereto; (B) Renew, Amend, Supplement, Extend, or Purchase Insurance Coverage on a Postpetition Basis in the Ordinary Course; and (C) Continue Their Prepetition Customs Bond Program and Satisfy Prepetition Obligations Related Thereto; (II) Modifying the Automatic Stay Solely With Respect to Workers' Compensation Claims; and (III) Granting Related Relief*;

(g) The "**Taxes and Fees Motion**": *Motion for Entry of an Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief*.

(h) The "**Utilities Motion**": *Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving the Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief*;

(i) The "**Critical Vendors Motion**": *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay (A) Critical Vendors, (B) Lien Claimants, and (C) 503(b)(9) Claimants; (II) Confirming Administrative Expense Priority of Outstanding Orders; and (III) Granting Related Relief*;

(j) The "**Customer Programs Motion**": *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain and Administer Their Customer Programs; (B) Renew, Replace, Implement, or Modify Their Customer Programs; and (C) Honor Their Obligations Related to the Customer Programs, and (II) Granting Related Relief*; and

(k) The "**DIP Motion**": *Emergency Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507 and Fed. R. Bankr. P. 2002, 4001 and 9014 (I) Authorizing the Debtors to Obtain Postpetition Senior Secured Superpriority Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Secured*

Lenders, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief.

12. In support of the First Day Motions, I submitted a declaration (the "**First Day Declaration**") to the U.S. Court, a copy of which is attached hereto as **Exhibit "B"**.

13. As discussed further below, on May 13 and 14, 2024, the U.S. Court entered orders in respect of the First Day Motions listed above in paragraph 11 (the "**First Day Orders**"). The First Day Orders that KidKraft, as Foreign Representative, seeks recognition in Canada pursuant to the Supplemental Order are set out in further detail in Part III of this Second Affidavit.

14. Background information with respect to the Chapter 11 Debtors, including KidKraft and the Canadian Debtors, and the reasons for the commencement of the Chapter 11 Cases, are set out in the Initial Affidavit and the First Day Declaration.

PART II - ADDITIONAL INFORMATION REGARDING KIDKRAFT AND THE CANADIAN DEBTORS

15. The Initial Affidavit at Section II provides information regarding the Company's business, including the business of the Canadian Debtors.

16. This section provides certain additional information regarding KidKraft and the Canadian Debtors and should be read in conjunction with Section II of the Initial Affidavit.

A. Cash Management System and Intercompany Transactions

17. The Chapter 11 Debtors and their non-debtor affiliates manage their cash, receivables, and payables, in the ordinary course of business, through a centralized cash management system (the "**Cash Management System**"). The Chapter 11 Debtors use the Cash Management System to efficiently collect, transfer, concentrate, and disburse funds generated from their operations. The

Cash Management System also enables the Chapter 11 Debtors to monitor the collection and disbursement of funds and the administration of their bank accounts, which are maintained at JPMorgan Chase Bank, N.A. ("**JPMorgan**"), HSBC Bank USA, and China Merchants Bank (each, a "**Bank**," and collectively, the "**Banks**").

18. The Chapter 11 Debtors maintain accounting controls with respect to each of their bank accounts and are able to accurately trace the funds through their Cash Management System to ensure that all transactions are adequately documented and readily ascertainable, including in connection with the intercompany transactions more fully described below. The Chapter 11 Debtors will continue to maintain their books and records relating to the Cash Management System to the same extent such books and records were maintained prior to the Petition Date. Accordingly, the Chapter 11 Debtors will be able to accurately document, record, and track the transactions occurring within the Cash Management System for the benefit of their estates.

19. The Chapter 11 Debtors' Cash Management System consists of a total of 16 bank accounts (collectively, the "**Bank Accounts**"), which are maintained at the Banks, held by either KidKraft, Inc., Solowave Design Corp, or Solowave Design LP.[1]

20. KidKraft holds eight Bank Accounts in total, including a "**Main Operating Account**" with JPMorgan, which is primarily used for the day-to-day operating disbursements (automated clearing house transfers, wires, auto drafts) for KidKraft and its domestic affiliates, including taxes and other expenses. Funds are transferred to and from the various other Bank Accounts in the ordinary course on an as-needed basis. The Main Operating Account is subject to a deposit account

[1] Each of the Canadian Corporate Debtors has a bank account for each of their respective disbursements, which accounts are not part of the Cash Management System. These accounts generally had minimal activity. These accounts will be repurposed for the uses specified in the Cash Management Motion.

control agreement in favor of GB Funding, LLC, in its capacity as the administrative agent under the Prepetition Credit Agreement (the "**Prepetition and DIP Agent**").

21. Solowave Design LP holds four Bank Accounts at JPMorgan:

(a) The "**SDL USD Factoring Account**": This account is primarily used to collect receipts paid in USD from Solowave Design LP's sales that are subject to the Solowave Receivables Sale Agreement (defined below). The SDL USD Factoring Account is subject to a deposit account control agreement in favor of Coface Finanz GmbH ("**Coface**") and the Prepetition and DIP Agent.

(b) The "**SDL USD Operating Account**": This account is primarily used to collect receipts paid in USD on account of Solowave Design LP's non-factored receivables. Unused amounts in the SDL USD Factoring Account are transferred into this account. The SDL USD Operating Account is subject to a deposit account control agreement in favor of the Prepetition and DIP Agent.

(c) The "**SDL CAD Factoring Account**": This account is primarily used to collect receipts paid in CAD from Solowave Design LP's sales that are subject to the Solowave Receivables Sale Agreement. The SDL CAD Factoring Account is subject a deposit account control agreement in favor of Coface (defined below) and the Prepetition and DIP Agent.

(d) The "**SDL CAD Operating Account**": This account is primarily used to collect receipts paid in CAD on account of Solowave Design LP's non-factored receivables. Unused amounts in the SDL CAD Factoring Account are transferred

into this account. The SDL CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.

22. As of the Petition Date, the Bank Accounts had a combined value of approximately $3,510,000, with less than 10% being held in Solowave Design LP's Bank Accounts.

23. A more detailed description of each of the Bank Accounts, the relationship between them, and the general flow of funds in the Cash Management System is included in the Cash Management Motion, a copy of which is attached as **Exhibit "C"**.

24. In the ordinary course of business, the Chapter 11 Debtors maintain business relationships with each other and with certain of their non-debtor affiliates, conducting intercompany transactions from time-to-time that result in intercompany receivables and payables. The Chapter 11 Debtors track all fund transfers in their respective accounting systems through the centralized Cash Management System and can ascertain, trace, and account for all intercompany transactions and will continue to do so postpetition.

25. Among the Chapter 11 Debtors, intercompany transactions are made periodically to reimburse certain Chapter 11 Debtors for various expenditures associated with their businesses or to fund certain Chapter 11 Debtors' accounts in anticipation of certain upcoming expenditures, as needed. Transferring cash to the Main Operating Account allows the Chapter 11 Debtors to run their operations and financing activities from a centralized Bank Account. This system not only maximizes efficiency but also simplifies third-party interactions with the Chapter 11 Debtors as an enterprise.

B. The Canadian Debtors' Integrated Operations with the U.S.

26. The Canadian Debtors are fully integrated with the Company's U.S. operations and managed by senior leadership from the U.S. In particular:

(a) the Canadian Debtors are wholly-owned subsidiaries of KidKraft, a Delaware corporation;

(b) each of the Canadian Corporate Debtors' directors and officers are U.S. residents and are directors or officers of KidKraft;

(c) KidKraft and the Canadian Debtors' senior leadership is located in the U.S. and exercises primary strategic management and control of the Chapter 11 Debtors, including all of the Canadian Debtors;

(d) Canadian sales make up approximately 7% of the Company's annual net revenue;

(e) the Chapter 11 Debtors' only Employee in Canada (out of the Chapter 11 Debtors' 66 employees) is employed by KidKraft and not by any of the Canadian Debtors;

(f) payroll processing for the one Canadian employee of KidKraft is processed in the U.S. through KidKraft's third-party payroll services provider (Ultimate Kronos Group, Inc.), directed by U.S.-based employees at KidKraft's headquarters in Dallas, Texas;

(g) the controllers and administrators of all Bank Accounts, including Solowave Design LP's accounts, are not in Canada and are primarily based in the U.S.;

(h) the Canadian Debtors' overall financial position is managed on a consolidated basis by the Company's management team located in the U.S.;

(i) the Chapter 11 Debtors (including the Canadian Debtors) operate an integrated, centralized Cash Management System to collect, transfer and disburse funds generated by their operations;

(j) much of the Company's funded indebtedness is owed to U.S.-based lenders and governed by U.S. law; and

(k) the Canadian Debtors primarily rely on the purchasing power and supplier relationships of the Chapter 11 Debtors in the U.S.

27. In summary, the Canadian Debtors are integrated members of the broader group of Chapter 11 Debtors that is centrally managed from an overall strategic and financial perspective by a management team in the U.S., with creditors looking to the parties in the U.S. for action on their contractual obligations.

C. Coface Matters

28. As set out in my Initial Affidavit, KidKraft and Solowave Design LP have entered into Receivables Sales Agreements dated August 4, 2021 and April 21, 2022, respectively, with Coface, pursuant to which Coface purchases accounts receivable from KidKraft and Solowave Design LP (the "**KidKraft Receivables Sale Agreement**" and the "**Solowave Receivables Sale Agreement**", respectively, and together, the "**Receivables Sale Agreements**"). On April 20, 2022, Coface registered financing statements pursuant to the *Personal Property Security Act* (Ontario) and the *Personal Property Security Act* (Alberta) against Solowave Design LP and Solowave

Design Inc. (two of the Canadian Debtors). Coface's Canadian financing statements cover the purchased accounts receivable, funds in the SDL USD Factoring Account and the SDL CAD Factoring Account, and other security as provided for under the Solowave Receivables Sale Agreement.

29. Coface has first ranking security over the purchased accounts receivable under the Receivables Sales Agreements. The Receivables Sale Agreements each include the following provision granting security (capitalized terms as defined therein, emphasis added):

> 10.1 In the event that the sale of the Purchased Receivables and their Related Assets contemplated herein is for any reason ***not deemed to be a true sale thereof*** despite the parties' intentions, and in any event, as security for all of the obligations of [KidKraft / Solowave Design LP], [KidKraft / Solowave Design LP] grants to [Coface] …

30. As this provision indicates, Coface's security over the accounts receivable acts as a backstop in the event that its purchases of accounts receivable are found to not be "true sales". The Chapter 11 Debtors do not dispute that the sales of accounts receivable to Coface under the Receivables Sale Agreements were "true sales". Further, the Chapter 11 Debtors do not expect that any receivables generated postpetition will be subject to the Receivables Sale Agreements. Copies of the KidKraft Receivables Sale Agreement and the Solowave Receivables Sale Agreement are attached as **Exhibits "D"** and **"E"**, respectively.

D. Creditors of the Canadian Debtors and the Canadian Business

31. As described in the Initial Affidavit, the Canadian Debtors have certain liabilities in addition to their obligations as guarantors of the Chapter 11 Debtors' indebtedness under the Prepetition Credit Agreement. Based on a preliminary trial balance for the Canadian Debtors for

the period ending April 30, 2024, as of that date, the Canadian Debtors (on a consolidated basis) had total liabilities of approximately CAD$998,000, as follows (in approximate amounts):

(a) Accounts payable: CAD$834,500

(b) Canadian sales tax accruals: CAD$27,800

(c) Canadian income tax accruals: CAD$136,000.

32. The approximately CAD$834,500 in accounts payable includes the following:[2]

(a) approximately CAD$749,000 was owing to ShingFai, a Chinese supplier;

(b) approximately CAD$74,000 was accounts receivables refunds owing to one of the Canadian Debtors' Canadian customers (Costco); and

(c) approximately CAD$10,500 was owing to FedEx Canada, a former supplier of logistics services to the Canadian Debtors.

33. In addition, as of April 30, 2024, KidKraft owed certain amounts to Mainfreight, the third-party logistics provider for the Canadian business. Immediately prior to the Petition Date, KidKraft made payment to Mainfreight to bring its account current.

PART III - RELIEF SOUGHT

A. Recognition of Foreign Main Proceedings

34. The Foreign Representative seeks recognition of the Chapter 11 Cases as "foreign main proceedings" pursuant to Part IV of the CCAA.

35. Other than the Canadian Debtors, the remaining Chapter 11 Debtors are incorporated or formed under U.S. law, have their registered head offices and corporate headquarters in the U.S.,

[2] Amounts below CAD$2,000 are not included.

carry out their businesses in the U.S., and have all, or substantially all, of their assets located in the U.S.

36. As described above, the Canadian Debtors are managed on a consolidated basis and are wholly reliant on the Chapter 11 Debtors for corporate, administrative, and back-office support. The Canadian Corporate Debtors have a registered office address in Canada (1565 Carling Avenue, #400, Ottawa, Ontario) through the services of a registered agent CT Corporation System for compliance purposes only. The Canadian operations are dependent on and integrated with the U.S. operations. The Canadian Debtors would not be able to function independently without the corporate functions performed by the Chapter 11 Debtors in the U.S.

37. Other than the Chapter 11 Proceedings, no other foreign proceeding (as defined in subsection 45(1) of the CCAA) in respect of KidKraft and the Canadian Debtors has been commenced.

B. Stay of Proceedings in Canada

38. By operation of the U.S. Bankruptcy Code, the Chapter 11 Debtors obtained the benefit of an automatic stay of proceedings upon filing the Petitions with the U.S. Court.

39. In issuing the Interim Stay Order, this Court granted a stay of proceedings in favour of KidKraft and the Canadian Debtors (including Solowave Design LP) and their respective officers and directors, in respect of their business and property in Canada.

40. In the proposed Initial Recognition Order and Supplemental Order, the Foreign Representative is seeking a similar stay of proceedings and extension of protections and authorizations granted pursuant to the Interim Stay Order.

41. As set out in the Initial Affidavit, it is important for the Canadian Debtors to be protected by a stay of proceedings and from enforcement rights in Canada pursuant to a Canadian court order. This is critical to the preservation of the value of the business in Canada and the Chapter 11 Debtors' overall efforts to proceed with the Chapter 11 Cases and the completion of the Sale Transaction.

C. Recognition of Certain U.S. Orders

42. Pursuant to the proposed Supplemental Order, the Foreign Representative seeks recognition by this Court of the following First Day Orders that have been entered by the U.S. Court.

(a) Foreign Representative Order

43. A copy of the entered *Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative, and (II) Granting Related Relief* (the "**Foreign Representative Order**"), provided by the Chapter 11 Debtors' U.S. counsel, is attached hereto as **Exhibit "F"**.

44. The Foreign Representative Order authorizes KidKraft to act as the Foreign Representative on behalf of itself and the Canadian Debtors in these CCAA Part IV proceedings. I am advised by Justin Kanji of Osler that the form of order requested is similar to such orders granted in other cross-border proceedings.

45. I am advised by the Chapter 11 Debtors' U.S. counsel that a certified copy of the Foreign Representative Order has been obtained from the U.S. Court and is currently in transit to Osler, and will be provided to this Court as soon as it is available.

(b) Joint Administration Order

46. A copy of the entered *Order Directing Joint Administration of the Debtors' Chapter 11 Cases* (the "**Joint Administration Order**") is attached hereto as **Exhibit "G"**.

47. The Joint Administration Order consolidates the administration of the Chapter 11 Cases for procedural purposes only, pursuant to the terms and conditions as set out therein.

48. Given the integrated nature of the operations of the Chapter 11 Debtors, including the Canadian Debtors, joint administration of the Chapter 11 Cases provides significant administrative convenience without harming the substantive rights of any party in interest, and reduces fees and costs by avoiding duplicative filings and objections.

(c) Claims Agent Retention Order

49. A copy of the entered *Order Authorizing the Employment and Retention of Stretto, Inc. as Claims, Noticing, and Solicitation Agent* (the "**Claims Agent Retention Order**") is attached hereto as **Exhibit "H"**.

50. The Claims Agent Retention Order authorizes Stretto Inc. ("**Stretto**") — a chapter 11 administrator comprised of leading industry professionals with significant experience in both the legal and administrative aspects of large, complex Chapter 11 cases — to act as the Chapter 11 Debtors' claims, noticing, and solicitation agent in the Chapter 11 Cases. The work to be performed by Stretto will include, among other things:

(a) assisting the Chapter 11 Debtors with the preparation and distribution of all required notices and documents in accordance with the U.S. Bankruptcy Code and

the U.S. Bankruptcy Rules in the form and manner directed by the Chapter 11 Debtors and/or the U.S. Court;

(b) maintaining an official copy of the Chapter 11 Debtors' schedules of assets and liabilities and statements of financial affairs, listing the Chapter 11 Debtors' known creditors and the amounts owed thereto;

(c) assisting in the dissemination of information to the public and responding to requests for administrative information regarding the Chapter 11 Cases as directed by the Chapter 11 Debtors or the U.S. Court;

(d) assisting the Chapter 11 Debtors with plan solicitation services; and

(e) managing and coordinating any distributions pursuant to a chapter 11 plan.

51. I believe Stretto's services, as authorized by the Claims Agent Retention Order, will ensure the efficient, orderly and fair treatment of creditors, equity security holders, and all parties in interest in the Chapter 11 Cases including with respect to the Canadian Debtors and the business in Canada.

(d) Interim Customer Programs Order

52. A copy of the entered *Interim Order (I) Authorizing the Debtors to (A) Maintain and Administer Their Customer Programs; (B) Renew, Replace, Implement, or Modify Their Customer Programs; and (C) Honor Their Obligations Related to the Customer Programs, and (II) Granting Related Relief* (the "**Interim Customer Programs Order**") is attached hereto as **Exhibit "I"**.

53. The Interim Customer Programs Order, among other things, authorizes the Chapter 11 Debtors to: (a) maintain and administer certain of their customer programs, promotions, and practices (the "**Customer Programs**"); and (b) honour certain prepetition obligations related thereto.

54. The Chapter 11 Debtors have developed their brand and designed various marketing strategies to generate business in the face of sophisticated competition. Among these strategies are the Customer Programs, which are designed to enhance revenues by, among other things, encouraging repeat business and developing new customer relationships. As of the Petition Date, Customer Programs consist of various discounts, rebates, returns, and markdowns, all of which are considered when determining the transaction price. The Customer Programs offered are unique to each customer and may be contractual or discretionary depending on the customer and the circumstances. In general, the Chapter 11 Debtors offer (i) discounts that range from 0.5 percent to 10 percent of sales; (ii) rebates that range from 1 percent to 6 percent of sales; (iii) allowances to cover returns that range from 1 percent to 5 percent of sales; and (iv) markdowns that range from 0.5 percent to 5 percent of sales, in each case to a given customer. The majority of these Customer Programs are booked as deductions from invoices, and the remainder are paid through invoices received from customers.

55. The success of the Chapter 11 Debtors' businesses is highly dependent upon the loyalty of the Chapter 11 Debtors' customers. Consequently, continuation of the Customer Programs is vital to maintaining and maximizing the value of the Chapter 11 Debtors' estates. If the Chapter 11 Debtors are unable to honor Customer Program obligations, the Chapter 11 Debtors' brand could be immediately and irreparably harmed. Continued use of the Customer Programs, on the other

hand, will enable the Chapter 11 Debtors to protect their customer base and maximize the value of their estates.

56. Once a final version of the Interim Customer Programs Order is obtained and issued in the U.S. Court, the Foreign Representative intends to return to this Court to seek recognition of such order.

(e) Insurance Order

57. A copy of the entered *Order (I) Authorizing the Debtors to (A) Continue Their Prepetition Insurance Coverage and Satisfy Prepetition Obligations Related Thereto; (B) Renew, Amend, Supplement, Extend, or Purchase Insurance Coverage on a Postpetition Basis in the Ordinary Course; and (C) Continue Their Prepetition Customs Bond Program and Satisfy Prepetition Obligations Related Thereto; (II) Modifying the Automatic Stay Solely With Respect to Workers' Compensation Claims; and (III) Granting Related Relief* (the "**Insurance Order**") is attached hereto as **Exhibit "J"**.

58. The Insurance Order authorizes the Chapter 11 Debtors to maintain their existing insurance policies, pay prepetition obligations related thereto upon entry of the order renew, amend, supplement, extend, or purchase new insurance policies, and maintain their Customs Bond on a postpetition basis in the ordinary course of business.

59. It is essential that the Chapter 11 Debtors have the ability to continue or renew their insurance policies and enter into new insurance policies or agreements to preserve the value of their businesses. In many cases, regulations, laws, and contract provisions that govern the Chapter 11 Debtors' commercial activities require the types of coverage provided under the insurance policies.

60. Further, the Chapter 11 Debtors, in the ordinary course of business, are required to maintain one or more bonds to assure the United States Customs and Border Protection Agency of their ability to pay applicable duties, taxes, and fees on account of their imports. As of the Petition Date, the Chapter 11 Debtors maintain one customs bond in the bond amount of approximately $400,000 (the "**Customs Bond**"). Failure to provide, maintain, or timely replace the Customs Bond may prevent the Chapter 11 Debtors from importing essential products, which may create an interruption in the Chapter 11 Debtors' business operations, and thus it is essential that the Chapter 11 Debtors be authorized to pay any prepetition and postpetition amounts in the ordinary course of business associated with the continuation, renewal, or extension of the Customs Bond.

(f) Utilities Order

61. A copy of the entered *Order (I) Approving the Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving the Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief* (the "**Utilities Order**") is attached hereto as **Exhibit "K"**.

62. The Utilities Order, among other things: (a) approves the Chapter 11 Debtors' proposed adequate assurance of payment for future utility services; (b) prohibits utility providers from altering, refusing, or discontinuing services; and (c) approves the Chapter 11 Debtors' proposed procedures for resolving adequate assurance requests.

63. Certain companies (the "**Utility Companies**") provide the Chapter 11 Debtors with traditional utility services (the "**Utility Services**"), such as electricity, gas, water, waste disposal, telecommunications, internet, and other similar services that the Chapter 11 Debtors utilize in the

ordinary course of business and are necessary for the continued operation of their day-to-day affairs. Uninterrupted Utility Services are critical to the Chapter 11 Debtors' ability to operate and maintain the value of their businesses while maximizing value for the benefit of their estates. Should any Utility Company alter, refuse, or discontinue service, even for a brief period, the Chapter 11 Debtors' business operations could be significantly disrupted, which could immediately and irreparably harm and jeopardize the Chapter 11 Debtors' operations and strategic objectives. Accordingly, it is essential that the Utility Services continue uninterrupted during the Chapter 11 Cases.

(g) Taxes and Fees Order

64. A copy of the entered *Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief* (the "**Taxes and Fees Order**") is attached hereto as **Exhibit "L".**

65. The Taxes and Fees order authorizes the Chapter 11 Debtors to remit and pay (or use tax credits to offset) certain accrued and outstanding prepetition taxes and fees that will become payable during the pendency of the Chapter 11 Cases in the ordinary course of business.

66. In the ordinary course of business, the Chapter 11 Debtors collect, withhold, or incur property taxes, franchise taxes, and sales, use, and excise taxes (collectively, the "**Taxes and Fees**"). The Chapter 11 Debtors remit and pay the Taxes and Fees to various state, local, and national governments, including taxing authorities in the U.S. and Canada (collectively, the "**Authorities**"). The Chapter 11 Debtors remit and pay the Taxes and Fees through cheques and electronic funds transfers that are processed through their Banks and other financial institutions. The Chapter 11 Debtors may also receive tax credits from time-to-time for overpayments or refunds in respect of the Taxes and Fees, which the Chapter 11 Debtors generally use to offset

against future Taxes and Fees or have the amount of such credits refunded to the Chapter 11 Debtors. As of the Petition Date, the Chapter 11 Debtors estimate that approximately $292,000 in Taxes and Fees is accrued and is outstanding (approximately CAD$26,000 in Canada), approximately $144,000 of which will become due and payable within the first 21 days after the Petition Date.

67. That the payment of the Taxes and Fees, including by the Canadian Debtors, is necessary to avoid potential administrative difficulties is unquestionable. If the Taxes and Fees are not paid, the Authorities may attempt to take precipitous action, including additional state audits, lien filings, and lift stay motions. Only the prompt and regular payment of the Taxes and Fees will avoid these and other unnecessary governmental actions.

(h) Interim Critical Vendors Order

68. A copy of the entered *Interim Order (I) Authorizing the Debtors to Pay (A) Critical Vendors, (B) Lien Claimants, and (C) 503(b)(9) Claimants; (II) Confirming Administrative Expense Priority of Outstanding Orders; and (III) Granting Related Relief* (the "**Interim Critical Vendors Order**") is attached hereto as **Exhibit "M"**.

69. The Interim Critical Vendors Order, among others things, authorizes the Chapter 11 Debtors to pay in the ordinary course of business, based on their sound business judgment, prepetition amounts owed to: (a) critical vendors; (b) lien claimants, and (c) vendors from whom the Chapter 11 Debtors received goods within 20 days before the Petition Date in the ordinary course of business (collectively, the "**Vendors**," and the Vendors' prepetition claims, collectively, the "**Vendor Claims**"). The Interim Critical Vendors Order also confirms the administrative expense priority status and treatment of the Chapter 11 Debtors' outstanding orders.

70. The Chapter 11 Debtors rely on continuing access to, and relationships with, the Vendors, which provide the Chapter 11 Debtors with goods and services that are critical to their ongoing business operations, including software and internet services, marketing and brand awareness services, and shipping services, among others. Any disruption in the Chapter 11 Debtors' access to these services would have significant and detrimental economic and operational impacts on the Chapter 11 Debtors' businesses.

71. Accordingly, it is critical that the Chapter 11 Debtors, including the Canadian Debtors, pay certain of the Vendor Claims so that the Chapter 11 Debtors, including the Canadian Debtors, can maintain the going concern value of the Chapter 11 Debtors' business and minimizing operational degradation as they work to effect a comprehensive reorganization of their business under Chapter 11 of the U.S. Bankruptcy Code.

(i) Interim Cash Management Order

72. A copy of the entered *Interim Order (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System and Maintain Existing Bank Accounts, (B) Continue Using Existing Checks and Business Forms, (C) Maintain Their Corporate Card Program, and (D) Continue Intercompany Transactions and (II) Granting Related Relief* (the "**Interim Cash Management Order**") is attached hereto as **Exhibit "N"**.

73. The Interim Cash Management Order, among other things, authorizes the Chapter 11 Debtors to: (a) continue to operate their Cash Management System and maintain existing Bank Accounts; (b) continue using their existing business forms and cheques; (c) maintain their corporate card program; and (d) continue to engage in intercompany transactions.

74. The Canadian Debtors are dependent on the continued operation of the Cash Management System (as described above) to collect, transfer, and disburse funds and to facilitate cash monitoring, forecasting, and reporting. The Canadian Debtors' continued access to the Cash Management System is important to meet immediate-term obligations and preserve the value of the business in Canada. Any disruption to the Cash Management System could have an immediate and significant effect on the Canadian Debtors to the detriment of all stakeholders. The Interim Cash Management Order in the Chapter 11 Cases addresses these issues. Further, the Interim Cash Management Order ensures that the Chapter 11 Debtors can (and will) accurately document, record, and track postpetition transactions occurring within the Cash Management System, for the benefit of their estates.

(j) Employee Wages Order

75. A copy of the entered *Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief* (the "**Employee Wages Order**") is attached hereto as **Exhibit "O"**.

76. The Employee Wages Order, among other things, authorizes the Chapter 11 Debtors to: (a) pay prepetition wages, salaries, other compensation, and reimbursable expenses; and (b) continue benefits programs.

77. The Chapter 11 Debtors' employees (the "**Employees**"), including the one Employee of KidKraft resident in Canada, perform a wide variety of functions that support the Chapter 11 Debtors' operations and will be critical to the administration of the Chapter 11 Cases and to maximizing the value of the Chapter 11 Debtors' estates. Their skills, knowledge, and

understanding of the Chapter 11 Debtors' operations are essential to preserving operational stability and efficiency during the Chapter 11 Cases. Without the continued, uninterrupted services of the Employees, the Chapter 11 Debtors' business operations will suffer immediate and irreparable harm.

78. The Employee Wages Order authorizes the Chapter 11 Debtors to continue their prepetition compensation and benefits programs in the ordinary course of business and consistent with past practices. The Employee Wages Order also authorizes the Chapter 11 Debtors to continue paying wages to Employees of their non-Chapter 11 Debtor subsidiaries in China in the ordinary course of business on a postpetition basis, as such Employees have skills and knowledge of the Chapter 11 Debtors' operations in China that will be essential to keeping the Chapter 11 Debtors' operations running during the course of the Chapter 11 Cases.

(k) Interim DIP Order

79. A copy of the entered *Interim Order (I) Authorizing Debtors and Debtors in Possession to Obtain Postpetition Senior Secured Superpriority Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Secured Parties, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* (the "**Interim DIP Order**") is attached hereto as **Exhibit "P"**.

80. As described in Part III of the Initial Affidavit, the Chapter 11 Debtors' funded secured debt arises from the Prepetition Credit Agreement, which was most recently amended: (a) on January 31, 2024 by the Fifth Amendment in connection with the Debt Sale to 1903 Partners, LLC (the "**Prepetition and DIP Lender**", and together with the Prepetition and DIP Agent, "**Gordon**

Brothers"), which increased the available priority revolving commitments to $26.8 million and extended the maturity of the term loans under the Prepetition Credit Agreement from June 30, 2023, to June 30, 2024; and (b) on May 9, 2024 by the Sixth Amendment which increased the total available priority revolving commitments to $31.5 million. All of the Chapter 11 Debtors' cash on hand as of the Petition Date (the "**Cash Collateral**") and any proceeds of the of the Chapter 11 Debtors' assets and property other than Excluded Assets, Excluded Receivables and Consumer Goods (as each such term is defined in the Prepetition Credit Agreement) are subject to the first ranking liens of the Gordon Brothers.

81. The Chapter 11 Debtors' postpetition operations in the near-term will not generate sufficient cash to continue operations in the ordinary course while funding the expenses associated with the Chapter 11 Cases and these CCAA Part IV proceedings. Access to cash is essential to ensure the viability of the Company as a going concern and to preserve the value of the Chapter 11 Debtors' estates. The harm caused by a failure to meet liquidity needs could destabilize the Company's business operations and jeopardize the Sale Transaction to the Purchaser, which is described in Part IV of the Initial Affidavit.

82. Accordingly, the Chapter 11 Debtors require immediate access to debtor-in-possession financing and authority to use cash collateral to maintain sufficient liquidity to continue to operate and consummate the Sale Transaction to maximize value for their stakeholders. Pursuant to the restructuring support agreement ("**RSA**") entered into on April 25, 2024 by the Chapter 11 Debtors, Gordon Brothers, MidOcean and the Purchaser, among other things, Gordon Brothers agreed to provide such debtor-in-possession financing (the "**DIP Facility**"). The RSA sets forth the commitments of the parties to implement the proposed Sale Transaction through the Plan, including the DIP Facility in accordance with a term sheet (the "**DIP Term Sheet**"). A copy of the

RSA is attached as Exhibit "B" to the First Day Declaration, which is attached hereto as **Exhibit "B"**. A copy of the DIP Term Sheet is attached as Exhibit "A" to the Interim DIP Order, which is attached hereto as **Exhibit "P"**.

83. The Interim DIP Order, among other things authorizes: (a) KidKraft as borrower to receive a senior secured superpriority multi-draw debtor-in-possession term loan credit facility (the DIP Facility) from the Prepetition and DIP Lender on the terms set forth in the DIP Term Sheet and in accordance with an approved budget (included as Exhibit "B" to the Interim DIP Order); and (b) the Chapter 11 Debtors to use, on a consensual basis, the Cash Collateral of the Gordon Brothers under the Prepetition Credit Agreement.

84. Each of the Canadian Debtors, as well as other affiliates of KidKraft, are guarantors and pledgors under the DIP Facility.

85. The DIP Facility consists of an aggregate principal amount of:

(a) $10.5 million, consisting of (i) $4.0 million of interim commitment (available upon entry of the Interim DIP Order) (the "**Interim DIP Commitment**") and (ii) an incremental $6.5 million of final commitment (available upon entry of a final order) (the "**Final DIP Commitment**", and together, the "**New Money DIP Loans**"); and

(b) $23.3 million of roll-up loans (the "**Limited Roll-Up**"), plus the consensual use of the Cash Collateral.

86. Given that substantially all of the Chapter 11 Debtors' unrestricted cash is Cash Collateral, the Chapter 11 Debtors need access to such Cash Collateral and the proceeds of the DIP Facility to operate their businesses in the ordinary course during these Chapter 11 Cases.

87. In exchange for this essential liquidity provided by the New Money DIP Loans and the Cash Collateral, the Chapter 11 Debtors agreed to certain reasonable protections for the Gordon Brothers, including superpriority liens on collateral, payment of interest and fees on amounts borrowed, and a limited "roll-up" of approximately $23.3 million (the "**Limited Roll-Up Amount**") of prepetition financing under the Prepetition Credit Agreement which provided the Chapter 11 Debtors with a liquidity runway to file the Chapter 11 Cases and maximize the value of their estates. The proposed Limited Roll-Up Amount is limited to the new capital that the prepetition secured parties, Gordon Brothers, provided the Chapter 11 Debtors after the Debt Sale closed on January 31, 2024. Importantly, this liquidity provided a runway for the Chapter 11 Debtors to commence the sale process, which in turn led to the Purchaser's offer and the proposed Sale Transaction and has allowed the Chapter 11 Debtors to maintain their operations and preserve the value of their estates leading up to the Chapter 11 Cases. The Limited Roll-Up is a material component of the structure of the DIP Facility and was required by the Prepetition and DIP Lender as a condition to its commitment to provide postpetition financing and its consent to the Chapter 11 Debtors' use of Cash Collateral. Additionally, the proposed Limited Roll-Up is reasonable in light of the ratio of new money provided by the Prepetition and DIP Lender to the Limited Roll-Up Amount.

88. The proceeds from the proposed DIP Facility will be used for, among other things, making payments integral to the Chapter 11 Debtors' business operations, paying administrative expenses associated with the Chapter 11 Cases and these CCAA Part IV proceedings, and satisfying working capital needs in the ordinary course of business. Moreover, the liquidity to be provided under the DIP Facility, combined with access to existing Cash Collateral, will enable the Chapter 11 Debtors to: (i) fund their operations during the course of the Chapter 11 Cases and these CCAA Part IV

proceedings, including the administrative costs; (ii) ensure that value is preserved during the course of the Chapter 11 Debtors' Chapter 11 Cases; and (iii) consummate the Sale Transaction and confirm the Plan to maximize value for the Chapter 11 Debtors' estates.

89. Because the Chapter 11 Debtors will continue their pre-filing Cash Management System, funds available under the DIP Facility will indirectly flow to the Canadian Debtors to enable their continued operation during these CCAA Part IV proceedings.

90. I believe that the amount available to draw under the DIP Facility upon the entry of the Interim DIP Order addresses the Chapter 11 Debtors' (including the Canadian Debtors') immediate liquidity needs during the case and prior to the U.S. Court approving the DIP Facility on a final basis.

91. The DIP Facility is the product of arm's-length negotiations and represents the best available option for the Chapter 11 Debtors and will benefit all parties in interest. Prior to the Petition Date, the Chapter 11 Debtors and their advisors contacted other parties to seek proposals for third-party postpetition financing. No potential lenders were willing to provide financing on an unsecured or junior lien basis. Financing on a postpetition basis is not otherwise available and is not available on terms more favourable than the terms contained in the DIP Facility.

92. The amounts owing by the Chapter 11 Debtors under the DIP Facility are proposed to be secured in Canada by the DIP Charge (defined below) on the Canadian Property, ranking in priority to all other secured and unsecured claims in Canada, other than the Administration Charge and the D&O Charge (each as defined below), and subject to the relative priority of liens as set forth in the Interim DIP Order.

93. The Chapter 11 Debtors do not dispute that the sales of accounts receivable to Coface under the Receivables Sales Agreements were "true sales". Accordingly, the relief granted under the Interim DIP Order will not materially prejudice Coface as there is no dispute as to the priority of its liens on its separate collateral, as such receivables are the property of Coface and not the Chapter 11 Debtors.

94. I understand that KSV Restructuring, in its capacity as the proposed Information Officer, will be filing a pre-appointment report to the Court that will, among other things, include an analysis of the attributes of the DIP Facility, including its costs and the Limited Roll-Up feature, and the proposed Information Officer's conclusion that the DIP Facility is reasonable and appropriate in the circumstances.

95. The Interim DIP Order only authorizes the borrowing of the New Money DIP Loans up to an aggregate amount equal to the Interim DIP Commitment. Once a final order in respect of the DIP Facility — which provides for the borrowing of the Final DIP Commitment and the Limited Roll-Up Amount — is obtained and issued in the U.S. Court, the Foreign Representative intends to return to this Court to seek recognition of such order.

96. I am advised by the Chapter 11 Debtors' U.S. counsel and believe that although the U.S. Trustee for the Northern District of Texas filed an objection to the entry of the Interim DIP Order, these issues were either resolved consensually or through a revised form of order, which was consistent with the rulings of the U.S. Court and entered as the Interim DIP Order, including that the Limited Roll-Up Amount be subject to approval at the second day hearing in the U.S. Court.

97. Additional details about the DIP Facility and the Interim DIP Order are included in the DIP Motion, a copy of which is attached as **Exhibit "Q"**.

D. Appointment of Information Officer

98. As part of its application, the Foreign Representative is seeking to appoint KSV Restructuring as the Information Officer in this proceeding. KSV Restructuring is a licensed trustee in bankruptcy in Canada and its principals have acted as an information officer in several previous ancillary proceedings (both under Part IV of the CCAA as well as the former section 18.6 of the CCAA).

99. KSV Restructuring has consented to acting as Information Officer in this proceeding. A copy of KSV Restructuring's consent to act as Information Officer is attached hereto as **Exhibit "R"**.

E. Administration Chage

100. The proposed Supplemental Order provides that the Information Officer, along with its counsel, and KidKraft and the Canadian Debtors' Canadian counsel will be granted an administration charge with respect to their fees and disbursements up to a maximum amount of CAD$750,000 (the "**Administration Charge**") on the Canadian Property. The Administration Charge is proposed to have first priority over all other charges on the Canadian Property.

101. I believe the amount of the Administration Charge to be reasonable in the circumstances, having regard to the size and complexity of these proceedings and the roles that will be required of the proposed Information Officer, its legal counsel, and KidKraft and the Canadian Debtors' Canadian counsel.

F. D&O Charge

102. I am advised by Justin Kanji of Osler and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid wages and vacation pay, together with unremitted retail sales, goods and services, and harmonized sales taxes.

103. It is my understanding that the directors and officers of the Canadian Corporate Debtors (and by extension, in effect, Solowave Design LP) are potential beneficiaries of director and officer liability insurance maintained by the Company (the "**D&O Insurance**") with an aggregate coverage limit of $21 million. While the D&O Insurance insures directors and officers of the Canadian Corporate Debtors (and by extension, in effect, Solowave Design LP) for certain claims that may arise against them in such capacity as directors and/or officers, that coverage is not absolute. Rather, it is subject to several exclusions and limitations which may result in there being no coverage or insufficient coverage for potential liabilities. It is unclear whether the D&O Insurance provides sufficient coverage against the potential liability that the directors and officers of the Canadian Corporate Debtors (and by extension, in effect, of Solowave Design LP) could incur during these CCAA Part IV proceedings.

104. In light of the potential liabilities and the potential insufficiency of available insurance and the need for the continued service of the directors and officers of the Canadian Corporate Debtors (and by extension, in effect, of Solowave Design LP) in this proceeding, KidKraft, as the Foreign Representative, seeks the granting of a charge on the property and assets of the Canadian Debtors in favour of the directors and officers of the Canadian Corporate Debtors (and by extension, in effect, Solowave Design LP) in the maximum amount of CAD $100,000 (the "**D&O Charge**").

105. The D&O Charge is necessary to secure the indemnity obligations of KidKraft and the Canadian Debtors to their directors and officers in respect of obligations and liabilities that such directors and officers may incur during this proceeding in their capacities as directors and officers. The D&O Charge would only be relied upon to the extent of the insufficiency of the existing D&O Insurance in covering any exposure of the directors and officers of the Canadian Debtors (and by extension, in effect, of Solowave Design LP).

106. The D&O Charge is proposed to rank in priority to all other secured and unsecured claims, other than the Administration Charge over the Canadian Property.

107. The amount of the proposed D&O Charge has been estimated, in consultation with the proposed Information Officer, with reference to the Canadian Debtors' federal and provincial tax liability exposure. I believe the amount of the proposed D&O Charge to be reasonable in the circumstances.

G. DIP Charge

108. The amounts owing by the Chapter 11 Debtors under the DIP Facility are proposed to be secured by, among other things, Court-ordered charges on the Canadian Property that rank in priority to all secured and unsecured claims and are subject to the relative priority of liens as set forth in the Interim DIP Order on the Canadian Property, but subordinate to the proposed Administration Charge and D&O Charge (the "**DIP Charge**").

PART IV - CONCLUSION

109. I believe that the relief sought in the proposed Initial Recognition Order and Supplemental Order is necessary to protect and preserve the operations and value of the Company's business in Canada, while the Chapter 11 Debtors, including the Canadian Debtors, pursue a comprehensive

and coordinated restructuring in the Chapter 11 Cases, with a view to emerging as a strong and sustainable enterprise for the benefit of a broad range of stakeholders.

SWORN BEFORE ME over videoconference in accordance with the *Administering Oath or Declaration Remotely Regulation*, O. Reg 431/20, on May 15, 2024, while I was located in the City of Toronto, in the Province of Ontario, and the affiant was located in Dallas in the State of Texas.

EMILIE DILLON
Commissioner for Taking Affidavits
(or as may be)

GEOFFREY WALKER

This is Exhibit "A" referred to in the Affidavit of GEOFFREY WALKER sworn by GEOFFREY WALKER at the City of Dallas, in the State of Texas, before me at the City of Toronto, in the Province of Ontario, on May 15, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Commissioner for Taking Affidavits (or as may be)

EMILIE DILLON

LSO NO. 85199L

Court File No. CV-24-00720035-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY, THE 10th
	)	
JUSTICE CAVANAGH	)	DAY OF MAY, 2024

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF KIDKRAFT, INC., SOLOWAVE DESIGN HOLDINGS LIMITED., SOLOWAVE DESIGN INC., SOLOWAVE INTERNATIONAL INC. AND SOLOWAVE DESIGN LP

APPLICATION OF KIDKRAFT, INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

INTERIM STAY ORDER
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, by KidKraft, Inc. ("**KidKraft**"), in its capacity as the proposed foreign representative (in such capacity, the "**Proposed Foreign Representative**") in respect of the proceedings commenced in the United States Bankruptcy Court for the Northern District of Texas pursuant to chapter 11 of title 11 of the United States Code (the "**Foreign Proceeding**") by KidKraft and the Canadian Debtors (as hereinafter defined) (collectively, the "**Chapter 11 Debtors**"), for an Order substantially in the form enclosed in the Application Record, was heard this day by judicial videoconference in Toronto, Ontario.

ON READING the Notice of Application and the affidavit of Geoff Walker affirmed May 10, 2024 and the affidavit of Emilie Dillon sworn May 10, 2024,

AND UPON HEARING the submissions of counsel for the Proposed Foreign Representative and counsel appearing on the participant information form, no one else appearing although duly served as appears from the affidavit of service of Emilie Dillon sworn May 10, 2024, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS** that, although not a company to which the CCAA applies, Solowave Design LP, its Business (as hereinafter defined) and Property (as hereinafter defined) shall have the benefits of the protections and authorizations provided by this Order, other orders made in these proceedings, and the CCAA, and shall otherwise be subject to the provisions of this Order and other orders made in these proceedings.

STAY OF PROCEEDINGS

3. **THIS COURT ORDERS** that from the date hereof until and unless ordered by the Court (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal in Canada (each, a "**Proceeding**" and, collectively, "**Proceedings**") including, without limitation, a Proceeding taken or that might be taken under the *Bankruptcy and Insolvency Act,* R.S.C., 1985, c. B-3, as amended, or the *Winding-up and Restructuring Act,* R.S.C. 1985, c. W-11. as amended, shall be commenced or continued against or in respect of: (a) KidKraft; or (b) any of Solowave Design Holdings Limited., Solowave Design Inc., Solowave International Inc. or Solowave Design LP (collectively, the "**Canadian Debtors**"), or KidKraft's or the Canadian Debtors' respective employees or representatives in Canada, or affecting their business (the "**Business**") or (x) the

current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate in Canada, including all proceeds thereof, of KidKraft, and (y) the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, of the Canadian Debtors (collectively, (x) and (y), the "**Property**"), except with the written consent of the applicable Chapter 11 Debtors or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors, or affecting the Business or the Property, are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

4. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities or person (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of any of the Chapter 11 Debtors, or their employees or representatives in Canada, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the applicable Chapter 11 Debtors or with leave of this Court, provided that nothing in this Order shall (a) prevent the assertion of or the exercise of rights and remedies outside of Canada; (b) empower any Chapter 11 Debtor to carry on any business in Canada which such Chapter 11 Debtor is not lawfully entitled to carry on; or (c) affect such investigations or Proceedings by a regulatory body as are permitted by section 11.1 of the CCAA.

NO INTERFERENCE WITH RIGHTS

5. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, licence or permit in favour of or held by any of the Chapter 11 Debtors and affecting the Business or Property in Canada, except with the leave of this Court.

ADDITIONAL PROTECTIONS

6. **THIS COURT ORDERS** that, during the Stay Period, all Persons having oral or written agreements with any of the Chapter 11 Debtors or statutory or regulatory mandates for the supply

of goods and/or services in Canada, including without limitation, all licensing arrangements, manufacturing arrangements, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, logistics services, utility, fuel, maintenance, customs broker services or other services provided in respect of the Property or Business of the applicable Chapter 11 Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the applicable Chapter 11 Debtors, and that the Chapter 11 Debtors shall be entitled to the continued use in Canada of their current premises, bank accounts, telephone numbers, facsimile numbers, internet addresses and domain names.

7. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Chapter 11 Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of any of the Chapter 11 Debtors whereby the directors or officers are alleged under any law of Canada to be liable in their capacity as directors or officers for the payment or performance of such obligations.

NO SALE OF PROPERTY

8. **THIS COURT ORDERS** that, except with the leave of this Court, each of the Chapter 11 Debtors are prohibited from selling or otherwise disposing of:

(a) outside the ordinary course of its Business, any of its Property that relates to the Business; and

(b) any of its other Property.

SERVICE AND NOTICE

9. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List

website at https://www.ontariocourts.ca/scj/practice/regional-practice-directions/%20eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure, R.R.O. 1990, Reg 194 (the "**Rules of Civil Procedure**"). Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

10. **THIS COURT ORDERS** that the Proposed Foreign Representative, the Chapter 11 Debtors, KSV Restructuring Inc., in its capacity as the proposed information officer (the "**Proposed Information Officer**"), and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Chapter 11 Debtors' creditors or other interested parties and their advisors. Any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

11. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the Proposed Foreign Representative, the Proposed Information Officer and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or electronic transmission to the Chapter 11 Debtors' creditors or other interested parties at their respective addresses (including e-mail addresses) as last shown on the records of the applicable Chapter 11 Debtor and that any such service or distribution shall be deemed to be received (a) in the case of delivery by personal delivery, facsimile or electronic transmission, on the date of delivery or transmission,;(b) in the case of delivery by prepaid ordinary mail, on the third business day after mailing; and (c) in the case of delivery by courier, on the next business day following the date of forwarding thereof.

GENERAL

12. **THIS COURT ORDERS** that any party may, from time to time, apply to this Court for such further or other relief as it may advise, including for directions in respect of this Order.

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, or regulatory or administrative body having jurisdiction in Canada, the United States of America or any other foreign jurisdiction, to give effect to this Order and to assist the Proposed Foreign Representative, the Chapter 11 Debtors and their respective counsel and agents in carrying out the terms of this Order. All courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Proposed Foreign Representative and Chapter 11 Debtors as may be necessary or desirable to give effect to this Order, or to assist the Proposed Foreign Representative and Chapter 11 Debtors and their respective agents in carrying out the terms of this Order.

14. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Proposed Foreign Representative, the Chapter 11 Debtors, the Proposed Information Officer and their respective counsel, and to any other party or parties likely to be affected by the order sought (including, without limitation, those parties identified on the service list maintained by the Proposed Information Officer) or upon such other notice, if any, as this Court may order.

15. **THIS COURT ORDERS** that this Order shall be effective as of 12:01 a.m. on the date of this Order without the need for entry or filing of this Order.


Digitally signed by Mr. Justice Cavanagh

Justice Cavanagh

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

Court File No: CV-24-00720035-00CL

AND IN THE MATTER OF KIDKRAFT, INC., SOLOWAVE DESIGN HOLDINGS LIMITED., SOLOWAVE DESIGN INC., SOLOWAVE INTERNATIONAL INC. AND SOLOWAVE DESIGN LP

APPLICATION OF KIDKRAFT, INC. UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36 AS AMENDED

Ontario
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INITIAL RECOGNITION ORDER
(FOREIGN MAIN PROCEEDING)

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Lawyers for the Applicant

This is Exhibit "B" referred to in the Affidavit of GEOFFREY WALKER sworn by GEOFFREY WALKER at the City of Dallas, in the State of Texas, before me at the City of Toronto, in the Province of Ontario, on May 15, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Commissioner for Taking Affidavits (or as may be)

EMILIE DILLON

LSO NO. 85199L

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PROPOSED ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Case No. 24-80045-11**
	§	
KIDKRAFT, INC., *et al.*,	§	**(Chapter 11)**
	§	
Debtors.[1]	§	**(Joint Administration Requested)**
	§	**(Emergency Hearing Requested)**

DECLARATION OF GEOFFREY WALKER IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Geoffrey Walker, pursuant to 28 U.S.C. § 1746, declare under penalty of perjury that:

1. I am the Chief Executive Officer and President of KidKraft, Inc., a corporation organized under Delaware law ("***KidKraft***," and together with its debtor and non-debtor affiliates, the "***Company***").

2. I joined the Company in 2019 and have served in my current role since that time. As a result, I am familiar with the Company's day-to-day operations, business and financial affairs, books and records, and employees. I hold a Bachelor of Science degree in Accounting from the

[1] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers or Canadian business numbers, as applicable, are: KidKraft, Inc. (3303), KidKraft Europe, LLC (3174), KidKraft Intermediate Holdings, LLC (8800), KidKraft International Holdings, Inc. (2933), KidKraft International IP Holdings, LLC (1841), KidKraft Partners, LLC (3268), Solowave Design Corp. (9294), Solowave Design Holdings Limited (0206), Solowave Design Inc. (3073), Solowave Design LP (7201), and Solowave International Inc. (4302). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 4630 Olin Road, Dallas, TX 75244.

University of Southern California and a Masters of Business Administration from Vanderbilt University. I have over twenty-eight years of experience in the toy industry, and I served in multiple leadership roles at Mattel, Inc. prior to joining the Company. Prior to my work at Mattel, I worked as a consultant and auditor with KPMG.

3. On the date hereof (the "***Petition Date***"), each of the above-captioned debtors and debtors in possession (collectively, the "***Debtors***") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***") in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "***Court***").

4. I am authorized to submit this Declaration on behalf of the Debtors. I am over 21 years of age, and, if called upon to testify, I would testify competently to the facts and opinions set forth herein. All facts and opinions set forth in this declaration (the "***Declaration***") are based upon: (i) my knowledge of the Debtors' day-to-day operations, business and financial affairs, books and records, and employees; (ii) information I learned from my review of relevant documents, including unaudited financial documents; (iii) information supplied to me or verified by other members of the Company's management and its third-party advisors; and/or (iv) my experience and knowledge concerning the toy industry generally. Unless otherwise indicated, any financial information contained in this Declaration is subject to change but is true and correct as of the date of this Declaration. Such financial information is presented on a consolidated basis for the Debtors, except where specifically noted.

5. The Debtors have filed contemporaneously with this Declaration certain motions seeking "first day" relief (collectively, the "***First Day Motions***") to minimize possible adverse effects of the chapter 11 filings on the Debtors' businesses. I have reviewed the First Day Motions, and I believe the relief requested therein is necessary to avoid immediate and irreparable harm to

the Debtors' businesses, estates, and stakeholders resulting from the filing of these chapter 11 cases (the "***Chapter 11 Cases***"). As set forth below and described in greater detail in the First Day Motions, I also believe that without immediate access to cash collateral, debtor-in-possession financing ("***DIP Financing***"), and authority to make certain essential payments on account of prepetition claims and otherwise continue conducting ordinary-course business operations, the Debtors would suffer immediate and irreparable harm to the detriment of their businesses, estates, and stakeholders.

6. This Declaration is organized into four parts. Part I provides background information on the Company and its operations. Part II provides an overview of the Debtors' prepetition capital structure. Part III describes the challenges the Company has faced and strategies the Company has implemented in response to such challenges. Part IV and **Exhibit A** attached to this Declaration summarize the relief requested in and the factual bases supporting the First Day Motions.

I. THE COMPANY'S BUSINESSES

A. The Company's History

7. Founded in Dallas in 1968, KidKraft is a privately held company that is a leader in branded, sustainable, wood-based active and imaginative play products such as swing sets, dollhouses, playhouses, and more. Originally focused on made-from-wood children's furniture, the Company later expanded its product offerings, focusing on imaginative play including dollhouses and role-play kitchens, and in 2008 and 2009 expanded its global footprint by opening offices in the Netherlands to serve the European, Middle Eastern, African, and Asian markets and China to facilitate the production and distribution of the Company's products. The Company further expanded its product offerings to include outdoor playhouses and swing sets and, in 2016, acquired Solowave Design – a leading maker of outdoor wood play sets in Canada.

B. The Company's Operations

1. The Company's Product Lines

8. The Company's various product lines are generally divided between products sold for use outdoors (the "***Outdoor Business***") and products sold for use indoors (the "***Indoor Business***"). Approximately 59% of the Company's sales were attributable to the Outdoor Business with the remaining 41% attributable to the Indoor Business during the 2024 fiscal year.[2]

9. The Outdoor Business has several product lines, including swing sets, playhouses, outdoor furniture, and climbers, with swing sets and playhouses making up the majority of the Company's sales in the Outdoor Business.

10. The Indoor Business similarly has several product lines, including indoor furniture, vehicles and playsets, role play, and doll play. The Indoor Business is well diversified, with each product category making up between 16% to 35% of the Indoor Business sales. The products are designed to be easily assembled in the home, creating imaginative play for children.

[2] The Company's fiscal year runs from April 1 to March 31.

11. In both the Outdoor Business and Indoor Business, the Company has been committed to expanding and improving its offerings for customers, with multiple new products being launched in each of the last three years and 34% of gross sales being attributable to products launched in the last two years. The Company has also focused on making its products accessible to a wide audience, seeking to release smaller products with accessible price points across its existing categories.

2. The Company's Sale and Supply Channels

12. KidKraft distributes its products through several large stores, including Costco, Sam's Club, Target, and Walmart, online retailers, including Amazon and Wayfair, and direct-to-consumer sales from the Company's website. In recent years the Company has scaled its global drop-shipping infrastructure to support continued growth in its online direct to consumer sales and complement its existing warehouse and distribution capabilities. The Company has strong

business relationships across global retailers with more than 3,000 points of distribution in over 90 countries, as well as within the global logistics community.

3. The Company's Management

13. The Company is led by an experienced management team comprised of the following members:

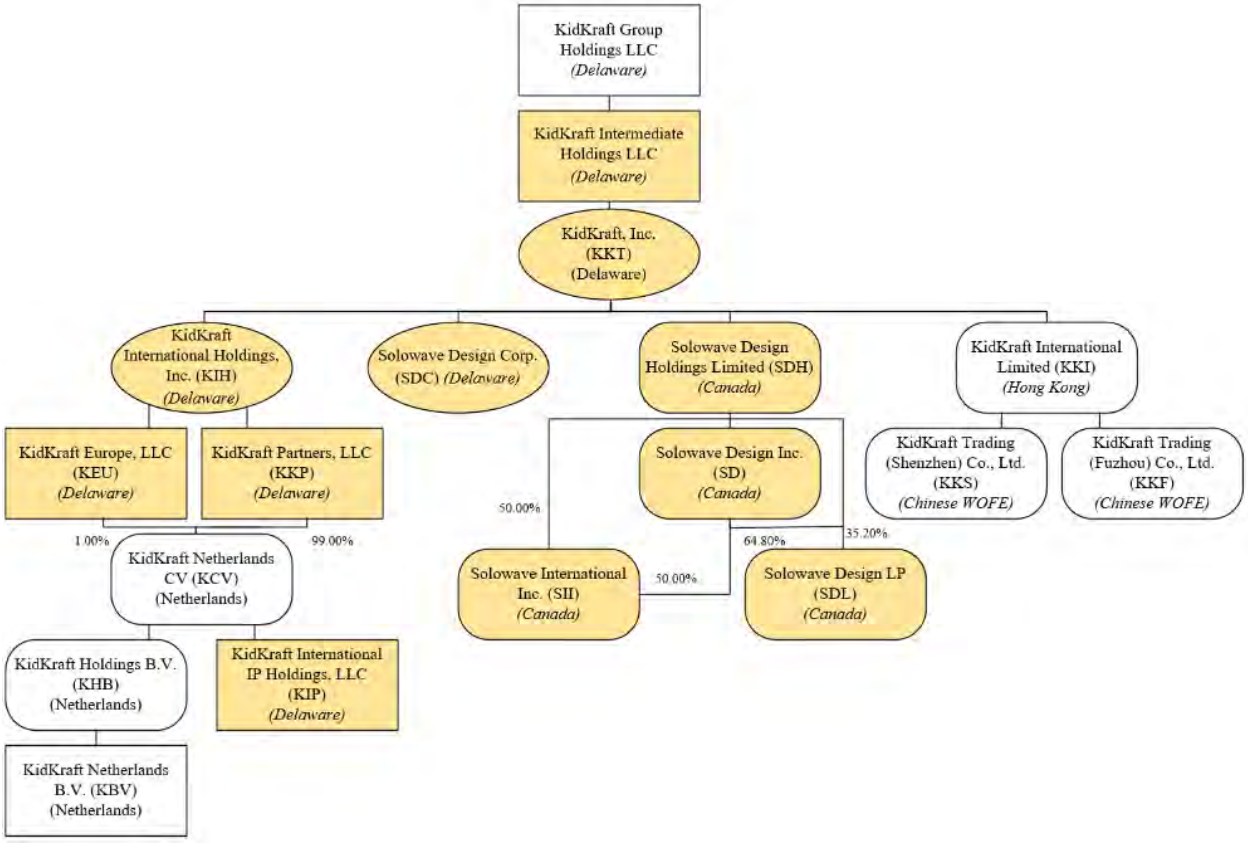
Name	Years with the Company	Title
Geoff Walker	5	Chief Executive Officer and President
Johnnie Goodner	5	Chief Financial Officer
David Barr	23	Chief Supply Chain and Product Officer

14. As of the Petition Date, the Debtors employ over 60 individuals on a full-time or part-time basis in the U.S. and Canada.[3] The Company's management team is supported by mid-level executives who are vital to the Company's operations, these Chapter 11 Cases, and the ability to successfully consummate the Sale Transaction (as defined below). Their skills, knowledge, and understanding of the Company's operations are essential to preserving operational stability, safety, and efficiency.

C. The Company's Organizational Structure

15. The Company's organizational structure consists of eighteen entities. Eleven of the Company entities are Debtors in these Chapter 11 Cases. The following is a simplified organization chart of the Company, with the Debtor entities highlighted in yellow:

[3] The Company's non-debtor affiliates in the Netherlands and China employ approximately 17 individuals and 150 individuals, respectively.



16. The non-debtors include KidKraft's ultimate parent company, KidKraft Group Holdings LLC, which is not a guarantor or borrower on any of the Company's funded debt, as well as the Company's subsidiaries in China and the Netherlands. The China subsidiaries oversee production and distribution of the Company's products in China, and are also not guarantors or borrowers on any of the Company's funded debt. The Dutch subsidiaries support sales and distribution of the Company's products in Europe, the Middle East, Africa, and Asia-Pacific. As noted below, KidKraft Netherlands B.V. is a borrower and the other Dutch subsidiaries are guarantors under the Prepetition Credit Agreement, but the obligations of each of the Dutch subsidiaries under the Prepetition Credit Agreement is not to exceed $10,000,000.

II. PREPETITION CAPITAL STRUCTURE[4]

17. As of the Petition Date, the Debtors' funded debt liabilities total approximately $151.9 million, including approximately (i) $149.9 million in outstanding principal and (ii) $2.0 million in accrued and unpaid interest. The Debtors' funded debt obligations include:

Facility	Maturity	Total Approx. Principal Amount Outstanding
Revolving Credit Facility	June 2024	$63.2 million
Term Loan Credit Facility	June 2024	$81.7 million
Total Funded Secured Debt		**$144.9 million**
Subordinated Unsecured Note	January 2025	$5.0 million
Total Funded Debt		**$149.9 million**

A. Prepetition Credit Agreement

18. The Debtors' primary long-term debt consists of that certain *Amended and Restated First Lien Credit Agreement* dated as of April 3, 2020, among KidKraft and KidKraft Netherlands B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, as borrowers, KidKraft Intermediate Holdings, LLC and its subsidiaries that are guarantors thereto, the lender party thereto, and the administrative agent (as amended by that certain (a) Forbearance and Amendment No. 1 to Amended and Restated First Lien Credit Agreement, dated as of January 13, 2023 (the "***First Amendment***"), (b) Amendment No. 2 to Amended and Restated First Lien Credit Agreement, dated as of March 22, 2023, (c) Forbearance and Amendment No. 3 to Amended and Restated First Lien Credit Agreement, dated as of September 29, 2023 (the "***Third Amendment***"), (d) Amendment No. 4 to Amended and Restated First Lien Credit Agreement, dated as of October

[4] The following description of the Debtors' prepetition capital structure is for informational purposes only and is qualified in its entirety by reference to the Prepetition Credit Agreement (defined below) and other documents setting forth the specific terms of such obligations.

27, 2023, (e) Forbearance, Amendment No. 5 and Joinder to Amended and Restated First Lien Credit Agreement, dated as of January 31, 2024 (the "***Fifth Amendment***"), and (f) Amendment No. 6 to the Amended and Restated First Lien Credit Agreement, dated as of May 9, 2024 (the "***Sixth Amendment***"); and as may be further amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "***Prepetition Credit Agreement***"). The lender has provided commitments under the Prepetition Credit Agreement consisting of revolving credit commitments (such commitments, collectively, the "***Prepetition First Lien Revolving Facility***") and term loan commitments (such commitments, collectively, the "***Prepetition First Lien Term Facility***"), each of which are secured by a first priority lien on substantially all of the Debtors' assets, as well as liens on the Company's Dutch subsidiaries' assets.

19. The Fifth Amendment was entered into in connection with the Debt Sale (defined below) and joined KidKraft's Dutch and Canadian affiliates as guarantors under the Prepetition Credit Agreement, joined KidKraft Netherlands B.V. as a co-borrower, increased the priority revolving commitments under the Prepetition Credit Agreement to approximately $26.8 million, and extended the maturity of the term loans under the Prepetition Credit Agreement from June 30, 2023, to June 30, 2024 giving the Company crucial liquidity and runway to pursue restructuring alternatives. Additionally, the Sixth Amendment, further increased the priority revolving commitments under the Prepetition Credit Agreement to approximately $31.5 million.

20. As of the Petition Date, the Debtors' aggregate principal outstanding funded debt obligations under the Prepetition Credit Agreement total approximately $144.9 million, comprised of (i) $81.7 million under the Prepetition First Lien Term Facility and (ii) $63.2 million under the Prepetition First Lien Revolving Facility. In addition, the Debtors owe accrued and unpaid interest

under both the Prepetition First Lien Term Facility and the Prepetition First Lien Revolving Facility.

B. Subordinated Note, Trade Vendors, and Other Unsecured Liabilities

21. In connection with the First Amendment, MidOcean Partners IV, L.P. ("***MidOcean***"), the Company's equity sponsor, agreed to provide an unsecured subordinated loan to KidKraft in the amount of $5 million (the "***Subordinated Note***"). The loan is documented in that certain *Note Purchase Agreement*, dated as of January 13, 2023 among KidKraft and MidOcean, and subordinated to the Prepetition Credit Agreement via a Subordination Agreement, dated as of January 13, 2023 among KidKraft, MidOcean, KidKraft Intermediate Holdings, LLC and the administrative agent under the Prepetition Credit Agreement. As of the Petition Date, the Subordinated Note is outstanding; however, MidOcean has agreed under the RSA (as defined below) to a waiver of the Subordinated Note obligations on the effective date of the Plan.

22. In the ordinary course of business, the Debtors rely on numerous trade vendors to operate their businesses. These trade vendors include producers of the Debtors' products, marketing and advertising services, professional services, and shipping and logistics services that deliver the finished products to the Debtors and to various customers. As a result of the Debtors' business with these trade vendors, the Debtors have accrued approximately $33 million in unsecured trade claims as of the Petition Date.

C. Equity Interests in Intermediate Holdings

23. Non-Debtor KidKraft Group Holdings LLC owns 100.0% of the equity interests in Intermediate Holdings. KidKraft Group Holdings LLC is majority owned by MidOcean.

III. EVENTS LEADING TO THE CHAPTER 11 CASES

A. Challenges Facing the Company

24. Despite its long history as a leader in branded, sustainable, wood-based active and imaginative play products, the Company is currently facing significant balance sheet and liquidity challenges, caused by a range of factors, including softening post-COVID demand, supply chain disruption beginning in late 2021, throughout 2022, and into 2023, resulting in product delivery delays and increased cost, and general cost inflation. As a result, the Company's operating margins have been squeezed in recent years. In addition, the Company's funded debt matured in June 2023 and was unable to be refinanced or replaced. The Company proactively worked to address their balance sheet and liquidity challenges, including through a balance-sheet restructuring in 2023 and by running multiple robust, out-of-court sale processes (the "***Sale Processes***") prior to the Petition Date.

B. Liquidity Constraints and Near-Term Financial Obligations

25. The Company has primarily depended on cash flow from operations and borrowings under its Prepetition Credit Agreement as its sources of cash and liquidity. Beginning in Spring 2022**,** cash flow from operations began to decline as revenue decreased and costs increased. Revenue declines were driven by a number of factors, including the reduced demand for the Company's products, and supply chain disruptions that impacted the Company's ability to produce sufficient product to meet demand. Cost increases were driven by, among other things, increased cost of supplies, shipping and supply chain disruptions, significant promotional dollars to reduce elevated retailer and KidKraft inventory levels, and other general cost inflation.

26. In the face of these operational and liquidity challenges, the Company also needed to address the Prepetition Credit Agreement maturity in June 2023. Accordingly, the Company began negotiations with its existing lenders under the Prepetition Credit Agreement and was able

to obtain a series of forbearances from the lenders. The Company's liquidity, however, was further constrained by its inability to borrow under the Prepetition Credit Agreement beginning in October 2023. The Company only obtained additional borrowing capacity and access to liquidity under the Prepetition Credit Agreement following the Debt Sale and Fifth Amendment in January 2024. Ultimately, given these constraints, the Company determined, with the support of its lenders, to pursue a sale of the Company, as described below.

C. Hiring Advisors and the Fall 2023 Sale Process

27. To further the Company's efforts in addressing its challenges, in August 2023, Jill Frizzley was appointed to KidKraft's board of directors as an independent director. Subsequently, the Company engaged advisors to explore strategic alternatives, including a potential sale of all or substantially all of the assets or equity of the Company. The Company retained Vinson & Elkins LLP ("***V&E***"), as restructuring counsel in August 2023 and Robert W. Baird & Co. ("***Baird***"), as investment banker in September 2023. Shortly thereafter, the Company engaged SierraConstellation Partners ("***Sierra***," and collectively with Baird and V&E, the "***Advisors***"), as financial advisor, to work with the Company on forecasting cash flow, analyzing and preserving liquidity, and exploring the Company's strategic options.

28. Shortly after hiring the Advisors, and in connection with the Third Amendment entered into in September 2023, the Company agreed to pursue a sale and marketing process to sell some or all of the Company's assets or equity interests (the "***Fall 2023 Sale Process***"). As described in further detail in the *Declaration of Ajay Bijoor, Managing Director of Robert W. Baird & Co. in Support of (I) the Debtors' Motion to Obtain Postpetition Debtor in Possession Financing and (II) the Sale Process* (the "***Bijoor Declaration***"), filed contemporaneously herewith, in connection with the Fall 2023 Sale Process, Baird contacted and held conversations with over 100 potential buyers, including strategic and financial parties, while diligently working

to both market the Company's assets and resolve any questions and concerns from potential buyers. The Company and the Advisors facilitated a diligence process that included executing non-disclosure agreements, providing data room access and a confidential information memorandum, and holding buyer "deep dive" conversations with parties that expressed interest in engaging in the Fall 2023 Sale Process. These efforts resulted in the Company receiving multiple indications of interest and three letters of intent in November 2023. The Company and Baird continued discussions with certain of the parties and one emerged as the front runner and only potential buyer with a proposal to purchase the entire Company as a going concern. However, following extensive negotiations in December 2023, the potential buyer informed Baird and the Company that it was unwilling to consummate a transaction and terminated negotiations with the Company and its advisors. Therefore, the Fall 2023 Sale Process did not progress any further.

D. Debt Sale

29. After the Fall 2023 Sale Process failed to result in a sale, the Company continued to face significant liquidity challenges and worked with the Advisors to begin contingency planning for a potential in-court restructuring process in December 2023 and January 2024. At the same time, the Company, with the assistance of the Advisors, continued outreach to previously interested potential purchasers of the Company's assets, and also began discussions with 1903 Partners, LLC ("***Gordon Brothers***"), who expressed interest in potentially purchasing the Company's obligations under the Prepetition Credit Agreement with a view towards working with the Company to complete a strategic, value-maximizing transaction. In connection with that outreach, Gordon Brothers submitted an indication of interest laying out a transaction through which Gordon Brothers would purchase the Company's obligations under the Prepetition Credit Agreement, provide liquidity to the Company, and potentially backstop a restructuring. At the time, the offer from Gordon Brothers was the only indication of interest received by the Company

that would maintain the Company as a going concern. As a result, the Company helped facilitate negotiations and an agreement whereby Gordon Brothers acquired the debt under the Prepetition Credit Agreement from the Company's existing first lien lender (the "***Debt Sale***").

30. In connection with the Debt Sale, Gordon Brothers provided additional funding in the form of revolving priority loans to allow the Company to maintain its operations, and prevent further degradation of its business while the Company and Gordon Brothers worked collaboratively to explore value-maximizing strategic alternatives. The Company and the Advisors engaged in conversations with Gordon Brothers regarding potential consensual transactions to address the Company's balance sheet and liquidity challenges, including a potential sale of the Company or an in- or out-of-court restructuring of the Company's funded debt obligations.

E. Spring 2024 Sale Process

31. After good faith and arm's-length negotiations, the Company, with the support of Gordon Brothers, determined that pursuing a sale for all or substantially all of the Company's assets or equity interests could create a value-maximizing outcome. Accordingly, the Company, with the assistance of Baird, conducted a second sale process (the "***Spring 2024 Sale Process***"). In connection with the Spring 2024 Sale Process, Baird reached back out to the parties that had expressed interest in the Company during the Fall 2023 Sale Process as well as an additional 35 parties who may have been interested in purchasing some or all of the Company's assets or equity interests. Following the marketing process, the Company received four indications of interest. Ultimately, Backyard Products, LLC (the "***Purchaser***") emerged with a bid to purchase a substantial majority of the Company's assets with such sale to be effectuated in chapter 11 (the "***Sale Transaction***").

F. The RSA, Plan, and APA

32. Based on the results of the Fall 2023 Sale Process and the Spring 2024 Sale Process, the Company determined that the proposed Sale Transaction, which was the only option to preserve KidKraft as a going concern, presented the best opportunity to maximize the Company's value for all stakeholders and was the highest and best offer available. Accordingly, the parties engaged in further negotiations to document the terms of the proposed Sale Transaction and accompanying chapter 11 cases. As a result, on April 25, 2024, the Debtors, Gordon Brothers, MidOcean, and the Purchaser entered into a restructuring support agreement, which is attached hereto as **Exhibit B** (together with the term sheets and other exhibits attached thereto, the "***RSA***").

33. The RSA documents the parties' commitment to the restructuring transactions described above, including the Sale Transaction. The RSA is an essential part of the Debtors' restructuring efforts and provides the Debtors with significant assurances regarding the ultimate success of the Chapter 11 Cases. In particular, by signing the RSA, Gordon Brothers, MidOcean, and the Purchaser have agreed to take steps and actions that are reasonably necessary to implement the Restructuring Transactions (as defined in the RSA), including, in the case of Gordon Brothers, providing critical funding to achieve consummation of the Plan and Sale Transaction, voting in favor of a joint prepackaged chapter 11 plan (the "***Plan***") on terms consistent with the RSA, and not objecting to relief sought by the Debtors. Notably, the RSA also preserves the Debtors' flexibility to consider alternative transactions that may be in the best interests of their estates and stakeholders consistent with their fiduciary duties.

34. Certain additional key elements of the RSA include:

- Gordon Brothers' agreement to provide necessary debtor-in-possession financing;
- the filing of the Plan, Disclosure Statement, and motion for approval of the Disclosure Statement on the Petition Date;

- certain restructuring milestones described in the RSA;
- the sale of certain of the Debtors' assets to the Purchaser pursuant to the APA (as defined below); and
- consummation of the transactions contemplated in the Plan and distributions to holders of claims against and interests in the Debtors based on the treatment provided for such holders in the Plan.

35. In connection with the RSA, certain of the Debtors and Backyard, negotiated and entered into an Asset Purchase Agreement, which is attached as **Exhibit B** to the RSA (the "***APA***"). The APA contemplates the sale of certain of the Debtors' assets to Backyard through these Chapter 11 Cases. This sale includes the assumption of certain of the Debtors' liabilities, a commitment to offer employment to nearly all of the Debtors' employees, and payment of contract cure costs incurred in connection with these Chapter 11 Cases.

36. The Company, Gordon Brothers, and the Purchaser moved expeditiously to negotiate and execute the RSA and APA given the significant distress the Company was experiencing and a strong desire to preserve the value of the Company. I believe that continuing to move swiftly to consummate the sale is important to preserving value, including by positioning the go-forward enterprise to have a strong holiday sales season. In the Company's business, a significant portion of annual sales occur at and around the end of year holidays. Importantly, for the Company to have its products completed and available for purchase, either in stores or online, the Company must place its orders between May and July for goods to then be shipped from its oversea vendors in August and September. Further, the Company's retail partners hold designated space on their shelves for the Company's products and if the Company fails to deliver product at the holiday season these retailers are likely to not hold that space for the Company in the future, causing harm to the Company not only in the immediate future but also in future years.

37. I understand that the RSA and APA provide the Debtors a path to implement the Sale Transaction quickly and successfully through these Chapter 11 Cases. Given the extensive marketing efforts described above and in the Bijoor Declaration, I believe that the transactions proposed under the APA and Plan present the best opportunity for the Debtors to maximize the value of their estates. Without the proposed Sale Transaction, the only alternative path for the Debtors is likely a value-destructive liquidation. The RSA and APA contain several important milestones that require the Debtors to progress quickly through these Chapter 11 Cases. As a result of these milestones and those in the DIP Facility (described below), and in order to avoid immediate and irreparable harm to the Debtors and their estates, it is critical that these Chapter 11 Cases progress swiftly and smoothly to ensure that the Sale Transaction is closed and the Debtors are not left without an actionable transaction.

G. Prepetition Solicitation

38. In order to move through these Chapter 11 Cases on the timeline described above, on May 9, 2024, the Debtors solicited votes to accept the Plan by distributing the Plan, the Disclosure Statement, and a ballot to Gordon Brothers, the only party entitled to vote on the Plan. The deadline for submitting votes to accept or reject the Plan was May 9, 2024. Gordon Brothers, the only holder of claims in Class 3, voted to accept the Plan.

H. The Debtors' Need for the DIP Facility to Operate on a Postpetition Basis in the Ordinary Course

39. As also discussed in the *Declaration of Carl Moore in Support of the Debtors' Motion to Obtain Postpetition Debtor-in-Possession Financing*, filed substantially contemporaneously herewith (the "***Moore Declaration***"), the Debtors' postpetition operations in the near-term will not generate sufficient cash to continue operations in the ordinary course while funding the expenses associated with these Chapter 11 Cases. Access to cash is essential to ensure

the liquidity and viability of the Debtors as a going concern and achieve consummation of the Plan and Sale Transaction. The harm caused by a failure to meet liquidity needs would destabilize the Debtors' business operations, jeopardize the sale to Backyard and the ability of certain employees to transition to Backyard, and result in immediate and irreparable harm to the Debtors and their estates. Accordingly, the Debtors require immediate access to debtor-in-possession financing and authority to use cash collateral to maintain sufficient liquidity to continue to operate and consummate the Sale Transaction to maximize value for their stakeholders. This immediate liquidity is the only way that the Debtors will be able to meet the timelines required to have a strong holiday season and preserve their business as a going concern.

40. I believe that the amount available to draw under the DIP Facility, which consists of $10.5 million in new money and $23.3 million rolled-up from the existing Prepetition Credit Agreement, addresses the Debtors' immediate and anticipated liquidity needs pending the Court's approving the DIP Facility on a final basis. As discussed in detail in the Moore Declaration, I believe that without this DIP funding, the Debtors would be unable to meet their liquidity needs, including paying employees and vendors, all of which are essential to the Debtors' ongoing operations and achieve consummation of the Plan and Sale Transaction. Additionally, access to cash collateral for consensual use will allow the Debtors to continue operating their businesses normally, including placing orders for product needed to fulfill holiday orders, which will, in turn, allow the Debtors to consummate the value-maximizing Sale Transaction on an expedited timeframe, which will maximize the value of the Debtors' estates. I believe that the amount of the DIP Facility is sufficient to address the Debtors' liquidity needs for the anticipated duration of these Chapter 11 Cases.

IV. FIRST DAY MOTIONS

41. Contemporaneously with this Declaration, the Debtors have filed several First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations and facilitate a smooth and efficient transition into bankruptcy and administration of these Chapter 11 Cases. I have reviewed each of the First Day Motions, and I believe that the relief requested therein is necessary to allow the Debtors to operate with minimal disruption during the pendency of these Chapter 11 Cases. The Debtors intend to seek entry of Court orders approving each of the First Day Motions as soon as possible in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Local Rules for the United States Bankruptcy Court for the Northern District of Texas. For each First Day Motion in which the Debtors have sought relief on an emergency basis, if the Court declines to grant the relief requested therein, I believe that the Debtors will suffer immediate and irreparable harm for the reasons stated in the First Day Motions and in **Exhibit A** attached hereto.

42. A description of the relief requested and the facts and opinions supporting each of the First Day Motions is detailed in **Exhibit A** attached hereto.

[*Remainder of page intentionally left blank.*]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 10, 2024

/s/ Geoffry Walker
Geoffry Walker

EXHIBIT A

Evidentiary Support for First Day Motions[1]

[1] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Declaration and/or the applicable First Day Motions.

I. ADMINISTRATIVE MOTIONS[1]

A. Emergency Motion for Entry of an Order Directing Joint Administration of the Debtors' Chapter 11 Cases (the "*Joint Administration Motion*")

1. In the Joint Administration Motion, the Debtors seek entry of an order consolidating the administration of these chapter 11 cases for procedural purposes only as follows:

i. the Office of the United States Trustee for the Northern District of Texas (the "***U.S. Trustee***") shall conduct joint informal meetings with the Debtors, as required, and, unless otherwise directed by the Court, to the extent required, a joint first meeting of creditors;

ii. one plan and disclosure statement may be filed for all of the Debtors by any plan proponent; however, substantive consolidation of the Debtors' estates is not being requested at this time;

iii. unless otherwise required by the Court, each Debtor will file separate schedules of assets and liabilities, statements of financial affairs, and lists of equity security holders;

iv. proofs of claim filed by creditors of any Debtor shall reflect the caption and case number of the Debtor to which the claim relates and in which chapter 11 case such claim is to be filed;

v. a separate claims register shall be maintained for each Debtor; and

vi. each Debtor will file separate operating reports and pay separate U.S. Trustee statutory fees..

2. The Debtors respectfully request that the Court maintain one file and one docket for all of the jointly administered cases under the lead case of KidKraft, Inc. and that the Court administer these chapter 11 cases under a consolidated caption, as follows:

In re:	**§**	**Case No. 24-80045-11**
	§	
KIDKRAFT, INC., *et al*.,	**§**	**(Chapter 11)**
	§	
Debtors.[2]	**§**	**(Jointly Administered)**

[1] Each defined term used in this Exhibit A shall only be applicable to the specific section where it is defined.

[2] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers or Canadian business numbers, as applicable, are: KidKraft, Inc. (3303), KidKraft Europe, LLC (3174), KidKraft Intermediate Holdings, LLC (8800), KidKraft International Holdings, Inc. (2933), KidKraft Partners, LLC

3. The lead case docket, as well as the dockets for each of the other chapter 11 cases, will be available on the website of the Debtors' proposed claims, noticing, and solicitation agent at https://www.stretto.com/kidkraft.

4. The Debtors also request that a notation substantially similar to the following be entered on each of the Debtors' respective dockets (other than Debtor KidKraft, Inc.) to reflect the joint administration of these chapter 11 cases:

> An order has been entered in this case in accordance with Rule 1015(b) of the Federal Rules of Bankruptcy Procedure and Rule 1015-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas directing the joint administration of the chapter 11 cases of KidKraft, Inc., KidKraft Europe, LLC, KidKraft Intermediate Holdings, LLC, KidKraft International Holdings, Inc., KidKraft Partners, LLC, KidKraft International IP Holdings, LLC, Solowave Design Corp., Solowave Design Holdings Limited, Solowave Design Inc., Solowave Design LP, and Solowave International Inc. The docket in Case No. 24-80045-11 should be consulted for all matters affecting these cases. All further pleadings and other papers shall be filed in and all further docket entries shall be made in Case No. 24-80045-11.

5. The Debtors further respectfully request that the Court order that the foregoing caption satisfies the requirements set forth in section 342(c)(1) of the Bankruptcy Code.

6. KidKraft, Inc. is a direct or indirect affiliate of each of the Debtors.

7. I understand that the Debtors anticipate that notices, applications, motions, other pleadings, hearings, and orders in these chapter 11 cases may affect all of the Debtors. I believe that if each Debtor's case were administered independently, there would be a number of duplicative filings and overlapping service, which would be an unnecessary duplication of identical documents that would be wasteful of the resources of the Debtors' estates, as well as the resources of the Court and of other parties in interest.

(3268), KidKraft International IP Holdings, LLC (1841), Solowave Design Corp. (9294), Solowave Design Holdings Limited (0206), Solowave Design Inc. (3073), Solowave Design LP (7201), and Solowave International Inc. (4302). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 4630 Olin Road, Dallas, TX 75244.

8. Joint administration will permit the Clerk of the Court to use a single general docket for all of the Debtors' chapter 11 cases and to combine notices to creditors and other parties in interest by ensuring that all parties in interest will be able to review one docket to stay apprised of the various matters before the Court regarding all of the Debtors' chapter 11 cases. Moreover, supervision of the administrative aspects of the Debtors' chapter 11 cases by the U.S. Trustee will be simplified. Therefore, joint administration will promote the economical and efficient administration of the Debtors' estates to the benefit of the Debtors, their creditors, the U.S. Trustee, and the Court.

9. I do not believe joint administration will give rise to any conflict of interest among the Debtors' estates, and I believe that the rights of the Debtors' respective creditors will not be adversely affected by the proposed joint administration because each of the Debtors will continue as separate and distinct legal entities, will continue to maintain separate books and records, and will provide information as required in the consolidated monthly operating reports on a debtor-by-debtor basis. I further understand that each creditor may file a proof of claim against the applicable estate in which it allegedly has a claim or interest and will retain whatever claims or interests it has against the particular estate. As such, I believe the recoveries of all creditors will be enhanced by the reduction in costs resulting from joint administration of the Debtors' chapter 11 cases. I also believe that the Court will be relieved of the burden of scheduling duplicative hearings, entering duplicative orders, and maintaining redundant files

10. Based on the foregoing, I believe any delay in granting the relief requested in the Joint Administrative Motion would hinder the Debtors' operations and cause immediate and irreparable harm. Accordingly, on behalf of the Debtors, I respectfully request that the relief sought in the Joint Administration Motion be approved.

B. Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) File a Consolidated Creditor Matrix; (B) File a Consolidated List of 30 Largest Unsecured Creditors; and (C) Redact Certain Personal Identification Information; (II) Approving Form and Manner of Notice of Commencement; and (III) Granting Related Relief (the "*Consolidated Creditor Matrix Motion*")

11. In the Consolidated Creditor Matrix Motion the Debtors seek entry of an order (i) authorizing the Debtors to (a) file a consolidated creditor matrix in lieu of submitting separate mailing matrices for each Debtor, (b) file a consolidated list of the Debtors' 30 largest unsecured creditors in lieu of filing separate lists for each Debtor, and (c) redact certain personal identification information, (ii) approving the form and manner of the notice of commencement of these chapter 11 cases; and (iii) granting related relief.

12. Because the Top 30 Lists of the Debtors could overlap, and certain Debtors may have fewer than 30 significant unsecured creditors, I believe that filing separate Top 30 Lists for each Debtor would be of limited utility. I believe that a single consolidated list of the Debtors' top 30 unsecured creditors in these chapter 11 cases would be a more reflective of the body of unsecured creditors that have the greatest stake in these cases than separate lists for each of the Debtors. In addition, I believe the exercise of compiling separate Top 30 Lists for each individual Debtor could consume an excessive amount of the Debtors' limited time and resources. A single Top 30 List will also help alleviate administrative burden, costs, and the possibility of duplicative service. Accordingly, I believe that filing a consolidated Top 30 List is necessary for the efficient and orderly administration of these chapter 11 cases, appropriate under the facts and circumstances, and in the best interests of the Debtors' estates.

13. The Debtors also request that certain personal identification information be redacted of the Debtors' employees and individual creditors of the Debtors from the Creditor Matrix because such information could be used to perpetrate identity theft or to harm employees. The Debtors propose to provide an unredacted version of the Creditor Matrix to the U.S. Trustee,

counsel to any official committee of unsecured creditors appointed in these chapter 11 cases, and the Court.

14. Bankruptcy Rule 2002 provides the general rule for providing notice of commencement of a chapter 11 case. Specifically, Bankruptcy Rule 2002(a) states that "the clerk, or some other person as the court may direct, shall give the debtor, the trustee, all creditors and indenture trustees at least 21 days' notice by mail of: (1) the meeting of creditors under § 341 or § 1104(b) of the [Bankruptcy] Code . . . ." Bankruptcy Rule 2002(f) further provides that such notice of the order for relief shall be sent by mail to all creditors.

15. The Debtors, through Stretto, Inc., their proposed claims and noticing agent, propose to serve the notice of commencement in the form attached to the Consolidated Creditor Matrix Motion as **Annex A** (the "***Notice of Commencement***"), listed on the Creditor Matrix and, at the same time, to advise them of the meeting of the creditors under section 341 of the Bankruptcy Code. I believe, service of a single, consolidated Notice of Commencement will not only avoid confusion among creditors but will prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the creditor matrix. Accordingly, the Debtors submit that service of a single, consolidated Notice of Commencement is warranted.

16. I believe that the filing of the Notice of Commencement is adequate and sufficient notice of (i) the commencement of the Debtors' chapter 11 cases and (ii) scheduling of the Section 341 Meeting.

17. Based on the foregoing, I believe any delay in granting the relief requested in the Consolidated Creditor Matrix Motion would hinder the Debtors' operations and cause immediate and irreparable harm. Accordingly, on behalf of the Debtors, I respectfully request that the relief sought in the Consolidated Creditor Matrix Motion be approved.

C. Emergency Application for Entry of Order Appointing Stretto, Inc. as Claims, Noticing, and Solicitation Agent (the "*Claims and Noticing Agent Application*")

18. The Debtors request entry of an order appointing (i) appointing Stretto, Inc. (the "***Agent***") as the Claims, Noticing, and Solicitation Agent for the Debtors and their chapter 11 cases, and (ii) granting related relief, the Claims and Noticing Agent Application is also supported by the *Declaration of Sheryl Betance in Support of Debtors' Emergency Application for Entry of Order Appointing Stretto, Inc. as Claims, Noticing, and Solicitation Agent* (the "***Declaration***") attached as **Exhibit B** to the Claims and Noticing Agent Application.

19. The Debtors respectfully request approval to employ the Agent to serve as claims, noticing, and solicitation agent in their chapter 11 cases to provide the services outlined in the engagement letter attached as **Exhibit C** to the Claims and Noticing Agent Application. I believe that the Agent's employment is in the best interest of the Debtors' estates, the Agent's rates are competitive and reasonable, and the Agent has the expertise required in a complex chapter 11 case.

20. I understand that should a dispute develop between the Agent and the Debtors with respect to the Agent's fees and expenses, the matter will be brought to the Court for resolution. I further understand that the Agent agrees to maintain records of all services showing dates, categories of services, fees charged, and expenses incurred, and to serve monthly invoices on the Debtors, the Office of the United States Trustee, counsel for the Debtors, counsel for any official committee monitoring the expenses of the Debtors, and any party in interest who specifically requests service of the monthly invoices.

21. I also understand that, under the terms of the Engagement Letter, the Debtors have agreed to indemnify, defend, and hold harmless the Agent and its members, officers, employees, representatives, and agents under certain circumstances specified in the Engagement Letter, except in circumstances resulting solely from the Agent's gross negligence or willful misconduct or as

otherwise provided in the Engagement Letter or the Order. I believe that such an indemnification obligation is customary, reasonable, and necessary to retain the services of a Claims, Noticing, and Solicitation Agent in these chapter 11 cases.

22. I also understand that prior to the Petition Date, the Debtors provided the Agent an advance in the amount of $25,000, and I understand that the Agent will apply these funds in accordance with the Engagement Letter.

23. Finally, I understand that the Agent has reviewed its electronic database to determine whether it has any relationships with the creditors and parties in interest provided by the Debtors, and, to the best of the Debtors' knowledge, information, and belief, and except as disclosed in the Declaration, the Agent has represented that it neither holds nor represents any interest materially adverse to the Debtors' estates in connection with any matter on which it would be employed.

24. I further believe that the Claims and Noticing Agent Application should be granted because is the Agent is required to effectuate the Debtors' transition into bankruptcy and to immediately begin providing effective notice of pleadings and orders to interested parties. Accordingly, on behalf of the Debtors, I respectfully request that the relief sought in the Claims and Noticing Agent Application be approved.

D. Emergency Motion for Entry of an Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative and (II) Granting Related Relief (the "*Foreign Representative Motion*")

25. The Debtors seek, through the Foreign Representative Motion, entry of an order (i) authorizing KidKraft, Inc. ("***KidKraft***") to act as foreign representative[3] on behalf of the

[3] A "foreign representative" is defined in section 45(1) of the CCAA (as defined herein) to mean "a person or body, including one appointed on an interim basis, who is authorized, in a foreign proceeding respect of a debtor company to: (a) monitor the debtor company's business and financial affairs for the purpose of reorganization; or (b) act as a representative in respect of the foreign proceeding."

Debtors' estates (the "***Foreign Representative***") in legal proceedings in Canada in relation to the Debtors' chapter 11 cases (the "***Chapter 11 Cases***") and (ii) granting related relief.

26. Solowave Design Holdings Limited, Solowave Design LP, Solowave Design Inc., and Solowave International Inc. (collectively, the "***Canadian Debtors***") are wholly-owned subsidiaries of KidKraft and were each formed under the laws of Canada. The Debtors' Canadian operations are primarily run through the Canadian Debtors.

27. KidKraft, as the proposed Foreign Representative on behalf of itself and the other Debtors, will file proceedings pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) R.S.C. 1985, c. C-36 (as amended, the "***CCAA***") to seek ancillary relief in Canada in the Ontario Superior Court of Justice (Commercial List) (the "***Canadian Court***").

28. The purpose of the ancillary proceeding (the "***Canadian Proceeding***") is to request that the Canadian Court recognize the Chapter 11 Cases of KidKraft and the Canadian Debtors, and, to the extent necessary or appropriate, the other Debtors, as "foreign main proceedings" under the applicable provisions of the CCAA to, among other things, protect the Debtors' assets and operations in Canada and obtain a Canadian order staying self-help remedies by logistics providers, utility providers, or other parties following the commencement of these Chapter 11 Cases, as well as consummate the Sale Transaction with respect to the Debtors' Canadian assets to be sold to the Purchaser pursuant thereto (the "***Canadian Transferred Assets***"), including by vesting the Canadian Transferred Assets in the Purchaser free and clear of claims and encumbrances in Canada pursuant to, and as defined in, the Purchase Agreement. Concurrent with the filing of this Motion, the Debtors will be seeking an emergency stay in Canada, pending entry of the proposed Order, to prevent any claimants from taking steps against business and property in Canada.

29. The Debtors request authority to appoint KidKraft as Foreign Representative in connection with the Canadian Proceeding to satisfy the requirements of the CCAA. Specifically, Section 46 of the CCAA provides:

> (1) **Application for recognition of a foreign proceeding**. – A foreign representative may apply to the court for recognition of the foreign proceeding in respect of which he or she is a foreign representative.
>
> (2) **Documents that must accompany application**. – . . . the application must be accompanied by . . . (b) a certified copy of the instrument, however designated, authorizing the foreign representative to act in that capacity or a certificate from the foreign court affirming the foreign representative's authority to act in that capacity. . . .

CCAA, R.S.C., c. C-36, § 46 (1985) (Can.).

30. I believe that without an order issued by this Court appointing KidKraft as Foreign Representative, the Debtors may struggle to satisfy the requirements set out in the CCAA for an application for recognition of these Chapter 11 Cases. Accordingly, in order for KidKraft to be recognized as the Foreign Representative in the Canadian Proceeding, and thereby apply to have the Chapter 11 Cases of KidKraft and the Canadian Debtors and, to the extent necessary or appropriate, the other Debtors, recognized by the Canadian Court, the Debtors request that the Court enter an order authorizing KidKraft to act as the Foreign Representative in the Canadian Proceeding. Following the grant of the order, KidKraft will file the order with the Canadian Court

as the instrument authorizing KidKraft to act as the Foreign Representative pursuant to section 46 of the CCAA. At this time, the Debtors have no intention of seeking recognition in any other jurisdiction.

E. Emergency Motion for an Order Pursuant to Bankruptcy Rule 1007 Granting an Extension of Time for Filing Schedules and Statements of Financial Affairs (the "*Schedules Motion*")

31. The Debtors seek, through the Schedules Motion, entry of an order (i) extending the deadline to file (a) schedules of assets and liabilities (b) statements of financial affairs, (c) schedules of current income and expenditures, and (d) statements of executory contracts and unexpired leases (collectively, the "***Schedules and Statements***") by 15 days – for a total of 31 days[4] – to file their Schedules and Statements, thereby establishing a deadline of June 10, 2024, for the filing of the Schedules and Statements; and (ii) granting related relief.

32. Although the Debtors have commenced preparation of their Schedules and Statements, as a result of the large numbers of creditors and parties in interest in the Debtors' chapter 11 cases, I believe the 14-day automatic extension of time to file such Schedules and Statements provided by Bankruptcy Rule 1007(c) will not be sufficient to permit the completion of the Schedules and Statements. The Debtors estimate that an extension of additional time will provide sufficient time to prepare and file the Schedules and Statements. The Debtors therefore request that the Court extend the deadline by which they must file their Schedules and Statements by 15 days, without prejudice to the Debtors' right to seek any further extensions from this Court, or to seek a waiver of the requirement to file certain Schedules and Statements.

[4] This 15-day extension would result in a deadline of June 8, 2024. Because this date is a Saturday, pursuant to Bankruptcy Rule 9006(a)(1), the deadline will be Monday, June 10, 2024.

33. I understand it is estimated that it will take approximately 2 weeks for the Debtors to close their pre-petition books and for all pre-petition invoices to be received by the Debtors' accounting department. I understand that the Debtors will then have to extract all necessary information from their books and records and populate such information in the official forms. Additionally, the Debtors' lean management team is focused most immediately on the Debtors' efforts to smoothly transition into chapter 11 and, in light of the large number of creditors in these chapter 11 cases, it will take significant time to complete the process to populate their Schedules and Statements.

34. Based on the foregoing, I believe any delay in granting the relief requested in the Schedules Motion would hinder the Debtors' operations and cause immediate and irreparable harm. Accordingly, on behalf of the Debtors, I respectfully request that the relief sought in the Schedules be approved.

II. OPERATIONAL MOTIONS REQUESTING IMMEDIATE RELIEF

A. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief (the "*Wages Motion*")

35. To avoid the immediate and irreparable harm to the Debtors' business operations and restructuring efforts that I believe would occur if the Debtors' employee obligations are not paid when due and the Debtors' compensation and benefit programs are not continued in the ordinary course of business, and to minimize personal hardship on the Debtors' employees, the Debtors seek, through the Wages Motion, entry of an order (i) authorizing the Debtors to (a) pay prepetition wages, salaries, other compensation, and reimbursable expenses and (b) continue employee benefits programs, and (ii) granting related relief.

36. The Debtors and their non-Debtor affiliates rely on the services of employed personnel (each, an "***Employee***" and collectively, the "***Employees***") to conduct their business operations, and the Debtors incur obligations to or on account of such Employees in the ordinary course of business. As of the Petition Date, there are approximately 66 active full-time Employees in the Debtors' enterprise.[5] Approximately 15 of the Employees are paid on an hourly basis (collectively, the "***Hourly Employees***") and approximately 51 are salaried Employees (collectively, the "***Salaried Employees***"). None of the Employees are represented by a union or are subject to a collective bargaining agreement.

37. The Employees performs a wide variety of functions that support the Debtors' operations and will be critical to the administration of these chapter 11 cases and to maximizing the value of the Debtors' estates. Their skills, knowledge, and understanding of the Debtors' operations are essential to preserving operational stability and efficiency during these chapter 11 cases. Without the continued, uninterrupted services of the Employees, the Debtors' business operations will suffer immediate and irreparable harm.

38. The vast majority of the Employees rely exclusively on their compensation and benefits from the Debtors to pay their daily living expenses and support their families. Thus, the Employees will be exposed to significant personal financial hardship if the Debtors are not permitted to continue paying their compensation and providing benefits in the ordinary course. Consequently, the relief requested herein is necessary and appropriate.

39. The Debtors are seeking authority to pay and honor certain prepetition claims relating to compensation and benefits programs to avoid immediate and irreparable harm to the

[5] The Debtors' non-Debtor subsidiaries in Europe and Asia employ approximately 17 Employees in the Netherlands and approximately 150 Employees in China.

Debtors' business operations and to minimize the personal hardship the Employees would suffer if the Debtors' employee obligations are not paid when due or as expected. Specifically, the Debtors are seeking authority to pay and honor certain prepetition claims relating to, among other things, wages, salaries, expense reimbursements, other compensation, federal and state withholding taxes and other amounts withheld (including the Employees' share of insurance premiums, taxes, flexible spending account contributions, and 401(k) contributions), health insurance, life and accidental death and dismemberment insurance, disability coverage, retirement benefits, paid time off, and other benefits that the Debtors have historically, directly or indirectly, provided to the Employees in the ordinary course of business (collectively, the "***Compensation and Benefits Programs***," and such obligations arising therefrom, the "***Compensation and Benefits Obligations***"), as well as all incidental costs thereof.

40. Subject to the Court's approval of the relief requested herein, the Debtors intend to continue their prepetition Compensation and Benefits Programs in the ordinary course of business and consistent with past practices. Out of an abundance of caution, however, the Debtors request the right to modify, change, and discontinue certain of their Compensation and Benefits Programs and to implement new programs, policies, and benefits, in their discretion (and in consultation with the Prepetition Secured Lender) and in the ordinary course of business during these chapter 11 cases and without the need for further Court approval, subject to the terms of the Order. A summary of the payments requested to be authorized by this Motion is provided in the table below.

Relief Sought	**Approximate Amount**
Compensation, Withholding, and Related Obligations	
Employee Wages	$11,000
Wages (China)	$85,000
Employee Severance Obligations	$73,300
Deductions	$1,100
Payroll Taxes	$1,250
Expense Reimbursements	$3,500
Employee Benefit Programs	

Health and Welfare Programs	$700
401(k) Obligations	$450
FSA Obligations	$30,000

41. In the ordinary course of business, the Debtors incur and pay the Employees' wages, salaries, and other compensation, on a bi-weekly basis (collectively, the "***Wages***"). The Debtors pay their Employees' Wages on either a salaried or hourly basis. On average, the Debtors pay approximately $200,000 per bi-weekly pay period on account of salaried and hourly Wages. The Debtors' most recent bi-weekly payment date occurred on May 8, 2024.

42. Because some Employees are paid in arrears, those Employees will be owed accrued but unpaid Wages as of the Petition Date. Wages also may be due and owing as of the Petition Date because of, among other things, potential discrepancies between the amounts paid and the amounts that Hourly Employees believe should have been paid, which, upon resolution, may reveal that additional amounts are owed to such Hourly Employees. Additionally, the Debtors compensate certain Hourly Employees for overtime services, which may have occurred and may not be recorded in the Debtors' internal payroll database. Although the Debtors' overtime reporting system makes it difficult for the Debtors to determine the precise amount of unpaid Hourly Employee Wages that may be due and owing at any given time, historically, Hourly Employees' Wages total approximately $100,850 per month.

43. The Debtors also have historically funded Wages paid to Employees of their non-Debtor subsidiaries in China (the "***Chinese Employees***"). The Debtors fund approximately $250,000 per month to their non-Debtor subsidiaries in China for Wages for the Chinese Employees. The Chinese Employees have skills and knowledge of the Debtors' operations in China that will be essential to keeping the Debtors' operations running smoothly during the course of these chapter 11 cases. In order to retain such Chinese Employees and preserve morale, the

Debtors seek authority to fund amounts necessary to pay accrued but unpaid Wages of the Chinese Employees and to continue paying Wages to the Chinese Employees in the ordinary course of business on a postpetition basis. As of the Petition Date, the Debtors estimate that approximately $85,000 in Chinese Employees' Wages has accrued but has not been paid.

44. The Debtors typically do not fund Wages paid to Employees of their non-Debtor subsidiaries in the Netherlands (the "***Dutch Employees***"). The Debtors' non-Debtor subsidiaries in the Netherlands typically fund Wages paid to the Dutch Employees in the amount of approximately $105,000 per month. The Dutch Employees have skills and knowledge of the Debtors' operations in the Netherlands that will be essential to keeping the Debtors' operations running during the course of these chapter 11 cases. Out of an abundance of caution and in order to retain such Dutch Employees and preserve morale, the Debtors seek authority to fund Wages to the Dutch Employees as necessary on a postpetition basis.

45. As of the Petition Date, based on historical practices, the Debtors estimate that the amount of accrued but unpaid Wages for the Debtors' Employees is approximately $11,000 (the "***Unpaid Wages***"). The Debtors seek authority to pay the Unpaid Wages in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue paying the Wages and any associated processing costs on a postpetition basis in the ordinary course of business.

46. The Debtors do not believe there are prepetition amounts owed to any individual on account of the Unpaid Wages that exceed $15,150, the priority expense amount set forth in section 507(a)(4) of the Bankruptcy Code, and the Debtors are not seeking authority to pay Unpaid Wages to any Employee in excess of such amount.

47. In the ordinary course of business, the Debtors have a general practice of paying severance amounts (the "***Employee Severance Obligations***") to certain eligible employees who are terminated without cause and who execute a separation agreement. Amounts owed on account of the Employee Severance Obligations constitute prepetition obligations that the Debtors must meet in order to preserve morale for their existing employees, avoid reputational harm, and avoid any claims resulting from nonpayment which would constitute a distraction during the chapter 11 cases. As of the Petition Date, the Debtors estimate that the amount of potential prepetition Employee Severance Obligations is approximately $73,300[6] (the "***Unpaid Employee Severance Obligations***"). The Debtors seek authority to pay the Unpaid Employee Severance Obligations and, out of an abundance of caution, to continue paying the Employee Severance Obligations on a postpetition basis.

48. From time to time, the Debtors rely on Temporary Staff in the ordinary course of business to perform services in support of the Debtors' operations. The Debtors rely on the support of the Temporary Staff to complete discrete projects in furtherance of the Debtors' business and to fill short-term positions that are not economically feasible to employ on a full-time or part-time basis.

49. The Debtors engage staffing agencies (the "***Staffing Agencies***") that provide Temporary Staff to the Debtors, as needed. The Debtors pay a fee to the Staffing Agencies on a weekly basis for each Temporary Staff utilized (the "***Staffing Agency Obligations***"), and the Staffing Agencies in turn pay the Temporary Staff; the Debtors do not directly pay the Temporary Staff. The Debtors pay approximately $11,300 on a weekly basis on account of the Staffing

[6] The Debtors executed a prepetition reduction in force on May 1, 2024, and exiting employees were offered severance in an amount equivalent to two weeks' pay if they execute a separation agreement. The Debtors are seeking authority to pay those Employee Severance Obligations as they come due and/or as former Employees execute the separation agreements.

Agency Obligations. As of the Petition Date, the Debtors believe that no amounts are accrued or owing to the Staffing Agencies. The Debtors seek authority, out of an abundance of caution, to continue paying the Staffing Agency Obligations on a postpetition basis in the ordinary course of business.

50. The Debtors use Ultimate Kronos Group, Inc. (the "***Payroll Processor***") to process and pay their payroll obligations and perform other payroll-related services (the "***Payroll Processing Services***"). The Payroll Processor administers the payments to the Debtors' Employees related to the Debtors' Compensation and Benefits Obligations. For each payroll period, the Payroll Processing Services are used to process direct deposit transfers or administer payroll checks to Employees. The Payroll Processing Services are integral to the Debtors' ability to pay their Employees.

51. In the twelve months prior to the Petition Date, the Debtors paid approximately $8,400 per quarter on account of the Payroll Processing Services (the "***Payroll Processing Fees***"). As of the Petition Date, the Debtors do not believe that any Payroll Processing Fees are accrued and unpaid. The Debtors seek authority, out of an abundance of caution, to continue paying the Payroll Processing Fees and any associated costs on a postpetition basis in the ordinary course of business.

52. During each applicable pay period, the Debtors, through their Payroll Processor, routinely deduct and withhold certain amounts from Employees' paychecks for, among other things, pre- or post-tax deductions payable pursuant to certain of the Compensation and Benefits Programs (collectively, the "***Deductions***"). The Deductions generally are processed and forwarded to the appropriate third party at the same time the Employees' payroll checks are

disbursed. On average, the Debtors remit approximately $100,000 per month on account of the Deductions.

53. As of the Petition Date, the Debtors estimate that the amount of accrued but unremitted Deductions is up to approximately $1,100 (the "***Unpaid Deductions***"). The Debtors seek authority to remit the Unpaid Deductions in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue remitting the Deductions and any associated processing costs on a postpetition basis in the ordinary course of business.

54. The Debtors also are required by law to withhold from their Employees' Wages amounts related to, among other things, federal, state, and local income taxes, as well as Social Security, Medicare, and similar foreign taxes and withholdings (collectively, the "***Employee Payroll Taxes***") for remittance to the appropriate taxing authorities. The Debtors must then match the Employee Payroll Taxes from their own funds and pay, based upon a percentage of gross payroll, additional amounts for state and federal unemployment insurance (together with the Employee Payroll Taxes, the "***Payroll Taxes***"). The Payroll Taxes generally are processed and forwarded to the appropriate taxing authority at the same time the Employees' payroll checks are disbursed.

55. As of the Petition Date, the Debtors estimate that the amount of accrued but unremitted Payroll Taxes is up to approximately $1,250 (the "***Unpaid Payroll Taxes***"). The Debtors seek authority to pay the Unpaid Payroll Taxes in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue remitting the Payroll Taxes and any associated processing costs on a postpetition basis in the ordinary course of business.

56. In the ordinary course of business, the Debtors reimburse Employees for reasonable and customary expenses that such Employees personally incur in the scope of their employment. Expense reimbursements typically include expenses associated with travel, lodging, ground transportation, meals, and other business-related expenses incurred in the course of an Employee's duties while on assignments away from their normal work location (the "***Expense Reimbursements***").

57. The Debtors' inability to reimburse their Employees with respect to any Expense Reimbursements likely would impose significant hardships on those Employees, as Employees may be held personally liable for any unpaid obligations even though the obligations were incurred for the Debtors' benefit.

58. Because of the irregular nature of requests for Expense Reimbursements, it is difficult for the Debtors to determine the amount of unpaid Expense Reimbursements at any given time, but historically, the Expense Reimbursements are approximately $3,150 per month. As of the Petition Date, based on historical practices, the Debtors estimate that the amount of accrued but unpaid Expense Reimbursements is approximately $3,500 (the "***Unpaid Expense Reimbursements***"). The Debtors seek authority to pay the Unpaid Expense Reimbursements in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue paying the Expense Reimbursements on a postpetition basis in the ordinary course of business.

59. The Debtors offer their Employees the opportunity to participate in a number of health benefit plans, including the Medical Plans, the FSAs, the Dental Plans, the Vision Plan, the COBRA Policy, and the Employee Assistance Program (each, as defined below) (collectively, and including any administrative costs related thereto, the "***Health and Welfare Programs***").

60. The Debtors offer medical coverage (the "***Medical Plans***") to their Employees administered through UnitedHealthcare ("***United***"). Employees are provided with two plan options—tiered and UHC Choice—that each have required premiums. The Medical Plans provide coverage for, among other things, outpatient and inpatient services, preventative care, and prescription drug services. Employees, as well as their spouses, children, and/or eligible dependents may be covered under the Medical Plans. As of the Petition Date, approximately 66 Employees participate in the Medical Plans. After taking applicable Deductions, the Debtors pay approximately $134,340 per month with respect to the Medical Plans premiums and related administrative fees (such fees, the "***Medical Plan Administrative Fees***").

61. The Debtors also offer travel medical coverage (the "***Travel Plans***") administered through Aetna to certain of their Employees. Employees, as well as their spouses, children, and/or eligible dependents may be covered under the Travel Plans. As of the Petition Date, two Employees participate in the Travel Plans. After taking applicable deductions, the Debtors pay Aetna approximately $3,720 per month with respect to Travel Plan premiums.

62. The Debtors also provide Employees with access to an optional healthcare flexible spending account, dependent care flexible spending account, and limited purpose flexible spending account (collectively, the "***FSAs***"), each administered by WEX ("***WEX***"). The Debtors withhold funds from the paychecks of participating Employees that are used to fund such Employees' FSAs. Participating Employees may then submit a claim to reimburse themselves for certain qualified out-of-pocket medical expenses, dependent child care expenses, and eligible dental and vision expenses. The Debtors then pay WEX in the amount of such claims from the withheld funds. As of the Petition Date, approximately 45 Employees maintain FSAs and the Debtors estimate that they owe approximately $30,000 to WEX. The Debtors do not make contributions on account of

the FSAs. The Debtors also pay WEX approximately $230 in administrative fees on a monthly basis on account of the FSAs.

63. The Debtors offer fully-insured dental coverage (the "***Dental Plans***") to their Employees through United. Employees, as well as their spouses, children, and/or eligible dependents may be covered under the Dental Plans. As of the Petition Date, approximately 66 Employees participate in the Dental Plans. After taking applicable Deductions, the Debtors pay United approximately $7,100 per month with respect to the Dental Plans premiums.

64. The Debtors offer fully-insured vision coverage (the "***Vision Plan***") to their Employees through VSP. The Vision Plan provides coverage or discounts for exams, prescription eyeglasses, and contact lenses. Employees, as well as their spouses, children, and/or eligible dependents may be covered under the Vision Plan. As of the Petition Date, approximately 66 Employees participate in the Vision Plan. After taking applicable Deductions, the Debtors pay VSP approximately $1,240 per month with respect to the Vision Plan premiums.

65. The Debtors provide their Employees coverage under the Consolidated Omnibus Budget Reconciliation Act ("***COBRA***"), which provides Employees who lose their health coverage the right to continue benefits for a limited period of time (the "***COBRA Policy***"). The COBRA Policy is administered by WageWorks ("***WageWorks***"). As of the Petition Date, up to 28 former Employees participate in the COBRA Policy.[7] The Debtors pay WageWorks approximately $130 in administrative fees on a monthly basis on account of the COBRA Policy.

66. The Debtors provide all Employees and their immediate family members with confidential access to professional counseling services free of charge through their Employee Assistance Program (the "***EAP***"). The EAP is facilitated by Unum Group ("***Unum***"). The Debtors

[7] The exact number of former Employees participating in the COBRA Policy is currently in flux due to a reduction in force on May 1, 2024. The maximum number of former Employees eligible to participate is 28.

do not pay any additional fees per month to Unum on account of the EAP because the EAP is covered by the Long Term Disability premiums that the Debtors pay to Unum.

67. As of the Petition Date, the Debtors estimate that the amount of total accrued but unpaid obligations arising under the Health and Welfare Programs is approximately $700 (the "***Unpaid Health and Welfare Program Obligations***"). The Debtors seek authority to pay the Unpaid Health and Welfare Program Obligations in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue paying the Health and Welfare Programs obligations on a postpetition basis in the ordinary course of business.

68. The Debtors offer fully-insured life and accidental death and dismemberment insurance coverage (the "***Base Life and AD&D Insurance***") to their Employees through Unum, which provides up to $50,000 in life insurance coverage and $100,000 in accidental death and dismemberment coverage in the event of an Employee's death, accidental death, or dismemberment. Employees do not make any contributions on account of the Base Life and AD&D Insurance. As of the Petition Date, approximately 66 Employees maintain Base Life and AD&D Insurance. The Debtors pay approximately $1,400 per month with respect to the Base Life and AD&D Insurance premiums.

69. As of the Petition Date, the Debtors estimate that the amount of total accrued but unpaid obligations arising under the Base Life and AD&D Insurance is a *de minimis* amount (approximately $5) (the "***Unpaid Base Life and AD&D Insurance Obligations***"). The Debtors seek authority to pay the Unpaid Base Life and AD&D Insurance Obligations in the ordinary course of business and consistent with past practices, and, out of an abundance of caution, to continue paying the Base Life and AD&D Insurance obligations on a postpetition basis in the ordinary course of business.

70. Employees may also purchase supplemental life insurance (the "***Supplemental Life Insurance***") and supplemental accidental death and dismemberment insurance (the "***Supplemental AD&D Insurance***"), and together with the Supplemental Life Insurance, the "***Supplemental Life and AD&D Insurance***") through Unum. The Debtors do not make any contributions on account of the Supplemental Life and AD&D Insurance. As of the Petition Date, approximately 60 Employees maintain Supplemental Life Insurance and AD&D Insurance.

71. The Debtors provide certain Employees with fully-insured short- and long-term disability benefits through Unum, and Employees are also covered under state statutory workers' compensation laws (the "***Disability Benefits***").

72. Under the short-term disability benefits program, in the event of a qualified non-work related illness or injury, Employees are entitled to 60% pay (not to exceed $3,000) for up to 26 weeks (the "***Short-Term Disability Benefits***"). As of the Petition Date, approximately 66 Employees are eligible to receive Short-Term Disability Benefits. The Debtors pay approximately $3,390 per month in premiums for the Short-Term Disability Benefits.

73. Under the long-term disability benefits program, Employees are entitled to up to 60% of their base salary beginning once the employee has been disabled for 90 days (the "***Long-Term Disability Benefits***"). Employees do not make any contributions on account of Long-Term Disability Benefits. As of the Petition Date, approximately 66 Employees are eligible to receive Long-Term Disability Benefits. The Debtors pay approximately $2,800 per month in premiums for the Long-Term Disability Benefits.

74. The cost of the Disability Benefits is included in the premium that the Debtors pay on account of the Base Life and AD&D Insurance, as both are provided by and invoiced through Unum. As of the Petition Date, the Debtors do not believe that any separate amounts have accrued

or are unpaid on account of the Disability Benefits. The Debtors seek authority, out of an abundance of caution, to continue providing the Disability Benefits on a postpetition basis in the ordinary course of business.

75. The Debtors maintain certain paid leave benefit programs for Employees, providing paid leave for PTO and Other Leave (each as defined below, and collectively, the "***Leave Benefits***").

76. In the ordinary course of business, the Debtors provide paid time off ("***PTO***") to eligible Employees. PTO accrues at a specified rate dependent upon the Employee's years of relevant work experience; Employees accrue between 20 and 35 PTO days per fiscal year. Upon termination, eligible Employees are entitled to cash payments for accrued but unused PTO at a rate of up to 100% of accrued PTO time.

77. As of the Petition Date, the Debtors estimate that the aggregate amount of accrued but unpaid PTO obligations is approximately $131,570. However, this amount is not a current cash pay obligation because Employees are only entitled to be paid for accrued and unused PTO (if payable by law) in the event they resign or are terminated, if at all. Because PTO is an essential feature of the employment package provided to the Debtors' Salaried Employees, and failure to provide this benefit would harm Employee morale and encourage the premature departure of valuable Employees, the Debtors request authority to honor all of their PTO obligations consistent with past practices, and, out of an abundance of caution, to continue honoring such PTO obligations on a postpetition basis in the ordinary course of business.

78. In the ordinary course of business, the Debtors provide certain other paid and unpaid leave, including holidays, bereavement, jury duty, voting leave, military leave, leave provided for under the Family Medical Leave Act, and all legally required leaves (collectively, the

"***Other Leave***"). Employees are not entitled to any cash payments in connection with the Other Leave.

79. The Debtors believe that the continuation of the Leave Benefits in the ordinary course of business and consistent with past practices is essential to maintaining Employee morale during these chapter 11 cases. Further, the policies are broad-based programs upon which all Employees have come to depend. As a result, out of an abundance of caution, the Debtors seek authority to continue offering and honoring the Leave Benefits on a postpetition basis and in the ordinary course of business.

80. The Debtors provide all eligible Employees with the ability to participate in a 401(k) retirement savings plan (the "***401(k) Plan***"), which is administered by Fidelity ("***Fidelity***"). The Debtors pay Fidelity a quarterly administrative fee of approximately $5,290 in connection with the 401(k) Plan (the "***401(k) Administrative Fees***").

81. Employees generally are eligible to participate in the 401(k) Plan immediately upon employment. The 401(k) Plan generally provides for pre-tax deductions of compensation up to limits set by the Internal Revenue Code, as well as for certain post-tax deductions. Employee contributions to the 401(k) Plan are deducted automatically from each paycheck and transferred to a trust established under the 401(k) Plan (collectively, the "***401(k) Deductions***," and together with the 401(k) Administrative Fees, the "***401(k) Obligations***"). As of the Petition Date, approximately 65 Employees contribute to the 401(k) Plan and approximately 95 former Employees hold balances in the 401(k) Plan. The Debtors make discretionary contributions to the 401(k) Plan by matching Employees' contributions as follows: 1% match for each 1% that the Employee contributes up to 3%, then 0.5% match on the Employee's next 2%, for a maximum of up to 4% of the Employee's salary.

82. As of the Petition Date, the Debtors estimate that the amount of accrued but unpaid obligations due on account of the 401(k) Plan is up to approximately $450 (the "***Unpaid 401(k) Obligations***"), consisting entirely of unremitted 401(k) Deductions. The Debtors seek authority to remit and/or pay the Unpaid 401(k) Obligations in the ordinary course of business, consistent with past practices, and, out of an abundance of caution, to continue remitting and/or paying the 401(k) Obligations on a postpetition basis in the ordinary course of business.

83. I believe that certain Compensation and Benefits Obligations are entitled to priority treatment and that any such payments, if made pursuant to the Wages Motion, would only affect the timing of payments to Employees. I further believe and understand that the payment of certain Compensation and Benefits Obligations is required by law and that the Debtors seek authority to pay the Unpaid Deductions to the appropriate third-party entities because these amounts principally represent Employee earnings that governments, Employees, and judicial authorities have designated for deduction and withholding from the Employees' paychecks.

84. I believe that the Employees will be exposed to significant financial difficulties if the Debtors are not permitted to honor unpaid Compensation and Benefits Obligations. Additionally, I believe that continuing ordinary course benefits will help maintain morale and minimize the adverse effect of the commencement of these chapter 11 cases on the Debtors' ongoing business operations the Compensation and Benefit Programs drive Employees' performance, align Employees' interests with those of the Debtors generally, and promote the overall efficiency of the Debtors' operations. Moreover, I believe the Employees provide the Debtors with services necessary to conduct the Debtors' businesses and that absent the payment of the obligations owed to the Employees, turnover and instability may result at this critical juncture in these chapter 11 cases. I further believe that without these payments, the Employees

may become demoralized and unproductive because of the potential significant financial strain and other hardships the Employees may face. The Employees may then elect to seek alternative employment opportunities. Additionally, a significant portion of the value of the Debtors' businesses is tied to the skills of the Employees, which cannot be replaced without significant efforts, and which efforts may not be successful given the overhang of these chapter 11 cases. Enterprise value may be materially impaired to the detriment of all stakeholders in such a scenario.

85. I therefore believe that (a) payment of the prepetition Compensation and Benefits Obligations and (b) continuation of payment of the same on a postpetition basis is a necessary and critical element of the Debtors' efforts to preserve value and will give the Debtors the greatest likelihood of retaining their Employees throughout these chapter 11 cases. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Wages Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully request that relief sought in the Wages Motion be approved.

B. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System and Maintain Existing Bank Accounts, (B) Continue Using Existing Checks and Business Forms, (C) Maintain Their Corporate Card Program, and (D) Continue Intercompany Transactions and (II) Granting Related Relief (the "*Cash Management Motion*")

86. The Debtors seek entry of interim and final orders, substantially in the forms attached to the Cash Management Motion, (i) authorizing the Debtors to (a) continue to operate their cash management system and maintain existing bank accounts, (b) continue using their existing business forms and checks, (c) maintain their corporate card program, and (d) continue to engage in intercompany transactions and (ii) granting related relief.

87. The Debtors and their Non-Debtor Affiliates (as defined below) manage their cash, receivables, and payables, in the ordinary course of business, through a centralized cash management system (the "***Cash Management System***"). The Debtors use the Cash Management

System to efficiently collect, transfer, concentrate, and disburse funds generated from their operations. The Cash Management System also enables the Debtors to monitor the collection and disbursement of funds and the administration of their bank accounts, which are maintained at JPMorgan Chase Bank, N.A. ("***JPMorgan***"), HSBC Bank USA ("***HSBC***"), and China Merchants Bank ("***CMB***") (each, a "***Bank***," and collectively, the "***Banks***"). The Debtors maintain accounting controls with respect to each of their bank accounts and are able to accurately trace the funds through their Cash Management System to ensure that all transactions are adequately documented and readily ascertainable, including in connection with the intercompany transactions more fully described below. The Debtors will continue to maintain their books and records relating to the Cash Management System to the same extent such books and records were maintained prior to the Petition Date. Accordingly, the Debtors will be able to accurately document, record, and track the transactions occurring within the Cash Management System for the benefit of their estates.

88. The Debtors' Cash Management System consists of a total of 19 bank accounts (collectively, the "***Bank Accounts***"),[8] which are maintained at the Banks. A list identifying each of the Bank Accounts, along with the type of account, the Bank at which such account is held, and the last four digits of each account number, is attached to the Cash Management Motion as **Exhibit C**, and a diagram depicting the Cash Management System, the relationship between the Bank Accounts, and the general flow of funds is attached to the Cash Management Motion as **Exhibit D**. A general description of the Bank Accounts is provided in the table below:

[8] For the avoidance of doubt, the Cash Management Motion applies to all of the Debtors' bank accounts irrespective of whether or not such account is specifically identified herein.

Bank Accounts	Description of Accounts
KidKraft, Inc. ("*KKT*")	
Main Operating Account Account Ending: 6589	This account is primarily used for the day-to-day operating disbursements (ACH (as defined below), wires, auto drafts) of KKT and its domestic affiliates, including taxes and other expenses. Funds are transferred to and from the various other Bank Accounts in the ordinary course on an as-needed basis. The Main Operating Account is subject to a deposit account control agreement in favor of GB Funding, LLC, in its capacity as the administrative agent under the Prepetition Credit Agreement (the "***Administrative Agent***").
KKT USD Factoring Account Account Ending: 5107	This account is primarily used to collect receipts paid in USD from KKT's sales that are subject to the *Receivables Sale Agreement*, dated as of August 4, 2021, with Coface Finanz GmbH ("***Coface***," and such agreement, the "***KKT Factoring Agreement***"). Excess cash is transferred to the Main Operating Account. The KKT USD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.

Bank Accounts	Description of Accounts
KKT CAD Factoring Account Account Ending: 1636	This account is primarily used to collect receipts paid in CAD from KKT's sales that are subject to the KKT Factoring Agreement. Excess cash is transferred to the KKT CAD Operating Account. The KKT CAD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.
KKT CAD Operating Account Account Ending: 1689	This account is primarily used to collect receipts paid in CAD on account of KKT's non-factored receivables. Unused amounts in the KKT CAD Factoring Account are transferred into this account. Excess cash in this account is transferred to the Main Operating Account. The KKT CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
KKT Collateral Account Account Ending: 1720	This account is a cash collateral account on account of the Corporate Card Program (as defined below). The KKT Collateral Account is subject to a deposit account control agreement in favor of the Administrative Agent.

Bank Accounts	Description of Accounts
Fuzhou Operating Account Account Ending: 9726	This account is primarily used for operating disbursements (ACH, wires, auto drafts) of vendor payments of KKT's Fuzhou (China) subsidiary. Funds are transferred from the Main Operating Account to this account as necessary.
Shenzhen Operating Account Account Ending: 0501	This account is primarily used for the day-to-day operating disbursements (ACH, wires, auto drafts) of KKT's Shenzhen (China) subsidiary, including taxes and other expenses. Funds are transferred from the Main Operating Account to this account as necessary.
Reserve Account Account Ending: 6979	This account will be used as the Debtors' adequate assurance account pursuant to the Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving the Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief, filed contemporaneously herewith.
Solowave Design Corp. ("*SDC"*)	

Bank Accounts	Description of Accounts
SDC Factoring Account Account Ending: 5021	This account was previously used to collect receipts from SDC's sales that were subject to a now-terminated factoring agreement with HSBC Bank USA (the "***HSBC Factoring Agreement***"). This account has minimal activity.
SDC USD Operating Account Account Ending: 6860	This account is primarily used to collect receipts paid in USD on account of SDC's non-factored receivables and to pay vendors amounts due on behalf of SDC. Excess cash in this account is transferred to the Main Operating Account. The SDC USD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
SDC Deposit Account Account Ending: 4785	This account is primarily used to collect receipts on account of SDC's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDC Deposit Account is subject to a deposit account control agreement in favor of the Administrative Agent.

Bank Accounts	Description of Accounts
SDC CAD Operating Account Account Ending: 1688	This account is primarily used to collect receipts paid in CAD on account of SDC's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDC CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
Solowave Design LP	
SDL USD Factoring Account Account Ending: 7319	This account is primarily used to collect receipts paid in USD from SDL's sales that are subject to the *Receivables Sale Agreement*, dated as of April 21, 2022, with Coface (the "***SDL Factoring Agreement***").[9] Excess cash is transferred to the SDL USD Operating Account. The SDC USD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.

[9] For the avoidance of doubt, the Debtors do not expect any new receivables generated postpetition to be subject to the SDL Factoring Agreement.

Bank Accounts	Description of Accounts
SDL USD Operating Account Account Ending: 6795	This account is primarily used to collect receipts paid in USD on account of SDL's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDL USD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
SDL CAD Factoring Account Account Ending: 1475	This account is primarily used to collect receipts paid in CAD from SDL's sales that are subject to the SDL Factoring Agreement. Excess cash is transferred to the SDL CAD Operating Account. The SDL CAD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.
SDL CAD Operating Account Account Ending: 1690	This account is primarily used to collect receipts paid in CAD on account of SDL's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDL CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
Solowave Design Inc.	

Bank Accounts	Description of Accounts
SDI Reserve Account Account Ending: 7670	The SDI Reserve Account is available for disbursements of Solowave Design Inc., but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Canadian Priority Reserve Account pursuant to the *Emergency Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105,361,362,363,364, and 507 and Fed. R. Bankr. P. 2002, 4001, and 9014 (I) Authorizing Debtors and Debtors in Possession to Obtain Postpetition Senior Secured Superpriority Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Secured Lenders, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief*, filed contemporaneously herewith (the "***DIP Motion***").
Solowave International Inc.	

Bank Accounts	Description of Accounts
SII Reserve Account Account Ending: 7787	The SII Reserve Account is available for disbursements of Solowave International Inc., but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Post-Carve-Out Trigger Notice Reserve Account pursuant to the DIP Motion.
Solowave Design Holdings Limited	
SDH Reserve Account Account Ending: 3058	The SDH Reserve Account is available for disbursements of Solowave Design Holdings Limited, but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Funded Reserve Account pursuant to the DIP Motion.

89. As of the Petition Date, the Bank Accounts had a combined value of approximately $3,510,000.

90. To the best of my knowledge, all of the Bank Accounts except the Shenzhen Operating Account are maintained at Banks that are insured by the Federal Deposit Insurance Corporation (the "***FDIC***") and, therefore, comply with section 345(b) of the Bankruptcy Code. As a Chinese institution with no domestic branches, CMB is not insured or backed by the United States government, however, the Debtors believe that CMB is a well-capitalized and sophisticated

banking institution and request that the Court waive the requirement for CMB to post a bond in favor of the United States to insure this account.

91. I understand that the U.S. Trustee has established certain operating guidelines (the "***U.S. Trustee Guidelines***") for debtors in possession.[10] The U.S. Trustee Guidelines require, among other things, that upon the filing of a bankruptcy petition, a debtor must immediately close all of its existing bank accounts and open new bank accounts that are designated as debtor-in-possession accounts with authorized depositories whose deposits are insured by the FDIC and who agree to comply with the requirements of the U.S. Trustee. The U.S. Trustee Guidelines further require debtors to maintain one account solely for the purpose of setting aside estate monies required for the payment of taxes and another separate account for cash collateral.

92. Here, the Debtors maintain the majority of their deposits with JPMorgan, which is an authorized depository institution in the Northern District of Texas. However, the Debtors also maintain the Shenzhen Operating Account at CMB and the SDC Deposit Account and the SDC Factoring Account at HSBC, which are not authorized depository institutions in the Northern District of Texas. As of the Petition Date, the Shenzhen Operating Account at CMB had a balance of approximately 575,000, and the SDC Deposit Account and SDC Factoring Account at HSBC each had a $0 balance. Reestablishing these accounts at different institutions could prove costly for the Debtors and would hinder their operations and businesses. The Debtors will work in good faith with the U.S. Trustee to address any concerns regarding the continued use of CMB.

93. I believe that both HSBC and CMB are stable, well-capitalized institutions and, therefore, that the Bank Accounts can be maintained at HSBC and CMB without jeopardizing the

[10] *See Guidelines for Debtors-in-Possession*, U.S. Department of Justice, United States Trustee Program, Region 6, *available at* https://www.justice.gov/ust-regions-r06/page/file/1588141/dl.

rights of any parties in interest. The Bank Accounts at HSBC do not carry material balances, and the Debtors do not anticipate any activity for these accounts beyond the payment of ordinary course overhead payments and Bank Fees for the duration of these chapter 11 cases. The Debtors request that the Court waive the requirements of the U.S. Trustee Guidelines and allow the Debtors to maintain their existing Bank Accounts at CMB and HSBC.

94. Further, the Shenzhen Operating Account is important to the Debtors' continued operations. Neither KidKraft Trading (Fuzhou) Co., Ltd. nor KidKraft Trading (Shenzhen) Co., Ltd. (the "***Non-Debtor China Affiliates***") maintains its own bank account; rather KKT funds the operational expenses of such Non-Debtor China Affiliates through the Shenzhen Operating Account and the Fuzhou Operating Account. Losing access to the Shenzhen Operating Account would impact the Company's ability to pay its China-based employees.[11] Therefore, the Debtors respectfully request that the Court allow the Debtors to maintain, service, and administer the Shenzhen Operating Account at CMB and the SDC Deposit Account and the SDC Factoring Account at HSBC, without interruption and in the ordinary course of business, notwithstanding the fact that CMB and HSBC are not authorized depository institutions under the U.S. Trustee Guidelines.

95. I believe that requiring the Debtors to adopt new cash management systems and open new bank accounts at the same or different depository institutions would be expensive, impose needless administrative burdens on the Debtors, and would cause undue disruption to the Debtors' operations. Any such disruption would have a severe and adverse impact upon the Debtors' ability to navigate these chapter 11 cases, adversely affecting the Debtors' ability to

[11] Pursuant to the *Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief*, filed substantially contemporaneously herewith, the Debtors are seeking authority to fund amounts necessary to pay wages of employees of their Non-Debtor China Affiliates.

maintain and maximize value for the benefit of creditors and other parties in interest. Moreover, such a disruption would be wholly unnecessary insofar as the continued use of the Debtors' Bank Accounts and Cash Management System provides a safe, efficient, and established means for the Debtors to maintain and manage their cash.

96. I also believe that a waiver of certain requirements of the U.S. Trustee Guidelines is appropriate. Maintenance of the Bank Accounts and Cash Management System will minimize the disruption to the Debtors' operations and promote an orderly and efficient transition into chapter 11. I believe and understand that such benefits are entirely consistent with the goals underlying the U.S. Trustee Guidelines. I believe that the Cash Management System constitutes an ordinary-course and essential business practice providing significant benefits to the Debtors, including the ability to control corporate funds, ensure the maximum availability of funds when and where necessary, reduce borrowing costs and administrative expenses by facilitating the movement of funds, and ensure the availability of timely and accurate account balance information consistent with prepetition practices.

97. In the ordinary course of business, the Debtors incur and pay, or allow to be deducted from the appropriate Bank Accounts, certain fees and expenses related to the cost of administering the Bank Accounts, including, among other things, wire transfers and other fees, costs, and expenses standard for typical corporate bank accounts, letters of credit, and cash management systems (collectively, the "***Bank Fees***"). The Bank Fees are either debited directly from the Debtors' Bank Accounts or are paid on a per transaction basis. The amount of Bank Fees owed each month varies based on account activity and average monthly balance maintained in the Bank Accounts. Historically, the Debtors have paid approximately $10,000 per month in Bank

Fees. As of the Petition Date, approximately $10,000 of Bank Fees has accrued and is outstanding, all of which will become due and payable within the first twenty-one days after the Petition Date.

98. As part of the Cash Management System, the Debtors utilize preprinted checks and business forms (including, without limitation, letterhead, purchase orders, invoices, and preprinted checks, collectively, the "***Checks and Business Forms***") in the ordinary course of their businesses. To minimize expenses to their estates and avoid confusion on the part of employees, customers, and vendors during the pendency of these chapter 11 cases, the Debtors respectfully request that the Court authorize their continued use of Checks and Business Forms as such forms were in existence immediately before the Petition Date, without reference to the Debtors' status as debtors-in-possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new Checks and Business Forms as required under the U.S. Trustee Guidelines. To the extent the Debtors exhaust their existing supply of Checks and Business Forms during these chapter 11 cases, the Debtors will transition to using Checks and Business Forms with the designation "Debtor-in-Possession" and the corresponding bankruptcy case number on all such forms.

99. As part of the Cash Management System and in the ordinary course of business, the Debtors maintain company-paid credit cards (the "***Corporate Cards***") that are utilized to pay for certain work-related expenses, such as work-related travel and certain non-recurring purchases made on behalf of the Debtors and certain operating expenses on behalf of the Debtors and Non-Debtor Affiliates (collectively, the "***Corporate Card Program***"). The Corporate Cards are issued by JPMorgan (the "***Corporate Card Provider***"). As of the Petition Date, approximately 34 Corporate Cards have been issued by the Corporate Card Provider to the Debtors and their employees.

100. In general, Corporate Cards are issued to employees for use on the Debtors' behalf for the payment of business-related expenses, including travel for business purposes and office-related purchases made on behalf of the Debtors, that are verified through receipts. The Debtors receive weekly statements for purchases (the "***Corporate Card Expenses***") made with the Corporate Cards in the preceding week. Once the Debtors determine that the Corporate Card Expenses comply with the Debtors' policies and procedures, the Debtors typically pay any outstanding Corporate Card Expenses within four days of each statement date.

101. Over the last 12 months, the Debtors have incurred a monthly average of approximately $330,000 of Corporate Card Expenses and have paid the full balance owed approximately four days after each weekly statement date. As of the Petition Date, approximately $50,000 in Corporate Card Expenses has accrued and is outstanding, all of which will become due and owing within the first 21 days after the Petition Date. Any fees that the Debtors pay on account of the Corporate Card are included in the Bank Fees.

102. Use of the Corporate Cards is an integral part of the Cash Management System, and the ability of the Debtors' employees to continue using the Corporate Cards is essential to the ongoing operation of the Debtors' businesses. Accordingly, the Debtors respectfully request that the Court authorize the Debtors to continue the Corporate Card Program in the ordinary course of business.

103. In the ordinary course of business, the Debtors maintain business relationships with each other and with certain of their non-Debtor affiliates (the "***Non-Debtor Affiliates***"), conducting intercompany transactions (collectively, the "***Intercompany Transactions***") from time to time that result in intercompany receivables and payables (the "***Intercompany Claims***"). As described above, the Debtors manage their expenses and revenues through a centralized Cash

Management System. The Debtors track all fund transfers in their respective accounting systems and can ascertain, trace, and account for all Intercompany Transactions and will continue to do so postpetition.

104. At any given time, there may be Intercompany Claims owing by one Debtor to another Debtor. Intercompany Transactions are made periodically to reimburse certain Debtors for various expenditures associated with their businesses or to fund certain Debtors' accounts in anticipation of certain upcoming expenditures, as needed. For example, in the operation of the Cash Management System, the Debtors transfer funds, for cash concentration purposes, from the SDC Operating Account to the Main Operating Account. Transferring cash to the Main Operating Account allows the Debtors to run their operations and financing activities from a centralized Bank Account.

105. The Debtors also engage in Intercompany Transactions with the Non-Debtor Affiliates in the ordinary course of business as part of the Cash Management System. The Intercompany Transactions with the European Non-Debtor Affiliates have historically been minimal, as the European Non-Debtor Affiliates have typically generated sufficient cash flow to cover their operations, and such transfers typically involve funds being transferred from the Non-Debtor Affiliates to the Debtors' Bank Accounts. However, within the last year, the Debtors have been funding inventory purchases for certain European Non-Debtor Affiliates, which are recorded in the books and records as intercompany payables and receivables. The Intercompany Transactions with the Chinese Non-Debtor Affiliates are made periodically to fund certain Debtors' accounts in anticipation of upcoming expenditures, for example employee payroll, and such transfers typically involve funds being transferred from the Debtors' Bank Accounts to the

Chinese Non-Debtor Affiliates. The Chinese Non-Debtor Affiliates do not have their own source of income and rely on the Debtors to fund their operational needs.

106. I believe that Intercompany Transactions are necessary due to the corporate structure and Cash Management System of the Debtors. This system not only maximizes efficiency but also simplifies third-party interactions with the Debtors as an enterprise. If the Intercompany Transactions were to be discontinued, the Cash Management System and the Debtors' operations would be unnecessarily disrupted to the detriment of the Debtors' estates. The Debtors thus submit that continuing the Intercompany Transactions is essential and in the best interests of the Debtors' respective estates. To minimize business disruptions and preserve value for their estates, the Debtors seek authority to continue the Intercompany Transactions in the ordinary course of business postpetition, consistent with the Debtors' customary prepetition practices.

107. All Bank Accounts except the Shenzhen Operating Account are maintained at Banks that are insured by the FDIC. Additionally, The I believe that funds held in the Shenzhen Operating Account are secure and that obtaining a bond to secure these funds within a short timeframe, is unnecessary and detrimental to the Debtors' estates in these chapter 11 cases. CMB is a highly rated depository institution, subject to supervision by banking regulators in China, and the Debtors retain the right to remove funds held at the Banks and establish new Bank Accounts as needed. Moreover, the cost associated with satisfying the requirements of section 345(b) of the Bankruptcy Code is burdensome and the process of satisfying those requirements would lead to needless inefficiencies in the management of the Debtors' business. I believe that any disruption of the cash management system or Bank Accounts could have a detrimental impact on the Debtors' ability to consummate the Sale Transaction.

108. To avoid disruption of the Cash Management System and unnecessary expense, the Debtors seek a waiver of the requirement to immediately purchase new Checks and Business Forms that include the term "debtor-in-possession" and the case number assigned to these chapter 11 cases and instead utilize the Debtors' existing inventory of Checks and Business Forms to avoid undue expense and delay. The Debtors submit that parties in interest will not be prejudiced by such relief and, accordingly, seek authority to use pre-existing Checks and Business Forms with respect to the Bank Accounts.

109. I believe that the failure to receive the relief requested in the Cash Management Motion, including authorization to continue to operate their Cash Management System, maintain and continue to use the Bank Accounts, continue the Corporate Card Program, and to continue the Intercompany Transactions in the ordinary course of business postpetition, consistent with the Debtors' customary prepetition practices, would imperil the Debtors' restructuring and cause irreparable harm. I further believe that the relief in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and that the Debtors have sufficient liquidity to pay the amounts described in the Cash Management Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully request that the Cash Management Motion be approved.

C. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay (A) Critical Vendors, (B) Lien Claimants, and (C) 503(b)(9) Claimants; (II) Confirming Administrative Expense Priority of Outstanding Orders; and (III) Granting Related Relief (the "*Vendor Motion*")

110. In the Vendor Motion, the Debtors seek entry of interim and final orders (i) authorizing the Debtors to pay in the ordinary course of business, based on their sound business judgment, prepetition amounts owed to (a) Critical Vendors (as defined below), (b) Lien Claimants (as defined below), and (c) 503(b)(9) Claimants (as defined below) (together with the Critical

Vendors and the Lien Claimants, the "***Vendors***," and the Vendors' prepetition claims, collectively, the "***Vendor Claims***"); (ii) confirming the administrative expense priority status and treatment of the Debtors' outstanding orders; and (iii) granting related relief.[12] The Debtors respectfully request authority to pay Vendor Claims in an amount not to exceed $525,000 on an interim basis and in an amount not to exceed $950,000 on a final basis, in each case as they become due in the ordinary course of business and only on such terms and conditions the Debtors deem appropriate, in their business judgment, to minimize any disruptions to the Debtors' businesses.

111. The Debtors rely on continuing access to, and relationships with, the Vendors, which provide the Debtors with goods and services that are critical to the Debtors' ongoing business operations, including phone and telecommunications services, software and internet services, marketing and brand awareness services, and shipping services, among others. Any disruption in the Debtors' access to these services would have significant and detrimental economic and operational impacts on the Debtors' businesses. As such, the Debtors are requesting authority to pay Vendor Claims in the amounts summarized below.

[12] To the best of the Debtors' knowledge, Vendor Claims do not include prepetition claims of non-Debtor affiliates, insiders of the Debtors (as defined in section 101(31) of the Bankruptcy Code), or affiliates of any insiders, and for the avoidance of doubt, the Debtors do not seek authority to pay prepetition claims of non-Debtor affiliates, insiders of the Debtors (as defined in section 101(31) of the Bankruptcy Code), or affiliates of any insiders.

Vendors[13]	Requested Interim Amount	Requested Final Amount[14]
Critical Vendors	$50,000	$50,000
Lien Claimants	$375,000	$750,000
503(b)(9) Claimants	$100,000	$150,000
	$525,000	$950,000

112. In connection with the normal operation of their businesses, the Debtors purchase services from certain service providers (the "***Critical Vendors***") that are unaffiliated with the Debtors and whose continued provision of such services is crucial to maintaining the Debtors' ongoing business operations. The Critical Vendors are generally sole source or limited source suppliers or vendors that provide a material economic or operational advantage when compared to other available suppliers and vendors (to the extent any exist).

113. As the majority of the Debtors' sales are driven through e-commerce, the Debtors' relationships with their phone and telecommunications service providers, software licensors and marketing and brand awareness partners are critically important. As such, these Critical Vendors are in a unique position and would be difficult to replace with respect to the services they provide. Disruption in the provision of services from the Critical Vendors, even for a short duration, could significantly impact the Debtors' operations and cause immediate and irreparable harm to the Debtors' businesses and their ability to operate during the course of these chapter 11 cases.

[13] For the avoidance of doubt, the amounts proposed to be paid to each Vendor on account of its claims are only captured once. For instance, if a Critical Vendor Claim (as defined below) is subject to a valid lien or entitled to administrative expense priority status under section 503(b)(9) of the Bankruptcy Code, that claim will instead be categorized as a Lien Claim (as defined below) or 503(b)(9) Claim (as defined below), as appropriate. Additionally, amounts proposed to be paid to the Vendors do not include claims of creditors whose prepetition claims are addressed in any other first-day motion filed contemporaneously herewith.

[14] For the avoidance of doubt, requested amounts of Critical Vendor Claims, Lien Claims, and 503(b)(9) Claims the Debtors seek authority to pay on a final basis are inclusive of Critical Vendor Claims, Lien Claims, and 503(b)(9) Claims, respectively, paid on an interim basis.

114. The Debtors, with the assistance of their advisors, undertook an analysis to identify the universe and type of vendors they deem to be critical to their ongoing operations. Through this process, the Debtors and their advisors spent significant time reviewing and analyzing the Debtors' books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements, and analyzing applicable laws and historical practices to identify certain critical business relationships and/or suppliers of goods and services, the loss of which could materially harm their businesses, reduce their enterprise value, and/or impair their going-concern viability during the chapter 11 cases and their ability to consummate a Sale Transaction. The Debtors considered a variety of factors, including, among other things:

- whether a vendor is a sole- or limited-source or high-volume supplier for goods or services critical to the Debtors' business operations;
- whether alternative vendors are available that can provide requisite volumes of similar goods or services on equal or better terms and, if so, whether the Debtors would be able to continue operating while transitioning business thereto;
- the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales of future revenue) exceed the amount of a vendor's prepetition claim;
- whether an agreement exists by which the Debtors could compel a vendor to continue performing on prepetition terms without paying such vendor's prepetition claim at the outset of these chapter 11 cases;
- whether certain specification or contract requirements prevent, directly or indirectly, the Debtors from obtaining goods or services from alternative sources;

- whether failure to pay all or part of a particular vendor's claim could cause the vendor to refuse to provide critical services on a postpetition basis;
- whether failure to pay a particular vendor could result in contraction of trade terms as a matter of applicable non-bankruptcy law or regulation; and
- whether authorization for payment of a particular vendor is being sought under another motion of the Debtors for first day relief.

115. Following this analysis, the Debtors identified certain Critical Vendors utilized in the ordinary course that would be difficult or impossible to replace or could only be replaced at substantially higher costs for the Debtors as they transition into chapter 11. As of the Petition Date, the Debtors estimate that approximately $50,000 in prepetition obligations owed to Critical Vendors has accrued and is outstanding (such obligations, "***Critical Vendor Claims***") all of which will become due and payable within the first 21 days after the Petition Date.

116. Based on the foregoing, I believe the Debtors and their estates would be immediately and irreparably harmed if they were to lose access to the services provided by the Critical Vendors. The Debtors therefore seek authority to pay Critical Vendor Claims on an interim basis in an amount not to exceed $50,000, and on a final basis in an amount not to exceed $50,000. The Debtors submit that the requested relief will allow them to preserve the value of their estates by paying the prepetition claims of certain counterparties that are critical to their businesses. Moreover, the relief requested herein is necessary because the Critical Vendors have no obligation to continue providing goods and services under relevant contracts, and, as a result, the Debtors would be unable to force those vendors to continue to perform under section 365 of the Bankruptcy Code.

117. Additionally, the Debtors do not seek authorization to honor prepetition obligations arising under contract, except where the Debtors determine in their business judgment that such parties may be capable of terminating their contracts notwithstanding section 362(a) of the Bankruptcy Code or may otherwise inflict immediate and irreparable harm on the Debtors by their refusal to continue providing goods or services.

118. The Debtors routinely engage a number of third parties that may be able to assert and perfect liens, including transportation and freight liens, possessory liens, and other similar liens, against the Debtors' property if the Debtors fail to pay for the services rendered by such parties (such parties, collectively, the "***Lien Claimants***").

119. The Lien Claimants include common carriers, trucking, shipping, and rail companies, distributors, and other third-party transport service providers (collectively, the "***Shippers***") that ship, transport, and otherwise facilitate the movement of the Debtors' finished goods or other property (collectively, the "***Transported Property***") among the Debtors' facilities and to their customers. As of the Petition Date, the Shippers may possess Transported Property that belong to the Debtors. The Debtors require ready access to the Transported Property as such property generally consists of finished product the Debtors must deliver to their customers.

120. Moreover, under most state laws, a Lien Claimant is granted a lien on the goods in its possession, which secures any charges or expenses incurred in connection with the transportation or storage of such goods. *See* Uniform Commercial Code § 7-209(a) (creating a lien in favor of lien claimants for services provided). Lien Claimants may, as a result, refuse to deliver or release Transported Property and other goods in their possession or control before the Debtors satisfy any outstanding prepetition amounts owed (collectively, the "***Lien Claimants Claims***") and any Lien Claimant's liens are released. If the Debtors are unable to timely pay the

Lien Claimants Claims, they risk being unable to safely maintain their business operations as they transition into chapter 11, which would cause immediate and irreparable harm to the Debtors' estates.

121. As of the Petition Date, the Debtors believe that approximately $750,000 in Lien Claimants Claims has accrued and is outstanding, all of which will become due and payable within the first 21 days after the Petition Date. The Debtors therefore seek authority to pay Lien Claimants Claims on an interim basis in an amount not to exceed $375,000, and on a final basis in an amount not to exceed $750,000.

122. The Debtors may have received goods from certain Vendors (collectively, the "***503(b)(9) Claimants***") in the ordinary course of business within 20 days before the Petition Date. Amounts owed to such parties may be entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code (such amounts, "***503(b)(9) Claims***"). To the extent such goods are supplied on an order-by-order basis, a 503(b)(9) Claimant could refuse to accept new orders without payment of its prepetition claims. The Debtors also believe certain 503(b)(9) Claimants may attempt to reduce the Debtors' existing trade credit or demand payment in cash on delivery, either of which would negatively impact the Debtors' liquidity. Further, 503(b)(9) Claims must be paid in full for the Debtors to confirm a chapter 11 plan. Consequently, payment of such claims as requested by this Motion only provides such parties with what they would be entitled to receive under a chapter 11 plan, and the Bankruptcy Code does not prohibit a debtor from paying such claims prior to confirmation.

123. As of the Petition Date, the Debtors believe that approximately $150,000 in 503(b)(9) Claims has accrued and is outstanding, approximately $100,000 of which will become due and payable within the first 21 days after the Petition Date. The Debtors therefore seek

authority to pay 503(b)(9) Claims on an interim basis in an amount not to exceed $100,000, and on a final basis in an amount not to exceed $150,000.

124. In the ordinary course of business, prior to the Petition Date, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the "***Outstanding Orders***"). The suppliers that have supplied such goods may refuse to ship or otherwise transport such goods to the Debtors to avoid becoming general unsecured creditors of the Debtors unless and until the Debtors re-order such goods postpetition. Section 503(b) of the Bankruptcy Code provides administrative expense priority for goods attributable to prepetition orders which are subsequently delivered after the Petition Date. Therefore, to avoid any disruption to the Debtors' businesses, the Debtors respectfully request entry of an order (i) granting administrative expense priority to the undisputed obligations arising from the Debtors' receipt of Outstanding Orders and (ii) authorizing the Debtors to pay for the Outstanding Orders in the ordinary course of business.

125. The Debtors seek authority to pay Vendor Claims in the ordinary course of business; *provided* that any such payment of Vendor Claims shall be contingent upon the applicable Vendor agreeing to continue to supply goods or services to the Debtors on "Customary Trade Terms."[15]

126. The Debtors further propose that if a Vendor accepts payment for a Vendor Claim and thereafter refuses to continue to supply goods or services to the Debtors on Customary Trade Terms for the applicable period, then the Debtors may assert and request that the Court order: (i) that the payment of such Vendor Claim is a voidable postpetition transfer pursuant to section

[15] As used herein, "***Customary Trade Terms***" means, with respect to a Vendor, (i) the normal and customary trade terms, practices, and programs that were most favorable to the Debtors and in effect between such Vendor and the Debtors in the twelve-month period prior to the Petition Date or (ii) such other trade terms as agreed by the Debtors and such Vendor that, in the reasonable business judgment of the Debtors, are more favorable to the Debtors than the terms in the preceding clause (i).

549(a) of the Bankruptcy Code that the Debtors may recover from such Vendor in cash, (ii) that the Vendor immediately return such payments in respect of its Vendor Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever, and (iii) upon recovery of such payment by the Debtors, such Vendor Claim shall be reinstated in such an amount as to restore the Debtors and the applicable Vendor to their original positions, as if the payment of the Vendor Claim had not been made.

127. To ensure that Vendors transact business with the Debtors on Customary Trade Terms, the Debtors propose the following procedures, to be implemented in the Debtors' discretion, as a condition to paying any Vendor Claim: (i) that a letter or contract including provisions substantially in the form of the letter attached to the Vendor Motion as **Exhibit C** (a "***Vendor Agreement***") be delivered to, and executed by, the Vendor along with a copy of the order granting relief sought herein and (ii) that payment of the Vendor Claim include a communication of the following statement:

> By accepting this payment, the payee agrees to the terms of the Order of the United States Bankruptcy Court for the Northern District of Texas, dated [•], 2024 in the jointly administered chapter 11 cases of KidKraft, Inc., entitled "*[Interim / Final] Order (I) Authorizing the Debtors to Pay (A) Critical Vendors, (B) Lien Claimants, and (C) 503(b)(9) Claimants; (II) Confirming Administrative Expense Priority of Outstanding Orders; and (III) Granting Related Relief"* and submits to the jurisdiction of that Court for enforcement thereof.

128. Through the Vendor Motion, the Debtors respectfully request only the authorization to enter into Vendor Agreements when the Debtors determine, in their sole

discretion, that entry into such Vendor Agreements is in the best interest of the Debtors' estates. The Debtors also request authorization to make payments on account of Vendor Claims in the absence of a Vendor Agreement if the Debtors determine, in their business judgment, that entry into such Vendor Agreements will result in harm to the Debtors' businesses.[16] However, the Debtors request that to the extent that the Debtors do not enter into a Vendor Agreement with a Vendor, such Vendor's acceptance of payment on account of its Vendor Claim be deemed as the Vendor's agreement to continue providing goods or services on Customary Trade Terms.[17]

129. I believe that any failure by the Debtors to pay the Vendor Claims could cause significant damage to the Debtors' business operations. The nature of the Debtors' businesses and the extent of their operations make the continued services from the Vendors critical, and the prompt payment of the Vendor Claims is crucial for the orderly and efficient operation of the Debtors' businesses. I further believe that failure to pay for these essential goods or services would cause immediate and irreparable harm to the Debtors' businesses. For the foregoing reasons, I believe that satisfying the Vendor Claims is necessary, appropriate, and in the best interests of the Debtors, their estates, and their stakeholders, and respectfully submit that the Court should authorize the Debtors to satisfy the Vendor Claims as set forth in the Vendor Motion.

130. I understand that if the Lien Claimants are not paid, the Lien Claimants may be entitled to adequate protection as holders of possessory liens. Therefore, the Debtors seek authority to pay all or a portion of the Lien Claimants Claims as they determine, in their discretion, is necessary or appropriate to obtain the release of, or prevent the assertion of, Liens and Interests

[16] For a matter of clarity, the Debtors request discretion to enter into Vendor Agreements because certain of the Vendors hold claims of modest size, and the anticipated cost to the Debtors' estates, in both time and expense, for the Debtors and their advisors to enter into Vendor Agreements with these Vendors would outweigh the size of the potential Vendor Claims being resolved.

[17] For the avoidance of doubt, nothing in the Vendor Motion should be construed as a waiver by any of the Debtors of their rights to contest any claim of a Vendor under applicable bankruptcy or non-bankruptcy law.

on estate property asserted by any Lien Claimant that is critical to the Debtors' ongoing business operations. I believe that allowing the Debtors to pay such Lien Claimants' Claims, in their discretion and as an exercise of their business judgment, in the ordinary course of business would avoid the irreparable harm that would occur absent payment of the Lien Claimants' Claims.

131. I believe that timely obtaining goods is key to the Debtors' survival and necessary to preserve the value of their estates. If the Debtors did not pay the 503(b)(9) Claims at the outset of these chapter 11 cases—which merely potentially accelerates the timing of payment and not the ultimate treatment of such claims—the Debtors could be denied access to the goods necessary to maintain their business operations. Failure to honor these claims in the ordinary course of business may also cause the Debtors' vendor base to withhold support for the Debtors during the chapter 11 process. 503(b)(9) Claimants could accelerate or eliminate favorable trade terms. Such costs and distractions could impair the Debtors' ability to stabilize their operations at this critical juncture to the detriment of all stakeholders

132. In the ordinary course of business, prior to the Petition Date, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the "***Outstanding Orders***"). The suppliers that have supplied such goods (the "***Suppliers***") may refuse to ship or otherwise transport such goods to the Debtors to avoid becoming general unsecured creditors of the Debtors unless and until the Debtors re-order such goods postpetition. I believe that (a) granting administrative expense priority to the undisputed obligations arising from the Debtors' receipt of Outstanding Orders and (b) authorizing the Debtors to pay for the Outstanding Orders in the ordinary course of business will avoid any disruption to the Debtors' businesses. If the Debtors do not receive such relief, however, they may be forced to spend significant time and effort substituting the Outstanding Orders with postpetition orders or otherwise provide such claimants

with assurance that the claim will receive administrative priority. This potential disruption could have a significant negative impact on the Debtors' business operations, as the Debtors may not timely receive raw materials and goods necessary to operate, which would result in a cessation of operations, loss of revenue, and destruction of value of the Debtors' assets. Therefore, the Debtors respectfully request that the Court authorize them to pay the undisputed Outstanding Orders in the ordinary course of business and confirm the administrative expense priority of the Outstanding Orders.

133. I believe that the relief requested in the Vendor Motion is necessary to avoid immediate and irreparable harm to the Debtors. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Vendor Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully submit that the Vendor Motion should be approved.

D. Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving the Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief (the "*Utilities Motion*")

134. Through the Utilities Motion, the Debtors request entry of an order (i) approving the Debtors' proposed adequate assurance payments for future utility services; (ii) prohibiting utility companies from altering, discontinuing, or refusing services; (iii) approving the Debtors' proposed procedures for resolving additional adequate assurance requests; and (iv) granting related relief. I believe the Debtors have made a good-faith effort to identify all Utility Companies and list them on the Utility Services List and believe that the Utility Services List includes all of the Utility Companies.

135. I believe that the uninterrupted Utility Services are critical to the Debtors' ability to operate and maintain the value of their businesses while maximizing value for the benefit of

their estates. The Debtors could not operate their businesses without the Utility Services. Should any Utility Company alter, refuse, or discontinue service, even for a brief period, the Debtors' business operations could be significantly disrupted, which could immediately and irreparably harm and jeopardize the Debtors' operations and strategic objectives. Accordingly, it is essential that the Utility Services continue uninterrupted during these chapter 11 cases.

136. I understand that, to the best of the Debtors' knowledge, there are no material defaults or arrearages with respect to the Debtors' undisputed invoices for prepetition Utility Services. The Debtors pay approximately $40,000 each month for Utility Services in the aggregate, which is calculated as the aggregate historical average for the 12-month payment period ended March 31, 2024 for each Utility Company (the "***Average Monthly Utility Company Cost***").

137. The Debtors intend to pay postpetition obligations owed to the Utility Companies in the ordinary course of business in a timely manner, and have sufficient funds to do so. The Debtors expect that cash generated from operations and anticipated access to cash collateral and debtor-in-possession financing will provide sufficient liquidity to pay obligations related to Utility Services in accordance with prepetition practices.

138. I further believe that the Utility Companies are adequately assured against any risk of nonpayment for future services, especially in light of the Debtors' general history of paying utility bills on time and in the ordinary course. The Adequate Assurance Deposit and the Debtors' ongoing ability to meet obligations as they come due in the ordinary course as a result of the Debtors' proposed budget provides assurance of the Debtors' payment of their future obligations. Moreover, termination of Utility Services could result in the Debtors' inability to operate their businesses to the detriment of all stakeholders

139. To provide the Utility Companies with adequate assurance of payment, the Debtors propose to deposit $20,000 (the "***Adequate Assurance Deposit***") into a segregated account (the "***Adequate Assurance Account***"). The amount of the Adequate Assurance Deposit is an amount equal to the lesser of, for each Utility Company, (a)(i) approximately half of the Average Monthly Utility Company Cost for such Utility Company, minus (ii) any deposit held by such Utility Company, plus (iii) the estimated amount owed to such Utility Company for prepetition services which have accrued but not come due; and (b) approximately half of the Average Monthly Utility Company Cost for such Utility Company. The Adequate Assurance Deposit will be held in the Adequate Assurance Account for the duration of these chapter 11 cases and may be applied to any postpetition defaults in payment to the Utility Companies.

140. I believe that the relief requested in the Utilities Motion and emergency consideration of the Utilities Motion is necessary to avoid immediate and irreparable harm to the Debtors. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Utilities Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully submit that the Utilities Motion should be approved.

E. Emergency Motion for Entry of an Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief (the "*Taxes Motion*")

141. By the Taxes Motion, the Debtors seek entry of an order (a) authorizing the Debtors to remit and pay (or use tax credits to offset) certain accrued and outstanding prepetition taxes and fees that will become payable during the pendency of these chapter 11 cases in the ordinary course of business and (b) granting related relief. In addition, for the avoidance of doubt, the Debtors seek authority to pay taxes and fees for so-called "straddle" periods.

142. In the ordinary course of business, the Debtors collect, withhold, or incur property taxes, franchise and income taxes, sales, use, and excise taxes, customs duties, and regulatory fees

and other miscellaneous taxes (collectively, the "***Taxes and Fees***"). The Debtors remit and pay the Taxes and Fees to various federal, state, local, and foreign governments, including taxing authorities (collectively, the "***Authorities***"). A schedule identifying the Authorities is attached to the Taxes Motion as **Exhibit B**.[18] The Debtors remit and pay the Taxes and Fees through checks and electronic funds transfers that are processed through their banks and other financial institutions. The Debtors may also receive tax credits from time to time for overpayments or refunds in respect of the Taxes and Fees, which the Debtors generally use to offset against future Taxes and Fees or have the amount of such credits refunded to the Debtors.

143. As of the Petition Date, the Debtors estimate that approximately $292,000 in Taxes and Fees is accrued and is outstanding, approximately $144,000 of which will become due and payable within the first 21 days after the Petition Date. Such estimated Taxes and Fees are summarized in the following table.

[18] While **Exhibit B** to the Taxes Motion is intended to be comprehensive, the Debtors may have inadvertently omitted Authorities from **Exhibit B** to the Taxes Motion. By the Taxes Motion, the Debtors respectfully request relief with respect to Taxes and Fees payable to all Authorities, regardless of whether such Authority is specifically identified on **Exhibit B** to the Taxes Motion.

Category	Description	Approximate Amount Accrued as of Petition Date	Approximate Amount Due Within 21 Days After the Petition Date
Property Taxes	Taxes and obligations related to personal property holdings	$148,000	$0
Franchise and Income Taxes	Taxes required to conduct business in the ordinary course and taxes on net corporate income	$21,000	$21,000
Sales, Use, and Excise Taxes	Taxes related to the sale and use of certain goods and services	$72,000	$72,000
Customs Duties	Taxes related to import of certain goods	$50,000	$50,000
Regulatory Fees and Other Miscellaneous Taxes	Taxes and fees related to business, administrative, and regulatory assessments	$1,000	$1,000
		$292,000	$144,000

144. The Debtors incur various state and local property taxes against the Debtors' personal property (collectively, "***Property Taxes***"). The Debtors are required to remit and pay Property Taxes on an annual basis to avoid the imposition and/or enforcement of statutory liens on their personal property. In 2023, the Debtors paid approximately $384,500 on account of Property Taxes.

145. As of the Petition Date, the Debtors estimate that approximately $148,000 in Property Taxes has accrued and is outstanding, approximately none of which will become due and payable within the first 21 days after the Petition Date.

146. The Debtors incur state franchise taxes on account of doing business in Texas (the "***Franchise Taxes***"). The Debtors are required to remit and pay Franchise Taxes in order to remain in good standing and continue conducting their businesses pursuant to applicable state and local laws. The Debtors also incur various corporate income taxes on their taxable income (collectively,

"***Income Taxes***"). Income Taxes are generally calculated as a percentage of net or gross income, as applicable. The Debtors are required to remit and pay Income Taxes on an annual basis in order to remain in good standing and continue conducting their businesses pursuant to applicable federal, state, and local laws. In 2023, the Debtors paid approximately $44,900 on account of Franchise Taxes. The Debtors did not pay and do not believe that they owe income taxes in 2023.

147. As of the Petition Date, the Debtors estimate that approximately $21,000 in Franchise Taxes has accrued and is outstanding, approximately all of which will become due and payable within the first 21 days after the Petition Date. The Debtors do not believe that any Income Taxes will be accrued or owed as of the Petition Date, or that any Income Taxes will become due or payable within the first 21 days after the Petition Date. [19]

148. The Debtors collect or incur various state, local, and foreign taxes in connection with the processing, sale, and distribution of products in the U.S., Canadian, and European markets, and other related services (collectively, "***Sales, Use, and Excise Taxes***"). Sales, Use, and Excise Taxes are essentially general consumption taxes charged at the point of purchase for certain goods and services, which are usually set up by the applicable Authority as a percentage of the price of the good or service purchased, and may also be charged for certain activities such as highway transportation. The Debtors are required to remit and pay Sales, Use, and Excise Taxes on a monthly or quarterly basis, as applicable. In 2023, the Debtors paid approximately $695,300 on account of Sales, Use, and Excise Taxes.

[19] The Debtors have received notices from the Internal Revenue Service (the "***IRS***") indicating that they owe approximately $120,000 in unpaid interest related to tax liabilities for Tax Year 2020, as well as $180,000 in unpaid taxes for Tax Year 2022. The Debtors do not believe that these amounts are in fact due and owing, and intend to dispute these claims. For the avoidance of doubt, nothing in this Motion or any related order constitutes or should be construed as an admission of liability by the Debtors with respect to any amounts claimed by the IRS.

149. As of the Petition Date, the Debtors estimate that approximately $72,000.00 in Sales, Use, and Excise Taxes has accrued and is outstanding, approximately all of which will become due and payable within the first 21 days after the Petition Date.

150. The Debtors incur, in the ordinary course of business, certain customs duties related to the importation of goods into the United States in accordance with federal laws (the "***Customs Duties***"). The Debtors remit and pay the Customs Duties to the relevant Authorities on a timely basis as required by the relevant Authorities.

151. As of the Petition Date, the Debtors submit that approximately $50,000 in Customs Duties has accrued and is outstanding, approximately all of which will become due and payable within the first twenty-one (21) days after the Petition Date.

152. The Debtors incur, in the ordinary course of business, certain regulatory fees, licensing fees, and other miscellaneous taxes and fees associated with conducting business in accordance with state and/or local laws (the "***Regulatory Fees and Other Miscellaneous Taxes***"). The Debtors remit and pay these fees to the relevant Authorities on a timely basis as required by the relevant Authorities.

153. As of the Petition Date, the Debtors submit that approximately $1,000 in Regulatory Fees and Other Miscellaneous Taxes has accrued and is outstanding, approximately all of which will become due and payable within the first twenty-one (21) days after the Petition Date.

154. I believe that if certain of the Taxes and Fees are not paid, the Debtors' officers and directors may be subject to lawsuits during the pendency of these chapter 11 cases. Such lawsuits would prove distracting for the Debtors and the named officers and directors, whose immediate and full-time attention to the Debtors' operations is required during these chapter 11 cases to ensure a swift restructuring. I further believe it is in the best interest of the Debtors' estates to

eliminate the possibility of such time-consuming, costly, and potentially damaging distractions. Moreover, I believe that the payment of the Taxes and Fees is necessary to avoid potential administrative difficulties is unquestionable. If the Taxes and Fees were not paid, the Authorities may attempt to take precipitous action, including additional state audits, lien filings, and lift stay motions. The emergence of liens, audits, and/or lawsuits as a result of failure to pay the Taxes and Fees would materially damage the Debtors' business. Only the prompt and regular payment of the Taxes and Fees will avoid these and other unnecessary governmental actions.

155. I believe that the relief requested in the Taxes Motion is necessary to avoid immediate and irreparable harm to the Debtors. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Taxes Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully request that the Taxes Motion be approved.

F. Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue Their Prepetition Insurance Coverage and Satisfy Prepetition Obligations Related Thereto; (B) Renew, Amend, Supplement, Extend, or Purchase Insurance Coverage on a Postpetition Basis in the Ordinary Course; and (C) Continue Their Prepetition Customs Bond Program and Satisfy Prepetition Obligations Related Thereto; (II) Modifying the Automatic Stay Solely With Respect to Workers' Compensation Claims; and (III) Granting Related Relief (the "*Insurance Motion*")

156. In the Insurance Motion, the Debtors seek entry of an order (i) authorizing the Debtors to (a) continue their prepetition insurance coverage and satisfy prepetition obligations related thereto; (b) renew, amend, supplement, extend, or purchase insurance coverage on a postpetition basis in the ordinary course; and (c) continue their prepetition Customs Bond Program (as defined below) and satisfy prepetition obligations related thereto; (ii) modifying the automatic stay solely with respect to workers' compensation claims; and (iii) granting related relief.

157. The Debtors maintain 18 insurance policies (collectively, the "***Insurance Policies***") through 17 third-party insurance carriers (collectively, the "***Insurance Carriers***") in the ordinary

course of their businesses. The insurance policies provide coverage for, among other things, losses related to the Debtors' real and personal property, commercial general liability, crime liability, employee benefits liability, cyber risk, directors' and officers' liability, automobile liability, cargo liability, workers' compensation liability, and product recall liability. In addition, certain of the Insurance Policies provide layers of excess liability coverage. A schedule of the Insurance Policies is attached as **Exhibit B** to the Insurance Motion.

158. I believe it is essential that the Debtors have the ability to continue or renew the Insurance Policies and enter into new insurance policies or agreements to preserve the value of their businesses. In many cases, regulations, laws, and contract provisions that govern the Debtors' commercial activities require the types of coverage provided under the Insurance Policies. In addition, the Bankruptcy Code and the operating guidelines issued by the United States Trustee for Region 6 (the "***U.S. Trustee Guidelines***") require the Debtors to maintain certain insurance coverage. The relief requested in the Insurance Motion is necessary to ensure uninterrupted coverage under the Insurance Policies. Accordingly, the Debtors respectfully request authority to maintain the existing Insurance Policies, pay prepetition obligations related thereto upon entry of the Order, renew, amend, supplement, extend, or purchase new Insurance Policies, and maintain the Customs Bond Program on a postpetition basis in the ordinary course of business.

159. The Debtors, in the ordinary course of business, incur obligations to pay premiums (collectively, the "***Insurance Premiums***") for the Insurance Policies based upon a fixed rate established and billed by their respective Insurance Carriers. The Debtors pay an aggregate amount of approximately $720,000 in Insurance Premiums each year, not including applicable taxes and surcharges, deductibles, broker and consulting fees, and commissions. The Debtors pay the Insurance Premiums as they come due in the ordinary course of business pursuant to various

coverage terms which, along with the term of each of the Insurance Policies, the categories of insurance coverage, the Insurance Carriers' names, and the policy numbers, are provided on the schedule of Insurance Policies attached to the Insurance Motion as **Exhibit B**.

160. The Debtors pay the Insurance Premiums related to 5 of the Insurance Policies in 12 installments over the course of the year. The Debtors estimate that, as of the Petition Date, there is approximately $2,400 outstanding pursuant to upcoming Insurance Premium installment payments, approximately $2,400 of which will come due on May 16, 2024.

161. The Debtors utilize a financing agreement to finance certain of their Insurance Premiums (the "***Premium Financing Agreement***"). The Premium Financing Agreement is serviced by AFCO Credit Corporation. Further detail regarding the Premium Financing Agreement is provided in the schedule attached to the Insurance Motion as **Exhibit C**. The Debtors estimate that, on average, they pay approximately $51,250 monthly under the Premium Financing Agreement. As of the Petition Date, approximately $51,250 is outstanding pursuant to the existing Premium Financing Agreement, approximately $51,250 of which will come due on June 1, 2024.

162. Finally, the Debtors incur various fees, taxes, and deductibles related to their Insurance Policies (together with the Insurance Premiums, collectively, the "***Insurance Obligations***"). As of the Petition Date, the Debtors estimate that no amounts are owed on account of prepetition fees, taxes, or deductibles related to their Insurance Policies; provided, however, to the extent the Debtors subsequently determine that any prepetition amounts are owed on account of such fees, taxes, or deductibles, the Debtors respectfully request authority to pay such amounts in the ordinary course of business.

163. The Debtors respectfully request authority to pay all prepetition outstanding Insurance Obligations in the ordinary course of business and consistent with past practice. In addition, out of an abundance of caution, the Debtors respectfully request authority to continue to honor the Insurance Obligations as they come due on a postpetition basis in the ordinary course of business and consistent with past practice.

164. The Debtors maintain workers' compensation insurance (the "***Workers' Compensation Program***") for their employees consistent with law in the states in which the Debtors operate for claims arising from or related to the employees' employment with the Debtors (the "***Workers' Compensation Obligations***"). The Debtors must continue the claim assessment, determination, adjudication, and payment process pursuant to the Workers' Compensation Program without regard to whether such liabilities were outstanding before the Petition Date, to ensure that the Debtors comply with applicable workers' compensation laws and requirements.

165. The Debtors maintain third-party insurance for Workers' Compensation Obligations through American Casualty Company of Reading, Pennsylvania ("***ACC***") and Transportation Insurance Company ("***TIC***"). The Debtors pay monthly premiums in connection with the Workers' Compensation Program to ACC in the amount of approximately $1,710 and TIC in the amount of approximately $225. As of the Petition Date, the Debtors estimate that there are no open claims in the Workers' Compensation Program.

166. In the twelve months prior to the Petition Date, the Debtors paid approximately $0 on account of Workers' Compensation Obligations related to the Workers' Compensation Program. The Debtors respectfully request authority to pay prepetition Workers' Compensation Obligations that may come due during the postpetition period in the ordinary course of business as they come due. Out of an abundance of caution, the Debtors also request authority to pay any

postpetition amounts associated with the continuation, renewal, or extension of the Workers' Compensation Program.

167. The Debtors, in the ordinary course of business, are required to maintain one or more bonds to assure the United States Customs and Border Protection Agency ("***U.S. Customs***") of their ability to pay applicable duties, taxes, and fees on account of their imports (the "***Customs Bond Program***"). As of the Petition Date, the Debtors maintain one customs bond in the bond amount of approximately $400,000 (the "***Customs Bond***"). Failure to provide, maintain, or timely replace the Customs Bond may prevent the Debtors from importing essential products, which may create an interruption in the Debtors' business operations. The Debtors obtain the Customs Bond through C.A. Shea & Company, Inc. (the "***Customs Bond Issuer***"). Further detail regarding the Customs Bond is provided in the schedule attached to the Insurance Motion as **Exhibit D**.

168. The issuance of a customs bond shifts the risk of the Debtors' nonperformance or nonpayment from U.S. Customs to a Customs Bond Issuer. Unlike an insurance policy, if a Customs Bond Issuer incurs a loss on a customs bond due to such nonperformance or nonpayment by the Debtors, the Customs Bond Issuer is entitled to recover the full amount of that loss from the Debtors.

169. The Debtors have entered into an indemnity agreement that sets forth the Customs Bond Issuer's rights to recover from the Debtors (collectively, the "***Customs Indemnity Agreement***"). Under the Customs Indemnity Agreement, the Debtors agree to indemnify the Customs Bond Issuer from certain losses, costs, or expenses that the Customs Bond Issuer may incur on account of the issuance of the Customs Bond on behalf of the Debtors (the "***Indemnity Obligations***").

170. The premium for the Customs Bond (the "***Customs Premium***" and, together with the Indemnity Obligations, the "***Customs Bond Obligations***") is generally determined on an annual basis by the Customs Bond Issuer. Payment is remitted by the Debtors when the Customs Bond is issued and annually upon each renewal. In the twelve months preceding the Petition Date, the Customs Premium totaled approximately $2,000. As of the Petition Date, the Debtors estimate that no amounts are owed on account of prepetition Customs Bond Obligations; provided, however, to the extent the Debtors subsequently determine that any prepetition amounts are owed on account of Customs Bond Obligations, the Debtors respectfully request authority to pay such amounts in the ordinary course of business. Out of an abundance of caution, the Debtors also request authority to pay any postpetition amounts associated with the continuation, renewal, or extension of the Customs Bond.

171. I believe that the relief requested in the Insurance Motion is necessary to avoid immediate and irreparable harm to the Debtors. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Insurance Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved.

G. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain and Administer Their Customer Programs; (B) Renew, Replace, Implement, or Modify Their Customer Programs; and (C) Honor Their Obligations Related to the Customer Programs, and (II) Granting Related Relief (the "*Customer Programs Motion*")

172. In the Customer Programs Motion the Debtors seek entry of interim and final orders (i) authorizing the Debtors to: (a) maintain and administer their Customer Programs (as defined herein); (b) renew, replace, implement, or modify their Customer Programs; and (c) honor their obligations related to the Customer Programs, in the ordinary course of business consistent with past practice and in the Debtors' business judgment and (ii) granting related relief.

173. The Debtors have developed their brand and designed various marketing strategies to generate business in the face of sophisticated competition. Among these strategies are certain customer programs, promotions, and practices (collectively the "***Customer Programs***") designed to enhance revenues by, among other things, encouraging repeat business and developing new customer relationships. As of the Petition Date, Customer Programs consist of various discounts, rebates, returns, and markdowns, all of which are considered when determining the transaction price. Certain allowances are fixed and determinable and are recorded at the time of sale as a reduction to revenues. Other allowances can vary depending on future outcomes such as customer sales volume.

174. The Customer Programs offered are unique to each customer and may be contractual or discretionary depending on the customer and the circumstances. In general, the Debtors offer (i) discounts that range from 0.5 percent to 10 percent of sales; (ii) rebates that range from 1 percent to 6 percent of sales; (iii) allowances to cover returns that range from 1 percent to 5 percent of sales; and (iv) markdowns that range from 0.5 percent to 5 percent of sales, in each case to a given customer. The majority of these Customer Programs are booked as deductions from invoices, and the remainder are paid through invoices received from customers. The Debtors also spend a variable discretionary budget on key retail website advertising programs to drive sales.

175. The success of the Debtors' businesses is dependent upon the loyalty of the Debtors' customers. Consequently, continuation of the Customer Programs is vital to maintaining and maximizing the value of the Debtors' estates. If the Debtors are unable to honor Customer Program obligations, the Debtors' brand could be immediately and irreparably harmed. Continued use of the Customer Programs, on the other hand, will enable the Debtors to protect their customer base and maximize the value of their estates.

176. I believe that the relief requested in the Customer Programs Motion is necessary to avoid immediate and irreparable harm to the Debtors. It is my understanding that the Debtors have sufficient liquidity to pay the amounts described in the Customer Programs Motion in the ordinary course of business. Accordingly, on behalf of the Debtors, I respectfully submit that the Customer Programs Motion should be approved.

EXHIBIT B

RSA

Execution Version

KIDKRAFT, INC.

RESTRUCTURING SUPPORT AGREEMENT

This Restructuring Support Agreement (together with the exhibits and schedules attached hereto, as each may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms hereof, this "***Agreement***"),[1] dated as of April 25, 2024, is entered into by and among the following parties (each a "***Party***" and collectively, the "***Parties***"):

(i) KidKraft, Inc. ("***KidKraft***") and those certain additional affiliates of KidKraft listed on **Schedule 1** hereto (the "***Affiliates***," such affiliates and KidKraft, Inc. each a "***Debtor***" and, collectively, the "***Debtors***");

(ii) (A) GB Funding, LLC in its capacity as Administrative Agent and Collateral Agent (the "***Prepetition Agent***") and 1903 Partners, LLC in its capacity as Lender (the "***Prepetition Secured Lender***") under that certain *Amended and Restated First Lien Credit Agreement* dated as of April 3, 2020, among KidKraft and KidKraft Netherlands B.V. as borrower (collectively, the "***Borrowers***"), KidKraft Intermediate Holdings, LLC ("***Holdings***") and the subsidiaries of Holdings that are guarantors thereto (collectively, with Holdings, the "***Guarantors***"), as amended by (a) Forbearance and Amendment No. 1 to Amended and Restated First Lien Credit Agreement, dated as of January 13, 2023, (b) Amendment No. 2 to Amended and Restated First Lien Credit Agreement, dated as of March 22, 2023, (c) Forbearance and Amendment No. 3 to Amended and Restated First Lien Credit Agreement, dated as of September 29, 2023, (d) Forbearance and Amendment No. 4 to Amended and Restated First Lien Credit Agreement, dated as of October 27, 2023, and (e) Forbearance, Amendment No. 5 and Joinder to Amended and Restated First Lien Credit Agreement and Amendment No. 1 to Amended and Restated First Lien Credit Agreement, dated as of January 31, 2024 (such credit agreement, as so amended and as further amended, restated, supplemented or otherwise modified from time to time, the "***Prepetition Credit Agreement***") and such claims arising thereunder (the "***Prepetition Secured Claims***") and (B) GB Funding, LLC in its capacity as Administrative Agent and Collateral Agent (the "***DIP Agent***") and 1903 Partners, LLC in its capacity as DIP Lender (the "***DIP Lender***" and together with the Prepetition Agent, the Prepetition Secured Lender, and the DIP Agent, "***Gordon Brothers***") under the DIP Facility Documents and such claims arising thereunder (the "***DIP Claims***", and together with the Prepetition Secured Claims, the "***Secured Claims***");

(iii) MidOcean Partners IV, L.P. in its capacity as the holder of 80.3% of the Preferred A Units in KidKraft Group Holdings, LLC and party to that certain *Note Purchase*

[1] All terms not otherwise defined herein shall have the meanings ascribed to them in the Plan Term Sheet, the DIP Facility Term Sheet, or the Purchase Agreement (each as defined herein, collectively, the "***RSA Documentation***"), as applicable.

Agreement, dated as of January 13, 2023, pursuant to which KidKraft agreed to issue and sell to MidOcean, and MidOcean agreed to purchase, notes in the aggregate principal amount of up to $5,000,000 (the "***Note Purchase Agreement***") and MidOcean US Advisor, L.P. (MidOcean US Advisor, L.P. and MidOcean Partners IV, L.P., together, "***MidOcean***") as party to that certain *Professional Services Agreement* dated as of July 15, 2015 by and among Holdings, KidKraft, and MidOcean US Advisor, L.P., as amended by that First Amendment to the Professional Services Agreement dated as of September 30, 2016 (the "***Professional Services Agreement***");

(iv) Backyard Products, LLC and any entity designated by it to perform its obligations under this Agreement (collectively, the "***Purchaser***"); and

(v) Any other party who executes the joinder attached as **Exhibit D** agreeing to be bound by this Agreement.

RECITALS

WHEREAS, the Parties have agreed to pursue and consummate the transactions described herein, including without limitation those certain (i) restructuring transactions (the "***Restructuring***"), on terms consistent with the Plan Term Sheet attached hereto as **Exhibit A** (as may be amended, restated, supplemented, or otherwise modified from time to time in accordance herewith, the "***Plan Term Sheet***") and (ii) sale transactions (the "***Sale Transaction***"), on terms consistent with the Asset Purchase Agreement dated as of the date hereof between KidKraft, Inc. and certain of its affiliates and Backyard Products, LLC, attached hereto as **Exhibit B** (the "***Purchase Agreement***," and together with the Plan Term Sheet, Sale Transaction, and the Restructuring, collectively, the "***Restructuring Transactions***"), each incorporated herein by reference pursuant to Section 27 hereof, that will be implemented through (i) voluntary, jointly administered prepackaged cases commenced by the Debtors (the "***Chapter 11 Cases***") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended, the "***Bankruptcy Code***"), in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "***Bankruptcy Court***"), through the Plan and the Purchase Agreement, as applicable, and (ii) proceedings pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) ("***CCAA***" and the related recognition proceedings, the "***CCAA Recognition Proceedings***") in the Ontario Superior Court of Justice (Commercial List) (the "***CCAA Court***"), in each case, pursuant to the Purchase Agreement and the applicable Definitive Documentation (as defined below).

NOW, THEREFORE, in consideration of the promises, mutual covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties, intending to be legally bound, hereby agrees as follows:

AGREEMENT

1. **RSA Effective Date**. This Agreement shall become effective, and the obligations contained herein shall become binding upon the Parties, upon the first date (such date, the "***RSA***

Effective Date") that each of (i) the Debtors; (ii) Gordon Brothers; (iii) MidOcean; and (iv) the Purchaser shall have executed and delivered counterpart signature pages to this Agreement to each of the other Parties.

2. **Definitive Documentation.**

(a) "***Definitive Documentation***" shall include, without limitation, the RSA Documentation and the following definitive documents and agreements:

(i) the Plan and all exhibits thereto, including the Plan Supplement documents;

(ii) the Confirmation Order;

(iii) the Disclosure Statement;

(iv) the solicitation materials with respect to the Plan (collectively, the "***Solicitation Materials***");

(v) the Purchase Agreement, including the exhibits and schedules thereto (including the Schedule of Assumed Contracts);

(vi) an escrow agreement consistent with the terms and conditions to be set forth within the escrow agreement contemplated by the Purchase Agreement (the "***Escrow Agreement***");

(vii) the Sale Order, if not incorporated as part of the Confirmation Order;

(viii) any documentation or budget related to the Post-Sale Reserve and Foreign Sale Reserve;

(ix) the Transition Services Agreement (as defined below);

(x) any budget regarding applicable Vendor Payments from the RSA Effective Date through the Petition Date (the "***Prepetition Budget***"), which, for the avoidance of doubt, shall be in a form similar to the Approved Budget;

(xi) (1) the interim order of the Bankruptcy Court authorizing the Debtors to use cash collateral and obtain debtor-in-possession financing (the "***Interim DIP Order***"), (2) the final order of the Bankruptcy Court authorizing the Debtors to use cash collateral and obtain debtor-in-possession financing (the "***Final DIP Order***"), (3) a supplemental order of the CCAA Court recognizing and giving effect in Canada to the Interim DIP Order (the "***Interim DIP Recognition Order***"), (4) a further order of the CCAA Court recognizing and giving effect in Canada to the Final DIP Order (the "***Final DIP Recognition Order***" and, together with the Interim DIP Order, the Final DIP Order, and the Interim DIP Recognition Order, the "***DIP Orders***"), and (5) the debtor-in-possession facility term sheet (the "***DIP Facility Term Sheet***" attached hereto as **Exhibit C**, any credit agreement, Approved

Budget (including estimated Administrative Expense Claim and Priority Tax Claim Backstop Amount), and all related documentation regarding the debtor-in-possession financing (collectively, the "***DIP Facility Documents***"));

(xii) all "first day" motions, applications, and other documents that any Debtor intends to file with the Bankruptcy Court and seeks to have heard on an expedited basis at the "first-day hearing" in the Chapter 11 Cases and any proposed orders related thereto;

(xiii) all motions, applications, and other documents that any Debtor (including a foreign representative appointed by the Bankruptcy Court for any Debtor) or any Canadian Affiliates of Debtors (the "***Canadian Debtors***") intend to file with the CCAA Court in the CCAA Recognition Proceedings, and any proposed orders related thereto;

(xiv) any provision in any documentation regarding (a) releases of Claims, causes of action, and avoidance actions or (b) Assumed Liabilities or Assumed Contracts under the Purchase Agreement;

(xv) such other agreements, instruments, and documentation as may be necessary or reasonably desirable to consummate and document the Restructuring Transactions (including, without limitation, in connection with the CCAA Recognition Proceedings);

(xvi) any and all filings with or requests for regulatory or other approvals from any Governmental Body (including, without limitation, in connection with the CCAA Recognition Proceedings); and

(xvii) to the extent not included, any motions and related proposed orders seeking approval of each of the above.

(b) The Definitive Documentation identified in Section 2(a) not executed prior to or as of the RSA Effective Date, or in a form attached to this Agreement will, after the RSA Effective Date, remain subject to negotiation and completion. Upon completion, the Definitive Documentation shall contain terms, conditions, representations, warranties, and covenants consistent with the terms of this Agreement and the applicable RSA Documentation, and otherwise be in form and substance acceptable to (1) the Debtors, (2) Gordon Brothers, (3) the Purchaser, and (4) with respect to MidOcean, solely with respect to any provision therein (x) having a material effect on MidOcean, (y) relating to the treatment of Claims held by MidOcean or its Affiliates in the Plan, or (z) releasing Claims or causes of action by or against MidOcean or its affiliates thereunder.

3. **Milestones**. As provided in and subject to Section 6, the Debtors shall implement the Restructuring Transactions on the following timeline (each deadline, a "***Milestone***" and, collectively, the "***Milestones***"):

(a) On or before April 26, 2024, the Company shall have retained KSV Advisory, Inc. to act as the CCAA Court-appointed Information Officer for the CCAA Recognition Proceedings.

(b) On or before April 29, 2024, the Company shall have delivered to Gordon Brothers and the Purchaser drafts of all first day pleadings, including the Plan and Disclosure Statement.

(c) On or before May 2, 2024, the Company shall have begun solicitation for the Plan.

(d) On or before May 2, 2024, the Company shall have delivered to Gordon Brothers and the Purchaser the draft CCAA application record, including factum and related documents seeking recognition of the chapter 11 proceedings in Canada.

(e) On or before May 3, 2024, the Company shall have completed solicitation for the Plan.

(f) On or before May 6, 2024, the Company shall have commenced the Chapter 11 Cases by filing petitions for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court (the date of filing, "***Petition Date***").

(g) On or before May 13, 2024, the Company shall have commenced the filing of the CCAA Recognition Proceedings.

(h) No later than one (1) day after the Petition Date, the Debtors shall have filed the Plan, Disclosure Statement, and a motion seeking, among other things: (i) approval of procedures for soliciting, receiving, and tabulating votes on the Plan and for filing objections to the Plan, (ii) approval of the Solicitation Materials, and (iii) to schedule a hearing to consider approval of the Disclosure Statement and confirmation of the Plan (the "***Confirmation Hearing***").

(i) No later than two (2) Business Days after the Petition Date, the Debtors shall have obtained entry of the Interim DIP Order by the Bankruptcy Court.

(j) No later than five (5) Business Days after the Bankruptcy Court enters the Interim DIP Order, the Debtors shall have obtained entry by the CCAA Court of the Interim DIP Recognition Order.

(k) No later than thirty (30) days after the Petition Date, the Debtors shall have obtained entry of the Final DIP Order by the Bankruptcy Court.

(l) No later than five (5) Business Days after the Bankruptcy Court enters the Final DIP Order, the Debtors shall have obtained entry by the CCAA Court of the Final DIP Recognition Order.

(m) No later than forty-five (45) days after the Petition Date, the Bankruptcy Court shall have entered the Confirmation Order.

(n) No later than forty-five (45) days after the Petition Date, the Bankruptcy Court shall have entered the final Sale Order (which may be entered as part of the Confirmation Order or a separate order at the option of the Purchaser), approving the Sale Transaction.

(o) No later than five (5) Business Days after the Bankruptcy Court enters the Confirmation Order, the CCAA Court shall have entered an Order in the CCAA Recognition Proceedings recognizing and giving effect in Canada to the Confirmation Order (the "***Confirmation Recognition Order***").

(p) No later than five (5) Business Days after the Bankruptcy Court enters the Sale Order, the CCAA Court shall have entered an order in the CCAA Recognition Proceedings recognizing and giving effect to the Sale Order (which may be entered as part of the Confirmation Recognition Order or a separate order at the option of the Purchaser) in Canada, and vesting the Canadian Transferred Assets (as defined in the Plan Term Sheet) in and to the Purchaser, free and clear of claims and encumbrances other than any permitted encumbrances set forth in the Purchase Agreement or otherwise specified by the Purchaser (the "***CCAA Sale Order***").

(q) No later than five (5) Business Days after the later of entry of the Sale Order and entry of the CCAA Sale Order, all conditions to Closing under the Purchase Agreement shall have been satisfied or waived in accordance with the terms therein and the Sale Transaction shall have been consummated.

Each of the Milestones may be extended or waived with the express prior written consent of both Gordon Brothers and the Purchaser; *provided*, in the event the failure to satisfy a Milestone following the Petition Date is attributable to the Bankruptcy Court's or, with respect to the CCAA Court, such court's unavailability, such Milestone shall be automatically extended to the date that is one (1) Business Day after the first date that the Bankruptcy Court or the CCAA Court is available, as applicable.

4. **Commitments of Gordon Brothers.** Gordon Brothers shall, from the RSA Effective Date until the occurrence of a Termination Date (as defined in Section 13) applicable to Gordon Brothers:

(a) support and cooperate with the Debtors to take all actions reasonably necessary to consummate the Restructuring Transactions in accordance with the Plan and the Purchase Agreement and the terms and conditions of this Agreement and the RSA Documentation;

(b) provide any applicable consents as may be necessary or required to effectuate the Restructuring Transactions as set forth herein, in the RSA Documentation, the Plan, and/or the Purchase Agreement;

(c) provide the debtor-in-possession financing on the terms set forth in the DIP Facility Term Sheet and DIP Facility Documents;

(d) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Restructuring Transactions, agree to negotiate in good faith with respect to appropriate additional or alternative provisions to address any such impediment;

(e) negotiate in good faith and use reasonable efforts to execute (as applicable) and implement the Definitive Documentation and the Restructuring Transactions;

(f) vote all of its claims against, or interests in, as applicable, the Debtors now or hereafter owned by Gordon Brothers (or for which Gordon Brothers now or hereafter has voting control) to accept the Plan in accordance with the applicable procedures set forth in the Disclosure Statement and the Solicitation Materials, and timely return a duly-executed ballot in connection therewith;

(g) not withdraw, amend, or revoke (or cause to be withdrawn, amended, or revoked) its tender, consent, or vote with respect to the Chapter 11 Cases, the Plan, the Sale Order, the CCAA Recognition Proceedings, or the CCAA Sale Order;

(h) not "opt out" (to the extent applicable) of any releases to be provided under the Plan, and on the Plan Effective Date, release and unconditionally waive all Claims against MidOcean, the Purchaser and the Debtors, consistent with the Plan Term Sheet, the Confirmation Order, the Sale Order and the CCAA Sale Order, as applicable;

(i) support approval of the Sale Order and the CCAA Sale Order, and the consummation of the Sale Transaction in accordance with the Purchase Agreement, including on an independent, private sale basis under section 363 of the Bankruptcy Code or pursuant to a Sale Toggle (if triggered);

(j) not object to, delay, impede, or take any other action inconsistent with the Restructuring Transactions, or propose, file, support, or vote for any Alternative Transaction or any other restructuring, workout, or chapter 11 plan for any of the Debtors other than the Restructuring Transactions, the Plan, and the Purchase Agreement (but without limiting consent, approval, or termination rights provided in this Agreement and the Definitive Documentation);

(k) if applicable, not object to the payment of the Break-Up Fee and Expense Reimbursement to the Purchaser (in each case, pursuant to the terms and subject to the conditions of the Purchase Agreement);

(l) not object to the retention and consent to the payment of reasonable and documented fees and expenses, in accordance with the Approved Budget (subject to the Professional Fee Variance), of: (i) Vinson & Elkins LLP and any required foreign counsel, including Osler, Hoskin & Harcourt and NautaDutilh New York P.C. as legal counsel; (ii) Robert W. Baird & Co. as investment banker; and (iii) SierraConstellation Partners, LLC as financial advisor;

(m) fund all Vendor Payments incurred and payable in accordance with the Prepetition Budget and the Approved Budget, as applicable;

(n) consent to the use of the Post-Sale Reserve for the orderly wind down of the Wind Down Estates;

(o) work with the Debtors in good faith to amend this Agreement or enter into a separate agreement (or as may be otherwise agreed with the reasonable consent of Gordon Brothers and the Debtors) to obtain Netherlands Subsidiaries' consent to and cooperation with the transfer of certain assets in support of the Sale Transaction and acknowledgment of this Agreement within five (5) Business Days of the RSA Effective Date; and

(p) work with the Debtors in good faith to effectuate (i) a post-petition transfer of certain of the Netherlands Subsidiaries' assets in support of the Sale Transaction, (ii) a consensual liquidation of the Netherlands Subsidiaries' assets that are not Transferred Assets, (iii) distribution of proceeds of liquidated collateral of the Netherlands Subsidiaries to Gordon Brothers, to the extent such proceeds are available after the orderly out-of-court wind down referenced in (v) below, (iv) release of all Gordon Brothers' Claims against the Netherlands Subsidiaries, and (v) the orderly out-of-court wind down of the Netherlands Subsidiaries utilizing the Foreign Sale Reserve (and other assets of the Netherlands Subsidiaries as may be agreed), *provided that* the costs of (ii) and (v) be funded solely by the Foreign Sale Reserve and other proceeds from the sale or other monetization of the assets of the Netherlands Subsidiaries.

Nothing in this Agreement and neither a vote to accept the Plan by Gordon Brothers nor the acceptance of the Plan by Gordon Brothers shall (i) be construed to prohibit Gordon Brothers from contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement or the Definitive Documentation, or exercising rights or remedies specifically reserved herein, (ii) except as expressly set forth in Section 33, be construed to limit Gordon Brothers' rights under any applicable indenture, credit agreement, other loan document (including the DIP Facility Documents), and/or applicable law or to prohibit Gordon Brothers from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases or the CCAA Recognition Proceedings, so long as, from the RSA Effective Date until the occurrence of a Termination Date applicable to Gordon Brothers, such appearance and the positions advocated in connection therewith are not inconsistent with this Agreement and are not for the purpose of hindering, delaying, or preventing the consummation of the Restructuring Transactions, (iii) limit Gordon Brothers' right to take or direct any action relating to maintenance, protection, or preservation of any collateral provided that such action is not inconsistent with this Agreement and does not hinder, delay or prevent consummation of the Restructuring Transactions, or (iv) impair or waive the rights of Gordon Brothers to assert or raise any objection permitted under this Agreement in connection with any hearing on confirmation of the Plan or in the Bankruptcy Court.

5. **Commitments of MidOcean**. MidOcean shall, from the RSA Effective Date until MidOcean's obligations are terminated under and in accordance with this Agreement and a Termination Date occurs with respect to MidOcean:

(a) not (i) pledge, encumber, assign, sell, or otherwise transfer, including by the declaration of a worthless stock deduction (or the declaration of any other deduction related to the worthlessness of any indirect Interest in the Debtors) for any tax year ending on or prior to the Plan Effective Date, or (ii) offer or contract to pledge, encumber, assign, sell, or otherwise transfer, in each case, in whole or in part, any portion of its right, title, or interests in any Claims against or Interests in the Debtors, whether held directly or indirectly;

(b) not make or cause any Debtor to make any amendments, elections or modifications to the current tax classification or accounting principles of any Debtor;

(c) provide any applicable consents as may be necessary or required to effectuate the Restructuring Transactions contemplated herein and in the RSA Documentation (other than the Purchase Agreement);

(d) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Restructuring Transactions, negotiate in good faith with respect to appropriate additional or alternative provisions to address any such impediment;

(e) negotiate in good faith and use reasonable efforts to execute (as applicable) and implement the Definitive Documentation and the Restructuring Transactions;

(f) support approval of the Sale Order and the CCAA Sale Order, and the consummation of the Sale Transaction on terms consistent with this RSA and the Plan Term Sheet;

(g) on the Plan Effective Date, consent to and not object to the termination or rejection of the Professional Services Agreement and any other related party agreement and to waive and release any fees and expenses and rights to indemnification thereunder; *provided* that, at no point during the Chapter 11 Cases may MidOcean file an Administrative Expense Claim arising under such agreements;

(h) on the Plan Effective Date, consent to the waiver of all obligations owed under the Note Purchase Agreement, the Professional Services Agreement, and any other agreements that exist between MidOcean, the Company, and any of their affiliated entities; *provided* that, at no point during the Chapter 11 Cases may MidOcean file an Administrative Expense Claim arising under such agreements;

(i) not withdraw, amend, or revoke (or cause to be withdrawn, amended, or revoked) its tender or consent with respect to the Chapter 11 Cases, the Plan, the Sale Order, the CCAA Recognition Proceedings, or the CCAA Sale Order;

(j) subject to Section 10(d), not "opt out" (to the extent applicable) of any releases to be provided under the Plan and on the Plan Effective Date, release and unconditionally waive all Claims against Gordon Brothers, the Purchaser and the Debtors, consistent with the Plan Term Sheet, the Confirmation Order, the Sale Order and the CCAA Sale Order, as applicable;

(k) not, directly or indirectly, file any pleading with the Bankruptcy Court, CCAA Court or otherwise support, encourage, seek, solicit, pursue, initiate, assist, join or participate in any challenge to the validity, enforceability, perfection or priority of, or any action seeking avoidance, clawback, recharacterization or subordination of, any portion of the Secured Claims or any liens or collateral secured by such Secured Claims; and

(l) not object to, delay, impede, or take any other action inconsistent with the Restructuring Transactions, or propose, file, support, or vote for any restructuring, workout, plan, proposal or chapter 11 plan for any of the Debtors other than the Restructuring Transactions, and the Plan (but without limiting consent, approval, or termination rights provided in this Agreement and the Definitive Documentation).

6. **Commitments of the Debtors**. Each of the Debtors shall, from the RSA Effective Date until the occurrence of a Termination Date (as defined in Section 13) applicable to the Debtors:

(a) obtain, file, submit, or register any and all required governmental, regulatory, and third-party approvals that are necessary or required for the consummation of the Restructuring Transactions, including, if applicable, approval by the Bankruptcy Court and CCAA Court of the Definitive Documentation;

(b) not solicit proposals or offers for any chapter 11 plan, CCAA plan or restructuring transaction (including, for the avoidance of doubt, a transaction premised on an asset sale under section 363 of the Bankruptcy Code or pursuant to the CCAA) other than the Restructuring Transactions contemplated by this Agreement and the RSA Documentation; *provided*, however, that, notwithstanding the foregoing, the Debtors and their respective directors, officers, and advisors shall have the right to (A) consider, respond to, discuss, and negotiate unsolicited Qualifying Alternative Transactions (as defined in the Purchase Agreement); (B) provide access to nonpublic information concerning the Debtors to any person or entity that (1) provides an unsolicited Qualifying Alternative Transaction; (2) executes and delivers to the Debtors a customary confidentiality agreement; and (3) requests such information; and (C) maintain or continue discussions or negotiations with respect to any unsolicited Qualifying Alternative Transaction (the activities described in the immediately preceding clauses (B) and (C), "***Qualifying Alternative Transaction Negotiations***"), *provided* that prior to engaging in any Qualifying Alternative Transaction Negotiations, the Debtors shall provide notice to Gordon Brothers and Purchaser of such Qualifying Alternative Transaction Negotiations, and the board of directors of KidKraft shall have determined in good faith (upon

the advice of legal counsel) that (x) the failure to take such action would be inconsistent with the directors' fiduciary duties under applicable law, and (y) such Qualifying Alternative Transaction is reasonably likely to lead to a transaction that is more favorable to the holders of claims against, or interests in, the Debtors than the Restructuring Transactions and is reasonably capable of being completed in accordance with its terms, taking into account all legal, financial, financing, conditionality, timing, and other aspects of such Qualifying Alternative Transaction;

(c) promptly provide written notice to Gordon Brothers, the Purchaser, and MidOcean and each of their respective counsel of (A) the occurrence, or failure to occur, of any event of which the Debtors have actual knowledge which occurrence or failure would be likely to cause any condition precedent contained in this Agreement not to occur or become impossible to satisfy, (B) the receipt of any written notice from any governmental authority or third party alleging that the consent of such party is or may be required in connection with the transactions contemplated by the Restructuring Transactions, (C) receipt of any written notice of any proceeding commenced or, to the actual knowledge of the Debtors, threatened against the Debtors relating to or involving or otherwise affecting in any material respect the transactions contemplated by this Agreement or the Restructuring Transactions, or (D) a failure of the Debtors to comply in any material respect with a covenant or agreement to be complied with or by them hereunder;

(d) support and cooperate with the other Parties to take all actions reasonably necessary to consummate the Restructuring Transactions in accordance with the Plan, the Purchase Agreement and the terms and conditions of this Agreement and the RSA Documentation;

(e) provide any applicable consents as may be necessary or required to effectuate the Restructuring Transactions as set forth herein, in the RSA Documentation, the Plan, and/or the Purchase Agreement;

(f) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Restructuring Transactions, negotiate in good faith with respect to appropriate additional or alternative provisions to address any such impediment;

(g) negotiate in good faith and use reasonable efforts to execute (as applicable) and implement the Definitive Documentation and the Restructuring Transactions;

(h) support approval of the Sale Order and the CCAA Sale Order, and the consummation of the Sale Transaction on terms consistent with the RSA and RSA Documentation, including on an independent, private sale basis under section 363 of the Bankruptcy Code or pursuant to a Sale Toggle (if triggered);

(i) continue ordinary course practices to maintain good standing under the jurisdiction in which each Debtor is incorporated or organized;

(j) pay in full and in cash all fees, costs, and expenses in accordance with Section 16 of this Agreement;

(k) (A) consistent with the Approved Budget and, as applicable, subject to the Purchase Agreement, operate the business of each of the Debtors (and their Affiliates) in the ordinary course and materially consistent with past practice and in a manner that is materially consistent with this Agreement and confer with both Gordon Brothers and Purchaser and their respective representatives, as reasonably requested, on operational matters and the general status of ongoing operations, and (B) provide both Gordon Brothers and Purchaser with any information reasonably requested regarding the Debtors (and their Affiliates) and reasonable access to management and advisors of the Debtors (and their Affiliates) for the purposes of evaluating the Debtors' (and their Affiliates) assets, liabilities, operations, businesses, finances, strategies, prospects and affairs. Notwithstanding the generality of the foregoing, the Debtors (and their Affiliates, if applicable) shall, except as expressly contemplated by this Agreement or with the prior written consent of Gordon Brothers and Purchaser, not to be unreasonably withheld or delayed, and, subject to applicable bankruptcy law, use commercially reasonable efforts consistent with the Restructuring Transactions and the Approved Budget to (1) maintain their physical assets, properties and facilities in their current working order, condition and repair as of the date hereof, ordinary wear and tear excepted, (2) perform all obligations required to be performed by the Debtors under the Consulting Agreement with Gordon Brothers Commercial & Industrial LLC, (3) maintain their books and records on a basis consistent with prior practice, (4) bill for products sold or services rendered and pay accounts payable in a manner generally consistent with past practice, but taking into account the Restructuring Transactions, (5) maintain all insurance policies, or suitable replacements therefor, in full force and effect through the close of business on the Effective Date, (6) neither encumber nor enter into any material new leases, licenses or other use or occupancy agreements for real property or any part thereof; and (7) pay, in the ordinary course, all critical systems vendors, shippers, third party logistics providers, and all customs-related costs;

(l) timely file a formal objection to any motion filed with the Bankruptcy Court or CCAA Court by a third party seeking the entry of an order (i) directing the appointment of a trustee, monitor or examiner with expanded powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code or model initial CCAA order, (ii) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or seeking a bankruptcy or the appointment of a receiver pursuant to the Bankruptcy and Insolvency Act (Canada), (iii) dismissing the Chapter 11 Cases or the CCAA Recognition Proceedings, or (iv) modifying or terminating the Debtors' exclusive right to file and/or solicit acceptances of a plan of reorganization, as applicable;

(m) not, directly or indirectly, file any pleading with the Bankruptcy Court or the CCAA Court, or otherwise support, encourage, seek, solicit, pursue, initiate, assist, join or participate in any challenge to the validity, enforceability, perfection or priority of,

or any action seeking avoidance, clawback, recharacterization or subordination of, any portion of the Secured Claims or any liens or collateral secured by such Secured Claims;

(n) pay in full and in cash all fees, costs, and expenses in accordance with the DIP Orders and otherwise comply with the terms, conditions, and obligations of the DIP Documents, including the DIP Orders, once approved and entered, as applicable, by the Bankruptcy Court or the CCAA Court;

(o) not make Vendor Start Up Cost Payments in excess of $5 million in the aggregate (unless otherwise mutually agreed in writing among Debtors, Gordon Brothers, and Purchaser and set forth in the Prepetition Budget or the Approved Budget);

(p) not sell any Purchased Inventory graded A, A+, B, C, Comp, I, New, New_FY24 or blank below 75 percent of the book value of such inventory as set forth in the KK Inventory File;

(q) solely upon execution of the Purchase Agreement, ship Ainsley RTV Inventory set forth in the KK Inventory File consistent with the Purchase Agreement, *provided that*, for the avoidance of doubt, any sales of Ainsley Inventory (other than the inventory identified as Ainsley RTV Inventory located in the Arlington, TX warehouse) shall not be sold or transferred below 75 cents of book value without the written approval of Gordon Brothers;

(r) to the extent necessary to facilitate the Sale Transaction, including the purchase and sale of all Transferred Assets, enter into a transition services agreement, or other similar agreement (the "***Transition Services Agreement***");

(s) submit drafts to counsel to each of Gordon Brothers and Purchaser of any press release (or any similar communications) that constitutes disclosure of the existence of the terms of this Agreement, the Restructuring Transactions, or Sale Transaction at least three (3) Business Days prior to making any such disclosure and shall afford them two (2) Business Days to comment on such documents and disclosures, final versions of which shall be reasonably satisfactory to Gordon Brothers and Purchaser;

(t) on and after the RSA Effective Date, coordinate with Purchaser regarding communications related to the Sale Transactions contemplated by this Agreement and the RSA Documentation, and shall facilitate Purchaser's negotiations with the Company's employees, customers, vendors or suppliers, or as may be necessary to obtain any required third-party consent or approval in connection therewith;

(u) work with Gordon Brothers in good faith to amend this Agreement or enter into a separate agreement (or as may be otherwise agreed with the reasonable consent of Gordon Brothers and the Debtors) to obtain Netherlands Subsidiaries' consent to and cooperation with the transfer of certain assets in support of the Sale Transaction and acknowledgment of this Agreement within five (5) Business Days of the RSA Effective Date; and

(v) work with Gordon Brothers in good faith to effectuate (i) a post-petition transfer of certain of the Netherlands Subsidiaries' assets in support of the Sale Transaction, (ii) a consensual liquidation of the Netherlands Subsidiaries' assets that are not Transferred Assets, (iii) distribution of proceeds of liquidated collateral of the Netherlands Subsidiaries to Gordon Brothers, to the extent such proceeds are available after the orderly out-of-court wind down referenced in (v) below, (iv) release of all Gordon Brothers' Claims against the Netherlands Subsidiaries, and (v) the orderly out-of-court wind down of the Netherlands Subsidiaries utilizing the Foreign Sale Reserve (and other assets of the Netherlands Subsidiaries as may be agreed), *provided that* the costs of (ii) and (v) be funded solely by the Foreign Sale Reserve and other proceeds from the sale or other monetization of the assets of the Netherlands Subsidiaries.

Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall require a Debtor or the board of directors, board of managers, members, or any similar governing body of a Debtor, after consulting with outside legal counsel, to take any action or to refrain from taking any action with respect to the Restructuring Transactions to the extent taking or failing to take such action would be inconsistent with applicable law or its fiduciary obligations under applicable law, and any such action or inaction pursuant to (and consistent with) such exercise of fiduciary duties shall not be deemed to constitute a breach of this Agreement.

7. **Commitments of the Purchaser**. The Purchaser shall, from the RSA Effective Date until the occurrence of a Termination Date (as defined in Section 13) applicable to the Purchaser:

(a) perform all its obligations consistent with the RSA Documentation (as applicable) and under the Definitive Documentation including, without limitation, its commitment to pay the Deposit Amount and the Purchase Price, and assume the Assumed Liabilities, in each case, consistent with the Purchase Agreement;

(b) cooperate and coordinate activities (to the extent practicable and subject to the terms hereof) with the other Parties and use commercially reasonable and good faith efforts to pursue, support, obtain additional support for, solicit, implement, confirm, and consummate the Restructuring Transactions, the Plan, and the Purchase Agreement, and to execute and take all actions contemplated thereby and as reasonably necessary, or as may be required by order of the Bankruptcy Court or the CCAA Court, to support and achieve consummation of the Restructuring Transactions;

(c) obtain, file, submit, or register any and all required governmental, regulatory, and third-party approvals that are necessary or required for the consummation of the Restructuring Transactions;

(d) not, directly or indirectly, object to, delay, impede, or take any other action to interfere with the acceptance, implementation, or consummation of the Restructuring Transactions;

(e) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the transactions contemplated in the Plan or in this Agreement, negotiate in good faith appropriate additional or alternative provisions to address any such impediment;

(f) support approval of the Sale Order and the CCAA Sale Order, and the consummation of the Sale Transaction and Purchase Agreement;

(g) to the extent necessary to facilitate the Sale Transaction, including the purchase and sale of all Transferred Assets, enter into the Transition Services Agreement;

(h) negotiate in good faith upon reasonable request of the Debtors or Gordon Brothers in connection with any modifications to the Restructuring Transactions that improve the tax efficiency of the Restructuring Transactions for the Debtors or Gordon Brothers; *provided that* such modifications do not adversely impact MidOcean's treatment under the Plan, the terms and conditions of the Purchase Agreement, or the Purchaser's ability to consummate the Sale Transaction;

(i) execute and deliver such other instruments and perform such acts, in addition to the matters specified herein, as may be reasonably appropriate or necessary, or as may be required by order of the Bankruptcy Court or the CCAA Court to effect the Restructuring Transactions; and

(j) on the Plan Effective Date, release and unconditionally waive all Claims against MidOcean, Gordon Brothers and the Debtors, consistent with the Plan Term Sheet, in each case other than with respect to the Purchase Agreement.

8. **Representations and Warranties**.

(a) Each Party (other than the Debtors) hereby represents and warrants on a several and not joint basis for itself and not any other person or entity that the following statements are true, correct, and complete, as of the date hereof:

(i) it has the requisite organizational power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement by such Party and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part;

(iii) the execution, delivery, and performance by it of this Agreement does not violate any provision of law, rule, or regulation applicable to it, or its certificate of incorporation, bylaws, or other organizational documents in any material respect;

(iv) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of such Party,

enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability;

(v) the claims or interests, as applicable, held by any Party are free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal, or other limitation on disposition, transfer, or encumbrances of any kind, that would materially and adversely affect in any way such Party's ability to perform any of its obligations under this Agreement at the time such obligations are required to be performed; and

(vi) it (A) either (1) is the sole owner of the claims and interests identified herein, or (2) has all necessary investment or voting discretion with respect to the principal amount of claims and interests identified below its name on its signature page hereof, and has the power and authority to bind the owner(s) of such claims and interests to the terms of this Agreement; (B) is entitled (for its own accounts or for the accounts of such other owners) to all of the rights and economic benefits of such claims and interests; or (C) does not directly or indirectly own any claims against any Debtor other than as identified below its name on its signature page hereof.

(b) Each Debtor hereby represents and warrants on a joint and several basis (and not on behalf of any other person or entity other than the Debtors) that the following statements are true, correct, and complete as of the date hereof:

(i) it has the requisite corporate or other organizational power and authority to enter into this Agreement and, subject to entry of the Confirmation Order, Sale Order, and CCAA Sale Order, as applicable, to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement by such Debtor and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part;

(iii) the execution and delivery by it of this Agreement do not (A) violate its certificates of incorporation, or bylaws, or other organizational documents, or (B) result in a breach of, or constitute (with due notice or lapse of time or both) a default (other than, for the avoidance of doubt, a breach or default that would be triggered as a result of the Chapter 11 Cases, the CCAA Recognition Proceedings, or any Debtor's undertaking to implement the Restructuring Transactions through the Chapter 11 Cases and the CCAA Recognition Proceedings) under any material contractual obligation to which it is a party;

(iv) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code and, to the extent applicable, approval by the Bankruptcy Court or the CCAA Court, this Agreement is a legally valid and binding obligation of each Debtor that is enforceable against each Debtor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability; and

(v) it has sufficient knowledge and experience to evaluate properly the terms and conditions of the Plan and this Agreement and has been afforded the opportunity to consult with its legal and financial advisors with respect to its decision to execute this Agreement, and it has made its own analysis and decision to enter into this Agreement and otherwise has investigated this matter to its full satisfaction.

9. **GB / Purchaser Termination Events**. Each of Gordon Brothers and the Purchaser shall have the right, but not the obligation, to terminate its obligations under this Agreement upon the occurrence of any of the following events (each, a "***GB / Purchaser Termination Event***"), if such event remains uncured (to the extent curable) for a period of five (5) Business Days after providing written notice to the other Parties in accordance with Section 26 of this Agreement, unless (i) waived, in writing, by Gordon Brothers, or the Purchaser, as applicable, or (ii) cured by the Debtors (if susceptible to cure):

(a) failure of the Debtors to meet any of the Milestones in Section 3 unless (i) such failure is the direct result of any act, omission, or delay on the part of either Gordon Brothers or Purchaser, as applicable, in violation of its respective obligations under this Agreement, or (ii) such Milestone is extended by Gordon Brothers and the Purchaser in accordance with Section 3;

(b) the entry of an order by the Bankruptcy Court, or the filing of a motion or application by any Debtor seeking an order (i) converting one or more of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code; (ii) appointing an examiner with expanded powers beyond those set forth in sections 1106(a)(3) and (4) of the Bankruptcy Code or a trustee in one or more of the Chapter 11 Cases; (iii) dismissing one or more of the Chapter 11 Cases of a Debtor; (iv) rejecting, disclaiming or otherwise terminating or seeking an order pursuant to which the Debtors will fail to perform this Agreement; or (v) invalidating, disallowing, subordinating, recharacterizing, or limiting the enforceability, priority, or validity of any of the Claims held by Gordon Brothers without Gordon Brothers' prior written consent, and any such order entered with respect to any of (i) through (v) which has not been otherwise withdrawn, stayed, modified, or vacated on appeal within thirty (30) days;

(c) the entry of an order by the CCAA Court, or the filing of a motion or application by any Debtor (or its affiliate) seeking an order, (i) dismissing the CCAA Recognition Proceedings, or (ii) invalidating, disallowing, subordinating,

recharacterizing, or limiting the enforceability, priority, or validity of any of the Claims held by Gordon Brothers, without Gordon Brothers' prior written consent and which has not been otherwise withdrawn, stayed, modified, or vacated on appeal within thirty (30) days;

(d) if any Debtor (i) files, amends or modifies, or files a pleading seeking authority to amend or modify, the Definitive Documentation in a manner that is inconsistent with this Agreement, or (ii) announces that it will no longer support the Restructuring Transactions, in each case without the prior written consent of Gordon Brothers and Purchaser;

(e) if any Debtor joins in or supports any Alternative Transaction (it being understood that the Debtors engaging in Qualifying Alternative Transaction Negotiations is not joining in or supporting an Alternative Transaction), or files any motion or application seeking authority to sell any assets, without the prior written consent of Gordon Brothers and Purchaser;

(f) the issuance of any ruling or order by any governmental authority, including the Bankruptcy Court or the CCAA Court, or any other court of competent jurisdiction, or other regulatory authority, enjoining or otherwise making impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the RSA Documentation, the Purchase Agreement, or the Plan, or the commencement of any action by any governmental authority or other regulatory authority that could reasonably be expected to enjoin or otherwise make impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the RSA Documentation, the Purchase Agreement, or the Plan; *provided*, *however*, that the Debtors shall have five (5) Business Days after issuance of such ruling, order, or action to obtain relief that would allow consummation of the Restructuring Transactions in a manner that does not prevent or diminish in a material way compliance with the terms of the Plan, the Purchase Agreement and this Agreement;

(g) a material breach by any Debtor of any covenant of such Debtor set forth in this Agreement that could reasonably be expected to have an adverse impact on the Restructuring Transactions or the existence of an inaccuracy in any material respect in a representation or warranty of any Debtor as of the RSA Effective Date and, in either case such breach or inaccuracy remains uncured for a period of five (5) Business Days after the receipt of written notice of such breach or inaccuracy; *provided, however,* that if the material breach of the covenants set forth in Section 6(j) of this Agreement is the result of Gordon Brothers' failure to provide any available borrowings to the Company in accordance with the Prepetition Credit Agreement, no such termination event shall occur;

(h) if the Bankruptcy Court enters an order in the Chapter 11 Cases terminating any Debtor's exclusive right to file a plan or plans of reorganization pursuant to section 1121 of the Bankruptcy Code;

(i) if the Bankruptcy Court enters an order denying confirmation of the Plan, and the Bankruptcy Court does not within twenty-one (21) Business Days enter a revised order confirming the Plan;

(j) if the CCAA Court enters an order denying approval of the Confirmation Recognition Order and does not, within twenty-one (21) Business Days enter a revised order approving the Confirmation Recognition Order;

(k) the Bankruptcy Court or the CCAA Court (with respect to the Canadian Transferred Assets) enters an order denying approval of the Sale Order or the CCAA Sale Order, as applicable, and such Bankruptcy Court or CCAA Court does not within five (5) Business Days enter a revised order approving the Sale Order or the CCAA Sale Order, as applicable;

(l) if a court of competent jurisdiction has entered a final, non-appealable order or judgment declaring this Agreement to be unenforceable;

(m) the reversal, stay, dismissal, vacation, reconsideration, material modification, or material amendment of the Confirmation Order or an order approving the Disclosure Statement, without the prior written consent of Gordon Brothers and Purchaser;

(n) if the Bankruptcy Court or the CCAA Court enters an order granting relief from the automatic stay imposed by section 362 of the Bankruptcy Code or the stay imposed by order of the CCAA Court, as applicable, authorizing any party to proceed against any material asset of the Debtors or that would materially and adversely affect the Debtors' ability to operate the Debtors' businesses in the ordinary course;

(o) termination of the DIP Facility as defined in the DIP Documents;

(p) prior to the Petition Date, the occurrence of an "Event of Default" under (and as defined in) the Prepetition Credit Agreement, but excluding any Specified Event of Default (as defined below), that has not been cured (if susceptible to cure) or waived in accordance with its terms; or

(q) (x) with respect to the termination right of Gordon Brothers, if any of the Debtors, or the Purchaser terminates this Agreement, and (y) with respect to the termination right of the Purchaser, if any of the Debtors or Gordon Brothers terminates this Agreement.

provided, however, that in the event the Debtors or Gordon Brothers, as applicable, fail to timely pay or fund in full all Vendor Payments incurred and payable in accordance with the Prepetition Budget or Approved Budget, as applicable, Purchaser shall have the right, but not the obligation, to terminate its obligations under this Agreement, in each case, if the applicable Vendor Payments remain unpaid or unfunded for a period of three (3) Business Days upon written notice from the Purchaser to the other Parties in accordance with Section 26 of this Agreement, unless, in each case, (i) waived, in writing, by the Purchaser in its reasonable discretion, or (ii) cured by Gordon Brothers or the Debtors, as applicable.

10. **MidOcean Termination Events**. MidOcean shall have the right, but not the obligation, upon written notice to the other Parties, to terminate the obligations of MidOcean under this Agreement upon the occurrence of any of the following events, unless waived, in writing, by MidOcean (each, a "***MidOcean Termination Event***"):

(a) the entry of an order by the Bankruptcy Court, or the filing of a motion or application by any Debtor seeking an order (i) converting one or more of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code; (ii) appointing an examiner with expanded powers beyond those set forth in sections 1106(a)(3) and (4) of the Bankruptcy Code or a trustee in one or more of the Chapter 11 Cases; or (iii) dismissing one or more of the Chapter 11 Cases of a Debtor, and which order has not been otherwise stayed, modified, or vacated on appeal within thirty (30) days;

(b) any other Party (i) files, amends or modifies, or files a pleading seeking authority to amend or modify the Definitive Documentation in a manner that is inconsistent with this Agreement, or (ii) announces that it will no longer support the Restructuring Transactions, in each case without MidOcean's prior consent;

(c) any other Party joins in or supports any Qualifying Alternative Transaction that is otherwise inconsistent with this Agreement and Plan Term Sheet, without MidOcean's prior written consent;

(d) the issuance of any ruling or order by any governmental authority, including the Bankruptcy Court or the CCAA Court, or any other court of competent jurisdiction, or other regulatory authority, enjoining or otherwise making impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the Plan Term Sheet, or the commencement of any action by any governmental authority or other regulatory authority that could reasonably be expected to enjoin or otherwise make impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the Plan Term Sheet; *provided*, *however*, that the Debtors shall have five (5) business days after issuance of such ruling, order, or action to obtain relief that would allow consummation of the Restructuring Transactions in a manner that does not prevent or diminish in a material way compliance with the terms of the Plan, the Purchase Agreement and this Agreement;

(e) a material breach by any other Party of any covenant of such Party set forth in this Agreement or the existence of an inaccuracy in any material respect in a representation or warranty of such Party as of the RSA Effective Date, in each case, that has an adverse impact on MidOcean with respect to the Restructuring Transactions;

(f) any other Party (i) files any pleading, Plan, or other Definitive Documentation containing release provisions that are inconsistent with the release provisions in the Plan Term Sheet, (ii) amends or modifies, or files a pleading seeking authority to amend or modify the Plan or other Definitive documentation containing release

provisions in a manner that is inconsistent with the release provisions in the Term Sheet, or (iii) announces that it will no longer support the release of MidOcean consistent with the Plan Term Sheet, in each case without MidOcean's prior consent, subject in each case to MidOcean's compliance in all material respects with the terms and conditions set forth herein;

(g) the Bankruptcy Court enters an order in the Chapter 11 Cases terminating any Debtor's right to file a plan or plans of reorganization pursuant to section 1121 of the Bankruptcy Code; or

(h) a court of competent jurisdiction has entered a final, non-appealable order or judgment declaring this Agreement to be unenforceable.

11. **Debtors' Termination Events**. Each Debtor shall have the right, but not the obligation, upon notice to the other Parties, to terminate its obligations under this Agreement upon the occurrence of any of the following events (each a "***Debtor Termination Event***," and together with the GB / Purchaser Termination Events, and the MidOcean Termination Events, collectively, the "***Termination Events***"), in which case this Agreement shall terminate with respect to all Parties, subject to the rights of the Debtors to waive, in writing, the occurrence of a Debtor Termination Event:

(a) the issuance of any ruling or order by any governmental authority, including the Bankruptcy Court or the CCAA Court, or any other court of competent jurisdiction, or other regulatory authority, enjoining or otherwise making impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the RSA Documentation, the Purchase Agreement, or the Plan, or the commencement of any action by any governmental authority or other regulatory authority that could reasonably be expected to enjoin or otherwise make impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the RSA Documentation, the Purchase Agreement, or the Plan; *provided*, *however*, that the Debtors have made commercially reasonable, good faith efforts to cure, vacate, or have overruled such ruling or order prior to terminating this Agreement;

(b) a material breach by any other Party of any covenant set forth in this Agreement that would reasonably be expected to have an adverse impact on the Restructuring Transactions or the existence of an inaccuracy in any material respect in a representation or warranty of such Party as of the RSA Effective Date, and, in either case such breach or inaccuracy remains uncured for a period of five (5) Business Days after the receipt of written notice from the Debtors and description of such breach or inaccuracy;

(c) the occurrence of a breach of this Agreement by any other Party that has the effect of materially impairing any of the Debtors' abilities to effectuate the Restructuring Transactions that remains uncured for a period of five (5) Business Days after the receipt of written notice from the Debtors and description of such breach;

(d) if the board of directors or board of managers, as applicable, of any Debtor determines, in good faith based upon advice of outside legal counsel, that proceeding with the Restructuring Transactions (including the Plan or solicitation of the Plan) or taking any action (or refraining from taking any action) in relation thereto, would be inconsistent with the exercise of their fiduciary duties under applicable law;

(e) Gordon Brothers fails to provide (i) the debtor-in-possession financing in accordance with this Agreement, the DIP Documents, or the DIP Orders or (ii) the Administrative Expense Claim and Priority Tax Claim Backstop Amount or the Post-Sale Reserve in accordance with this Agreement and the Plan Term Sheet;

(f) the Bankruptcy Court enters an order denying confirmation of the Plan, and the Bankruptcy Court does not within twenty-one (21) Business Days enter a revised order confirming the Plan;

(g) the Bankruptcy Court or the CCAA Court (with respect to the Canadian Transferred Assets) enters an order denying approval of the Sale Order or the CCAA Sale Order, as applicable; and such Bankruptcy Court or CCAA Court does not within five (5) Business Days enter a revised order approving the Sale Order or the CCAA Sale Order, as applicable;

(h) Gordon Brothers or the Purchaser terminates this Agreement; or

(i) the failure to satisfy any requirement under Section 2 that the Plan, or any other agreement or document that is included in the Definitive Documentation, contain terms, conditions, representations, warranties, and covenants consistent with the terms of this Agreement and be reasonably acceptable to the Debtors.

12. **Mutual Termination; Automatic Termination**. This Agreement and the obligations of all Parties hereunder may be terminated by mutual written agreement by and among (a) the Debtors, (b) Gordon Brothers, and (c) the Purchaser. This Agreement shall terminate automatically upon the later of (1) occurrence of the Effective Date of the Plan or (2) consummation of the Sale Transaction, as applicable.

13. **Effect of Termination**. The earliest date on which termination of this Agreement as to a Party is effective in accordance with Sections 9, 10, 11, or 12 of this Agreement shall be referred to, with respect to such Party, as a "***Termination Date***." Upon the occurrence of a Termination Date, the terminating Party's and, solely in the case of a Termination Date in accordance with Section 12, all Parties' obligations under this Agreement shall be terminated effective immediately, and such Party or Parties hereto shall be released from all commitments, undertakings, and agreements hereunder; *provided*, *however*, that each of the following shall survive any such termination: (a) any claim for breach of this Agreement that occurs prior to such Termination Date, and all rights and remedies with respect to such claims shall remain in full force and effect and not be prejudiced in any way by such termination; (b) the Debtors' obligations in Section 16 of this Agreement accrued up to and including such Termination Date; and (c) Sections 13, 17, 18, 19, 20, 21, 22, 23, 24, 25, 28, 29, 30, 35, and 36 hereof.

14. **Cooperation and Support**. The Debtors shall use commercially reasonable efforts to provide draft copies of all motions, applications, and other documents that any Debtor intends to file with the Bankruptcy Court or the CCAA Court, other than motions, applications, and documents constituting the Definitive Documentation set forth in Section 2 above, to counsel to Gordon Brothers, MidOcean, and the Purchaser at least four (4) Business Days prior to the date when such Debtor intends to file such document or as soon as reasonably practicable. Gordon Brothers, the Purchaser, and MidOcean shall use commercially reasonable efforts to provide all comments to all such documents by no later than two (2) Business Days prior to the date when the Debtors intend to file such documents, to the extent practicable, and their respective counsels shall consult in good faith regarding the form and substance of any such proposed filing with the Bankruptcy Court or the CCAA Court.

15. **No Transfers of Claims and Interests**. Gordon Brothers shall not sell, transfer, assign, pledge, grant a participation interest in, or otherwise dispose of, directly or indirectly, its right, title, or interest in respect of any claims against, or interests in, any Debtor subject to this Agreement or any other Loan Party (as such term is defined in the Prepetition Credit Agreement), as applicable, in whole or in part, or deposit any of such Gordon Brothers' claims or interests against any Debtor or other Loan Party, as applicable, into a voting trust, or grant any proxies, or enter into a voting agreement with respect to any such claims or interests, unless such transferee agrees to be bound by this Agreement (including any applicable obligations arising under the DIP Facility) by executing the joinder, attached hereto as **Exhibit D**. Any action taken in violation of this Section 15 shall be deemed null and void *ab initio* and of no force or effect, regardless of any prior notice provided to the Debtors, any other Loan Party and/or any Party, and shall not create any obligation or liability of any Debtor, other Loan Party, or any other Party to the purported transferee. Notwithstanding the forgoing, Gordon Brothers may, in its sole discretion, prior to the Effective Date, designate its equity interests in Reorganized Parent to another entity.

16. **Fees and Expenses**. Subject to Section 12, the DIP Facility Term Sheet, and the other RSA Documentation, the Debtors shall pay or reimburse when due all reasonable and documented fees and expenses, regardless of whether such fees and expenses were incurred before or after the Petition Date, in connection with, or arising as a result of Restructuring Transactions, the Plan, or the Chapter 11 Cases, of Gordon Brothers, including the reasonable, documented fees and expenses of (a) Katten Muchin Rosenman LLP, as legal counsel, (b) one local counsel (to the extent necessary), and (c) Fasken Martineau DuMoulin LLP as Canadian legal counsel, and one foreign local counsel in each other applicable jurisdiction (to the extent necessary) (in the case of the foregoing (a)-(c) solely as and to the extent provided for in such advisors' engagement letters (which agreements shall not be terminated by the Debtors before the termination of this Agreement as to Gordon Brothers)), and (d) any such other advisors or consultants as may be reasonably retained on behalf of Gordon Brothers with the consent of the Debtors (not to be unreasonably withheld) and, in each case, the Debtors shall seek to pay such fees and expenses in connection with the DIP Orders, the Confirmation Order, and the Confirmation Recognition Order.

17. **Consents and Acknowledgments**. Each Party irrevocably acknowledges and agrees that this Agreement is not and shall not be deemed to be a solicitation for acceptances to the Plan. The acceptance of the Plan by any Party will not be solicited until such Party has received the Disclosure Statement and related ballots in accordance with applicable law, and will be subject to sections 1125, 1126 and 1127 of the Bankruptcy Code.

18. **Survival of Agreement**. Each of the Parties acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning the Restructuring Transactions and in contemplation of possible chapter 11 filings by the Debtors and recognition thereof under the CCAA and the rights granted in this Agreement are enforceable by each signatory hereto without approval of any court, including the Bankruptcy Court or the CCAA Court.

19. **Rights and Settlement Discussions**. If the transactions contemplated herein are not consummated, and/or following the termination of this Agreement, nothing herein shall be construed as a waiver by any Party of any or all of such Party's rights, other than as provided in Section 20, and the Parties expressly reserve any and all of their respective rights. The Parties acknowledge that this Agreement, the Plan, and all negotiations relating hereto are part of a proposed settlement of matters that could otherwise be the subject of litigation. Pursuant to Rule 408 of the Federal Rules of Evidence, any applicable state rules of evidence and any other applicable law, foreign or domestic, the RSA Documentation, this Agreement, the Purchase Agreement, the Plan, any related documents, and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

20. **Waiver and Amendments**.

(a) Other than as set forth in Section 20(b), this Agreement, including the Exhibits and Schedules, may not be waived, modified, amended, or supplemented except with the prior written consent of (i) the Debtors, Gordon Brothers, and the Purchaser; and (ii) MidOcean, solely to the extent such waiver, modification, amendment, or supplement impacts MidOcean's rights, obligations, or Interests under this Agreement, including for the avoidance of doubt, any release of Claims or causes of action proposed to be granted to or received by MidOcean or its affiliates thereunder.

(b) Notwithstanding Section 20(a), (i) any waiver, modification, amendment, or supplement to this Section 20 shall require the prior written consent of all the Parties and (ii) any waiver, modification, amendment, or supplement to Section 33 shall be in accordance with Section 33(e).

(c) The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver of any such right, power or remedy or any provision of this Agreement, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. All remedies under this Agreement are cumulative and are not exclusive of any other remedies provided by Law.

21. **Specific Performance**. It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable

relief as a remedy of any such breach of this Agreement, including an order of the Bankruptcy Court, the CCAA Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder. Each Party also agrees that it will not (a) seek, and will waive any requirement for, the securing or posting of a bond in connection with any Party seeking or obtaining such relief or (b) raise as a defense thereto the necessity of proving the inadequacy of money damages as a remedy.

22. **Governing Law & Jurisdiction**. Except to the extent the mandatory provisions of the Bankruptcy Code or the CCAA apply, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to such state's choice of law provisions which would require or permit the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each Party irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding, shall be brought in the federal or state courts located in the Northern District of Texas, and by executing and delivering this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to Texas jurisdiction, after the Petition Date, each Party agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. By executing and delivering this Agreement, and upon the Petition Date, each of the Parties irrevocably and unconditionally submits to the personal jurisdiction of the Bankruptcy Court solely for purposes of any action, suit, proceeding, or other contested matter arising out of or relating to this Agreement, or for recognition or enforcement of any judgment rendered or order entered in any such action, suit, proceeding, or other contested matter. Notwithstanding the foregoing, the CCAA Court shall have exclusive jurisdiction of the CCAA Recognition Proceedings.

23. **Waiver of Right to Trial by Jury**. Each of the Parties waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between any of the Parties arising out of, connected with, relating to, or incidental to the relationship established between any of them in connection with this Agreement. Instead, any disputes resolved in court shall be resolved in a bench trial without a jury.

24. **Successors and Assigns**. Except as otherwise provided herein, this Agreement is intended to bind and inure to the benefit of each of the Parties and each of their respective permitted successors, assigns, heirs, executors, administrators, and representatives.

25. **No Third-Party Beneficiaries**. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties and no other person or entity shall be a third-party beneficiary of this Agreement.

26. **Notices**. All notices (including, without limitation, any notice of termination or breach) and other communications from any Party hereunder shall be in writing and shall be deemed to have been duly given if delivered by courier service, messenger, email, or facsimile to the other Parties at the applicable addresses below, or such other addresses as may be furnished hereafter by notice in writing. Any notice of termination or breach shall be delivered to all other

Parties. Where a written consent, acceptance, approval, or waiver is required pursuant to or contemplated by this Agreement, such written consent, acceptance, approval, or waiver shall be deemed to have occurred if, by agreement between counsel to the Parties submitting and receiving such consent, acceptance, approval, or waiver, it is conveyed in writing (including email) between each such counsel without representations or warranties of any kind on behalf of such counsel.

(a) If to any Debtor:

KidKraft, Inc.
4630 Olin Road
Dallas, TX 75244
United States
Attn: Geoffrey Walker
Tel: (214) 393-3804
Email: geoff.w@kidkraft.com

With a copy to:

Vinson & Elkins LLP
1114 Avenue of the Americas, 32nd Floor
New York, NY 10036
Attn: David S. Meyer
Lauren R. Kanzer
Tel: (212) 237-0000
Email: dmeyer@velaw.com
lkanzer@velaw.com

(b) If to Gordon Brothers:

To the address set forth on its signature page hereto

with a copy to

Katten Muchin Rosenman LLP
50 Rockefeller Plaza
New York, NY 10020-1605
Attn: Cindi M. Giglio
Steven J. Reisman
Tel: (212) 940-3828
Email: cgiglio@katten.com
sreisman@katten.com

(c) If to MidOcean:

To the address set forth on its signature page hereto

with a copy to

Gibson Dunn & Crutcher LLP

200 Park Avenue
New York, NY 10166
Attn: Andrew Herman
Email: aherman@gibsondunn.com

(d) If to Purchaser:

To the address set forth on its signature page hereto

with a copy to

King & Spalding LLP
1180 Peachtree Street, NE, Suite 1600
Atlanta, GA 30309
Attn: Spencer Stockdale
Email: SStockdale@KSLAW.com

27. **Exhibits and Schedules Incorporated by Reference**. Each of the exhibits attached hereto and any schedules to such exhibits (collectively, the "***Exhibits and Schedules***") is expressly incorporated herein and made a part of this Agreement, and all references to this Agreement shall include the Exhibits and Schedules. In the event of any inconsistency between this Agreement and the Exhibits and Schedules, this Agreement shall govern. For the avoidance of doubt, to the extent of any conflict between the terms of this Agreement and the terms of the DIP Facility Documents or the Purchase Agreement, the terms of the DIP Facility Documents or the Purchase Agreement, respectively, shall control, as applicable.

28. **Relationship Among Parties.** Notwithstanding anything herein to the contrary, (i) except where otherwise specified in this Agreement, the agreements, representations, warranties, duties, and obligations of the Parties under this Agreement shall be several and not joint, (ii) no Party shall have any responsibility by virtue of this Agreement for any trading by any other entity; (iii) no prior history, pattern, or practice of sharing confidences among or between the Parties shall in any way affect or negate this Agreement; (iv) the Parties acknowledge that this Agreement does not constitute an agreement, arrangement or understanding with respect to acting together for the purpose of acquiring, holding, voting or disposing of any equity securities of the Debtors and the Parties do not constitute a "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended; (v) none of the Parties shall have any fiduciary duty, any duty of trust or confidence in any form, or other duties or responsibilities in any kind or form to each other, including as a result of this Agreement or the transactions contemplated herein or in the Plan; and (vi) no action taken by any Party pursuant to this Agreement shall be deemed to constitute or to create a presumption by any of the Parties that the Parties are in any way acting in concert or as such a "group." Notwithstanding anything to the contrary herein, this Agreement (including the Plan) and the transactions contemplated hereby shall not create any fiduciary duties between and among Gordon Brothers, the Purchaser, and MidOcean, or except as otherwise expressly set forth herein, other duties or responsibilities to each other, the Debtors, or any of the Debtors' creditors or other stakeholders.

29. **Severability and Construction.** If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect if essential terms and conditions of this Agreement for each Party remain valid, binding, and enforceable.

30. **Remedies Cumulative**. All rights, powers, and remedies provided under this Agreement or otherwise available in respect of this Agreement at Law or in equity shall be cumulative and not alternative. The exercise of any right, power, or remedy by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party. The failure of any Party to exercise any right, power, or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon strict compliance by any other Party with its obligations hereunder, and any custom or practice of the Parties at variance with the terms hereof, shall not constitute a waiver by such Party of its right to exercise any such or other right, power, or remedy or to demand such strict compliance.

31. **Entire Agreement**. This Agreement (including the Exhibits and Schedules) constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

32. **Reservation of Rights**.

(a) Except as expressly provided in this Agreement, the Plan, the Purchase Agreement, or the RSA Documentation, including Section 4(a) and Section 33 of this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict the ability of any Party to protect and preserve its rights, remedies and interests, including without limitation, its claims against any of the other Parties.

(b) Without limiting Sub-Clause (a) of this Section 32 in any way, if the Plan or the Sale Transaction is not consummated in the manner set forth, and on the timeline set forth, in this Agreement and the RSA Documentation (taking into account any extension of applicable Milestones pursuant to the terms hereof), or if this Agreement is terminated for any reason in accordance herewith, nothing herein shall be construed as a waiver by any Party of any or all of such Party's rights, remedies, claims, and defenses and the Parties expressly reserve any and all of their respective rights, remedies, claims and defenses, subject to Section 18 of this Agreement. None of the RSA Documentation, this Agreement, the Purchase Agreement or the other Definitive Documentation, nor any related document shall in any event be construed as or be deemed to be evidence of an admission or concession on the part of any Party of any claim or fault or liability or damages whatsoever. Each of the Parties denies any and all wrongdoing and liability of any kind and does not concede any infirmity in the claims or defenses which it has asserted or could assert.

33. **Forbearance; Specified Events of Default**.

(a) Each of the Loan Parties, the Prepetition Agent, and the Prepetition Secured Lender acknowledges and agrees that certain Defaults and Events of Default (each such term as used in this Section 33, as defined in the Prepetition Credit Agreement) have occurred that are continuing under the Prepetition Credit Agreement on or prior to the date hereof (such Defaults and Events of Default, together with (i) any Default or Event of Default that occurs after the date hereof resulting from the performance by the Debtors of their obligations under this Agreement, the consummation of the Restructuring Transactions, the filing of the Chapter 11 Cases and the CCAA Recognition Proceedings, or any other action or circumstance attendant, ancillary or arising out of the foregoing, (ii) any Default or Event of Default that occurs as a result of the auditors of any Debtor or any other Loan Party (such term as used in this Section 33, as defined in the Prepetition Credit Agreement) adding a "going concern" or like qualification to such Debtor's or other Loan Party's audited financial statements, and (iii) such other Defaults and Events of Default that have not occurred as of the date hereof, but are reasonably likely to arise as a result of the facts and circumstances of the Debtors and the other Loan Parties existing on the date hereof, the "***Specified Events of Default***").

(b) Each of the Prepetition Agent and the undersigned Prepetition Secured Lender agrees that during the Forbearance Period (as defined below), it will forbear from exercising its remedies under the Prepetition Credit Agreement against the Debtors or any other Loan Party. As used herein, the term "***Forbearance Period***" shall mean the period beginning on March 1, 2024 and ending on the earlier to occur of the termination of this Agreement by Gordon Brothers as a result of a GB / Purchaser Termination Event and termination of this Agreement pursuant to Section 12.

(c) Notwithstanding anything to the contrary contained in the Prepetition Credit Agreement or any other Loan Document (as defined in the Prepetition Credit Agreement), the Prepetition Agent and the undersigned Prepetition Secured Lender agree that the Borrowers shall be permitted to continue borrowing Priority Revolving Loans (as defined in the Prepetition Credit Agreement) pursuant to and in accordance with the Prepetition Credit Agreement without providing any representation and warranty as to the absence of the Specified Events of Default or a Material Adverse Effect (as defined in the Prepetition Credit Agreement).

(d) In the event of a conflict between the terms of this Section 33 and the terms of the Prepetition Credit Agreement, the terms of this Section 33 shall govern.

(e) Each Loan Party that is not a Debtor shall be an express third party beneficiary of this Section 33 and Section 15 (and all defined terms as used herein and therein) with the right to directly enforce the provisions of this Section 33 and Section 15. No provision of this Section 33 or Section 15 (or any defined term as used in this Section 33 or Section 15) may be waived, amended, supplemented or otherwise modified except in writing executed by each of the Parties and each of the Loan Parties that are not Debtors. This Section 33 and Section 15 are each a material inducement for the Parties to enter into this Agreement.

34. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument, and the counterparts may be delivered by electronic mail in portable document format (.pdf).

35. **Headings**. The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement.

36. **Interpretation**. This Agreement is the product of negotiations among the Parties, and the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement or any portion hereof, shall not be effective in regard to the interpretation hereof.

[*Signatures and exhibits follow.*]

KIDKRAFT, INC., a Delaware corporation

KIDKRAFT INTERMEDIATE HOLDINGS, LLC, a Delaware limited liability company, **by its sole member KIDKRAFT GROUP HOLDINGS, LLC**

KIDKRAFT INTERNATIONAL HOLDINGS, INC., a Delaware corporation

KIDKRAFT EUROPE, LLC, a Delaware limited liability company

KIDKRAFT PARTNERS, LLC, a Delaware limited liability company

KIDKRAFT INTERNATIONAL IP HOLDINGS, LLC, a Delaware limited liability company

SOLOWAVE DESIGN CORP., a Delaware corporation

SOLOWAVE DESIGN HOLDINGS LIMITED, an Ontario corporation

SOLOWAVE INTERNATIONAL INC., an Ontario corporation

SOLOWAVE DESIGN INC., an Ontario corporation

SOLOWAVE DESIGN LP, an Alberta limited partnership, **by its general partner SOLOWAVE DESIGN, INC.**

Geoffrey Walker

By: 157075C3EBC384B20D8FCABA09D766A7 contractworks

Name: Geoffrey Walker

Title: Chief Executive Officer

GB FUNDING, LLC, as Administrative Agent and Collateral Agent under the Prepetition Credit Agreement

1903 PARTNERS, LLC, as Lender under the Prepetition Credit Agreement

By: DocuSigned by: 3B97CA97C59842E...

Name: Kyle Shonak

Title: Senior Managing Director

Address for Notices:

GB Funding, LLC, as Administrative Agent
101 Huntington Avenue
Suite 1100
Boston, Massachusetts 02199
Attention: David Braun and Kyle Shonak
Email: dbraun@gordonbrothers.com
kshonak@gordonbrothers.com
Telephone: 888-424-1903

GB FUNDING, LLC, as Administrative and Collateral Agent under the DIP Facility

1903 PARTNERS, LLC, as Lender under the DIP Facility

By: DocuSigned by: 3B97CA97C59842E...

Name: Kyle Shonak

Title: Senior Managing Director

Address for Notices:

GB Funding, LLC, as Administrative Agent
101 Huntington Avenue
Suite 1100
Boston, Massachusetts 02199
Attention: David Braun and Kyle Shonak
Email: dbraun@gordonbrothers.com
kshonak@gordonbrothers.com
Telephone: 888-424-1903

MIDOCEAN PARTNERS IV, LP

MIDOCEAN US ADVISOR, L.P.

By: 

Name: Daniel Penn

Title: Managing Director

Address for Notice

MidOcean Partners
245 Park Avenue
38th Floor
New York, NY 10167
Attn: Daniel Penn
Email: dpenn@midoceanpartners.com

BACKYARD PRODUCTS LLC

By: _____

Name: Thomas M. van der Meulen

Title: CEO

Address for Notice

Backyard Products LLC
317 S. Main Street
Ann Arbor, MI 48104
Attn: Thomas van der Meulen, CEO
Email: tvandermeulen@backyardproducts.com

Schedule 1

Affiliates

1. KidKraft Intermediate Holdings, LLC
2. KidKraft International Holdings, Inc.
3. KidKraft Europe, LLC
4. KidKraft International IP Holdings, LLC
5. KidKraft Partners, LLC
6. Solowave Design Corp.
7. Solowave Design Holdings Limited
8. Solowave International Inc.
9. Solowave Design Inc.
10. Solowave Design LP

Exhibit A

Plan Term Sheet

Execution Version

KIDKRAFT, INC.
Plan Term Sheet

This term sheet (the "***Plan Term Sheet***")[1] sets forth the principal terms of the Restructuring Transactions including, without limitation, the Sale Transaction pursuant to the Purchase Agreement of all or a portion of the business or assets of KidKraft, Inc. and certain of its affiliates and directly and/or indirectly owned subsidiaries (collectively, the "***Company***"), to be implemented through (i) an in-court chapter 11 process pursuant to a chapter 11 plan of reorganization and (ii) proceedings pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) ("***CCAA***" and the related recognition proceedings, the "***CCAA Recognition Proceedings***") in the Ontario Superior Court of Justice (Commercial List) (the "***CCAA Court***"), in each case, pursuant to all other necessary Definitive Documentation reflecting the transactions described herein (all of the foregoing, collectively, the "***Restructuring***").

The terms and conditions described herein are part of a comprehensive proposal, which includes the RSA and RSA Documentation, each element of which is consideration for the other elements and is an integral aspect of such proposal.

THIS PLAN TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

THIS PLAN TERM SHEET DOES NOT INCLUDE A DESCRIPTION OF ALL OF THE TERMS, CONDITIONS, AND OTHER PROVISIONS THAT ARE TO BE CONTAINED IN THE DEFINITIVE DOCUMENTATION GOVERNING THE RESTRUCTURING IDENTIFIED IN THE RSA.

THIS PLAN TERM SHEET IS BEING PROVIDED AS PART OF A PROPOSED COMPREHENSIVE COMPROMISE AND SETTLEMENT, EACH ELEMENT OF WHICH IS CONSIDERATION FOR THE OTHER ELEMENTS AND AN INTEGRAL ASPECT OF THE PROPOSED RESTRUCTURING. THE STATEMENTS CONTAINED HEREIN ARE PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE, AND NOTHING IN THIS TERM SHEET SHALL CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION OR A WAIVER. EACH STATEMENT CONTAINED HEREIN IS MADE WITHOUT PREJUDICE, WITH A FULL RESERVATION OF ALL RIGHTS, REMEDIES, CLAIMS AND DEFENSES OF GORDON BROTHERS, PURCHASER, MIDOCEAN AND THE COMPANY.

[1] Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Restructuring Support Agreement ("***RSA***"), the DIP Facility Term Sheet, or the Purchase Agreement (together with the Plan Term Sheet, collectively, the "***RSA Documentation***"), as applicable.

TERMS AND CONDITIONS OF THE RESTRUCTURING	
A. Overview	
Restructuring Overview	The Company will seek to effectuate the Restructuring and the Sale Transaction consistent with the terms of this Plan Term Sheet and the other RSA Documentation, as applicable, through Restructuring Transactions (including the Sale Transaction) implemented through a prepackaged chapter 11 plan of reorganization, which shall also constitute a motion seeking an order of the Bankruptcy Court approving the Sale Transaction in accordance with the Purchase Agreement and consistent with the terms of the RSA Documentation, as applicable; *provided* that all terms in this Plan Term Sheet, the other RSA Documentation, the RSA, and the other Definitive Documents may be modified in accordance with Section 20 of the RSA. This Plan Term Sheet is confidential and may not be released to any other party without the consent of each of the Parties.
B. Defined Terms	
Administrative Expense Claim	"***Administrative Expense Claim***" means a Claim (other than any adequate protection claims) for costs and expenses of administration of the Debtors' estates pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (i) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Debtors' estates and operating the Debtors' businesses and (ii) any Allowed requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code. Allowed Administrative Expense Claims shall be paid in full, up to the Administrative Expense Claim and Priority Tax Claim Backstop Amount.
Administrative Expense Claim and Priority Tax Claim Backstop Amount	"***Administrative Expense Claim and Priority Tax Claim Backstop Amount***" means the amount set forth in the Approved Budget (or as otherwise agreed upon by the Debtors, Gordon Brothers, and Purchaser, each in its sole discretion), and funded by cash on hand of the Debtors and the proceeds of the DIP Facility prior to the Confirmation Date, sufficient to satisfy the agreed upon estimated amount of the Allowed Administrative Expense Claims and Priority Tax Claims, excluding Allowed Professional Fee Claims; *provided* that in no event will Gordon Brothers' obligation to provide such funding exceed the Administrative Expense Claim and Priority Tax Claim Backstop Amount.
Allowed	"***Allowed***" means with reference to any Claim or Interest, (i) any Claim or Interest (or portion thereof) against the Debtors arising on or before the Effective Date (a) as to which no objection to allowance has been made within the time period set forth in the Plan or (b) as to which any objection has been determined by a final order of the Bankruptcy Court to the extent such objection is determined in favor of the respective

	holder, (ii) any Claim as to which the liability of the Debtors and the amount thereof are determined by a final order of a court of competent jurisdiction other than the Bankruptcy Court, or (iii) any Claim or Interest expressly allowed under the Plan; *provided*, *however*, that notwithstanding the foregoing, the Wind Down Estates will retain all claims and defenses with respect to Allowed Claims that are reinstated or otherwise unimpaired pursuant to the Plan.
Assumed Contracts	**"*Assumed Contracts*"** means the Transferred Contracts (as such term is defined in the Purchase Agreement).
Assumed Liabilities	"***Assumed Liabilities***" has the meaning set forth in the Purchase Agreement.
Bankruptcy Code	"***Bankruptcy Code***" means title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended).
Bankruptcy Court	"***Bankruptcy Court***" means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.
Claim	"***Claim***" has the meaning ascribed to it in section 101(5) of the Bankruptcy Code.
Confirmation Order	"***Confirmation Order***" means the order confirming the Plan, which, for avoidance of doubt, shall, among other things, approve the Restructuring Transactions. The Sale Order may be included as part of the Confirmation Order.
Debtors	"***Debtors***" means KidKraft, Inc.; KidKraft Intermediate Holdings, LLC; KidKraft International Holdings, Inc.; KidKraft Europe, LLC; KidKraft Partners, LLC; KidKraft International IP Holdings, LLC; Solowave Design Corp.; Solowave Design Holdings Limited; Solowave International Inc.; Solowave Design Inc.; Solowave Design LP, and may include any of their affiliates, as determined by the Company, with the consent of Gordon Brothers, and in the case of KidKraft Group Holdings, LLC, with the consent of Gordon Brothers and MidOcean.
DIP Claims	"***DIP Claims***" means all Claims held by the DIP Lender or the DIP Agent on account of, arising under, or relating to the DIP Facility Documents (as defined in the RSA) or the DIP Facility, including Claims for all principal amounts outstanding, and any and all fees, interest, expenses, indemnification obligations, reimbursement obligations, and other amounts due under the DIP Documents.
DIP Facility	"***DIP Facility***" means the senior secured superpriority debtor in possession credit facility provided by the DIP Lender to the Borrower (as defined in the DIP Facility Term Sheet).
DIP Facility Term Sheet	"***DIP Facility Term Sheet***" means the term sheet documenting the DIP Facility.

DIP Lender	"***DIP Lender***" means the lender under the DIP Facility.
Disclosure Statement	"***Disclosure Statement***" means the disclosure statement for the Plan, which shall be filed in the Chapter 11 Cases, which, for the avoidance of doubt, may be a combined Disclosure Statement and Plan.
Distributable Value	"***Distributable Value***" means the Purchase Price *plus* any of the Debtors' cash on hand as of the Effective Date *plus* proceeds of the monetization of any Excluded Assets of the Debtors *plus* proceeds of any other collateral securing the DIP Claims or Prepetition Secured Party Claims *minus* amounts held-back in escrow pursuant to the Purchase Agreement (unless and until distributed to the Debtors in accordance therewith) *minus* the amount of the Foreign Sale Reserve *minus* the amount of the Post-Sale Reserve.
Effective Date	"***Effective Date***" means the date of consummation of the Restructuring Transactions, including the Sale Transaction, as set forth in the Plan.
Employee Transaction Incentive and Retention Plan	"***Employee Transaction Incentive and Retention Plan***" means all applicable agreements by and among KidKraft, Inc. and the employees party thereto arising under that certain *Transaction Incentive and Retention Plan*.
Excluded Assets	"***Excluded Assets"*** has the meaning set forth in the Purchase Agreement.
Excluded Liabilities	"***Excluded Liabilities***" has the meaning set forth in the Purchase Agreement.
Final Order	"***Final Order***" means an order or judgment of (a) the Bankruptcy Court, as entered on the docket in any Chapter 11 Case (or any related adversary proceeding or contested matter) or (b) any other court of competent jurisdiction; *provided*, *however*, that for any such order or judgment to be a Final Order, such order or judgment must not be stayed and must not have been reversed, modified, or amended; and, *provided*, *further*, that if such order or judgment is subject to an appeal, or if the time to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has not expired according to applicable law, such order or judgment shall be a Final Order unless the appealing party has obtained a stay pending appeal.
Foreign Sale Reserve	"***Foreign Sale Reserve***" means the amount of the Purchase Price allocated to the inventory transferred from the Netherlands Subsidiaries to Debtors to facilitate the Sale Transaction, which amount will be distributed from Debtors to the Netherlands Subsidiaries pursuant to the Plan.
General Unsecured Claim	"***General Unsecured Claim***" means any Claim other than an Administrative Expense Claim, an Intercompany Claim, an Other Priority Claim, a Priority Tax Claim, or a Professional Fee Claim.
Interests	"***Interests***" means, collectively, the shares (or any class thereof), common stock, preferred stock, limited liability company interests, and

	any other equity, ownership, or profits interests of any of the Debtors, and options, warrants, rights, or other securities or agreements to acquire or subscribe for, or which are convertible into the shares (or any class thereof) of, common stock, preferred stock, limited liability company interests, or other equity ownership, or profits interests of any of the Debtors (in each case whether or not arising under or in connection with any employment agreement).
Netherlands Subsidiaries	"***Netherlands Subsidiaries***" means KidKraft Netherlands C.V., KidKraft Holdings B.V., and KidKraft Netherlands B.V.
Other Priority Claims	"***Other Priority Claims***" means any Claims other than Administrative Expense Claims or Priority Tax Claims that are entitled to priority of payment under section 507(a) of the Bankruptcy Code.
Other Secured Claims	"***Other Secured Claims***" means Secured Claims other than Priority Tax Claims, DIP Claims, or Prepetition Secured Party Claims.
Petition Date	"***Petition Date***" means the date of filing of chapter 11 petitions by the Debtors.
Plan	"***Plan***" means the chapter 11 plan, which shall be consistent with the RSA Documentation and the RSA (which may be amended, modified, and supplemented as agreed between the Debtors, Gordon Brothers, Purchaser, and, solely subject to Section 20 of the RSA, MidOcean).
Plan Supplement	"***Plan Supplement***" means the compilation of documents and forms of documents, and all exhibits, attachments, schedules, agreements, documents and instruments referred to therein, ancillary or otherwise, including, without limitation, the Purchase Agreement, Transition Services Agreement, and the Schedule of Assumed Contracts, all of which shall be incorporated by reference into, and are an integral part of, the Plan, as may be amended, modified, replaced and/or supplemented from time to time, which shall be filed with the Bankruptcy Court on or before seven (7) business days prior to Plan Confirmation.
Post-Sale Reserve	"***Post-Sale Reserve***" means a cash reserve in the amount of $650,000 to fund the budgeted costs necessary for the wind down of the Wind Down Estates, including an estimated amount of reasonable fees and expenses that may be incurred by professionals for services rendered after the Effective Date and statutory fees, which shall be funded into a segregated account on the Effective Date. For the avoidance of doubt, the Post-Sale Reserve shall include $55,000 for the orderly wind down of KidKraft Group Holdings, LLC, if such entity is not a debtor in the Restructuring.
Prepetition Secured Parties	"***Prepetition Secured Parties***" means, GB Funding, LLC, as agent, and 1903 Partners, LLC, as lender.

Prepetition Secured Party Claims	"***Prepetition Secured Party Claims***" means all Claims against the Debtors held by the Prepetition Secured Parties on account of, arising under, or relating to their respective capacities as lender or agent under the Prepetition Credit Agreement.
Priority Tax Claims	"***Priority Tax Claims***" means Claims held by a Governmental Unit of the kind entitled to priority of payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code. Allowed Priority Tax Claims up to the Administrative Expense Claim and Priority Tax Claim Backstop Amount shall be paid in full.
Professional Fee Claims	"***Professional Fee Claims***" means all Claims (other than any adequate protection claims) for the compensation of Professionals and the reimbursement of expenses incurred by such Professionals through and including the Effective Date to the extent such fees and expenses have not been previously paid pursuant to an order of the Bankruptcy Court or the CCAA Court. To the extent that either such Court denies or reduces by a Final Order any amount of a Professional's requested fees and expenses, then the amount by which such fees or expenses are reduced or denied shall reduce the applicable Allowed Professional Fee Claim.
Pro Rata	"***Pro Rata***" means, unless indicated otherwise, the proportion that an Allowed Claim or an Allowed Interest bears to the aggregate amount of Allowed Claims, Allowed Interests, or other matter so referenced, as the context requires.
Purchase Agreement	"***Purchase Agreement***" shall have the meaning set forth in the RSA.
Purchase Price	"***Purchase Price"*** has the meaning set forth in the Purchase Agreement.
Sale Order	"***Sale Order***" means the order approving the Sale Transaction and the Purchase Agreement, which, for avoidance of doubt, shall, among other things, approve all actions necessary to effectuate the transfer of the Transferred Assets and Assumed Liabilities to Purchaser in accordance with the Purchase Agreement free and clear of all liens, claims and encumbrances; *provided that,* in each case, (i) the Sale Order may, but is not required to, transfer any Transferred Assets and Assumed Liabilities of non-Debtor Sellers to Purchaser free and clear of all liens, claims and encumbrances; (ii) the Sale Order may, but is not required to, be part of the Confirmation Order; and (iii) to the extent the Confirmation Order is not entered on the timeline contemplated by the Milestones (after giving effect to any agreed extension of the Milestone for entry of the Confirmation Order), entry of the Sale Order and consummation of the Sale Transaction may proceed independently.

Schedule of Assumed Contracts	"***Schedule of Assumed Contracts***" means the schedule of Executory Contracts and Unexpired Leases mutually agreed by Purchaser and Debtors to be assumed and assigned to Purchaser pursuant to the Plan and the Purchase Agreement, if any, and to be included as Transferred Contracts and/or as an exhibit to the Purchase Agreement and/or the Plan Supplement, in each case, as the same may be amended, modified, or supplemented from time to time in accordance with the Purchase Agreement or the Plan, as applicable.
Transferred Assets	***"Transferred Assets"*** shall have the meaning set forth in the Purchase Agreement.
Wind Down Estate	"***Wind Down Estate***" means, collectively, the estates of the Debtors and their non-Debtor affiliates, as applicable, following the Effective Date.

C. Treatment of Certain Claims and Interests under the Chapter 11 Plan

Type of Claim	Treatment	Impairment / Voting
Administrative Expense Claims and Priority Tax Claims	Except to the extent that a Holder of an Allowed Administrative Expense Claim or an Allowed Priority Tax Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Expense Claim and an Allowed Priority Tax Claim will receive, in full and final satisfaction of such Claim, cash in an amount equal to such Allowed Claim on the Effective Date or as soon as practicable thereafter or such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code; *provided* that all such Allowed Administrative Expense Claims and Allowed Priority Tax Claims, in the aggregate, shall not exceed the Administrative Expense Claim and Priority Tax Claim Backstop Amount.	N/A
DIP Claims	Except to the extent that a Holder of an Allowed DIP Claim and the Debtors agree otherwise, on the Effective Date, to the extent any DIP Claims have not otherwise been repaid, in full and final satisfaction of such Allowed DIP Claims, each holder of an Allowed DIP Claim will receive payment in full, in cash from the Distributable Value, which may be paid directly by the Purchaser.	N/A
Other Priority Claims	On the Effective Date, each Holder of an Allowed Priority Claim (other than a Priority Tax Claim or Administrative Expense Claim) shall receive (i) payment in full, in cash, of the unpaid portion of its claim or (ii) such other treatment as may otherwise be agreed to by such Holder and the Debtors; *provided* that all such Other Priority Claims, together with the Allowed Administrative Expense Claims and Allowed Priority Tax Claims, in the aggregate, shall not exceed the	Unimpaired – Not Entitled to Vote

	Administrative Expense Claim and Priority Tax Claim Backstop Amount.	
Other Secured Claims	On the Effective Date, each Holder of an Allowed Secured Claim (other than a Prepetition Secured Party Claim) shall receive, at the Debtors' election, either (i) cash equal to the full allowed amount of its claim, (ii) reinstatement of such holder's claim, (iii) the return to or abandonment of the collateral securing such holder's claim, or (iv) such other treatment as may otherwise be agreed to by such Holder and the Debtors.	Unimpaired – Not Entitled to Vote
Prepetition Secured Party Claims	Except to the extent that the Holder of Prepetition Secured Party Claims agrees to less favorable treatment, on the Effective Date, each Holder of an Allowed Prepetition Secured Party Claim will receive the remaining Distributable Value following payment of Administrative Expense Claims and Priority Tax Claims, Allowed Professional Fee Claims, DIP Claims, Other Priority Claims, and Other Secured Claims, each in accordance with the provisions of this Plan Term Sheet.	Impaired – Entitled to Vote
General Unsecured Claims	On the Effective Date, all General Unsecured Claims will be canceled, released, extinguished and discharged. Holders of General Unsecured Claims will receive no recovery or distribution on account of such claims.	Impaired – Deemed to Reject
Intercompany Claims	All Claims against the Debtors held by another Debtor (the "***Intercompany Claims***") will be unaltered and otherwise unaffected by the Plan, or canceled on the Effective Date, in the Debtors' discretion, with the consent of Purchaser and Gordon Brothers.	Unimpaired – Presumed to Accept / Impaired – Deemed to Reject
Intercompany Interests	All Interests in the entities comprising the Company shall be maintained under the Plan, solely for purposes of administrative convenience or canceled on the Effective Date, in the Debtors' discretion, subject to the consent of Gordon Brothers.	Unimpaired – Presumed to Accept / Impaired – Deemed to Reject
KidKraft Intermediate Holdings, LLC Interests	All prepetition Interests in KidKraft Intermediate Holdings, LLC will be canceled on the Effective Date and Holders of such Interests shall receive no recovery or distribution on account of their Interests.	Impaired – Deemed to Reject
D. <u>Other Provisions</u>		
CCAA Recognition Proceedings	The Debtors shall commence the CCAA Recognition Proceedings to implement the sale of the Transferred Assets of the Company's Canadian subsidiaries and any other Transferred Assets of the Company that may be located in Canada (collectively, the "***Canadian Transferred Assets***") in and to Purchaser pursuant to the Purchase Agreement and a plan confirmation or sale	

	order approving such sale to Purchaser pursuant to the CCAA. The CCAA Recognition Proceedings shall be administered and consummated pursuant to similar terms and conditions set forth in this Plan Term Sheet (and consistent with the RSA, RSA Documentation, and all other applicable Definitive Documentation) to the extent applicable under governing Canadian law.
Foreign Subsidiaries	The Company's Netherlands Subsidiaries will be wound down utilizing the Foreign Sale Reserve and other assets of the Netherlands Subsidiaries, as may be agreed among the Netherlands Subsidiaries and Gordon Brothers. The Company, the Netherlands Subsidiaries, and Gordon Brothers will work together in good faith to determine the structure, timing, and documentation necessary to effectuate (i) a post-petition transfer of the Transferred Assets of the Netherlands Subsidiaries, (ii) a consensual liquidation of the Netherlands Subsidiaries' assets that are not Transferred Assets, (iii) distribution of proceeds of liquidated collateral of the Netherlands Subsidiaries to Gordon Brothers, to the extent such proceeds are available after the orderly out-of-court wind down referenced in (v) below, (iv) release of all Gordon Brothers' Claims against the Netherlands Subsidiaries, and (v) an out-of-court wind down of the Netherlands Subsidiaries, *provided that* the costs of (ii) and (v) be funded solely by the Foreign Sale Reserve and other proceeds from the sale or other monetization of the assets of the Netherlands Subsidiaries. The Company's non-Debtor foreign subsidiaries (other than the Netherlands Subsidiaries) and the Debtors will be wound down utilizing the Post-Sale Reserve as part of the Wind Down Estates.
Executory Contracts and Unexpired Leases	As of and subject to the occurrence of the Closing under the Purchase Agreement and the payment of any applicable cure amount by the Purchaser, all executory contracts and unexpired leases to which any of the Debtors are parties shall be deemed rejected, unless such contract or lease: (i) was previously assumed by the Debtors, pursuant to a Final Order of the Bankruptcy Court; (ii) is the subject of a motion to assume filed by the Debtors on or before the confirmation date; or (iii) is specifically designated as a contract or lease to be assumed in the Schedule of Assumed Contracts in accordance with the Purchase Agreement. Notwithstanding the foregoing, consistent with the Purchase Agreement, Purchaser will have the right at any time prior to the Designation Deadline to designate any other contract of a Seller which has not been assumed by the Company or Purchaser, as applicable, to be a Rejected Contract.

Sale Toggle	In the event the Administrative Expense Claim and Priority Tax Claim Backstop Amount is insufficient to satisfy the requirements of Section 1129(a)(9) with respect to confirmation of the Plan (or the Parties otherwise agree), the Debtors shall, in consultation with the DIP Agent, seek to consummate the Sale Transaction under section 363 of the Bankruptcy Code (the "***363 Sale***") rather than pursuant to the Plan (the "***Sale Toggle***"), in which case (i) the Parties shall work in good faith to modify the Definitive Documentation to proceed with such 363 Sale along similar Milestones, and (ii) the proceeds of such 363 Sale shall be paid directly to the DIP Secured Parties to the extent of the DIP Claims and the Prepetition Secured Parties to the extent of the Prepetition Obligations other than an amount to be negotiated in good faith by the DIP Agent and the Debtors not to exceed (A) amounts set forth in the DIP Budget (subject to Permitted Variances) up to closing of the 363 Sale other than with respect to Allowed Professional Fees, (B) accrued and unpaid Allowed Professional Fees in accordance with clause (iii) of the Carve Out as though the Carve-Out Trigger Notice was delivered at the closing of the 363 Sale, (C) the amounts set forth in sections (i), (ii), (iv) and (v) of the Carve Out (as defined in the DIP Term Sheet) and (D) a "wind-down amount" not to exceed the sum of the Administrative Expense Claim and Priority Tax Claim Backstop Amount *plus* the Post-Sale Reserve *plus* the Foreign Sale Reserve; provided that no amounts set forth above shall be double-counted.
Conditions Precedent to Confirmation	The Plan shall contain customary conditions to confirmation in form and substance to be agreed upon by the Debtors, Gordon Brothers, the Purchaser, and MidOcean, to the extent required in the RSA, including, without limitation: (i) the RSA shall not have been breached or terminated and shall remain in full force and effect; (ii) an order approving the Disclosure Statement shall have been entered by the Bankruptcy Court; (iii) the Plan and the Plan Supplement (including any exhibits, schedules, amendments, modifications or supplements thereto) shall have been filed, each in form and substance acceptable to the Debtors, Purchaser, Gordon Brothers, and MidOcean to the extent required in the RSA; (iv) the Final DIP Order and Final DIP Recognition Order shall have been entered by the Bankruptcy Court and the CCAA Court, respectively, and shall be in full force and effect, and no stay thereof shall be in effect; and there shall not have been any termination of the DIP Facility; (v) the Purchase Agreement shall be executed by the parties thereto, shall not have been breached or terminated and shall remain in full force and effect; (vi) the Confirmation Order and the Confirmation Recognition Order shall have been entered by the Bankruptcy Court and the CCAA Court, respectively, and shall be in full force and effect, and no

	stay thereof shall be in effect; (vii) the Confirmation Order shall, *inter alia*: a. authorize the Debtors to take all actions necessary to enter into, implement, and consummate the contracts, instruments, releases, leases, and other agreements or documents created in connection with the Plan; b. approve and/or ratify the Debtors' entry into and performance under the Purchase Agreement, including consummation of the Sale Transaction in accordance therewith with respect to the Debtors free and clear of any and all pledges, options, charges, liabilities, liens, claims, encumbrances, successor liability or security interests except certain permitted liens to be agreed (if any) and the Assumed Liabilities, and the assumption by Purchaser of the Assumed Liabilities; c. decree that the provisions of the Confirmation Order and the Plan are non-severable and mutually dependent; d. authorize the Debtors and Wind Down Estates, as applicable/necessary to, among other things: (i) implement the Restructuring; (ii) make all distributions and issuances as required under the Plan; and (iii) enter into any agreements, transactions, and sales of property as set forth in the Plan; e. be in form and substance satisfactory to the Debtors, Purchaser and Gordon Brothers, and otherwise consistent with the RSA; (viii) the Administrative Expense Claim and Priority Tax Claim Backstop Amount shall have been funded by cash on hand of the Debtors and the proceeds of the DIP Facility into a reserve account and shall be added to the outstanding obligations under the DIP Facility (less cash on hand); (ix) the Special Committee's investigation shall have concluded; and (x) a plan and/or sale motion (including any exhibits, schedules, amendments, modifications or supplements thereto) shall have been filed in the CCAA Recognition Proceedings, seeking the CCAA Court's approval to consummate and effectuate the sale of the Canadian Transferred Assets to Purchaser pursuant to the Purchase Agreement and consistent with the terms and conditions of the RSA and the RSA Documentation.
Conditions Precedent to the Effective Date	The Plan shall contain customary conditions to the effectiveness of the Plan in form and substance to be agreed upon by the Debtors, Purchaser and Gordon Brothers, and to MidOcean to the extent required in the RSA, including, without limitation:

	(i)	the RSA shall not have been breached or terminated and shall remain in full force and effect;
	(ii)	the Confirmation Order shall have been entered, and shall not have been stayed or modified;
	(iii)	the Sale Order shall have been entered (whether or not included as a part of the Confirmation Order), and shall not have been stayed or modified;
	(iv)	the Sale Transaction (including with respect to the sale of the Canadian Transferred Assets to Purchaser pursuant to the CCAA Recognition Proceedings) shall have been consummated in accordance with the Purchase Agreement;
	(v)	the CCAA Court shall have entered an order recognizing and giving effect to the Confirmation Order and the Sale Order (whether or not included as part of the Confirmation Order) in Canada;
	(vi)	the Final DIP Order and Final DIP Confirmation Order shall have been entered by the Bankruptcy Court and the CCAA Court, respectively, and shall be in full force and effect, and no stay thereof shall be in effect and there shall not have been any termination of the DIP Facility Documents;
	(vii)	an escrow account to reserve for Allowed Professional Fee Claims shall be funded using cash on hand of the Debtors, proceeds of the DIP Facility, or proceeds of the Sale Transaction, as applicable, equal to the amount of unpaid compensation and unreimbursed expenses incurred by each Professional Person from the Petition Date through and including the Effective Date, subject to the Approved Budget (including the Professional Fee Variance).
	(viii)	all governmental approvals, including Bankruptcy Court approval, necessary to effectuate the Restructuring and Sale Transaction will have been obtained and all applicable waiting periods will have expired;
	(ix)	subject to Section 2 of the RSA, the Definitive Documentation relating to the Restructuring will be executed and delivered by the respective parties;
	(x)	the Bankruptcy Court shall have approved the Plan's releases and such approval shall have been recognized and given effect in Canada by the CCAA Court;
	(xi)	the Post-Sale Reserve shall have been funded using cash on hand of the Debtors and/or proceeds of the DIP Facility or the Sale Transaction, as applicable;
	(xii)	the applicable parties shall have executed the Transition Services

	Agreement; and (xiii) the Gordon Brothers Fees will have been paid in full.
Releases	To the fullest extent permitted by applicable law, the Plan shall include full mutual releases from liability in favor of the Debtors, Gordon Brothers, Purchaser, MidOcean, and each of the foregoing parties' respective current and former officers and directors, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents, and other representatives, from any claims and causes of action related to or in connection with the Debtors, the RSA, the Chapter 11 Cases, the CCAA Recognition Proceedings, the Restructuring, the Sale Transaction, the Purchase Agreement, and the Plan arising on or prior to the Effective Date; *provided*, however, that nothing in the foregoing shall result in any of the Debtors' officers and directors waiving any indemnification claims against the Debtors or any of their respective insurance carriers or any rights as beneficiaries of any insurance policies.
Exculpation	To the fullest extent permitted by applicable law, the Plan shall include customary exculpation provisions in favor of the Debtors relating to the Debtors, the Chapter 11 Cases, the CCAA Recognition Proceedings, the Restructuring, the Sale Transaction, the Purchase Agreement, and the Plan arising on or prior to the Effective Date; *provided*, however, that no party will be exculpated from any claim or cause of action that was a result of such party's gross negligence, willful misconduct, or bad faith, as determined by a Final Order of a court of competent jurisdiction.
Injunction and Discharge	Ordinary and customary injunction provisions shall be included in the Plan and Confirmation Order.
Insurance	All of the Debtors' insurance policies, including all directors' and officers' liability insurance and any "tail" policy, shall be deemed assumed, or assumed and assigned by the Debtors, under the Plan.
Assumption of Go-Forward Employee Obligations	Not later than three (3) Business Days prior to the Designation Deadline, Purchaser shall provide (or cause an Affiliate to provide) to each Seller employee identified on Section 6.3 of the Disclosure Letter, an offer of employment which such employment shall commence as of the Closing, in each case, subject to and in accordance with the terms of the Purchase Agreement.

Employee Transaction Incentive and Retention Plan	All amounts earned by employees that are not offered employment by the Purchaser under the Employee Transaction Incentive and Retention Plan, in an amount not to exceed $205,000, shall be paid prior to the Petition Date, it being understood that, notwithstanding anything to the contrary in the Employee Transaction Incentive and Retention Plan, no Transaction Incentive Bonus Award (as defined in the Employee Transaction Incentive and Retention Plan) shall be earned as a result of the Restructuring Transactions (including the Sale Transaction) or any other transactions contemplated under the Plan, the RSA, the RSA Documentation, or the Purchase Agreement. For the avoidance of doubt, the Employee Transaction Incentive and Retention Plan and/or the Company's obligations and liabilities thereunder shall only constitute Assumed Liabilities under the Purchase Agreement if Purchaser expressly agrees to assume such liabilities in accordance with the Purchase Agreement. Under no circumstances shall any payments under the Employee Transaction Incentive and Retention Plan be Allowed Administrative Expense Claims.
Tax Provisions	The Parties shall work together in good faith and will use their reasonable best efforts to structure and effectuate the terms and conditions of the Restructuring in a tax efficient and cost effective manner reasonably satisfactory to the Parties.
Reservation of Rights	The Debtors, Purchaser and Gordon Brothers reserve their rights to dispute, object to the allowance of, or move to subordinate any Claims, in accordance with the RSA; *provided*, that nothing herein shall be deemed to grant standing to the DIP Lender to move to subordinate any Claims, to the extent that a motion for standing to pursue such causes of action is necessary.
Definitive Documentation	Any documents necessary to implement the Restructuring, including any Definitive Documentation, that remain the subject of negotiation as of the RSA Effective Date shall be subject to the rights and obligations set forth in Section 2 of the RSA. Failure to reference such rights and obligations as they relate to any document referenced in this Term Sheet shall not impair such rights and obligations.
Fees and Expenses	The Debtors shall pay or reimburse when due all reasonable and documented fees and expenses regardless of whether such fees and expenses were incurred before or after the Petition Date, in connection with, or arising as a result of the Restructuring, the Plan, or the Chapter 11 Cases, or the CCAA Recognition Proceedings, of (i) Gordon Brothers; and (ii) the DIP Lender (collectively, the "***Gordon Brothers Fees***").
Wind Down of Debtors' Estates	On the Effective Date, the Wind Down Estate shall be vested with all Excluded Assets (to the extent not monetized, and as and when monetized, shall become Distributable Value under the Plan) and Excluded Liabilities. The Wind Down Estate shall be charged with, among other things, reconciling Claims, making all distributions under the Plan and fulfilling the Debtors' obligations under the Transition Services Agreement, if any.

	On the Effective Date, the DIP Lender shall fund the Post-Sale Reserve to effectuate the wind down of the Wind Down Estate (to the extent cash on hand and/or proceeds of the Sale Transaction are not sufficient). After the Closing of the Sale, Purchaser shall be solely responsible for all costs associated with the Transition Services Agreement. Any amounts remaining in the Wind Down Estate following completion of the wind down thereof shall be remitted to the Prepetition Secured Parties as Distributable Value.

Execution Version

Exhibit B

Purchase Agreement
Omitted

Exhibit C

DIP Facility Term Sheet

KIDKRAFT, INC.

Priming Superpriority Debtor-In-Possession Financing
Term Sheet

Dated as of April 25, 2024

This Priming Superpriority Debtor-in-Possession Financing Term Sheet (including all schedules, annexes and exhibits hereto, this "**Term Sheet**") describes the principal terms and conditions of a proposed DIP Facility to be provided by the DIP Lender to the Borrower in connection with cases (collectively, the "**Chapter 11 Cases**") to be filed by the Debtors in the United States Bankruptcy Court for the Northern District of Texas (the "**Bankruptcy Court**") pursuant to chapter 11 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") on or around May 6, 2024 (the date of filing, the "**Petition Date**") and proceedings to be commenced pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**" and the related recognition proceedings, the "**CCAA Recognition Proceedings**") in the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**").

The parties contemplate the sale of the Debtors' assets to Backyard Products, LLC or its designee (the "**Backyard Sale**") pursuant to that certain Asset Purchase Agreement (the "**APA**") dated as of the date hereof between KidKraft, Inc., and certain of its affiliates and Backyard Products, LLC (the "**Purchaser**") and an orderly wind down pursuant to a chapter 11 plan (the "**Plan**") to be consummated in the Chapter 11 Cases pursuant to that certain Restructuring Support Agreement to which this Term Sheet is attached (the "**RSA**") and the Plan Term Sheet attached thereto (the "**Plan Term Sheet**").

This Term Sheet is being provided on a confidential basis and it, along with its contents and existence, may not be distributed, disclosed or discussed with any other party. This Term Sheet is not an offer for the purchase, sale or subscription or invitation of any offer to buy, sell or to subscribe for any securities. The terms and conditions set forth in this Term Sheet do not constitute or create an agreement, obligation or commitment of any kind by or on behalf of any party, unless and until executed by each of the undersigned parties hereto.

BORROWER:	KidKraft, Inc. ("**KidKraft**" or "**Borrower**")
GUARANTORS:	The affiliates of KidKraft listed on Schedule 1 hereto (such affiliates and KidKraft, Inc., each a "**Debtor**" and collectively, the "**Debtors**"), as may be modified with the consent of the DIP Agent and any additional guarantor.
DIP LENDER:	1903 Partners, LLC (the "**DIP Lender**")
DIP AGENT:	GB Funding, LLC (the "**DIP Agent**", and together with the DIP Lender, the "**DIP Secured Parties**")
DIP COMMITMENT:	The DIP Lender agrees to make senior secured superpriority priming debtor-in-possession loans (each, a "**DIP Loan**" and

	in the aggregate, the "**DIP Loans**") to Borrower from time to time pursuant to a multi-draw debtor-in-possession term loan facility (the "**DIP Facility**") in an aggregate amount (i) not to exceed at any time outstanding aggregate commitments of $[12.0] million (the "**DIP Commitment**") consisting of a $[1.1] million DIP Commitment as of the Interim Closing Date (the "**Interim Commitment**") and an incremental $[10.9] million DIP Commitment as of the Final Closing Date (the "**Final Commitment**") *plus* (ii) the Roll-Up Amount.
PURCHASE PRICE CALCULATION:	Every Wednesday beginning the first full calendar week following the Petition Date, the Debtors shall deliver an updated calculation of the "Purchase Price at close" in accordance with Exhibit B of the APA as though the Backyard Sale was closing on such date (each such calculation, a "**Purchase Price Calculation**") to the DIP Agent and the Purchaser. If the aggregate "Purchase Price at close" in any such Purchase Price Calculation is 20% or more below the Example Purchase Price Calculation set forth in the Exhibit B of the APA, it shall be deemed a "**Negative Purchase Variance**."
ROLL UP:	Upon entry of the Interim Order, $[__][1] million of the Prepetition Obligations shall be "rolled up" and converted into DIP Loans on a dollar-for-dollar cashless basis (the "**Roll-Up Amount**").
CASH COLLATERAL:	"**Cash Collateral**" consists of: (i) cash collateral (as such term is defined in section 363(a) of the Bankruptcy Code, including, without limitation, any accounts receivable and general intangible and any other cash or right that would be included in such definition of "cash collateral" within the meaning of section 363(a) of the Bankruptcy Code) including, without limitation, all cash or cash equivalents and other amounts, including the cash in any deposit or securities accounts, wherever located; (ii) any cash or cash equivalents received as proceeds of Prepetition Collateral or DIP Collateral; and (iii) all other cash or cash equivalents of the Debtors. Subject to the terms of the DIP Documents, the Prepetition Secured Parties (as defined below) shall consent to the Debtors' use of Cash Collateral during the Chapter 11 Cases and CCAA Recognition Proceedings to fund (i) working capital,

[1] [**NTD**: Roll-Up Amount to equal all amounts loaned to Company by Gordon Brothers under the Prepetition Credit Agreement (as defined below) from January 31, 2024 to the Petition Date excluding accrued and unpaid interest/fees/expenses]

	(ii) general corporate purposes, (iii) restructuring costs and expenses, and (iv) any other fees required under the DIP Documents and the other definitive documentation during the pendency of the Chapter 11 Cases and CCAA Recognition Proceedings, in each case, subject to the Approved Budget (as defined below), including the Permitted Variances. To the extent any amounts required to be funded under this Term Sheet, the DIP Documents, the RSA, the Plan, or the APA or any other document or order (including the Administrative Expense Claim and Priority Tax Claim Backstop Amount, Post-Sale Reserve, and Foreign Sale Reserve) are not actually expended, such amounts shall be deemed Cash Collateral and distributed to the DIP Agent or Prepetition Agent, as applicable.
CLOSING DATES:	"**Interim Closing Date**" means the date on which the "Conditions Precedent to Each Interim DIP Loan" (including, without limitation, entry of the Interim Order) are satisfied or waived in accordance with this Term Sheet. "**Final Closing Date**" means the date on which the "Conditions Precedent to Each Final DIP Loan" as set forth below (including, without limitation, entry of the Final Order) shall have been satisfied or waived in accordance with this Term Sheet.
DIP LOAN DOCUMENTATION:	At the option of the DIP Lender in its sole discretion, Debtors shall execute definitive financing documentation with respect to the DIP Loans, including, without limitation, all guaranties thereof, satisfactory in form and substance to each of the DIP Lender and Debtors (and together with this Term Sheet and other documents governing the DIP Facility, the "**DIP Documents**"). The provisions of the DIP Documents shall, upon execution, supersede the provisions of this Term Sheet. The provisions of the DIP Documents shall be substantially the same as the Prepetition Loan Documents with such changes as are necessary to reflect the terms of this Term Sheet, the DIP Orders and the Canadian DIP Recognition Orders (once entered). "**Canadian DIP Recognition Orders**" shall mean, as applicable, an order (after hearing on notice to all parties having or asserting a lien on all or any portion of the DIP Collateral situated in Canada), recognizing and giving effect in Canada to: (i) the Interim Order (the "**Interim DIP Recognition Order**," and together with the Interim Order, the "**Interim Orders**"), and (ii) the Final Order (the "**Final DIP**

	Recognition Order" and together with the Final Order, the "**Final Orders**"). In addition to the provisions set forth herein, the DIP Orders and the Canadian DIP Recognition Orders shall contain additional customary protections for the DIP Lenders. Each of the parties' rights and obligations hereunder shall be subject to entry of the DIP Orders and the Canadian DIP Recognition Orders.
ACKNOWLEDGMENT; RATIFICATION:	Each Debtor hereby acknowledges, confirms, and agrees that: (i) as of the Petition Date, the Debtors are jointly and severally indebted under and in connection with that certain *Amended and Restated First Lien Credit Agreement* dated as of April 3, 2020, among KidKraft and KidKraft Netherlands B.V. as borrowers, KidKraft Intermediate Holdings, LLC ("**Holdings**"), the subsidiaries of Holdings that are guarantors thereto (collectively, with Holdings, the "**Guarantors**") GB Funding, LLC in its capacity as administrative agent and collateral agent (the "**Prepetition Agent**"), and 1903 Partners, LLC in its capacity as Lender (the "**Prepetition Secured Lender**", and together with the Prepetition Agent, the "**Prepetition Secured Parties**") (as may be amended, supplemented or otherwise modified from time to time, the "**Prepetition Credit Agreement**", and together with all related security agreements, collateral agreements, pledge agreements, control agreements, guarantees, the "**Prepetition Loan Documents**") in the aggregate principal amount of not less than $[__][2] (together with any other amounts outstanding under the Prepetition Credit Agreement, including interest costs, expenses, indemnification obligations, and fees (including attorneys' fees and legal expenses) (collectively, the "**Prepetition Obligations**")); (ii) the Prepetition Obligations constitute the legal, valid and binding obligations of each Debtor enforceable against it in accordance with the terms thereof, and each Debtor has no valid defense, offset or counterclaim to the enforcement of such obligations; (iii) the Prepetition Obligations are secured by valid, enforceable and perfected (except, in the case of perfection, for (A) Excluded Accounts and (B) commercial tort claims,

[2] [**NTD**: To equal the principal amount of loans under the Prepetition Credit Agreement prior to January 31, 2024 plus any incremental borrowings from January 31, 2024 to the Petition Date.]

	letter of credit rights, certificate of title vehicles, and other assets, in each case of this clause (B), to the extent expressly excluded from the requirement to perfect liens thereon pursuant to the Prepetition Loan Documents) first priority and senior security interests in and liens (subject in priority only to those "Liens" permitted under Section 7.01 of the Prepetition Credit Agreement (the "**Prepetition Permitted Liens**") and the DIP Liens) upon all of the Debtors' assets and property other than Excluded Assets, Excluded Receivables and Consumer Goods (as each such term is defined in the Prepetition Credit Agreement) (collectively, the "**Prepetition Collateral**"), including Cash Collateral; (iv) each of the Prepetition Loan Documents to which it is a party was duly executed and delivered by such Debtor, and each is in full force and effect as of the date hereof; (v) the Prepetition Secured Parties are and shall be entitled to all of the rights, remedies and benefits provided for in the Prepetition Loan Documents and the DIP Orders; and (vi) all of the terms and conditions of the Prepetition Loan Documents, as amended and supplemented pursuant hereto and pursuant to the DIP Orders and the Canadian DIP Recognition Orders, are ratified, restated, assumed, adopted and affirmed, and each Debtor agrees (a) to be fully bound, as debtor and debtor-in-possession, by the terms of the Prepetition Loan Documents to which such Debtor is a party, (b) to pay all of the Prepetition Obligations in accordance with the terms of such Prepetition Loan Documents and in accordance with the DIP Orders, and (c) each of the Prepetition Loan Documents are hereby incorporated herein by reference and hereby are and shall be deemed adopted and assumed in full by each Debtor, each as Debtor and debtor-in-possession, and considered as agreements between such Debtor, on the one hand, and the Prepetition Secured Parties on the other hand. The Interim Order and Final Order shall include typical acknowledgments regarding the validity and priority of the Prepetition Secured Parties and Prepetition Obligations.
CHALLENGE PERIOD:	The "ACKNOWLEDGMENT; RATIFICATION" section of this Term Sheet and portion of the "RELEASES" sections of this Term Sheet pertaining to the Prepetition Obligations, Prepetition Loan Documents, and Prepetition Secured Parties shall be subject to a typical "challenge period" (the

	"**Challenge Period**") to be set forth in the Interim Order and Final Order, which Challenge Period shall expire prior to the date that the Plan is confirmed by the Bankruptcy Court.
CARVE OUT:	"**Carve Out**" shall mean the sum of: (i) all fees required to be paid to the Clerk of the Court and to the U.S. Trustee under section 1930(a) of title 28 of the United States Code *plus* interest at the statutory rate; (ii) all reasonable fees and expenses up to $50,000 incurred by a trustee under section 726(b) of the Bankruptcy Code; (iii) to the extent allowed at any time, whether by interim order, procedural order, or otherwise all unpaid fees, costs, disbursements and expenses (the "**Allowed Professional Fees**") incurred or earned by persons or firms retained by the Debtors pursuant to sections 327, 328, or 363 of the Bankruptcy Code (the "**Debtor Professionals**") and the Committee (if any) pursuant to sections 328 or 1103 of the Bankruptcy Code (the "**Committee Professionals**," and, together with the Debtor Professionals, the "**Professional Persons**") at any time on or before the first business day following delivery by the DIP Lender to the Debtors of a Carve-Out Trigger Notice (as defined in the Interim Order and Final Order), but shall not include any restructuring, sale, transaction or other "success" fee except for such fee earned by Robert W. Baird & Co. Inc. in its capacity as investment banker to the Debtors during such time; (a) Commencing on the Friday of the first full calendar week following the Petition Date and on a weekly basis thereafter, the DIP Secured Parties shall loan and the Debtors shall fund, using borrowings from the DIP Facility or cash on hand, a segregated account (the "**Professional Carve Out Reserve Account**") held by Vinson & Elkins LLP in trust for the benefit of the Debtor Professionals in an amount equal to the amount of applicable Professional Fees set forth in the Approved Budget, subject to the objection procedures herein in the "Debtor Professional Budget and Reporting" section. (iv) Allowed Professional Fees of the Professional Persons in an aggregate amount not to exceed $150,000 accrued after the first business day following delivery by the DIP Agent of a Carve-Out Trigger Notice, to the extent allowed at any time,

	whether by interim order, procedural order, final order, or otherwise; and (v) an amount up to the amount secured by and necessary to fund the Administration Charge (as defined below) for the beneficiaries thereof (without duplication) in the CCAA Recognition Proceedings.
USE OF PROCEEDS:	Proceeds of the DIP Loans (and Cash Collateral) will be used solely in accordance with the Approved Budget (as defined below) for (a) working capital and general corporate purposes of the Debtors, (b) restructuring costs and expenses, (c) costs and expenses related to the DIP Facility, (d) payment of interest on the DIP Loans, and (e) other costs to ensure consummation of the Plan. Neither proceeds of the DIP Loans nor any Cash Collateral shall be used (i) to permit the Borrower, the Guarantors or any other party-in-interest or any of their representatives to challenge or otherwise contest or institute any proceeding to determine (x) the validity, perfection or priority of security interests in favor of any of the DIP Secured Parties or the Prepetition Secured Parties, or (y) the enforceability of the obligations of the Debtors under the DIP Documents or the Prepetition Loan Documents, (ii) to investigate, commence, prosecute or defend any claim, motion, proceeding or cause of action against any of the DIP Secured Parties or the Prepetition Secured Parties, each in such capacity, and their respective agents, attorneys, advisors or representatives.
APPROVED BUDGET; APPROVED CASH FLOW PROJECTION; AND VARIANCE REPORTS:	By no later than two (2) Business Days before the Petition Date, Debtors shall deliver to the DIP Lender a weekly budget for the [9]-week period commencing on the Petition Date, and such weekly budget shall be approved by the DIP Lender in its sole discretion and shall set forth, among other things, all projected cash receipts, sales, and cash disbursements, a copy of which is attached as **Exhibit A** hereto (the "**Approved Budget**"). Commencing on the Monday of the first full calendar week after the Petition Date at 5:00 p.m. (Central Time) and continuing on the two (2)-week anniversary thereafter (or such other time as the Debtors may elect with the consent of the DIP Lender), the weekly budget shall be updated, and if such updated budget is in form and substance satisfactory to

	the DIP Lender in its sole discretion, it shall become the "Approved Budget" for purposes of this Term Sheet and the DIP Orders. Commencing on the Wednesday of the first full calendar week after the Petition Date at 5:00 p.m. (Central Time), and on a weekly basis thereafter (or at such other times as the Debtors may elect with the consent of the DIP Lender) the Debtors shall deliver to the DIP Lender a variance report in form and substance reasonably acceptable to the DIP Lender (an "**Approved Variance Report**") showing comparisons of actual results for each line item against such line item in the Approved Budget. Thereafter, Debtors shall deliver to the DIP Lender, an Approved Variance Report on a weekly basis for (a) the preceding week, and (b) the trailing four (4) week period (or, if fewer than four (4) weeks have lapsed since the Petition Date, then for the trailing one, two or three week period, as applicable). Each Approved Variance Report shall indicate whether there are any adverse variances that exceed any of the Permitted Variances. "**Permitted Variances**" shall mean variances: (a) up to 15% of the aggregate for all cash disbursements (other than fees and expenses of counsel to the DIP Secured Parties and Professional Persons) line-items in the Approved Budget, (b) less than 20% of the aggregate for all cash receipts in the Approved Budget, and (c) up to 15% of all fees and expenses incurred on a per-Professional Person basis (the "**Professional Fee Variance**") in each case calculated weekly on a rolling four (4) week basis commencing as of the Petition Date, with the first such testing to begin three (3) weeks from the Petition Date, except that the Professional Fee Variance shall be calculated weekly and not on a rolling four (4) week basis. Any amendments, supplements or modifications to the Approved Budget or an Approved Variance Report shall be subject to the prior written approval of the DIP Lender in its sole discretion prior to the implementation thereof. Other than as set forth below in the "Debtor Professional Budgeting and Reporting" section of this term sheet, if any Professional Person exceeds the Professional Fee Variance, such Professional Person will, if requested by the DIP Lender within two (2) Business Days of receipt of such adverse variance report, make a representative available to meet and confer with the DIP Lender as soon as practicable and no later than two (2) Business Days after delivery of such Approved

	Variance Report, to discuss a good faith modification to the Approved Budget (the "**Meet and Confer**"). If the DIP Lender and such Professional Person cannot mutually agree on a modification following the Meet and Confer, the DIP Lender may, in its sole discretion, declare an Event of Default, consistent with the provisions herein. To the extent the amount of actual fees and expenses of any Professional Person is less than the amount set forth in the Approved Budget on a weekly basis, such amount for such Professional Person may be rolled forward to increase the amount available to the applicable Professional Person in any subsequent week.
DEBTOR PROFESSIONAL BUDGETING AND REPORTING	Notwithstanding anything to the contrary herein, the following requirements shall apply to each Debtor Professional. (i) Commencing on the Monday of the first full calendar week after the Petition Date and continuing weekly thereafter, each Debtor Professional shall submit a report of the prior week's accrued fees and expenses to the DIP Agent (the "**Debtor Professional Report**"). (ii) The DIP Agent shall review the Debtor Professional Reports, may test the accrued fees and expenses in the Debtor Professional Report against the Professional Fee Variance, and must submit a written objection (if any) to the applicable Debtor Professional no later than two (2) Business Days following delivery of the Debtor Professional Report (the "**Review Period**"). (a) If the DIP Agent does not submit a written objection at the close of the Review Period, the Debtors shall fund the full amount of accrued fees and expenses in such Debtor Professional Report into the Professional Carve Out Reserve Account. (b) If the DIP Agent submits a written objection to the Debtor Professional Report prior to the end of the Review Period, the DIP Agent and the applicable Debtor Professional shall conduct a Meet and Confer within two (2) Business Days. (c) At the conclusion of the Meet and Confer, if the DIP Agent elects to declare an Event of Default, the Debtors shall only fund an amount not to exceed 150% of such

	Debtor Professional's budgeted amount as set forth in the Approved Budget for the period covered by such Debtor Professional Report. For the avoidance of doubt, any Event of Default or other action taken by the DIP Agent shall not impact any amounts previously funded in the Professional Carve Out Reserve Account in compliance with the procedures herein. For the avoidance of doubt, the DIP Agent's request for a Meet and Confer shall not (in and of itself absent an Event of Default declaration) impact any terms of the DIP Documentation, including any subsequent reporting and testing as set forth herein, nor the DIP Secured Parties' obligations to loan and the Debtors' obligations to fund the Professional Carve Out Reserve Account in accordance with the DIP Term Sheet after a Meet and Confer is requested.
ADMINISTRATIVE EXPENSE CLAIM AND PRIORITY TAX CLAIM BACKSTOP AMOUNT:	The amount, to be agreed upon by the Debtors and both the DIP Lender and Backyard Products, LLC, each in its sole discretion, and funded by cash on hand of the Debtors and the proceeds of the DIP Facility prior to the Confirmation Date, sufficient to satisfy the agreed upon estimated amount of the Allowed Administrative Expense Claims and Priority Tax Claims, excluding Allowed Professional Fee Claims; *provided*, *that* in no event will the DIP Lender's obligation to provide such funding exceed the Administrative Expense Claim and Priority Tax Claim Backstop Amount (as defined and set forth in the Plan Term Sheet).
FIRST PRIORITY SECURITY INTEREST:	All DIP Loans and other liabilities and obligations of Debtors to the DIP Secured Parties under or in connection with this Term Sheet, the DIP Documents, and the DIP Orders (collectively, the "**DIP Obligations**") shall be: (i) pursuant to section 364(c)(1) of the Bankruptcy Code, constitute an allowed superpriority administrative expense claim (the "**DIP Superpriority Claim**") in the Chapter 11 Cases of the Debtors with priority over any and all administrative expenses, whether heretofore or hereafter incurred, of the kind specified in sections 503(b) or 507(a) of the Bankruptcy Code but shall be subject to the Carve-Out and, shall be payable from the proceeds of DIP Collateral; (ii) pursuant to sections 364(c)(2), secured by a perfected first priority lien on the DIP Collateral, to the extent that such DIP Collateral is not subject to valid, perfected, and non-avoidable

	liens as of the Petition Date (but in all cases subject to the Carve-Out); (iii) pursuant to section 364(c)(3), secured by a perfected junior lien on DIP Collateral (as defined below), to the extent such DIP Collateral is subject to a Permitted Lien; (iv) pursuant to section 364(d) of the Bankruptcy Code, secured by the DIP Liens, which shall constitute a perfected, senior secured superpriority priming security interest and lien on the DIP Collateral (but in all cases subject to the Carve-Out); and (v) pursuant to the Canadian DIP Recognition Orders, secured by a super-priority CCAA Court-ordered charge upon DIP Collateral which is property of a Debtor formed under the laws of Canada (the "**Canadian Debtors**") or DIP Collateral situated in Canada (all such collateral, the "**Canadian Collateral**"). For clarity, all existing liens, including the liens granted in connection with the Prepetition Loan Documents shall be primed and made subject to and subordinate to the DIP Liens. The DIP Liens shall not be *pari passu* with or subordinated to any other liens or security interests (whether currently existing or hereafter created), except (i) the Carve Out, (ii) such liens or interests expressly agreed upon in writing by the DIP Agent in its sole discretion, (iii) with respect to the Canadian Collateral, (A) the super-priority administration charge to be established by the CCAA Court on the Canadian Collateral in the Supplemental Order (Foreign Main Proceeding) as security for the professional fees and disbursements of Canadian counsel to the Debtors, the information officer appointed by the CCAA Court in the CCAA Recognition Proceedings (the "**Information Officer**") and legal counsel to the Information Officer incurred in respect of the CCAA Recognition Proceedings in an amount not to exceed C$750,000 (the "**Administration Charge**"), or (iv) such priming liens or interests imposed by applicable non-bankruptcy law and disclosed to the DIP Agent prior to the entry of the Interim Order, are in existence as of the Petition Date, and otherwise unavoidable (collectively, the "**Permitted Liens**"). For the avoidance of doubt, the Permitted Liens shall not include any liens which are junior in priority to the liens held by the Prepetition Secured Parties.

GRANT OF SECURITY INTEREST:	As collateral security for the prompt performance, observance, and payment in full of the DIP Obligations, each Debtor, as debtor and debtor-in-possession, hereby grants, pledges, and assigns to the DIP Agent, for the benefit of the DIP Lender, continuing security interests in and liens upon, and rights of setoff against, all of the DIP Collateral (the "**DIP Liens**"). As collateral security for the prompt performance, observance, and payment in full of the Adequate Protection Superpriority Claim (as defined below), each Debtor, as debtor and debtor-in-possession, hereby grants, pledges, and assigns to Prepetition Agent, for the benefit of the Prepetition Secured Lender, continuing security interests in and liens upon, and rights of setoff against, all of the DIP Collateral (the "**Replacement Lien**").
ADEQUATE PROTECTION:	As adequate protection for any diminution of the Prepetition Secured Parties' interest in the Prepetition Collateral resulting from the use of Cash Collateral, the subordination of their existing liens to the DIP Liens, and the imposition of the Carve-Out, the Prepetition Secured Parties shall receive: (i) pursuant to sections 361, 363(e), and 364(d)(l) of the Bankruptcy Code, the Replacement Lien, which shall be subject and subordinated only to the Carve-Out, the DIP Liens, and the Permitted Liens; (ii) an administrative expense claim, junior and subordinate only to the Carve-Out and the DIP Superpriority Claim with priority over any and all other administrative expenses (the "**Adequate Protection Superpriority Claim**"); and (iii) payment of all reasonable, documented out-of-pocket costs and expenses of the Prepetition Secured Parties relating to the DIP Facility, the Debtors' Chapter 11 Cases, and the CCAA Recognition Proceedings (including, without limitation, prepetition and post-petition reasonable and documented fees and disbursements of counsel and advisors). Such adequate protection shall in all cases be subject to the Carve-Out and shall be entitled to the full protections of Section 507(b) of the Bankruptcy Code and shall be payable from Avoidance Actions upon entry of the Interim Order. The Prepetition Secured Parties reserve all rights with respect to additional adequate protection, including adequate

	protection payments substantially equal to interest on the Prepetition Obligations.
DIP COLLATERAL:	"**DIP Collateral**" means, collectively, all assets and property (whether tangible, intangible, real, personal or mixed), wherever located, whether now owned or owing to, or hereafter acquired by, or arising in favor of each Debtor and its respective chapter 11 estate, and any and all proceeds therefrom, including, without limiting the generality of the foregoing, all cash, Cash Collateral, accounts, accounts receivable, inventory, property, plant and equipment, real estate, leaseholds, equity interests, intellectual property, and upon entry of the Final Order, avoidance actions under chapter 5 of the Bankruptcy Code and proceeds thereof (collectively, the "**Avoidance Actions**"). For the avoidance of doubt, any amounts paid by Purchaser to the Debtors in the event of a breach or termination of the APA shall be Cash Collateral. The DIP Collateral shall also include any rents, issues, products, proceeds, and profits generated by any item of DIP Collateral, without the necessity of any further action of any kind or nature by the DIP Agent in order to claim or perfect such rents, issues, products, or proceeds. The Debtors shall take all action that may be reasonably necessary or desirable or that the DIP Agent may reasonably request, to at all times maintain the validity, perfection, enforceability and priority of the security interest and liens of the DIP Agent in the DIP Collateral, or to enable the DIP Agent to protect, exercise or enforce its rights hereunder, under the DIP Orders, the Canadian DIP Recognition Orders and in the DIP Collateral.
DIP FEES:	The Debtors shall pay the (A) DIP Lender (i) an origination fee of 2.00% of the DIP Commitment, which shall be fully earned and non-refundable on the Interim Closing Date, and shall be paid from the proceeds of the initial funding of DIP Loans, and (ii) an exit fee of 2.00% of the DIP Commitment, which shall be fully earned and non-refundable upon consummation of the Plan and (B) the DIP Agent, a weekly administrative fee of $7,500.
INTEREST RATE:	The interest rate on the DIP Loans shall be a rate per annum equal to Adjusted Term SOFR for an Interest Period (as such terms are defined in the Prepetition Credit Agreement) of one

	month plus 8.50%. Interest shall be paid at the end of each Interest Period in cash, using Cash Collateral or proceeds of the DIP Loans. On the last day of each Interest Period the interest rate on the outstanding DIP Loans will be automatically deemed continued at Adjusted Term SOFR for an Interest Period of one month determined as of such date. Interest shall be paid monthly on the DIP Loans in cash, using Cash Collateral or proceeds of the DIP Loans.
DEFAULT RATE:	At all times following the occurrence and during the continuance of an Event of Default, principal, interest and other amounts due on the DIP Loans shall bear interest at a rate equal to the "Interest Rate" section above *plus* 3.00%.
MATURITY DATE:	The DIP Loans (together with all other DIP Obligations) shall mature and be due and payable on the earliest to occur of the following (such date, the "**Maturity Date**"): (i) [the date that is sixty (60) days after the Petition Date (the "**Outside Date**"), which may be extended in the sole discretion of the DIP Lender;] (ii) the date which is thirty (30) days following the entry of the Interim Order if the Bankruptcy Court has not entered the Final Order on or prior to such date; (iii) the date of the Debtors' receipt of notice of the acceleration of any of the DIP Loans and the termination of the commitments to make the DIP Loans resulting from the occurrence of an Event of Default (including, without limitation, the failure to meet any Chapter 11 Milestone set forth in the RSA (collectively, the "**Chapter 11 Milestones**")); (iv) the effective date of the Plan; (v)a sale of all or substantially all of the Debtors' assets is consummated under Section 363 of the Bankruptcy Code (which for the avoidance of doubt shall include the Backyard Sale after the occurrence of the Sale Toggle (as defined in the Plan Term Sheet)); and (vi) the filing of a motion by the Debtors seeking dismissal or termination of any or all of the Chapter 11 Cases or the CCAA Recognition Proceedings, the dismissal or termination of any or all of the Chapter 11 Cases or the CCAA Recognition Proceedings, the filing of a motion by the

	Debtors seeking to convert any or all of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, the conversion of any or all of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or entry of an order appointing a trustee under chapter 11 of the Bankruptcy Code, a responsible officer or examiner with enlarged powers relating to the operation of the Debtors' business (powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) under section 1106 of the Bankruptcy Code, the making of an assignment in bankruptcy by or entry by any Canadian court of a bankruptcy order in respect of any of the Debtors under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"), or the entry of an order of any Canadian court appointing a receiver under the BIA over any DIP Collateral, in each case without the prior written consent of the DIP Agent.
OPTIONAL PREPAYMENTS:	The Debtors may prepay the DIP Loans in whole or in part at any time without premium or penalty. All optional prepayments shall be applied to the DIP Loans in accordance with the Prepayment Waterfall set forth below. Any amounts so prepaid may not be reborrowed.
MANDATORY PREPAYMENTS; APPLICATION OF PREPAYMENTS:	The Debtors shall pay or prepay the DIP Loans and all other DIP Obligations (together with a cash reserve established for the benefit of the DIP Agent to cover asserted contingent and indemnity obligations) in accordance with the Prepayment Waterfall, upon receipt of any of the following (each, a "**Mandatory Prepayment Event**"): (i) net proceeds (after funding the Carve-Out, reserving proceeds sufficient to pay accrued and unpaid expenses to the extent set forth in the Approved Budget, and reserving for amount secured by and necessary to fund the Canadian Priority Charges (without duplication)) of any sale or disposition of all or substantially all of Debtors' assets pursuant to section 363 of the Bankruptcy Code simultaneous with the consummation thereof, other than the Backyard Sale. (ii) net proceeds of any other sale or other disposition by any Debtor of any assets, in a single transaction or series of related transactions, having a value in excess of $10,000 (except for the sale of goods or services in the ordinary course of business, sales contemplated by the Approved Budget, and certain other sales to be agreed on); and

	(iii) 100% of the net proceeds of extraordinary receipts (including tax refunds, indemnity payments, pension reversions, acquisition purchase price adjustments and insurance proceeds not included as proceeds of asset dispositions) by any Debtor, excluding any tax refunds contemplated to be received by any of the Debtors as set forth in the Approved Budget. Any amounts so paid or prepaid may not be reborrowed. No reinvestment of the proceeds of any extraordinary receipts, asset sales or other proceeds described above shall be permitted without the prior written consent of the DIP Lender. All payments or prepayments and proceeds of DIP Collateral received by the Debtors outside the ordinary course of business (other than the Backyard Sale) will be applied in the following order of priority (the "**Prepayment Waterfall**" (unless otherwise determined by the DIP Lender in its sole discretion)): (i) *first*, to pay all reasonable documented out-of-pocket expenses of the DIP Secured Parties (including, without limitation, reasonable and documented out-of-pocket fees and expenses of counsel and external advisors); (ii) *second*, to pay an amount equal to all accrued and unpaid interest (including, without limitation, any interest that accrued and was "paid in kind") owing to the DIP Secured Parties; (iii) *third*, to repay any principal amounts outstanding in respect of the DIP Loans (including any amounts, other interest, that have been added to the principal balance); and (iv) *fourth*, all other amounts owing to the DIP Secured Parties. Proceeds from the Backyard Sale shall be distributed in accordance with the Plan.
INDEFEASIBLE PAYMENT:	All payments made to or for the benefit of any of the DIP Secured Parties or Prepetition Secured Parties after the Petition Date shall be indefeasible and shall not be subject to disgorgement, counterclaim, set-off, subordination, recharacterization, defense, disallowance, recovery or avoidance by any party for any reason.

CONDITIONS PRECEDENT TO EACH INTERIM DIP LOAN:	The obligations of the DIP Lender to make any Interim DIP Loans will be subject to satisfaction, or written waiver, by the DIP Lender in its sole and absolute discretion, of each of the following conditions precedent in connection with each draw request: (i) DIP Agent shall have received a request in writing in form approved by DIP Agent, in each case signed by Borrower, not later than 5:00 p.m. New York time (or such later time as DIP Agent may consent to in its discretion) three (3) business days prior to the date of the proposed borrowing of such Interim DIP Loan; (ii) Debtors shall have timely delivered to the DIP Lender the Approved Budget or any update thereto required to be delivered in accordance with this Term Sheet; (iii) Debtors shall have delivered to the DIP Agent a Closing Certificate, duly executed by the chief executive officer, president, or chief financial officer of the Borrower and appropriately completed, by which such officer shall certify to the DIP Agent all of the conditions precedent to the Interim DIP Loans have been satisfied (at any time delivered, a "**Closing Certificate**"); (iv) the Debtor shall have delivered all Purchase Price Calculations as required hereunder, and there shall have been no Negative Purchase Variances; (v) Debtors shall be in compliance with and satisfied the applicable Chapter 11 Milestones; (vi) the interim order has been entered by the Bankruptcy Court (after a hearing on notice to all parties having or asserting a lien on all or any portion of the DIP Collateral) and shall not have been reversed, modified, amended, stayed or vacated, or in the case of any modification or amendment, in a manner without the consent of the DIP Lender (the "**Interim Order**"), and the Debtors shall be in compliance in all respects with the Interim Order; (vii) the DIP Lender shall be satisfied that the DIP Liens have been properly perfected and shall constitute first-priority liens (subject only to Permitted Liens); (viii) all reasonable, documented fees and out-of-pocket expenses of the DIP Secured Parties relating to the DIP

	Facility (including, without limitation, the reasonable, documented fees and out-of-pocket expenses of their counsel and external advisors) shall have been paid in full to the extent invoiced at least two (2) business days prior; (ix) Debtors shall have insurance (including, without limitation, commercial general liability and property insurance) with respect to the DIP Collateral in such amounts and scope as is customary for companies similarly-situated to the Debtors and otherwise reasonably acceptable to the DIP Agent, and the DIP Agent shall have received additional insured and loss payee endorsements, as applicable, with respect thereto, in form and substance reasonably acceptable to the DIP Agent; (x) the DIP Agent shall have received the results of a recent lien, tax, and judgment search in each relevant jurisdiction with respect to Debtors, and such search shall reveal no liens on any of the assets of Debtors other than Permitted Liens and Permitted Prepetition Liens; (xi) no Event of Default shall have occurred and be continuing on the Interim Closing Date, or after giving effect to the Interim DIP Loan; (xii) all representations and warranties of the Debtors hereunder shall be true and correct in all material respects; (xiii) subject to Bankruptcy Court approval, (i) each Debtor shall have the corporate power and authority to make, deliver and perform its obligations under this Term Sheet and the Interim Order, and (ii) no consent or authorization of, or filing with, any person (including, without limitation, any governmental authority) shall be required in connection with the execution, delivery or performance by each Debtor, or for the validity or enforceability in accordance with its terms against such Debtor, of this Term Sheet and the Interim Order, except for consents, authorizations and filings which shall have been obtained or made and are in full force and effect, relating to the CCAA Recognition Proceedings, or, the failure to obtain or perform, could not reasonably be expected to cause a Material Adverse Change; (xiv) no Material Adverse Change shall have occurred; (xv) the non-Debtor guarantors under the Prepetition Loan Documents shall have executed a reaffirmation and

	ratification agreement ratifying and confirming the security granted by each under the Prepetition Loan Documents, which agreement shall be in form and substance acceptable to the Prepetition Secured Parties; (xvi) DIP Agent shall have received, such certificates of good standing (to the extent such concept exists) from the applicable secretary of state (or equivalent) of the state (or other jurisdiction) of organization of each Debtor, certificates of resolutions or other corporate or limited liability company action, incumbency certificates and/or other certificates of responsible officers of each Debtor as the DIP Agent may reasonably require evidencing the identity, authority and capacity of each responsible officer thereof authorized to act as a responsible officer in connection with this DIP Term Sheet and the other DIP Documents to which such Debtor is a party or is to be a party on the Interim Closing Date and certifying the organization documents of each Debtor; and (xvii) the DIP Secured Parties shall have received such other information and/or deliverables as they may reasonably require or request consistent with the Prepetition Loan Documents. "**Material Adverse Change**" means a material adverse effect on and/or material adverse developments arising after the Petition Date with respect to (i) the business operations, properties, assets, or financial conditions of the Debtors and their subsidiaries taken as a whole; (ii) the validity, perfection or priority of the DIP Liens granted by the Borrower and the Guarantors in favor of the DIP Secured Parties, (iii) the rights, remedies and benefits available to, or conferred upon, the DIP Secured Parties, taken as a whole; *provided that* the filing and administration of the Chapter 11 Cases and the CCAA Recognition Proceedings and related events shall not constitute a Material Adverse Change, or (iv) the Backyard Sale; *provided that* the filing and administration of the Chapter 11 Cases and the CCAA Recognition Proceedings and related events shall not constitute a Material Adverse Change.
CONDITIONS PRECEDENT TO EACH FINAL DIP LOAN:	The obligations of the DIP Lender to make any Final DIP Loans shall be subject to satisfaction or waiver of each of the following conditions:

	(i) all representations and warranties of the Debtors hereunder being true and correct in all material respects; (ii) no Event of Default shall exist or would immediately result from such proposed Final DIP Loan or from the application of the proceeds therefrom; (iii) all reasonable, documented fees and out-of-pocket expenses, including reasonable, documented and out-of-pocket attorney's fees of the DIP Secured Parties, shall have been paid in full; (iv) the applicable Chapter 11 Milestones shall have been satisfied; (v) a final order approving the DIP Facility shall have been entered, which final order shall not have been reversed, modified, amended, stayed or vacated or in the case of any modification or amendment, in a manner without the consent of the DIP Lender (the "**Final Order**," and together with the Interim Order, the "**DIP Orders**") and the Debtors shall be in compliance in all respects with the Final Order; (vi) no Material Adverse Change shall have occurred; (vii) the Debtors shall have delivered to the DIP Agent a Closing Certificate certifying all of the conditions precedent to such Final DIP Loan have been satisfied; (viii) DIP Agent shall have received a request in writing in form approved by DIP Agent, in each case signed by Borrower, not later than 5:00 p.m. New York time (or such later time as DIP Agent may consent to in its discretion) three (3) business days prior to the date of the proposed borrowing of such Final DIP Loan; (ix) DIP Agent shall have received with respect to the week in which such Final DIP Loan is to be made, an Approved Budget for such week, including an Approved Variance Report; (x) the Debtor shall have delivered all Purchase Price Calculations as required hereunder, and there shall have been no Negative Purchase Variances; and (xi) the DIP Secured Parties shall have received such other information and/or deliverables as they may reasonably

	require or request consistent with the Prepetition Loan Documents. Any modifications of the Final Orders shall require the prior written consent of the DIP Secured Parties.
REPRESENTATIONS AND WARRANTIES:	The representations and warranties set forth in Sections 5.01 through 5.04, 5.06 through 5.10, 5.12, 5.13, 5.15, 5.17, and 5.18 of the Prepetition Credit Agreement are incorporated herein by reference and shall be deemed made by the Debtors for the benefit of the DIP Secured Parties in respect of the DIP Facility and DIP Obligations, *mutatis mutandis*, as if fully set forth herein, on the Interim Closing Date, on the Final Closing Date and on the date of each credit extension hereunder. Each Debtor further represents that the proceeds of each advance hereunder shall be used solely in accordance with the "Use of Proceeds" section of this Term Sheet.
AFFIRMATIVE COVENANTS:	From and after the Closing Date, each Debtor shall: (i) comply with the affirmative covenants set forth in Sections 6.04 through 6.08, 6.11 and 6.12 of the Prepetition Credit Agreement which are incorporated herein by reference for the benefit of the DIP Secured Parties in respect of the DIP Facility and DIP Obligations, mutatis mutandis, as if fully set forth herein; (ii) timely deliver, or cause to be timely delivered, to the DIP Lender the Approved Budget and Approved Variance Reports, and all other financial reports, budgets, forecasts, and legal and financial documentation requested by the DIP Lender (or their respective legal advisors), all in accordance with the provisions set forth herein; (iii) deliver, or continue to deliver, to the DIP Lender all financial and other information required to be delivered by any Debtor under Sections 6.01, 6.02, and 6.03 of the Prepetition Credit Agreement which are incorporated herein by reference for the benefit of the DIP Secured Parties in respect of the DIP Facility and DIP Obligations, mutatis mutandis, as if fully set forth herein; (iv) (a) keep proper books, records and accounts in accordance with GAAP in which full, true and correct entries shall be made of all dealings and transactions in relation to their business and activities and consistent with Section 6.09 of the Prepetition Credit Agreement, (b) cooperate, consult

	with, and provide to the DIP Secured Parties all such information as required or as reasonably requested by the DIP Secured Parties, (c) permit, upon three (3) business days' notice, representatives of the DIP Secured Parties to visit and inspect any of their respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations and accounts with their respective officers, employees and independent public accountants as often as may reasonably be desired, and (d) permit representatives of the DIP Secured Parties to consult with and advise the Debtors' management on matters concerning the general status of the Debtors' business, financial condition and operations; (v) comply with the Approved Budget (subject to the Permitted Variances) and with provisions of this Term Sheet, DIP Orders and the Canadian DIP Recognition Orders (as applicable); (vi) except to the extent (a) contemplated by the Approved Budget, (b) the failure to do so could not reasonably be expected to cause a Material Adverse Change, or (c) otherwise consented to by the DIP Lender in writing, continue, and cause to be continued, the business of the Debtors, maintain, and cause to be maintained, the Debtors' existence and material relationships, rights and privileges, and comply with all material contractual obligations; (vii) take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable, to pursue and consummate the Plan in accordance with the Chapter 11 Milestones, and provide the DIP Lender with copies of any bids (including, without limitation, any information, financial or otherwise, submitted in connection with any bids) upon receipt by the Debtors; (viii) do or cause to be done all things reasonably necessary, proper or advisable under applicable law, and to execute and deliver such documents and other papers, as may be reasonably requested by the DIP Secured Parties to carry out the provisions of this Term Sheet, the Interim Order, the Final Order or the Canadian DIP Recognition Orders;

	(ix) take, or cause to be taken, all appropriate action to remain the sole owner of the DIP Collateral, free of liens other than Permitted Liens and Permitted Prepetition Liens; (x) take, or cause to be taken, all appropriate action to comply with all material applicable laws with respect to the DIP Collateral; (xi) pay when due all U.S. Trustee fees; (xii) provide all notices received from the Purchaser under the APA, and exercise or refrain from exercising, as applicable, such rights, in each case, in accordance with the written instructions (emails suffice) of the DIP Agent, and otherwise allow the DIP Agent to participate and audit any of the Debtors' rights under the APA; (xiii) the Debtors shall ensure that (and shall not cause) any security interest granted by the Debtors' non-debtor affiliates under the Prepetition Credit Agreement to be released or otherwise terminated before a substitute, valid right of pledge or similar charge has been created, consented to and perfected by such affiliate in favor of the Prepetition Secured Parties (which substitute shall include a right, pledge or charge against any proceeds of the asset on which the security interest has been released or terminated); and (xiv) promptly provide such additional information concerning the Debtors, the Plan, or the DIP Collateral as the DIP Secured Parties may reasonably request and access to Debtors' officers, directors, and advisors to discuss such information at reasonable times during normal business hours (and such officers, directors, and advisors shall be directed to discuss such information with the DIP Secured Parties).
NEGATIVE COVENANTS:	Unless otherwise provided in the Approved Budget, this Term Sheet or as part of the Plan, no Debtor shall, without the express, prior written consent of the DIP Agent, do, or cause to be done, any of the following: (i) create, incur, assume or suffer to exist any lien (other than a Prepetition Permitted Lien) upon any of its property, assets, income or profits, whether now owned or hereafter acquired, except valid, perfected and unavoidable liens existing as of the Petition Date which, other than Permitted Liens, are junior to the liens securing the DIP Facility, and shall not cause, or permit to be caused, any direct or indirect subsidiary of

	Borrower that is not a Debtor to, create, incur, assume or suffer to exist any such liens; (ii) convey, sell, lease, assign, transfer or otherwise dispose of (including through a transaction of merger or consolidation) any of its property, business or assets, whether now owned or hereafter acquired, out of the ordinary course of business; (iii) incur or make any expenditure, investment or other payment, or any Restricted Payment (as defined in the Prepetition Credit Agreement), other than in accordance with the Approved Budget, subject to the Permitted Variances; (iv) create, or acquire any ownership interest in, any subsidiaries (whether direct or indirect) other than those existing on the Petition Date; (v) create, incur assume or suffer to exist any indebtedness other than (A) indebtedness of the Debtors under this Term Sheet, (B) indebtedness contemplated by the Approved Budget and (D) indebtedness permitted under Section 7.03(l), (o), (v) or (z) of the Prepetition Credit Agreement; (vi) enter into any transaction of any kind with any Affiliate of Borrower without the DIP Agent's prior written consent or as otherwise permitted by the order of the Bankruptcy Court governing the Debtors' authorization to continue using its cash management system; or (vi) consummate any amendment, restatement, supplement or other modification to or waiver of any of its organization documents.
EVENTS OF DEFAULT:	Each of the following shall constitute an "**Event of Default**": (i) after the first applicable testing date, the occurrence of any deviation from the Approved Budget that is greater than the Permitted Variances; *provided*, *that*, the DIP Lender may only declare an Event of Default arising from any deviation from the Professional Fee Variance if the DIP Lender and such Professional Person cannot mutually agree to a good faith modification during the Meet and Confer; (ii) the use of Cash Collateral for any purpose other than as permitted in the DIP Documents, DIP Orders, the Canadian DIP Recognition Orders or Approved Budget;

	(iii) any modification by the Debtors of the DIP Secured Parties' rights under the DIP Documents, DIP Orders or the Canadian DIP Recognition Orders; (iv) failure of any of the Chapter 11 Milestones to be satisfied; (v) failure by any Debtor to be in compliance in all material respects with the sections of the Term Sheet entitled "Affirmative Covenants" (and five (5) business days shall have elapsed since the DIP Lender shall have given notice to the Debtors of such failure) and "Negative Covenants" or failure to otherwise be in compliance in all material respects with any other provision of this Term Sheet, the DIP Orders and the Canadian DIP Recognition Orders; (vi) failure of any representation or warranty to be true and correct in all material respects when made; (vii) the filing of any application by the Debtors for the approval of (or an order is entered by the Court approving) any claim arising under Section 507(b) of the Bankruptcy Code or any other provision of the Bankruptcy Code or any security, mortgage, collateral interest or other lien in any of the Chapter 11 Cases or CCAA Recognition Proceedings which is *pari passu* with or senior to the DIP Superpriority Claims or the DIP Liens, excluding liens arising under the DIP Orders or the Canadian DIP Recognition Orders, or pursuant to any other financing agreement made with the prior written consent of the DIP Agent; (viii) the filing of any application by the Debtors for the approval of (or an order is entered by the Court authorizing) compensation or other amounts under any employee or executive incentive or retention plans (or any similar sort of retention or incentive program) without the prior written consent of the DIP Secured Parties in their sole discretion; (ix) any request made by the Debtors for, or the reversal, modification, amendment, stay, reconsideration or vacatur of the DIP Orders, as entered by the Bankruptcy Court or the Canadian DIP Recognition Orders, as entered by the CCAA Court, as applicable, without the prior written consent of the DIP Secured Parties; (x) the commencement of any action by the Debtors or other authorized person (other than an action permitted by the DIP

	Orders or the Canadian DIP Recognition Orders) against any of the DIP Secured Parties or its agents and employees, to subordinate or avoid any liens made in connection with the DIP Orders or the Canadian DIP Recognition Orders; (xi) (1) the assertion by the Debtors in any pleading filed in any court that any material provision of the DIP Orders, the Canadian DIP Recognition Orders or this Term Sheet is not valid and binding for any reason, or (2) any material provision of the DIP Orders, the Canadian DIP Recognition Orders or this Term Sheet shall for any reason, or any other order of this Court approving the Debtors' use of Cash Collateral (as defined in the DIP Orders), cease to be valid and binding (without the prior written consent of the DIP Secured Parties); (xii) the filing with the Bankruptcy Court of a plan of reorganization or liquidation in any of the Chapter 11 Cases other than the Plan; (xiii) the appointment or entry of an order in any of the Chapter 11 Cases of a trustee, receiver, examiner, or responsible officer with enlarged powers relating to the operation of the business of any Debtor (powers beyond those set forth in sections 1106(a)(3) and (a)(4) of the Bankruptcy Code), unless such appointment or order has not been reversed, stayed, or vacated within thirty (30) days after the entry of such order; (xiv) the granting of relief from the automatic stay by the Bankruptcy Court or of the stay ordered by the CCAA Court to any other creditor or party in interest in the Chapter 11 Cases with respect to any portion of the DIP Collateral exceeding $100,000 in value in the aggregate; (xv) failure to pay principal, interest or other DIP Obligations in full in cash when due, including without limitation, on the Maturity Date; (xvi) the allowance of any claim or claims under section 506(c)or 552(b) of the Bankruptcy Code against or with respect to any DIP Collateral; (xvii) withdrawal or material modification by the Debtors of any motion in connection with the Backyard Sale, without the consent of the DIP Secured Parties;

	(xviii) the Debtors seek to consummate an Alternative Transaction (as defined in the APA) without the prior written consent of the DIP Secured Parties; (xix) the Plan is not confirmed or is changed without the DIP Secured Parties' consent, or the Plan Sponsor breaches (or is anticipated to breach) its obligations under the Plan; (xx) the occurrence of any Material Adverse Change; (xxi) any termination of the RSA or the APA; (xxii) the actual amount of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Other Priority Claims (each as defined in the Plan) exceeds or is expected to exceed the Administrative Expense Claim and Priority Tax Claim Backstop Amount; (xxiii) the occurrence of any Negative Purchase Variance under any Purchase Price Calculation; (xxiv) such other events of default to be included in the DIP Orders as reasonably specified by the DIP Secured Parties with the reasonable consent of the Debtors; and (xxv) the conversion of any Chapter 11 Case to a Chapter 7 case(s), or any Debtor shall file a motion or other pleading seeking the conversion of any Chapter 11 Case to chapter 7 of the Bankruptcy Code or the making of an assignment bankruptcy by or entry by any Canadian court of a bankruptcy order in respect of any of the Debtors under the BIA, or the entry of an order of any Canadian court appointing a receiver under the BIA over any DIP Collateral, in each case, without the prior written consent of DIP Agent.
REMEDIES UPON EVENT OF DEFAULT:	Upon the occurrence and during the continuance of any Event of Default and delivery of a Carve-Out Trigger Notice (as defined in the Interim DIP Order or the Final DIP Order, as applicable) and delivery by the DIP Agent of five (5) business days' notice to the Debtors (the "**Notice Period**"), during which time the Debtors may seek an emergency hearing before the Bankruptcy Court, the DIP Secured Parties may not exercise rights or remedies; *provided*, *that*, if a hearing cannot be scheduled prior to the expiration of the Notice Period solely as a result of the Bankruptcy Court's unavailability, the Notice Period shall be automatically

	extended to the date that is one (1) business day after the first date that the Bankruptcy Court is available. After the expiration of the Notice Period, the DIP Secured Parties may (except as otherwise ordered by the Bankruptcy Court or the CCAA Court): (i) declare all DIP Obligations (including principal of and accrued interest on any outstanding DIP Loans) to be immediately due and payable; (ii) terminate the DIP Facility and/or any further commitment to lend to Borrower; and (iii) exercise rights and remedies pursuant to the terms of the DIP Documents, the DIP Orders, the Canadian DIP Recognition Orders or applicable law, and if requested by the DIP Agent in connection with such exercise of rights and remedies, the Debtors shall cooperate with the DIP Agent to, among other things, (A) make reasonable efforts to collect accounts receivable, without setoff by any account debtor, (B) provide at all reasonable times access to the Debtors' premises to representatives or agents of the DIP Agent (including any collateral liquidator or consultant), (B) provide the DIP Agent and their representatives or agents, at all reasonable times access to the Debtors' books and records and any information or documents requested by the DIP Agent or their respective representatives, (C) perform all other obligations set forth in the DIP Documents, and (D) take reasonable steps to safeguard and protect the DIP Collateral, and (iv) the Debtors shall not otherwise interfere with or actively encourage others to interfere with the DIP Agent's enforcement of rights including, without limitation, the right to (W) take any actions reasonably calculated to preserve or safeguard the DIP Collateral or to prepare the DIP Collateral for sale; (X) foreclose or otherwise enforce the DIP Liens on any or all of the DIP Collateral; (Y) immediately set off any and all amounts held as Cash Collateral (including, without limitation, in any Cash Collateral account held for the benefit of the DIP Agent and DIP Lenders); and/or (Z) exercise any other default-related rights and remedies under the under the DIP Facility Documents, this Interim Order the DIP Orders, the Canadian DIP Recognition Orders or applicable law.

DIP SECURED PARTIES' EXPENSES:	All reasonable, documented out-of-pocket costs and expenses of the DIP Secured Parties relating to the DIP Facility, the Debtors' Chapter 11 Cases, and the CCAA Recognition Proceedings (including, without limitation, prepetition and post-petition reasonable and documented fees and disbursements of counsel and advisors) shall be payable by Borrower promptly upon written demand (together with summary backup documentation supporting such reimbursement request) and without the requirement for Bankruptcy Court or CCAA Court approval. A copy of summary invoices for the U.S. advisors to the DIP Secured Parties and Prepetition Secured Parties shall be provided by the Debtors to the Office of the U.S. Trustee, and counsel for any statutory committee, subject to customary review periods.
RELEASES:	The Interim Order and Final Order shall provide customary releases for each of the DIP Secured Parties and the Prepetition Secured Parties and each of their respective each of their respective former, current or future officers, employees, directors, agents, representatives, owners, members, partners, financial advisors, legal advisors, shareholders, managers, consultants, accountants, attorneys, affiliates and successors and predecessors in interest (in their respective capacities as such) (collectively, the "**Released Parties**") with respect to all claims and liabilities arising from the DIP Facility, the DIP Liens, the DIP Superpriority Claims, the DIP Documents and the Prepetition Secured Parties with respect to the Prepetition Obligations and the Prepetition Loan Documents; *provided that*, with respect to the Prepetition Secured Parties, such releases shall be subject to the Challenge Period.
INDEMNITY:	Each Debtor shall indemnify, pay and hold harmless the DIP Secured Parties (and each of their directors, officers, members, employees and agents) against any loss, liability, cost, or expense incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof (except to the extent resulting from the gross negligence, or willful misconduct, bad faith, or a material breach of DIP Documents of the indemnified party, as determined by a final, nonappealable judgment of a court of competent jurisdiction).
CREDIT BID:	The DIP Agent shall have the right to credit bid the outstanding DIP Obligations on a dollar-for-dollar basis in

	any sale of DIP Collateral, subject to the requirement that the DIP Agent fund all Allowed Administrative Expenses, up to the Administrative Expense Claim and Priority Tax Claim Backstop Amount and the Carve-Out, and the amount secured by and necessary to fund the Canadian Priority Charges (without duplication).
DIP ORDERS GOVERN:	To the extent of any conflict or inconsistency between this Term Sheet and the DIP Orders, the DIP Orders shall govern.
AMENDMENT AND WAIVER:	No provision of this Term Sheet or the DIP Orders may be amended other than by an instrument in writing signed by the DIP Secured Parties and Debtors, provided, however on the Petition Date, the Parties agree to update the amounts set forth in (i) of the "Acknowledgment; Ratification" section herein and the "Roll-Up" section herein.
GOVERNING LAW AND JURISDICTION:	The laws of the State of New York (except as governed by mandatory provisions of the Bankruptcy Code or the CCAA) shall govern this Term Sheet. The parties to this Term Sheet shall submit to the exclusive jurisdiction of the Bankruptcy Court and shall waive any right to trial by jury. Notwithstanding the foregoing, the CCAA Court shall have exclusive jurisdiction of the CCAA Recognition Proceedings.
NOTICES:	All notices required to be provided hereunder shall be delivered to: (i) if to Debtors to: KidKraft, Inc. Attention: Geoffrey Walker Email: Geoff.W@kidkraft.com with a copy (which shall not constitute notice) to: Vinson & Elkins LLP Attention: David Meyer; William Wallander; Lauren Kanzer Email: dmeyer@velaw.com; bwallander@velaw.com; lkanzer@velaw.com (ii) if to Prepetition Secured Parties or DIP Secured Parties to: GB Funding, LLC Attention: David Braun and Kyle Shonak

	Email: dbraun@gordonbrothers.com; kshonak@gordonbrothers.com with a copy (which shall not constitute notice) to: Katten Muchin Rosenman LLP Attention: Steven Reisman; Cindi Giglio Email: sreisman@katten.com; cgiglio@katten.com
COUNTERPARTS AND ELECTRONIC TRANSMISSION:	This Term Sheet may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Term Sheet by facsimile, "PDF" or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Term Sheet.

Schedule 1

1. KidKraft, Inc.
2. KidKraft Intermediate Holdings, LLC
3. KidKraft International Holdings, Inc.
4. KidKraft Europe, LLC
5. KidKraft International IP Holdings, LLC
6. KidKraft Partners, LLC
7. Solowave Design Corp.
8. Solowave Design Inc.
9. Solowave Design LP
10. Solowave Design Holdings Limited
11. Solowave International Inc.

Exhibit A

Approved Budget

KidKraft, Inc. DIP Budget (9 Weeks)

DIP Week>>		0	0	1	2	3	4	5	6	7	8	9	Accruals	Funding Build-Up			Total
Week End>>		4/26/2024	5/3/2024	5/10/2024	5/17/2024	5/24/2024	5/31/2024	6/7/2024	6/14/2024	6/21/2024	6/28/2024	7/5/2024	Post DIP	Pre-Petition	DIP	Accruals/Post DIP	
Forecasted Receipts (AR)		1,500,000	2,306,190	1,447,969	2,904,740	1,637,189	578,839	1,531,042	1,851,652	1,857,726	1,747,505	1,527,362	-	3,806,190	15,084,025	-	18,890,215
Forecasted Receipts (Sales)		-	431,818	381,423	347,826	347,826	347,826	347,826	325,000	325,000	2,102,782	2,097,307	-	431,818	6,622,816	-	7,054,634
BK Collection Delay Estimate	5%	-	(136,900)	(91,470)	(162,628)	(99,251)	(46,333)	(93,943)	(108,833)	(109,136)	(192,514)	(181,233)	-	(136,900)	(1,085,342)	-	(1,222,242)
Dilution Estimate>>>	15%	-	(410,701)	(274,409)	(487,885)	(297,752)	(139,000)	(281,830)	(326,498)	(327,409)	(577,543)	(543,700)	-	(410,701)	(3,256,026)	-	(3,666,727)
Total Inflows		1,500,000	2,190,407	1,463,514	2,602,053	1,588,012	741,332	1,503,094	1,741,322	1,746,181	3,080,230	2,899,735	-	3,690,407	17,365,473	-	21,055,880
														-	-	-	-
Operating Cash Flow:																	
Factory Payments - Indoor FOB		-	81,286	119,966	376,780	249,111	40,643	1,091,670	78,661	296,120	194,533	-	-	81,286	2,447,483	-	2,528,769
Factory Payments - Indoor Domestic		385,953	138,357	17,447	20,843	38,189	190,152	407,318	513,577	549,138	520,419	694,866	-	524,310	2,951,949	-	3,476,260
Factory Payments - Outdoor FOB		33,745	-	-	141,164	37,390	-	-	771,417	526,059	47,173	-	-	33,745	1,523,203	-	1,556,947
Factory Payments - Start Up Costs ($5M)		3,375,000	1,125,000	500,000	-	-	-	-	-	-	-	-	-	4,500,000	500,000	-	5,000,000
Factory Payments - Outdoor Domestic		1,254,985	513,111	452,120	502,603	409,078	489,639	297,770	443,084	366,401	-	-	-	1,768,097	2,960,695	-	4,728,792
Factory Payments - Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Sales (Shipping, Testing, etc.) -GB		270,754	129,545	124,427	104,348	223,002	104,348	107,335	100,988	208,726	100,988	100,988	-	400,300	1,175,148	-	1,575,448
Cost of Sales (Shipping, Testing, etc.) - Purchaser Reimburse		207,557	38,185	10,000	109,697	179,555	64,974	70,489	68,306	208,357	102,899	129,994	-	245,742	944,270	-	1,190,012
Payroll & 401k		419,000	69,254	419,000	39,254	291,039	39,254	291,039	39,254	291,039	39,254	291,039	99,254	488,254	1,740,170	99,254	2,327,677
Operating Expenses		403,884	451,673	370,676	274,700	236,444	310,319	373,684	468,699	175,317	321,912	391,821	-	855,557	2,923,572	-	3,779,129
Rent		-	-	-	-	-	-	450,000	-	-	-	72,581	450,000	-	522,581	450,000	972,581
Intercompany (from)/to China		-	-	325,000	360,000	-	-	-	225,000	360,000	-	-	94,355	-	1,270,000	94,355	1,364,355
Intercompany (from)/to Europe/Canada		87,500	-	-	-	-	-	-	-	-	-	-	-	87,500	-	-	87,500
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MidOcean Mgmt Fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest/Origination Fee/Exit Fee (See Below)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Payments		48,903	-	50,000	-	-	50,000	-	50,000	-	6,947	50,000	50,000	48,903	206,947	50,000	305,850
Other/Contingency		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operational Outflows		6,487,282	2,546,412	2,388,636	1,929,387	1,663,808	1,289,328	3,089,305	2,758,985	2,981,156	1,334,124	1,731,288	693,608	9,033,694	19,166,018	693,608	28,893,320
Restructuring Fees:																	
[1] Professional Fees - BK Restructuring		70,515	1,027,490	-	-	200,000	35,000	75,000	-	200,000	35,000	-	4,826,039	1,098,005	545,000	4,826,039	6,469,044
Professional Fees - OCPs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees - Trustee Fees (est.)		-	-	-	-	-	-	-	-	-	-	-	250,000	-	-	250,000	250,000
Other		-	-	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	-	-	67,500	-	67,500
Total Restructuring Outflows		70,515	1,027,490	7,500	7,500	207,500	42,500	82,500	7,500	207,500	42,500	7,500	5,076,039	1,098,005	612,500	5,076,039	6,786,544
Incremental Employee/Other Obligations (for discussion)																	
Statutory Employee Obligations		-	30,000	-	-	-	-	-	-	-	-	20,000	-	30,000	20,000	-	50,000
Priority Tax Claims (S&U; Business Pers. Prop., Income Tax		-	-	-	-	-	300,700	-	-	-	-	175,000	275,000	-	475,700	275,000	750,700
Retention Consideration		204,000	-	-	-	-	-	-	-	-	-	-	-	204,000	-	-	204,000
Severance (TBD)		-	79,000	-	-	-	-	-	-	-	-	21,000	-	79,000	21,000	-	100,000
Winddown Considerations		-	-	-	-	-	-	-	-	-	-	-	643,000	-	-	643,000	643,000
Pre-Petition Vendor Payments - CV		-	-	-	-	-	50,000	-	-	-	-	-	-	-	50,000	-	50,000
Pre-Petition Vendor Payments - 503(b)9		-	-	-	-	-	-	-	-	-	-	150,000	-	-	150,000	-	150,000
Shippers Motion		-	-	-	-	-	750,000	-	-	-	-	-	-	-	750,000	-	750,000
Letter of Credit Fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility Deposit		-	-	50,000	-	-	-	-	-	-	-	-	-	-	50,000	-	50,000
Total Incremental Outflows		204,000	109,000	50,000	-	-	1,100,700	-	-	-	-	366,000	918,000	313,000	1,516,700	918,000	2,747,700
Net Cash Flow		(5,261,797)	(1,492,495)	(982,622)	665,166	(283,296)	(1,691,196)	(1,668,711)	(1,025,163)	(1,442,475)	1,703,606	794,947	(6,687,647)	(6,754,292)	(3,929,745)	(6,687,647)	(17,371,684)
Cash Requirement																	
Beginning Book Balance		1,913,464	(3,348,333)	(4,840,828)	(5,823,450)	(5,158,284)	(5,441,580)	(7,132,776)	(8,801,487)	(9,826,650)	(11,269,125)	(9,565,519)	(8,770,573)	1,913,464	(4,840,828)	(8,770,573)	1,913,464
Net Cash Flow		(5,261,797)	(1,492,495)	(982,622)	665,166	(283,296)	(1,691,196)	(1,668,711)	(1,025,163)	(1,442,475)	1,703,606	794,947	(6,687,647)	(6,754,292)	(3,929,745)	(6,687,647)	(17,371,684)
Financing (Pre + DIP)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Requirement after 4/19 Funding		(3,348,333)	(4,840,828)	(5,823,450)	(5,158,284)	(5,441,580)	(7,132,776)	(8,801,487)	(9,826,650)	(11,269,125)	(9,565,519)	(8,770,573)	(15,458,220)	(4,840,828)	(8,770,573)	(15,458,220)	(15,458,220)
Interest/Origination Fee/Exit Fee		-	-	(240,000)	-	-	-	-	-	-	-	(831,965)	-	-	(1,071,965)	-	(1,071,965)
Ending Cash Requirement After Fees		(3,348,333)	(4,840,828)	(6,063,450)	(5,398,284)	(5,681,580)	(7,372,776)	(9,041,487)	(10,066,650)	(11,509,125)	(9,805,519)	(9,842,538)	(16,530,185)	(4,840,828)	(9,842,538)	(16,530,185)	(16,530,185)
Priority Revolver Commitment																	
Beginning Balance		16,831,198	20,179,531	21,672,026	22,894,648	22,229,482	22,512,778	24,203,974	25,872,685	26,897,848	28,340,323	26,636,717	26,673,736				
Interest/Origination Fee/Exit Fee		-	-	240,000	-	-	-	-	-	-	-	831,965	-				
Pre-Petition + DIP Financing		3,348,333	1,492,495	982,622	(665,166)	283,296	1,691,196	1,668,711	1,025,163	1,442,475	(1,703,606)	(794,947)	6,687,647				
Ending Balance		20,179,531	21,672,026	22,894,648	22,229,482	22,512,778	24,203,974	25,872,685	26,897,848	28,340,323	26,636,717	26,673,736	33,361,383				
													16,530,185				

[1] The timing and amount of the Baird Transaction Fee depends on the closing date of the transaction as well as the amount of the transaction.

Exhibit D

Form of Joinder Agreement

Form of Transferee Joinder

This joinder (this "***Joinder***") to the Restructuring Support Agreement (the "***Agreement***"),[1] dated as of April 25, 2024, by and among (i) KidKraft, Inc. ("***KidKraft***") and those certain additional affiliates of KidKraft listed on **Schedule 1** of the Agreement (the "***Affiliates***," such affiliates and KidKraft, Inc., each a "***Debtor***" and, collectively, the "***Debtors***"), (ii) GB Funding, LLC and 1903 Partners, LLC (collectively, "***Gordon Brothers***"), and (iii) MidOcean Partners IV, L.P. and MidOcean US Advisor, L.P. (collectively, "***MidOcean***"), and (iv) Backyard Products, LLC and any entity designated by it to perform its obligations under this Agreement (collectively, the "***Purchaser***") is executed and delivered by [●] (the "***Joining Party***") as of [●], 2024.

1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all of the terms of the Agreement, a copy of which is attached to this Joinder as Annex 1 (as the same has been or may be hereafter amended, restated, or otherwise modified from time to time in accordance with the provisions thereof). The Joining Party shall hereafter be deemed to be a Party for all purposes under the Agreement.

2. Representations and Warranties. The Joining Party hereby represents and warrants to each other Party to the Agreement that, as of the date hereof, such Joining Party (a) is the legal or beneficial holder of, and has all necessary authority (including authority to bind any other legal or beneficial holder) with respect to, the claims and interests identified below its name on the signature page hereof, and (b) makes, as of the date hereof, the representations and warranties set forth in Section 7 of the Agreement to each other Party.

3. Governing Law. This Joinder shall be governed by and construed in accordance with Section 22 of the Agreement, without regard to any conflicts of law provisions which would require or permit the application of the law of any other jurisdiction.

4. Notice. All notices and other communications given or made pursuant to the Agreement to the Joining Party shall be sent to:

[JOINING PARTY]
[ADDRESS]
Attn:
Tel:
Facsimile:
Email:

[1] Each capitalized term used herein but not otherwise defined shall have the meaning ascribed to it in the Agreement.

IN WITNESS WHEREOF, the Joining Party has caused this Joinder to be executed as of the date first written above.

[JOINING PARTY]

By: _____

Name: _____

Title: _____

Annex 1

Restructuring Support Agreement

EXHIBIT C

APA

Execution Version

ASSET PURCHASE AGREEMENT

by and among

KIDKRAFT, INC.,

KIDKRAFT INTERNATIONAL IP HOLDINGS, LLC

SOLOWAVE DESIGN CORP.,

SOLOWAVE DESIGN INC.,

SOLOWAVE DESIGN LP,

as Sellers,

AND

BACKYARD PRODUCTS, LLC

as Buyer,

Dated as of April 25, 2024

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of April 25, 2024 (the "Execution Date"), by and among (i) KidKraft, Inc., a Delaware corporation ("KK OpCo"), KidKraft International IP Holdings, LLC, a Delaware limited liability company ("KK Holdings"), Solowave Design Corp. d/b/a/ PlayDirect, a Delaware corporation ("Solowave U.S." and, together with KK OpCo and KK Holdings, each a "U.S. Seller" and collectively, "U.S. Sellers"), Solowave Design LP, an Alberta limited partnership ("KK Canada LP"), and Solowave Design Inc., an Ontario corporation ("KK Canada GP" and, together with KK Canada LP, each a "Canadian Seller" and collectively, "Canadian Sellers" and, together with the U.S. Sellers, each a "Seller" and collectively, "Sellers"), and (ii) Backyard Products, LLC, a Delaware limited liability company ("Buyer"). Capitalized terms have the definitions set forth in Article I below.

RECITALS

A. Sellers are engaged in the Business;

B. Sellers, Buyer, GB Funding LLC, 1903 Partners, LLC, MidOcean Partners IV, L.P. and MidOcean US Advisor, L.P. have entered into that certain Restructuring Support Agreement, dated as of the date hereof (the "RSA"), pursuant to which the Restructuring Transactions (as defined in the RSA) will be effectuated;

C. In accordance with the RSA, (i) each Seller and certain of their affiliates (collectively, the "Debtors") intend to file voluntary petitions on or about May 6, 2024 (collectively, the "Chapter 11 Case") under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (the "U.S. Bankruptcy Court") and (ii) upon its appointment as "foreign representative" in the Chapter 11 Cases, KK OpCo, on behalf of the Debtors, intends to file proceedings (such recognition proceedings, the "CCAA Recognition Proceedings" and, together with the Chapter 11 Case, the "Bankruptcy Cases") pursuant to Part IV of the Companies' Creditors Arrangement Act (Canada) (the "CCAA") in the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court", and, together with the U.S. Bankruptcy Court, the "Bankruptcy Courts");

D. Subject to the terms and conditions set forth in this Agreement and the entry and terms of the U.S. Sale Order (which may be included as part of the Confirmation Order, as defined herein) and Canadian Sale Order (collectively, the "Sale Orders"), Sellers desire to sell to Buyer all of the Transferred Assets and to assign to Buyer all of the Assumed Liabilities, Buyer desires to purchase from Sellers all of the Transferred Assets and assume all of the Assumed Liabilities, and the Parties intend to effectuate the transactions contemplated by this Agreement, upon the terms and conditions hereinafter set forth;

E. The Transferred Assets and Assumed Liabilities shall be purchased and assumed by Buyer (or Designated Buyer) pursuant to the Sale Orders, free and clear of all Encumbrances (other than Permitted Encumbrances), pursuant to, inter alia, Sections 105, 363, 365 and 1123 of the Bankruptcy Code, Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, the CCAA, and the local rules for the Bankruptcy Courts, all on the terms and subject to the conditions set forth in this Agreement and subject to entry of the Sale Orders; and

F. The execution and delivery of this Agreement and Sellers' ability to consummate the transactions set forth in this Agreement are subject to, among other things, the entry of the Sale Orders, as further set forth herein. The Parties desire to consummate the proposed transaction as promptly as practicable after the Bankruptcy Courts enter the Sale Orders.

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Defined Terms. For purposes of this Agreement:

"A/R Dilution" means any reduction in the gross amount of accounts receivable of any Seller as a result of customer returns, allowances, discounts, disputes, chargebacks, credits, financing or factoring that result in a Seller collecting less than the full invoiced amount of such accounts receivable.

"A/R Dilution Amount" means the A/R Dilution applicable to the Transferred A/R (excluding (i) any A/R Dilution offered by Buyer (or a Designated Buyer or their respective Affiliates) following the Closing and (ii) any A/R Dilution occurring following the delivery of the A/R Dilution Closing Statement).

"A/R Dilution Escrow Amount" means the "Dilution Reserves" line item listed on the Estimated Closing Statement *multiplied* by 15%, together with any interest earned thereon.

"A/R Dilution Closing Statement" has the meaning set forth in Section 2.8(h).

"A/R Dilution Consideration Adjustment" has the meaning set forth in Section 2.8(k).

"Accounting Firm" has the meaning set forth in Section 2.8(e)(i).

"Action" means any action, complaint, claim, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, or appellate proceeding), hearing, inquiry, investigation or audit commenced, brought, conducted or heard by or before any Governmental Authority, other than an Avoidance Action.

"Adjustment Amount" means an amount (which can be positive or negative) equal to the sum of:

(a) (i) the Final Purchased Inventory Payment Amount *minus* (ii) the Estimated Purchased Inventory Payment Amount; *plus*

(b) (i) the Final Reimbursement Amount *minus* (ii) the Estimated Reimbursement Amount; *plus*

(c) the Final Net A/R Payment Amount *minus* (ii) the Estimated Net A/R Payment Amount.

"Adjustment Closing Statement" has the meaning set forth in Section 2.8(c).

"Adjustment Escrow Amount" means $2,000,000, together with any interest earned thereon.

"Advisors" means, with respect to any Person, the accountants, attorneys, consultants, advisors, investment bankers, or other Representatives of such Person.

"Affiliate" means, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where "control," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, as general partner or managing member, by contract or otherwise.

"Agreement" has the meaning set forth in the Preamble.

"Ainsley RTV Inventory" means the Inventory located at Sellers' Arlington Warehouse and designated as "Ainsley RTV" in the KK Inventory File.

"Allocation" has the meaning set forth in Section 2.11.

"Alternative Transaction" means (a) the sale, transfer or other disposition, directly or indirectly, including through an asset sale, share sale, merger, amalgamation, or other similar transaction, including a plan of reorganization approved by the U.S. Bankruptcy Court, of a material portion of the Transferred Assets, in a transaction or series of transactions with one or more Persons other than Buyer, or (b) any other transaction that would interfere with, materially delay or prevent the transactions contemplated hereby.

"Ancillary Agreements" means, collectively, the agreements to be executed in connection with the transactions contemplated by this Agreement, including the Assignment and Assumption Agreement, the IP Assignment Agreement, and the Escrow Agreement.

"Anti-Corruption Laws" has the meaning set forth in Section 3.6(d).

"Arlington Warehouse" means the warehouse at 3221 East Arkansas Lane, Arlington, Texas 76010 that is leased to a Seller.

"Assignment and Assumption Agreement" has the meaning set forth in Section 2.10(b)(i).

"Assumed Liabilities" has the meaning set forth in Section 2.3.

"Audited Financial Statements" has the meaning set forth in Section 3.14(a).

"Avoidance Actions" has the meaning set forth in Section 2.1(k).

"Bankruptcy Cases" has the meaning set forth in the Recitals.

"Bankruptcy Code" has the meaning set forth in the Recitals.

"Bankruptcy Courts" has the meaning set forth in the Recitals.

"Bidder Protections" has the meaning set forth in Section 9.3(a).

"Break-up Fee" has the meaning set forth in Section 9.3(a).

"Business" means the design, development, creation, making, and sale of toys and other children's play products, including, without limitation, playground, play center, and play-house products, and related products and service as conducted by Sellers on the date hereof.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the State of Delaware, the State of Michigan, or the State of New York.

"Buyer" has the meaning set forth in the Preamble (and additionally includes reference to the Designated Buyer as the context requires).

"Buyer Breach Fee" has the meaning set forth in Section 2.9(c).

"Buyer Breach Termination" has the meaning set forth in Section 2.9(b)(ii).

"Buyer Non-Recourse Person" has the meaning set forth in Section 10.22(a).

"Canadian Sale Order" means an Order of the CCAA Court in the CCAA Recognition Proceedings, among other things, (a) recognizing and giving full force and effect to the U.S. Sale Order in Canada, and (b) vesting the Canadian Transferred Assets in and to Buyer, free and clear of all Encumbrances other than the Permitted Encumbrances, and subject to the rights of the applicable parties under Section 2 of the RSA.

"Canadian Seller" has the meaning set forth in the Preamble.

"Canadian Transferred Assets" means (a) the Transferred Assets of the Canadian Sellers, and (b) the Transferred Assets of the Sellers other than the Canadian Sellers that are located in Canada.

"Cash and Cash Equivalents" means all of any Seller's cash (including petty cash and checks received on the Closing Date), checking account balances, marketable securities, certificates of deposits, time deposits, bankers' acceptances, commercial paper, security entitlements, securities accounts, commodity Contracts, commodity accounts, government securities and any other cash equivalents, whether on hand, in transit, in banks or other financial institutions, or otherwise held (including held as a deposit), including any cash collateral supporting or otherwise relating to any letter of credit or similar instrument relating to the Business.

"Cash Breach Fee Component" has the meaning set forth in Section 2.9(c).

"CCAA" has the meaning set forth in the Recitals.

"CCAA Court" has the meaning set forth in the Recitals.

"CCAA Recognition Proceedings" has the meaning set forth in the Recitals.

"Chapter 11" means chapter 11 of the Bankruptcy Code.

"Chapter 11 Case" has the meaning set forth in the Recitals.

"Closing" has the meaning set forth in Section 2.10(a).

"Closing Date" has the meaning set forth in Section 2.10(a).

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Compliance Date" means April 1, 2022.

"Conditions Certificates" means (a) a certificate signed by a duly authorized officer of Buyer and addressed to Sellers and the Information Officer (in form and substance satisfactory to Sellers and the Information Officer, acting reasonably) certifying that the closing conditions set forth in Section 8.1 and Section 8.2 have been satisfied or waived, and (b) a certificate signed by a duly authorized officer of KK OpCo and addressed to Buyer and the Information Officer (in form and substance satisfactory to Buyer and the Information Officer, acting reasonably) certifying that the Purchase Price payable upon Closing has been paid in full in accordance with this Agreement and the closing conditions set forth in Section 8.1 and Section 8.3 have been satisfied or waived.

"Confidentiality Agreement" means the Confidentiality Agreement, dated as of November 8, 2023, entered into between KidKraft Group Holdings, LLC and Source Capital, LLC with respect to the transactions contemplated hereby.

"Confirmation Order" means an order of the U.S. Bankruptcy Court confirming the Plan, which order may include the U.S. Sale Order and shall be subject to the rights of the parties under Section 2 of the RSA.

"Contract" means any contract, agreement, insurance policy, lease, license, sublicense, sales order, purchase order, instrument, or other commitment, that is binding on any Person or any part of its assets or properties under applicable Law.

"Controlled Group Liability" means any and all Liabilities of Sellers and their ERISA Affiliates (a) under Title IV of ERISA, (b) under Section 302 of ERISA, (c) under Sections 412 or 4971 of the Code and (d) under corresponding or similar provisions of foreign Laws.

"COVID-19" means SARS-CoV-2 or COVID-19, and any evolutions or mutations thereof.

"Cure Claims" means amounts that must be paid and obligations that otherwise must be satisfied, pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code or the CCAA, in

connection with the assumption and assignment of the Transferred Contracts to be assumed and assigned to Buyer.

"Customs and International Trade Laws" means any domestic Law, license, directive, award or other decision or requirement, including any amendments, having the force or effect of Law, of any Governmental Authority, concerning the transfer, importation, exportation, reexportation or deemed exportation of products, technical data, technology and/or services.

"Debtors" has the meaning set forth in the Recitals.

"Deposit Amount" has the meaning set forth in Section 2.9(a).

"Designated A/R Account" has the meaning set forth in Section 6.7(c).

"Designated Buyer" has the meaning set forth in Section 2.12(a).

"Designated Parties" has the meaning set forth in Section 2.1(k).

"Designation Deadline" has the meaning set forth in Section 2.5(f).

"DIP Agent" means GB Funding, LLC.

"DIP Budget" means the budget provided for under the DIP Order, which budget is attached to the RSA (as updated from time to time in accordance with the terms thereof with approval of Buyer).

"DIP Facility" means the senior secured superpriority debtor-in-possession term loan facility provided to the Debtors by 1903 Partners, LLC.

"DIP Order" means the interim or final (whichever is then in effect) Order entered by the U.S. Bankruptcy Court approving or authorizing the Debtors' entry into and performance under the DIP Term Sheet.

"DIP Term Sheet" means that certain priming super priority debtor-in-possession financing term sheet dated as of the date hereof pursuant to which 1903 Partners, LLC made the DIP Facility available to the Debtors, subject to entry of the DIP Order.

"Disclosed Personal Information" means Personal Data governed by applicable Canadian federal or provincial Privacy Laws that Buyer receives from Seller in connection with this Agreement.

"Disclosure Letter" means the disclosure letter being delivered to Buyer contemporaneously with the execution of this Agreement. Notwithstanding anything to the contrary contained in the Disclosure Letter or in this Agreement, (a) the information and disclosures contained in any section of the Disclosure Letter shall be deemed to be disclosed and incorporated by reference in any other section of the Disclosure Letter as though fully set forth in such other section for which the applicability of such information and disclosure is reasonably apparent on the face of such information or disclosure, (b) the disclosure of any matter in the

Disclosure Letter shall not be construed as indicating that such matter is necessarily required to be disclosed in order for any representation or warranty to be true and correct, (c) the Disclosure Letter is qualified in its entirety by reference to this Agreement and is not intended to constitute, and shall not be construed as constituting, representations and warranties by any Party except to the extent expressly set forth herein, (d) the inclusion of any item in the Disclosure Letter shall be deemed neither an admission that such item is material to the business, financial condition or results of operations of any Seller or the Business, nor an admission of any liability to any third party, (e) matters reflected in the Disclosure Letter are not necessarily limited to matters required by this Agreement to be reflected therein and any additional matters are set forth therein for informational purposes and (f) headings are inserted in the Disclosure Letter for convenience of reference only and shall not have the effect of amending or changing the express description of the sections as set forth in this Agreement.

"Disclosure Limitations" has the meaning set forth in Section 6.2(a).

"Disputed Amounts" has the meaning set forth in Section 2.8(e).

"Employee Benefit Plans" means each (i) "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA, (ii) other benefit and compensation plan, contract, policy, program, practice, arrangement or agreement, including pension, profit-sharing, savings, termination, executive compensation, phantom stock, change-in-control, retention, salary continuation, vacation, sick leave, disability, death benefit, insurance, hospitalization, medical, dental, life (including all individual life insurance policies as to which any Seller is an owner, a beneficiary or both), employee loan, educational assistance, fringe benefit, deferred compensation, retirement or post-retirement, severance, equity or equity-based compensation, incentive and bonus plan, contract, policy, program, practice, arrangement or agreement and (iii) other employment, consulting or other individual agreement or arrangement, in each case, (a) that is sponsored or maintained or contributed, or required to be contributed, to by any Seller or any of its ERISA Affiliates in respect of any current or former employees, directors, independent contractors, consultants or leased employees of any Seller, including any dependents or beneficiaries thereof or (b) with respect to which any Seller or any of its ERISA Affiliates has any actual or contingent Liability.

"Employees" means all of the employees of Sellers on the Execution Date, as well as any additional persons who become employees of Sellers during the period from the Execution Date through the Closing.

"Encumbrance" means any charge, claim (including any "claim" as defined in the Bankruptcy Code), lease, sublease, mortgage, deed of trust, lien (including any "lien" as defined in the Bankruptcy Code), license, encumbrance, option, pledge, hypothecation, security interest or similar interest, preemptive right, right of first refusal, right of first offer, right of use or possession, restriction, easement, servitude, restrictive covenant, encroachment, conditional sale or title retention agreements or other similar restriction or encumbrance, whether imposed by Law, Contract, equity or otherwise.

"Enforceability Exceptions" has the meaning set forth in Section 3.2.

"Environmental Claim" means any Action, cause of action, claim, suit, proceeding, investigation, Order, demand or notice by any Person alleging Liability (including Liability for investigatory costs, governmental response costs, remediation or clean-up costs, natural resources damages, property damages, personal injuries, attorneys' fees, fines or penalties) arising out of, based on, resulting from or relating to (a) the presence, Release or threatened Release of, or exposure to any Hazardous Materials; (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; or (c) any other matters for which Liability is imposed under Environmental Laws, including common law.

"Environmental Law" means any Law relating to pollution, the protection of, restoration or remediation of the environment or natural resources, or the protection of human health and safety (regarding exposure to Hazardous Materials), including, Laws relating to: (a) the exposure to, or Releases or threatened Releases of, Hazardous Materials; (b) the generation, manufacture, processing, distribution, use, transport, treatment, containment, storage, disposal, or handling of Hazardous Materials; or (c) recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials.

"Environmental Permit" means any Permit required under or issued pursuant to any Environmental Law for the Sellers' operations as currently conducted.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and regulations promulgated thereunder.

"ERISA Affiliate" means any entity which is a member of (a) a controlled group of corporations (as defined in Section 414(b) of the Code), (b) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), (c) an affiliated service group (as defined under Section 414(m) of the Code) or (d) any group specified in Treasury Regulations promulgated under Section 414(o) of the Code, any of which includes or included (as of the relevant time) any Seller.

"Escrow Agent" means Citibank, N.A.

"Escrow Agreement" means the Contract by and among Buyer, KK OpCo and Escrow Agent attached hereto as Exhibit A.

"Estimated A/R Dilution Amount" has the meaning set forth in Section 2.8(a).

"Estimated Closing Statement" has the meaning set forth in Section 2.8(a).

"Estimated Net A/R Payment Amount" has the meaning set forth in Section 2.8(a).

"Estimated Purchased Inventory Payment Amount" has the meaning set forth in Section 2.8(a).

"Estimated Reimbursement Amount" has the meaning set forth in Section 2.8(a).

"ETA" means the *Excise Tax Act* (Canada) and the regulations thereunder.

"Excluded Assets" has the meaning set forth in Section 2.2.

"Excluded Contracts" has the meaning set forth in Section 2.2(i).

"Excluded In-Transit Inventory" has the meaning set forth in Section 6.9.

"Excluded Liabilities" has the meaning set forth in Section 2.4.

"Excluded Specified Inventory" has the meaning set forth in Section 2.2(g).

"Excluded Taxes" means any Liabilities (i) for Taxes of the Sellers with respect to any taxable period, (ii) for Taxes relating to the operation of the Business or ownership of the Transferred Assets prior to (but not after) the Closing and (iii) for Taxes for which the Sellers are responsible pursuant to Section 7.3.

"Execution Date" has the meaning set forth in the Preamble.

"Expense Reimbursement" has the meaning set forth in Section 9.3(a).

"FCPA" has the meaning set forth in Section 3.6(d).

"Final A/R Dilution Amount" has the meaning set forth in Section 2.8(j).

"Final Net A/R Payment Amount" has the meaning set forth in Section 2.8(j).

"Final Purchased Inventory Payment Amount" has the meaning set forth in Section 2.8(f).

"Final Reimbursement Amount" has the meaning set forth in Section 2.8(f).

"Financial Statements" has the meaning set forth in Section 3.14(a).

"Foreign Inventory" has the meaning set forth in Section 6.9.

"Fraud" means intentional and knowing common law fraud under the laws of the State of Delaware with respect to each of the Parties' respective representations and warranties expressly set forth in Article III or Article IV this Agreement. For the avoidance of doubt, "Fraud" does not include any claim for constructive or equitable fraud or any fraud based on negligence or recklessness.

"Fundamental Representations" means the representations and warranties set forth in Section 3.1 (Organization), Section 3.2 (Authority), Section 3.4(a) and (b) (Title to Transferred Assets) and Section 3.19 (Financial Advisors).

"GAAP" means United States generally accepted accounting principles as in effect on the date hereof.

"Gordon Brothers" means GB Funding, LLC, 1903 Partners, LLC, or any of their Affiliates.

"Governmental Authority" means any United States or non-United States national, federal, state or local governmental, regulatory or administrative authority, agency, court, tribunal or commission or any other judicial or arbitral body, including the Bankruptcy Courts.

"Hazardous Materials" means any material, substance, chemical, or waste (or combination thereof) that (a) is listed, defined, designated, regulated or classified as hazardous, toxic, radioactive, dangerous, a pollutant, a contaminant, petroleum, oil, or words of similar meaning or effect under any Environmental Law; or (b) forms the basis of any Liability under any Environmental Law.

"In-Transit Inventory" has the meaning set forth in Section 6.9.

"In-Transit Inventory Consideration" has the meaning set forth in Section 6.9.

"In-Transit Inventory Escrow Amount" has the meaning set forth in Section 6.9.

"Income Taxes" means (a) all Taxes based upon, measured by, or calculated with respect to gross or net income, gross or net receipts or profits (including franchise Taxes and any capital gains and alternative minimum Taxes, but excluding property, sales, real or personal property transfer or other similar Taxes), (b) Taxes based upon, measured by, or calculated with respect to multiple bases (including corporate franchise, doing business or occupation Taxes) if one or more of the bases upon which such Tax may be based, measured by, or calculated with respect to is included in clause (a) above, or (c) withholding Taxes measured with reference to or as a substitute for any Tax included in clauses (a) or (b) above.

"Indoor Vendor Payments" has the meaning set forth in Section 2.7(b).

"Information Officer" means the information officer appointed by the CCAA Court in the CCAA Recognition Proceedings.

"Information Officer's Certificate" means the certificate issued by the Information Officer, substantially in the form attached to the Canadian Sale Order, certifying that the Information Officer has received the Conditions Certificates.

"Initial Cash Consideration" has the meaning set forth in Section 2.6(a).

"Intellectual Property" means all intellectual property rights throughout the world, including all U.S. and foreign rights in (a) trade names, trademarks and service marks, business names, corporate names, domain names, trade dress, logos, slogans, design rights, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("Trademarks"); (b) patents, patent applications, invention disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof ("Patents"); (c) copyrights and copyrightable subject matter (whether registered or unregistered), works of authorship ("Copyrights"); (d) computer programs (whether in source code, object code, or other form), firmware, software, models, algorithms, methodologies, databases, compilations, data, all technology supporting the foregoing, and all documentation, including user manuals and training materials, programmers' annotations, notes, and other work product used to design, plan, organize, maintain, support or develop, or related to any of the

foregoing; (e) confidential or proprietary information, trade secrets and know-how, and all other inventions, proprietary processes, formulae, models, and methodologies; (f) all applications and registrations for any of the foregoing; and (g) all rights and remedies (including the right to sue for and recover damages) against past, present, and future infringement, misappropriation, or other violation relating to any of the foregoing.

"Interim Financial Statements" has the meaning set forth in Section 3.14(a).

"Inventory" means all raw materials, works-in-progress, finished goods, supplies, packaging materials and other inventories owned by Sellers.

"Inventory Count" means the physical count and inspection of the Purchased Inventory by the Sellers or their Representatives completed prior to Closing. The Inventory Count will be conducted by Sellers no more than two (2) Business Days prior to the Closing Date. The Inventory Count will be taken in accordance with the historical past practice of the Business, to the extent consistent with GAAP, and otherwise in accordance with GAAP, to verify the Purchased Inventory accurately reflects the KK Inventory File. Buyer and Gordon Brothers will each have the right to have a Representative observe and participate in the verification of the Inventory Count. The results of the Inventory Count will be used to determine the amount of Purchased Inventory and the calculation of the Purchased Inventory Payment Amount.

"IP Assignment Agreement" means the Intellectual Property rights assignment agreement, in form and substance reasonably satisfactory to the Parties.

"IRS" means the Internal Revenue Service of the United States.

"KK Canada GP" has the meaning set forth in the Preamble.

"KK Canada LP" has the meaning set forth in the Preamble.

"KK Holdings" has the meaning set forth in the Preamble.

"KK Inventory File" means the excel file labeled "Inventory Detail 03.21.2024.xlsx" and made available in the Project Liftoff data room, as the volume of the inventory reflected therein is updated pursuant to the Inventory Count, or as otherwise determined by mutual agreement of Buyer and Sellers (acting reasonably) prior to Closing, to reflect actual inventory as of the Closing (for the avoidance of doubt, no such update to the KK Inventory File will amend or otherwise modify any of the grades of any of the inventory reflected therein).

"KK OpCo" has the meaning set forth in the Preamble.

"Knowledge" with respect to Sellers means the actual (but not constructive or imputed) knowledge of Geoff Walker, Johnnie Goodner and David Barr after reasonable inquiry.

"Law" means any and all federal, state, provincial, local and foreign laws, statutes, ordinances, rules, regulations, policies, orders, judgments and decrees, in each case, enacted, adopted or promulgated by a Governmental Authority.

"Leased Real Property" has the meaning set forth in Section 3.9.

"Legal Restraint" has the meaning set forth in Section 8.1(a).

"Liability" means any debt, loss, claim, damage, demand, fine, judgment, penalty, liability (including any liability that results from, arises out of, or relates to any tort or product liability claim), commitment, undertaking, expense, cost, royalty, deficiency, fee, charge or obligation (in each case, of any nature, whether known or unknown, disclosed or undisclosed, express or implied, primary or secondary, mature or unmatured, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and whether in contract, tort or otherwise, and without regard to when sustained, incurred or asserted or when the relevant events occurred or circumstances existed).

"Listed Person" has the meaning set forth in Section 3.6(g).

"Material Adverse Effect" means any event, change, condition, occurrence or effect that individually or in the aggregate (a) has had, or would reasonably be expected to have, a material adverse effect on the Business or the Transferred Assets or the condition (financial or otherwise), assets, Liabilities, or operations of the Business or the Transferred Assets, taken as a whole, or (b) prevents or materially impedes, or would reasonably be expected to prevent or materially impede, the performance by Sellers of their obligations under this Agreement, other than, in each case of the preceding clause (a), any event, change, condition, occurrence or effect to the extent arising out of, attributable to or resulting from, alone or in combination, (i) general changes or developments in the industry or geographical areas in which the Business operates, (ii) with respect to the Business or the Transferred Assets, changes in general domestic or foreign economic, social, political, financial market or geopolitical conditions (including the existence, occurrence, escalation or outbreak or worsening of any hostilities, war, police action, acts of terrorism or military conflicts, whether or not pursuant to the declaration of an emergency or war), (iii) the occurrence of any act of God or other calamity or force majeure event (whether or not declared as such), including any civil disturbance, embargo, natural disaster, earthquake, fire, flood, hurricane, tornado or other weather event, or the onset or continuation of any global or national health concern, epidemic, pandemic (whether or not declared as such by any Governmental Authority), viral outbreak (including "Coronavirus" or "COVID-19" or any variant thereof) or any quarantine, lockdown, travel restriction, business restriction or trade restriction related thereto, (iv) changes in any applicable Laws or GAAP or interpretations thereof, (v) the execution, existence, performance, announcement, pendency or consummation of this Agreement or the transactions contemplated hereby, (vi) the announcement or pendency of the Bankruptcy Cases (and any limitations therein pursuant to the Bankruptcy Code, the CCAA, any Order of the Bankruptcy Courts, or the DIP Facility (or limitations of funding thereunder)) or any objections in the Bankruptcy Courts to (1) this Agreement or any of the transactions contemplated hereby, (2) the reorganization or liquidation of Sellers and any related plan of reorganization or disclosure statement, (3) the Plan, (4) the assumption of any Transferred Contract or (5) any action approved by the Bankruptcy Courts, (vii) any action taken by any Seller at the written request of Buyer or that is required by this Agreement, (viii) the identity of Buyer or any of its Affiliates, (ix) any failure to achieve and comply with any budgets (including, without limitation, the DIP Budget), projections, forecasts, estimates, plans, predictions, performance metrics or operating statistics (but, for the avoidance or doubt, not the underlying causes of any such failure to the extent such

underlying cause is not otherwise excluded from the definition of Material Adverse Effect); (x) the effect of any action taken by Buyer or its Affiliates with respect to the transactions contemplated by this Agreement, (xi) any breach by Buyer of its obligations under this Agreement or (xii) any change in the cost or availability or other terms of any financing; provided, however, that changes or developments set forth in clauses (i), (ii), (iii) or (iv) may be taken into account in determining whether there has been or is a Material Adverse Effect if such changes or developments have a disproportionate impact on the Business, taken as a whole, relative to the other participants in the industries and markets in which the Business operates.

"Net A/R" means aggregate book balance of the Transferred A/R, as updated in the Estimated Closing Statement to reflect Transferred A/R accounts receivable as of the Closing, net of (i) any A/R Dilution (excluding any A/R Dilution offered by Buyer (or a Designated Buyer or their respective Affiliates) following the Closing), (ii) any accounts receivable aged in excess of ninety (90) days past due as of the Closing and (iii) unapplied cash in respect of the Transferred A/R.

"Net A/R Payment Amount" means Net A/R *multiplied* by 90%.

"Non-Income Taxes" means any Taxes other than Income Taxes, including ad valorem, property, excise, sales, use or other similar Taxes relating to the Transferred Assets or the Business, but excluding, for the avoidance of doubt, Transfer Taxes.

"Objection Notice" has the meaning set forth in Section 2.8(d).

"Order" means any award, writ, injunction, judgment, order or decree entered, issued, made, or rendered by any Governmental Authority.

"Ordinary Course of Business" means the operation of the Business in the ordinary and usual course consistent with past practice and custom of Sellers, as such practice and custom is, or may have been, modified as a result of the Bankruptcy Cases, in each case subject to (a) the filing of the Bankruptcy Cases and (b) any Orders of the Bankruptcy Courts or the Bankruptcy Code or the CCAA.

"Organizational Documents" means (i) with respect to any corporation, its certificate or articles of incorporation, its bylaws, and any shareholder or stockholder agreement, (ii) with respect to any limited partnership, its certificate of limited partnership and its partnership agreement, (iii) with respect to any general partnership, any statement of partnership and its partnership agreement, (iv) with respect to any limited liability company, its certificate of formation or articles of organization and its operating agreement, (v) with respect to any other form of entity, any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person and any agreement amongst its members, (vi) any documents equivalent to any of the foregoing applicable to non-U.S. jurisdictions, and (vii) any amendments, side letters, modifications, or other arrangements with respect to any of the foregoing.

"Outdoor Vendor Payments" has the meaning set forth in Section 2.7(a).

"Outside Date" has the meaning set forth in Section 9.1(b)(ii).

"Party" or "Parties" means, individually or collectively, Buyer and Sellers.

"Permits" has the meaning set forth in Section 3.6(b).

"Permitted Encumbrance" means (a) Encumbrances for Taxes not yet due and payable or the validity or amount of which is being contested in good faith by appropriate proceedings, (b) mechanics', carriers', workers', repairers', suppliers', vendors' and other similar common law or statutory Encumbrances arising or incurred in the Ordinary Course of Business under applicable Law, (c) with respect to any Leased Real Property, any Encumbrance primarily affecting the interest of the landlord, sublandlord or licensor of such real property, (d) any non-exclusive licenses to Intellectual Property granted to customers of the Business in the Ordinary Course of Business, (e) public roads, highways, zoning codes, building codes, entitlements, conservation restrictions or other land use or environmental Laws regulating the use or occupancy of the Real Property or the activities conducted thereon which are imposed by any governmental authority having jurisdiction over the Real Property, (f) any Encumbrances that will be removed or released by operation of the Sale Orders and (g) any other Encumbrance permitted in writing by Buyer.

"Person" means an individual, corporation, partnership, limited liability company, limited liability partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

"Personal Data" means any information (a) that could be used to identify, contact, or locate a natural Person, including name, contact information, financial account number, an identification number, location data, IP address, online activity or usage data, an online identifier, or one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural Person, or (b) that is considered "personally identifiable information," "personal information," or "personal data" by one or more applicable Privacy Laws.

"Petition Date" means the date of filing of the Chapter 11 Case.

"Plan" The Chapter 11 plan of Debtors (as defined in the RSA) filed in accordance with the RSA.

"Prepetition Budget" means the budget regarding applicable Vendor Payments from the effective date of the RSA through the Petition Date, which budget is attached to the RSA (as updated from time to time in accordance with the terms thereof with approval of Buyer).

"Prepetition Credit Agreement" means that certain Amended and Restated First Lien Credit Agreement dated as of April 3, 2020, among KK OpCo and KidKraft Netherlands B.V. a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, as borrowers, the guarantors party thereto, GB Funding, LLC as administrative agent and collateral agent and the lenders from time to time party thereto, as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof.

"Privacy and Information Security Requirements" means (a) all applicable Laws regulating the Processing of Personal Data, data breach notification, privacy policies and practices,

processing and security of payment card information, including, to the extent applicable, the Federal Trade Commission Act, the California Consumer Privacy Act of 2018 ("CCPA"), the Payment Card Industry Data Security Standards, the European General Data Protection Regulation (the "GDPR"), any applicable national laws which implement the GDPR, the UK Data Protection Act 2018 (the "UK DPA"), the Personal Information Protection Law ("PIPL") of China, state data security laws and state data breach notification law, in each case as amended, consolidated re-enacted or replaced from time to time ("Privacy Laws"), (b) obligations under all Transferred Contracts that relate to Personal Data and (c) all of the Sellers' and their Subsidiaries' written internal and publicly posted policies and representations regarding the Processing of Personal Data in the conduct of the Business.

"Process" or "Processing" with regard to Personal Data means the collection, use, storage, maintenance, retention, transmission, access, processing, recording, distribution, transfer, import, export, protection (including security measures), deletion, disposal or disclosure or other activity regarding data (whether electronically or in any other form or medium).

"Purchase Price" has the meaning set forth in Section 2.6.

"Purchased Inventory" has the meaning set forth in Section 2.1(d).

"Purchased Inventory Payment Amount" means an amount calculated as follows: (a) 75% of the book value of Purchased Inventory graded A, A+, B, C, Comp, I, New, New_FY24 or blank in the KK Inventory File; *plus* (b) 60% of the book value of Purchased Inventory graded D in the KK Inventory File; provided, in each case, the amount of Purchased Inventory shall be adjusted based on the Inventory Count and will only include Inventory located in the United States that has cleared customs, Australia (to the extent that title of such Australian inventory is transferred to a Seller prior to Closing) or Canada, or that becomes Purchased Inventory in accordance with Section 6.9, *plus* (c) the lesser of (i) 100% of the book value of the Purchased Inventory on the KK Inventory File designated as "European Inventory", and (ii) the documented landed duty paid price of such inventory styles if the Buyer had purchased such Purchased Inventory directly from vendors in China; provided, that, Buyer shall reimburse Sellers the costs of importing any Foreign Inventory into the United States in accordance with Section 2.7(f).

"Qualifying Alternative Transaction" means an Alternative Transaction that will result in Sellers receiving aggregate cash consideration which is greater than the aggregate sum of the following amounts: the implied cash portion of the Purchase Price (determined based on the KK Inventory File) *plus* the Break-up Fee *plus* the Expense Reimbursement *plus* $4,000,000 and that provides for assumption of liabilities in excess of the Assumed Liabilities.

"Registered IP" has the meaning set forth in Section 3.10(a).

"Reimbursement Amount" has the meaning set forth in Section 2.7.

"Release" means any release, spill, emission, discharge, leaking, pouring, dumping or emptying, pumping, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials into the environment (including soil, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the migration of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

"Representatives" means, with respect to any Person, the officers, managers, directors, principals, employees, agents, auditors, Advisors, and other representatives of such Person.

"RSA" has the meaning set forth in the Recitals.

"Sale Hearing" means the hearing conducted by the U.S. Bankruptcy Court to approve the transactions contemplated by this Agreement.

"Sale Orders" has the meaning set forth in the Recitals.

"Seller" has the meaning set forth in the Preamble.

"Seller Non-Recourse Person" has the meaning set forth in Section 10.22(b).

"Solowave U.S." has the meaning set forth in the Preamble.

"Specified Indoor Inventory" has the meaning set forth in Section 2.7(b).

"Specified Outdoor Inventory" has the meaning set forth in Section 2.7(a).

"Straddle Period" means any taxable period that includes, but does not end on, the Closing Date.

"Subsidiary" of any Person means any entity (a) of which 50% or more of the outstanding share capital, voting securities or other voting equity interests are owned, directly or indirectly, by such Person, (b) of which such Person is entitled to elect, directly or indirectly, at least 50% of the board of directors or similar governing body of such entity or (c) if such entity is a limited partnership or limited liability company, of which such Person or one of its Subsidiaries is a general partner or managing member or has the power to direct the policies, management or affairs.

"Successor" has the meaning set forth in Section 9.3(b).

"Tax Law" means any statute, law, ordinance, regulation, rule, code, injunction, judgment, decree or order of any Governmental Authority relating to Taxes.

"Tax Return" means any return, document, declaration, report, claim for refund, statement, information statement or other information or filing relating to Taxes, including any schedule or attachment thereto or amendment thereof, that is filed with or supplied to, or required to be filed with or supplied to, any Governmental Authority.

"Taxes" means any and all U.S. federal, state, and local, Canadian federal, provincial, territorial and local, non-U.S./non-Canadian and other taxes, charges, fees, duties, levies, tariffs, imposts, tolls, customs or other assessments in the nature of a tax imposed by any Governmental Authority, including net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, branch profits, profit share, license, lease, service, service use, value added, goods and services, harmonized sales, provincial sales, retail sales, withholding, payroll, employment, fringe benefits, excise, estimated, severance, stamp, occupation, premium, property,

escheat or unclaimed property, windfall profits or other taxes, together with any interest, penalties, or additions to tax imposed by a Governmental Authority with respect thereto.

"Transfer Taxes" has the meaning set forth in Section 7.1.

"Transferred A/R" has the meaning set forth in Section 2.1(c).

"Transferred Assets" has the meaning set forth in Section 2.1.

"Transferred Contracts" has the meaning set forth in Section 2.1(e).

"Transferred Employee Records" means records of Sellers that relate to the Transferred Employees, but only to the extent that such records pertain to (a) skill and development training, (b) seniority histories, (c) salary information and (d) Occupational, Safety and Health Administration reports and records (or similar reports and records under Canadian law) that Buyer or its Affiliates are obligated to maintain as a successor employer.

"Transferred Employee" has the meaning set forth in Section 6.3(a).

"Transferred IP" has the meaning set forth in Section 2.1(f).

"Treasury Regulations" means the regulations promulgated under the Code by the United States Department of the Treasury (whether in final, proposed or temporary form), as the same may be amended from time to time.

"U.S. Bankruptcy Court" has the meaning set forth in the Recitals.

"U.S. Sale Order" means an Order of the U.S. Bankruptcy Court approving this Agreement and the transactions contemplated by this Agreement, and subject to the rights of the parties under Section 2 of the RSA (for the avoidance of doubt, in form and substance acceptable to Buyer), provided that such U.S. Sale Order may be included as part of the Confirmation Order.

"U.S. Seller" has the meaning set forth in the Preamble.

"Vendor Payments" has the meaning set forth in Section 2.7(c).

"Vendor Start Up Cost Payments" has the meaning set forth in Section 2.7(c).

"WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988 and any similar applicable local or state Laws.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Transferred Assets. Upon the terms and subject to the conditions of this Agreement and the Sale Orders, at the Closing, Sellers shall sell, assign, transfer, convey and deliver, or cause to be sold, transferred, assigned, conveyed and delivered, to Buyer (or, as applicable, one or more Designated Buyers), and Buyer (or, as applicable, one or more

Designated Buyers) shall purchase, all right, title and interest of Sellers, in, to or under the Transferred Assets free and clear of any and all Encumbrances (other than Permitted Encumbrances). "Transferred Assets" shall mean all right, title and interest of Sellers to or under the following properties and assets of Sellers of every kind and description, whether real, personal, mixed, intangible (but excluding in each case any Excluded Assets):

(a) all rights, claims or causes of action of Sellers against any party arising out of events occurring prior to the Closing related to other categories of Transferred Assets, including, for the avoidance of doubt, arising out of events occurring prior to the commencement of the Chapter 11 Case, and including any rights under or pursuant to any and all warranties, licenses, representations and guarantees made by suppliers, manufacturers and contractors relating to products sold, or services provided, to Sellers, in each case, relating to other categories of Transferred Assets, but excluding any rights, claims or causes of action of Sellers released pursuant to the Plan;

(b) other than Inventory, all fixed assets, equipment, machinery, furnishings, computer hardware, electronic devices, vehicles, tools, office supplies, fixtures and other tangible personal property primarily used in or necessary for the operation of the Business that is owned by a Seller organized under laws of the United States or Canada;

(c) (i) all accounts receivable of Sellers located in the United States and Canada, including all such accounts receivable set forth on Section 2.1(c) of the Disclosure Letter, as updated in the Estimated Closing Statement and the A/R Dilution Closing Statement to reflect accounts receivable as of the Closing, regardless of aged status (the "Transferred A/R") and (ii) all cash receipts received after the Closing on account of any Transferred A/R;

(d) the Inventory described in Section 2.1(d) of the Disclosure Letter, as updated prior to Closing based on the Inventory Count, to the extent such Inventory either (i) at Closing, is located in the United States, Canada or Australia (with title held by a Seller as of Closing), or (ii) constitutes In-Transit Inventory that has been delivered to the United States and cleared through customs within 120 days following Closing in accordance with Section 6.9 (the "Purchased Inventory");

(e) each of the Contracts set forth on Section 2.1(e) of the Disclosure Letter, as may be amended from time to time pursuant to Section 2.5(b) and Section 2.5(f) (the "Transferred Contracts");

(f) all Intellectual Property owned by any Seller and relating primarily to the Business, including but not limited to the Registered IP listed on Section 3.10(a) of the Disclosure Letter, and, to the extent transferable and subject to Section 10.24, (i) all of Sellers' rights in and to Personal Data used in the Business and (ii) Intellectual Property that is governed by any Transferred Contract (the "Transferred IP");

(g) all production molds and other tangible assets necessary to continue to produce inventory in accordance with Company's current practices;

(h) all goodwill associated with the Transferred Assets;

(i) to the extent not prohibited by Law and not subject to attorney-client privilege, solicitor-client privilege or other work product privilege, all documents and other books and records, correspondence (including electronic mail communications), the Transferred Employee Records, all vendor files, information and data, and all customer sales, marketing, advertising, packaging and promotional materials, files, data, software (whether written, recorded or stored on disk, film, tape or other media, and including all computerized data), drawings, engineering and manufacturing data and other technical information and data, and all other business and other records, in each case, that are related primarily to the Business or any Transferred Asset, in each case, except as set forth in Section 2.2(b) and Section 2.2(j); provided, however, that Sellers have the right to retain copies at Sellers' expense;

(j) all telephone and facsimile numbers of the Business and all records of email addresses of customers and suppliers of the Business;

(k) all avoidance claims or causes of action available to Sellers under Chapter 5 of the Bankruptcy Code (including Sections 544, 545, 547, 548, 549, 550 and 553) or any similar actions under any other applicable Law (collectively, "Avoidance Actions") against the following (collectively, the "Designated Parties"): (i) any of Seller's vendors, suppliers, customers or trade creditors with whom Buyer continues to conduct business in regard to the Transferred Assets after the Closing, (ii) any of Sellers' counterparties under any licenses of Intellectual Property that are Transferred Contracts or counterparties under any other Transferred Contracts, (iii) any officer, manager or employee of Sellers that is a Transferred Employee and (iv) any Affiliates of any of the Persons listed in clauses (i) through (iii); provided, however, that it is understood and agreed by the parties that Buyer will not pursue or cause to be pursued any Avoidance Actions against any of the Designated Parties other than as a defense (to the extent permitted under applicable Law) against any claim or cause of action raised by such Designated Party; and

(l) all bank and lockbox accounts associated with the collection of proceeds from the Business or the Sellers' business, including, without limitation, all bank accounts that receive checks, ACH payments, and electronic payments related to the Transferred A/R.

Section 2.2 Excluded Assets. Notwithstanding anything contained in Section 2.1 to the contrary, Sellers are not selling, and Buyer is not purchasing, any right, title or interest in, to or under any assets of the Sellers other than the Transferred Assets. The following assets and any asset other than the Transferred Assets shall be retained by Sellers (collectively, the "Excluded Assets"):

(a) all assets expressly excluded or excepted from the definition of Transferred Assets;

(b) Sellers' documents, written files, papers, books, reports and records prepared or received by any Seller or any of its Affiliates or Representatives: (i) in connection with any sale, potential sale or other strategic transaction involving KK OpCo and its Affiliates, the Business, or any portion thereof including any of the Transferred Assets (including, but not limited to, this Agreement and the transactions contemplated hereby), (ii) that are subject to any privilege in favor of Seller or any of its Affiliates, or (iii) that any Seller is required by Law or other requirement to retain;

(c) all rights, claims and causes of action to the extent relating to any Excluded Asset (and not relating to any Transferred Asset);

(d) all Intellectual Property owned by Sellers or any Subsidiary of any Seller that is not Transferred IP;

(e) shares of capital stock or other equity interests of any Seller or any Subsidiary of any Seller or securities convertible into or exchangeable or exercisable for shares of capital stock or other equity interests of any Seller or any Subsidiary of any Seller;

(f) all retainers or similar prepaid amounts paid to the Advisors of Sellers;

(g) the Inventory listed in Section 2.2(g) of the Disclosure Letter and any other Inventory that is not Purchased Inventory (the "Excluded Specified Inventory");

(h) all insurance policies, and all rights and benefits of any nature of Sellers with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries, in each case, solely to the extent payable to or on behalf of, or in respect of amounts payable by any Seller or any Subsidiary of any Seller to, any individuals covered by such policies;

(i) each Contract of any Seller that is not a Transferred Contract (the "Excluded Contracts");

(j) (i) all books and records to the extent related to any of the Excluded Assets or Liabilities of Sellers other than Assumed Liabilities; (ii) all minute books, Organizational Documents, stock registers and such other books and records of any Seller or any Subsidiary of any Seller, as pertaining to ownership, organization, qualification to do business, capitalization, or existence of such Seller or Subsidiary of any Seller, Tax Returns (and any related work papers) and any other Tax records of any Seller or any Subsidiary of any Seller (but only to the extent such Tax Returns and records relate to Income Taxes or do not primarily relate to the Transferred Assets or the Business), and corporate seal of any Seller or any Subsidiary of any Seller; (iii) all employment-related records other than the Transferred Employee Records; and (iv) all books and records that any Seller is required by Law to retain, or prohibited by Law from disclosing, or are subject to attorney-client privilege or other work product privilege;

(k) any and all claims of the Sellers for refunds of, credits attributable to, loss carryforwards with respect to, or similar Tax assets relating to (i) Non-Income Taxes for which Sellers are responsible pursuant to Section 7.3, (ii) Income Taxes, (iii) Taxes attributable to the Excluded Assets, and (iv) any other Taxes relating to the ownership or operation of the Transferred Assets that are attributable to any Tax period (or portion thereof) ending on or prior to the Closing Date;

(l) all Cash and Cash Equivalents;

(m) all Excluded In-Transit Inventory;

(n) all rights and claims of any Seller to any deposit of any kind (including any utilities deposits and deposits made in connection with the Bankruptcy Cases);

(o) all rights, claims and causes of action of any Person that is not a Seller (even if such Person is an Affiliate thereof or operates a business similar or identical to the Business); and

(p) all rights, claims or causes of action of Sellers under this Agreement and the Ancillary Agreements and under any Contracts that are not Transferred Contracts.

Section 2.3 Assumed Liabilities. In connection with the purchase and sale of the Transferred Assets pursuant to this Agreement, at and after the Closing, Buyer shall assume and pay, discharge, perform or otherwise satisfy only the following Liabilities (the "Assumed Liabilities"):

(a) Liabilities of Sellers arising under the Transferred Contracts, but only to the extent that the Liabilities thereunder arise after the Closing Date and do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by Sellers on or prior to the Closing;

(b) All Cure Claims associated with Transferred Contracts in amounts not to exceed the Cure Claim amounts for any such Transferred Contracts as set forth on Section 2.1(e) of the Disclosure Letter, as may be amended in accordance with Section 2.5(f);

(c) All Liabilities for (i) Transfer Taxes for which Buyer is responsible pursuant to Section 7.1 and (ii) for Non-Income Taxes for which the Buyer is responsible pursuant to Section 7.3; and

(d) all other Liabilities arising out of the operation of the Transferred Assets following the Closing Date or arising out of an event that occurs after the Closing Date.

Section 2.4 Excluded Liabilities. Buyer shall not assume, be obligated to pay, perform, or otherwise discharge, or in any other manner be liable or responsible for any Liabilities of, or Action against, Sellers or relating to the Transferred Assets or the Business, of any kind or nature whatsoever, whether absolute, accrued, contingent or otherwise, liquidated or unliquidated, due or to become due, known or unknown, currently existing or hereafter arising, matured or unmatured, direct or indirect, and however arising, whether existing on the Closing Date or arising thereafter as a result of any act, omission, or circumstances taking place prior to the Closing, except for the Assumed Liabilities (all Liabilities not assumed by a Buyer pursuant to Section 2.3, "Excluded Liabilities"). Without limiting the generality of the foregoing, the Excluded Liabilities shall include each of the following Liabilities of the Sellers:

(a) any Controlled Group Liability;

(b) any Liabilities arising under or relating to any Employee Benefit Plan, including any severance or retention obligations for any Seller employee;

(c) any Liabilities associated with any matter set forth on Section 3.7 of the Disclosure Letter;

(d) any Excluded Taxes; and

(e) any liabilities of the Sellers under the DIP Facility or any other indebtedness of Sellers.

Section 2.5 Assignment of Transferred Contracts.

(a) Prior to the Sale Hearing, Sellers shall take all reasonably necessary actions in order to determine the Cure Claim with respect to any Transferred Contract entered into prior to the Petition Date, including the right to negotiate in good faith and litigate, if necessary, with any Contract counterparty the Cure Claims needed to cure all monetary defaults under such Transferred Contract. Notwithstanding the foregoing, prior to the Designation Deadline, Buyer may designate or remove the designation of any Contract as a Transferred Contract in accordance with Section 2.5(f).

(b) Within three (3) Business Days after the Petition Date (or with respect to any Contract that becomes a Transferred Contract on any date following the Petition Date, within three (3) Business Days after the Buyer's designation of such later date), the Sellers shall deliver a notice, in form and substance reasonably acceptable to Buyer, of potential assumption and assignment of the Transferred Contract (a "Contract Notice") to the applicable non-Seller counterparty thereto (each a "Contract Counterparty"), which shall specify: (a) that such contract is contemplated to be assumed and assigned to Buyer as a Transferred Contract in connection with the transactions contemplated hereunder,; (b) the proposed Cure Claim with respect to each Transferred Contract; (c) that each respective Contract Counterparty may file an objection (a "Contract Objection") to the proposed assumption and assignment of the applicable Transferred Contract or the proposed Cure Claim, if any, related thereto, which Contract Objection must (i) be in writing; (ii) comply with the Federal Rules of Bankruptcy Procedure and any applicable local rules of the U.S. Bankruptcy Court; (iii) be filed with the Clerk of the U.S. Bankruptcy Court, together with proof of service, on or before 5:00 p.m. (prevailing Central Time) on the date that is twenty-one (21) days after the date the Sellers delivered the Contract Notice (the "Contract Objection Deadline"); (iv) be served, so as to actually be received on or before the Contract Objection Deadline on counsel to the Sellers, counsel to Gordon Brothers, counsel to the Buyer, and the Office of the U.S. Trustee for the Northern District of Texas; and (v) state with specificity the grounds for such objection, including, without limitation, the asserted amount of the fully liquidated Cure Claim and the legal and factual bases for any unliquidated portion of the Cure Claim that the Contract Counterparty believes is required to be paid under section 365(b)(1)(A) and (B) of the Bankruptcy Code for the applicable Transferred Contract, along with the specific nature and dates of any alleged defaults, the pecuniary losses, if any, resulting therefrom, and the conditions giving rise to any such defaults. If a Contract Counterparty files a Contract Objection in a manner that is consistent with the requirements set forth above and the parties are unable to consensually resolve the dispute prior to the Sale Hearing, the amount to be paid or reserved with respect to such Contract Objection will be determined at the Sale Hearing or such other date determined by the U.S. Bankruptcy Court.

(c) To the maximum extent permitted by the Bankruptcy Code and subject to the other provisions of this Section 2.5, on the Closing Date, Sellers shall assign the Transferred Contracts to Buyer pursuant to Section 365 of the Bankruptcy Code and the Sale Orders, subject to the provision of adequate assurance by Buyer as may be required under Section 365 of the Bankruptcy Code and payment by Buyer of the Cure Claims to the Contract Counterparty in respect of the Transferred Contracts, and Buyer shall assume such Transferred Contracts pursuant to the Assignment and Assumption Agreement. All Cure Claims in respect of all Transferred Contracts shall be paid by Buyer.

(d) To the maximum extent permitted by the Bankruptcy Code and subject to the other provisions of this Section 2.5, Sellers shall transfer and assign all of the Transferred Assets to Buyer, and Buyer shall accept all of the Transferred Assets from Sellers, as of the Closing, pursuant to Sections 363 and 365 of the Bankruptcy Code, the Sale Orders and the Assignment and Assumption Agreement.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that the sale, transfer, assignment, conveyance or delivery or attempted sale, transfer, assignment, conveyance or delivery to Buyer of any asset that would be a Transferred Asset or any claim or right or any benefit arising thereunder or resulting therefrom is prohibited by any applicable Law or would require any consent from any Governmental Authority or any other third party and such consents shall not have been obtained prior to the Closing (after giving effect to the Sale Orders), the Closing shall proceed without any reduction in Purchase Price without the sale, transfer, assignment, conveyance or delivery of such asset. In the event that the Closing proceeds without the transfer or assignment of any such asset, then following the Closing, Sellers shall use their commercially reasonable efforts at Buyer's sole expense and subject to any approval of the Bankruptcy Courts that may be required, and Buyer shall cooperate with Sellers, to obtain such consent as promptly as practicable following the Closing. Pending the receipt of such consent, the parties shall, at the Buyer's sole expense, reasonably cooperate with each other to provide Buyer with all of the benefits of use of such asset, subject to all obligations and Liabilities related to such asset. Once consent for the sale, transfer, assignment, conveyance or delivery of any such asset not sold, transferred, assigned, conveyed or delivered at the Closing is obtained, Sellers shall promptly transfer, assign, convey and deliver such asset to Buyer at Buyer's sole expense. To the extent that any such asset cannot be transferred or the full benefits or use of any such asset cannot be provided to Buyer, then as promptly as practicable following the Closing, Buyer and Sellers shall use commercially reasonable efforts to enter into such arrangements (including subleasing, sublicensing or subcontracting), and shall, at Buyer's sole expense, reasonably cooperate with each other, to provide Buyer with all of the benefits of use of such asset, subject to all obligations and Liabilities related to such asset, for a period of six (6) months following the Closing (or the closing of the Chapter 11 Case, if shorter). Sellers shall hold in trust for, and pay to Buyer, promptly upon receipt thereof, all income, proceeds and other monies received by Sellers derived from their use of any asset that would be a Transferred Asset in connection with the arrangements under this Section 2.5(e). The Parties agree to treat any asset the benefits of which are transferred pursuant to this Section 2.5(e) as having been sold to Buyer for Tax purposes to the extent permitted by Law. Each of Sellers and Buyer agrees to notify the other parties promptly in writing if it determines that such treatment (to the extent consistent with the relevant arrangement agreed to by such Seller and Buyer pursuant to this Section 2.5(e)) is not permitted for Tax purposes under applicable Law.

(f) Notwithstanding anything in this Agreement to the contrary, by written notice to the Sellers, Buyer may amend or revise Section 2.1(e) of the Disclosure Letter setting forth the Transferred Contracts in order to add any Contract of any Seller to, or eliminate any Contract of any Seller from, such section at any time during the period commencing from the date hereof and ending on the date that is the earlier of (x) two (2) Business Days prior to the Closing Date and (y) two (2) Business Days prior to the date that the Bankruptcy Code or Bankruptcy Court otherwise would require a determination to assume or reject such contract (the "Designation Deadline"); provided, however, in the event a timely objection to a Cure Claim for any Transferred Contract is still pending at the time of Closing, Buyer shall have the option to remove such Transferred Contract from Section 2.1(e) of the Disclosure Letter until the earlier of (A) thirty (30) days following the date on which the Cure Claim has been determined by the Bankruptcy Court and (B) the date the Contract Counterparty for such Transferred Contract and the Buyer have agreed on the Cure Claim for such Transferred Contract, and in the case of (A) or (B), the Cure Claim for such Transferred Contract shall be updated on Section 2.1(e) of the Disclosure Letter accordingly; provided, further that the Sellers may accordingly amend or revise any section of the Disclosure Letter as they deem necessary to account for such addition or removal prior to the Closing. Sellers may amend or revise Section 2.1(e) of the Disclosure Letter at any time prior to Closing to update the Cure Claim for each Transferred Contract in accordance with Section 2.5(b); provided that any such amendment or revision following the Designation Deadline shall require the consent of Buyer. Automatically upon the addition of any Contract by Buyer to Section 2.1(e) of the Disclosure Letter, such Contract shall be a Transferred Contract for all purposes of this Agreement and Buyer shall assume the Liabilities thereunder in accordance with the Bankruptcy Code. Automatically upon the removal of any Contract from Section 2.1(e) (i) of the Disclosure Letter such Contract shall be an Excluded Asset for all purposes of this Agreement, and no liabilities arising thereunder shall be assumed or borne by Buyer unless such liability is otherwise specifically assumed pursuant to Section 2.5.

Section 2.6 Consideration. The aggregate consideration for the purchase, sale, assignment and conveyance of the Transferred Assets from Sellers to Buyer (the "Purchase Price") shall consist of:

(a) the payment by Buyer and/or one or more Designated Buyer, by wire transfer of immediately available funds to one or more accounts (each of which must be subject to deposit account control agreement with Gordon Brothers (or an Affiliate thereof)) designated in writing by KK OpCo in accordance with Section 2.10(c)(iii) (the "Initial Cash Consideration") in an aggregate amount equal to the sum of:

(i) $4,350,000; *plus*

(ii) the Estimated Net A/R Payment Amount; *plus*

(iii) the Estimated Purchased Inventory Payment Amount (less the In-Transit Inventory Escrow Amount); *plus*

(iv) the Reimbursement Amount; *minus*

(v) the Adjustment Escrow Amount; *minus*

(vi) the A/R Dilution Escrow Amount;

(b) the assumption by the applicable Buyer, or a Designated Buyer, as applicable, of the Assumed Liabilities from Sellers; and

(c) the In-Transit Inventory Consideration, when and if payable pursuant to Section 6.9.

Section 2.7 Reimbursement Amounts. At Closing, Buyer shall reimburse Sellers, in cash, for the following payments on behalf of the Business (the "Reimbursement Amount"):

(a) 100% of the amount paid to the Sellers' vendors following the date hereof with respect to outdoor inventory as set forth on Section 2.7(a) of the Disclosure Letter (the "Specified Outdoor Inventory"), in an amount not to exceed the amount set forth in the "Factory Payments-Outdoor Domestic" line of the DIP Budget or Prepetition Budget, as applicable (the "Outdoor Vendor Payments");

(b) 100% of the amount paid to the Sellers' vendors following the date hereof with respect to indoor inventory as set forth on Section 2.7(b) of the Disclosure Letter (the "Specified Indoor Inventory") in an amount not to exceed the amount set forth in the "Factory Payments-Indoor Domestic" line of DIP Budget or Prepetition Budget, as applicable (the "Indoor Vendor Payments");

(c) 50% of the amount paid to Sellers' vendors following the date hereof with respect to indoor inventory start up-costs, in an amount not to exceed 50% of the amount set forth in the "Factory Payments-Start Up Costs" line of DIP Budget or Prepetition Budget, as applicable (the "Vendor Start Up Cost Payments" and together with the Outdoor Vendor Payments and Indoor Vendor Payments, the "Vendor Payments");

(d) 50% of the amount paid to Sellers' vendors in the Chapter 11 Cases pursuant to the shipper's, warehouseman's, and lienholders' order, in an amount not to exceed 50% of the amount set forth in the "Shippers Motion" line of the DIP Budget;

(e) 75% of the book value of the Ainsley RTV Inventory; and

(f) 100% of the out-of-pocket and documented costs of Sellers for any applicable customs, duties/tariffs and transportation costs incurred following the Execution Date associated with importing any Foreign Inventory (other than In-Transit Inventory) into the United States, in an amount not to exceed the amount set forth in the "Cost of Sales (Shipping, Testing, etc.) – Purchaser Reimbursement" line of the DIP Budget or Prepetition Budget, as applicable, as allowed in the DIP Budget or the Prepetition Budget (including any permitted variance).

Set forth on Exhibit B hereto, solely for illustrative purposes, is an example calculation of the Estimated Net A/R Payment Amount and Estimated Purchased Inventory Payment Amount, plus $4,350,000 of cash consideration.

Section 2.8 Adjustment to Initial Cash Consideration.

(a) At least three (3) Business Days prior to the Closing, Sellers shall prepare and deliver to Buyer a written statement (the "Estimated Closing Statement") setting forth Sellers' good faith estimates as of Closing of (i) the Transferred A/R, (ii) the A/R Dilution Amount (the "Estimated A/R Dilution Amount") (including the Dilution Reserves with respect thereto), and the resulting Net A/R Payment Amount (the "Estimated Net A/R Payment Amount"), (iii) the Purchased Inventory Payment Amount (the "Estimated Purchased Inventory Payment Amount") and (iv) the Reimbursement Amount (the "Estimated Reimbursement Amount"), which statement shall quantify in reasonable detail such estimate, calculated in accordance with the terms of this Agreement. Sellers shall update the Estimated Closing Statement at least one (1) Business Day prior to the Closing to reflect the most current estimates of the Estimated Net A/R Payment Amount, Estimated Purchased Inventory Payment Amount, Estimated Reimbursement Amount, and Estimated A/R Dilution Amount. During the period after the delivery of the Estimated Closing Statement and prior to the Closing, the Parties shall reasonably cooperate in connection with Buyer's review of the Estimated Closing Statement, including by (i) providing Buyer and its accountants with reasonable access to the appropriate employees of Sellers who are knowledgeable about the information contained in, or preparation of, the Estimated Closing Statement and (ii) providing all books, records and other information reasonably requested by Buyer in connection with the foregoing. The Parties shall cooperate in good faith to mutually agree upon the Estimated Closing Statement in the event Buyer notifies Sellers of its dispute of any item proposed to be set forth on such schedule, provided, that, if Sellers and Buyer are not able to reach a mutual agreement (acting reasonably and in good faith) prior to the Closing Date, the Estimated Closing Statement provided by Sellers to Buyer shall be binding for purposes of Closing.

(b) The Parties agree that for purposes of preparing the Estimated Closing Statement, the Adjustment Closing Statement and the A/R Dilution Closing Statement, each of the Estimated Net A/R Payment Amount, the Estimated Purchased Inventory Payment Amount, the Estimated Reimbursement Amount and the Estimated A/R Dilution Amount (and the underlying calculations supporting such amounts) shall be calculated on a basis consistent with the Sellers' historical accounting methodologies, policies, practices, estimation techniques, assumptions and principles used in the preparation of its Audited Financial Statements and the KK Inventory File; provided, that the amount of Purchased Inventory included in the Estimated Purchased Inventory Payment Amount will be calculated using the actual reports from the Inventory Count (updated to reflect projected changes through the Closing Date but calculated consistent with the KK Inventory File book values). For the avoidance of doubt, (i) the calculation of the Purchase Price will be construed to avoid the double counting of any Vendor Payments by Buyer in accordance with Section 2.7 (i.e. Buyer will not be required to pay for Purchased Inventory or accounts receivable generated from any post-petition trade payable or critical vendor payment for which it is obligated to make, or has made, any reimbursement payment) or any other amounts payable by Buyer hereunder, and (ii) Purchased Inventory Payment Amount shall specifically exclude the value of Specified Outdoor Inventory or the Specified Indoor Inventory.

(c) Within ninety (90) days after the Closing Date, Buyer shall prepare and deliver to KK OpCo, with a copy to Gordon Brothers, a statement (the "Adjustment Closing Statement") setting forth Buyer's good faith calculation as of the Closing in reasonable detail as of the Closing Date of the actual calculations of (i) the Purchased Inventory Payment Amount, (ii)

the Reimbursement Amount and (iii) the Net A/R Payment Amount (provided that the Estimated A/R Dilution Amount shall be used to calculate the Net A/R Payment Amount for purposes of the Adjustment Closing Statement) and resulting Adjustment Amount. The Adjustment Closing Statement shall be prepared in accordance with Section 2.8(b). Upon delivery by Buyer of the Adjustment Closing Statement, Buyer shall provide KK OpCo with reasonable access, during normal business hours, to Buyer's accounting and other personnel and to the books and records of Buyer and any other document or information reasonably requested by KK OpCo in connection with KK OpCo's review of the Adjustment Closing Statement. If Buyer does not prepare and deliver the Adjustment Closing Statement within ninety (90) days after the Closing Date, the calculations of the Estimated Purchased Inventory Payment Amount, the Estimated Reimbursement Amount and the Estimated Net A/R Payment Amount shall be deemed final and binding.

(d) If KK OpCo does not object to the Adjustment Closing Statement by a written notice of objection (the "Objection Notice") delivered to Buyer within thirty (30) days after KK OpCo's receipt of the Adjustment Closing Statement, the calculation of the Purchased Inventory Payment Amount, the Reimbursement Amount and the Net A/R Payment Amount set forth in the Adjustment Closing Statement shall be deemed final and binding. An Objection Notice shall set forth in reasonable detail KK OpCo's alternative calculations of the Purchased Inventory Payment Amount, Reimbursement Amount and Net A/R Payment Amount and the resulting Adjustment Amount and the basis therefor.

(e) If KK OpCo delivers an Objection Notice to Buyer within the thirty (30) day period referred to in Section 2.8(d), then each element of the Adjustment Closing Statement that is not disputed in such Objection Notice shall be final and binding and any dispute reflected in the Objection Notice (all such amounts, the "Disputed Amounts") shall be resolved in accordance with this Section 2.8(e).

(i) KK OpCo and Buyer shall promptly endeavor in good faith to resolve the Disputed Amounts listed in the Objection Notice. If a written agreement determining the Disputed Amounts has not been reached within ten (10) Business Days (or such longer period as may be agreed by KK OpCo and Buyer) after the date Buyer receives the Objection Notice from KK OpCo (all discussions and statements made by the Parties and their Representatives in attempting to resolve the disagreement during such period shall be subject to Rule 408 of the Federal Rules of Evidence), KK OpCo or Buyer may elect to submit the resolution of such Disputed Amounts to BDO USA, LLP or if BDO USA, LLP is not available to act as the Accounting Firm, to another independent regional accounting firm mutually selected by Buyer and KK OpCo (BDO USA, LLP or such other mutually selected accounting firm, the "Accounting Firm").

(ii) KK OpCo and Buyer shall use their commercially reasonable efforts to cause the Accounting Firm to render a decision in accordance with this Section 2.8(e) along with a statement of the reasons therefor within thirty (30) days of the submission of the Disputed Amounts to the Accounting Firm.

(iii) If KK OpCo or Buyer submit any Disputed Amounts to the Accounting Firm for resolution, KK OpCo (on behalf of Sellers), on the one hand, and

Buyer, on the other hand, shall each pay their own costs and expenses incurred under this Section 2.8(e) and shall each fund one half of any retainer required by the Accounting Firm and shall execute and deliver any customary engagement letter required by the Accounting Firm. The fees and expenses of the Accounting Firm pursuant to this Section 2.8(e) shall be borne by Buyer, on the one hand, and KK OpCo (for and on behalf of Sellers), on the other hand, based upon the percentage that the aggregate portion of the contested amount not awarded to each Party bears to the aggregate amount actually contested by such Party.

(iv) The Accounting Firm shall act as an expert and not an arbitrator. If the Accounting Firm is retained, then KK OpCo and Buyer shall each submit to the Accounting Firm in writing, not later than five (5) Business Days after the Accounting Firm is retained, their respective positions with respect to the Disputed Amounts, together with such supporting documentation as they deem necessary or as the Accounting Firm may request and no discovery will be permitted and no arbitration hearing among the parties will be held; provided that the Accounting Firm may request additional information and/or a meeting among the Parties in connection with the Accounting Firm's determination hereunder and the Parties will use commercially reasonable efforts to provide such additional information and attend any such meeting. The Accounting Firm shall act to determine, based upon the provisions of this Section 2.8(e), only the Disputed Amounts, which determination shall be made in accordance with the procedures set forth in Section 2.8(b) and this Section 2.8(e), and, in any event, shall not be less than the lesser of the amounts claimed by Buyer or KK OpCo, and shall not be greater than the greater of the amounts claimed by Buyer or KK OpCo. For clarity, the Accounting Firm shall not make a determination as to any amounts or items included in the A/R Dilution Closing Statement, other than the Disputed Amounts. KK OpCo and Buyer shall instruct the Accounting Firm to deliver a written determination (such determination to include a worksheet setting forth all material calculations used in arriving at such determination) of all Disputed Amounts and the resulting Adjustment Amount determined based on such determination, and such determination will be final, binding and conclusive on the Parties.

(f) Upon the determination, in accordance with Section 2.8(c), Section 2.8(d) or Section 2.8(e), of the final Purchased Inventory Payment Amount (the "Final Purchased Inventory Payment Amount"), the final Reimbursement Amount (the "Final Reimbursement Amount") and the final Net A/R Payment Amount (the "Final Net A/R Payment Amount"), the final Adjustment Amount shall be calculated based on the Final Purchased Inventory Payment Amount, Final Reimbursement Amount and Final Net A/R Payment Amount.

(g) The Adjustment Amount shall be paid as set forth below and, except for any imputed interest determined for federal income tax purposes, shall be treated as an adjustment to the purchase price for federal, state, provincial, territorial, local and foreign income Tax purposes unless otherwise required by applicable Law.

(i) If the Adjustment Amount is positive, then (x) Buyer shall within ten (10) Business Days after the determination of such Adjustment Amount pay to Sellers the *lesser* of (A) the Adjustment Amount and (B) the Adjustment Escrow Amount and (y) Buyer and KK OpCo will promptly deliver a joint written instruction to the Escrow Agent

instructing it to release an amount equal to Adjustment Escrow Amount to the account specified by KK OpCo.

(ii) If the Adjustment Amount is negative, within five (5) Business Days after the determination of such Adjustment Amount, Buyer and KK OpCo will promptly deliver a joint written instruction to the Escrow Agent instructing it to release (A) an amount equal to the absolute value of the Adjustment Amount to Buyer and (B) if any amount remains of the Adjustment Escrow Amount after giving effect to the foregoing clause, the remaining amount of the Adjustment Escrow Amount to KK OpCo (for the benefit of the Sellers). Buyer shall in no event be entitled under this Section 2.8(g)(ii) to an amount in excess of the Adjustment Escrow Amount and in the event that the absolute value of the Adjustment Amount is in excess of the Adjustment Escrow Amount, Buyer shall solely be entitled to the Adjustment Escrow Amount and Sellers shall not have any obligation to pay any amounts under this Section 2.8(g)(ii).

(h) Within one hundred twenty (120) days after the Closing Date, Buyer shall prepare and deliver to KK OpCo, with a copy to Gordon Brothers, a statement (the "A/R Dilution Closing Statement") setting forth Buyer's good faith calculation as of the Closing in reasonable detail as of the Closing Date of the actual calculation of the A/R Dilution Amount. The A/R Dilution Closing Statement shall be prepared in accordance with Section 2.8(b). Upon delivery by Buyer of the A/R Dilution Closing Statement, Buyer shall provide KK OpCo with reasonable access, during normal business hours, to Buyer's accounting and other personnel and to the books and records of Buyer and any other document or information reasonably requested by KK OpCo in connection with KK OpCo's review of the A/R Dilution Closing Statement. If Buyer does not prepare and deliver the A/R Dilution Closing Statement to KK OpCo within one hundred and twenty (120) days after the Closing Date, the calculations of the Estimated A/R Dilution Amount shall be deemed final and binding.

(i) Section 2.8(d) and Section 2.8(e) shall be applied *mutatis mutandis* with respect to the determination of all amounts set forth in the A/R Dilution Closing Statement with all references to the Adjustment Closing Statement (and amounts set forth therein) deemed to mean the A/R Dilution Closing Statement (and amounts set forth therein).

(j) Upon the determination, in accordance with Section 2.8(h) or Section 2.8(i), of the final A/R Dilution Amount (the "Final A/R Dilution Amount"), Sellers or Buyer, as the case may be, shall make the payment required by this Section 2.8(j) as follows:

(i) If the Final A/R Dilution Amount is less than the Estimated A/R Dilution Amount, then (x) Buyer shall within ten (10) Business Days after the determination of such Final A/R Dilution Amount pay to Sellers the *lesser* of (A) the difference between the Estimated A/R Dilution Amount and the Final A/R Dilution Amount and (B) the A/R Dilution Escrow Amount and (y) Buyer and KK OpCo will promptly deliver a joint written instruction to the Escrow Agent instructing it to release an amount equal to the A/R Dilution Escrow Amount to the account specified by KK OpCo.

(ii) If the Final A/R Dilution Amount is greater than the Estimated A/R Dilution Amount, then a portion of the A/R Dilution Escrow Amount equal to the

difference between the Final A/R Dilution Amount and the Estimated A/R Dilution Amount will be released to Buyer and within five (5) Business Days after the determination of such A/R Dilution Amount, Buyer and KK OpCo will promptly deliver a joint written instruction to the Escrow Agent instructing it to release (A) such amount to Buyer and (B) if any amount remains of the A/R Dilution Escrow Amount after giving effect to the foregoing clause, the remaining amount of the A/R Dilution Escrow Amount to KK OpCo (for the benefit of the Sellers). Buyer shall in no event be entitled under this Section 2.8(j)(ii) to an amount in excess of the A/R Dilution Escrow Amount and in the event that the difference between the Final A/R Dilution Amount and the Estimated A/R Dilution Amount is in excess of the A/R Dilution Escrow Amount, Buyer shall solely be entitled to the A/R Dilution Escrow Amount and Sellers shall not have any obligation to pay any amounts under this Section 2.8(j)(ii).

(k) Except for any imputed interest determined for federal income tax purposes, any amounts paid pursuant to Section 2.8(j) shall be treated as an adjustment to the purchase price for federal, state, provincial, territorial, local and foreign income Tax purposes unless otherwise required by applicable Law.

Section 2.9 Deposit Amount; Buyer Breach Fee.

(a) On the date hereof, unless already deposited, Buyer shall deposit into escrow with Escrow Agent an amount equal to Three Million Dollars ($3,000,0000) (such amount, together with all interest and other earnings accrued thereon, the "Deposit Amount"), by wire transfer of immediately available funds pursuant to the terms of the Escrow Agreement duly executed by KK OpCo, Buyer and the Escrow Agent.

(b) The Parties shall instruct the Escrow Agent to release and deliver the Deposit Amount to either (x) Buyer or (y) KK OpCo on behalf of Sellers, as follows:

(i) if the Closing shall occur, the Deposit Amount shall be delivered to Sellers on Closing and applied towards the Purchase Price payable by Buyer pursuant to Section 2.6(a);

(ii) if this Agreement is terminated by KK OpCo pursuant to Section 9.1(d)(i) (a "Buyer Breach Termination"), the Deposit Amount shall be delivered to KK OpCo; or

(iii) if this Agreement is terminated other than in a manner provided by Section 9.1(d)(i), the Deposit Amount shall be delivered to Buyer.

(c) In the event of a Buyer Breach Termination, in consideration for Sellers and Gordon Brothers having expended considerable expense following the Execution Date, and without the requirement of any notice or demand from Sellers or any other application to or order of the Bankruptcy Courts, in addition to the receipt of the Deposit Amount in accordance with Section 2.9(b)(ii), Buyer shall pay to KK OpCo an amount equal to $4,500,000 (the "Cash Breach Fee Component" and, collectively with the Deposit Amount, the "Buyer Breach Fee"). In the event Buyer becomes obligated under this Agreement to pay the Buyer Breach Fee, Buyer shall pay the

Cash Breach Fee Component in immediately available funds to such account or accounts as may be specified in written notice by KK OpCo.

(d) The obligation to pay the Buyer Breach Fee in accordance with the provisions of this Agreement will (i) be binding upon and enforceable against Buyer immediately upon execution of this Agreement and (ii) survive the subsequent termination of this Agreement, solely to the extent permitted by applicable Law. The obligation to pay the Buyer Breach Fee as and when required under this Agreement, is intended to be, and is, binding upon (A) any successors or assigns of Buyer and (B) any trustee, examiner or other representative of Buyer's estate as if such Person were the Buyer hereunder. For the avoidance of doubt, nothing in this Section 2.9 shall affect any Party's rights or obligations under Section 10.15.

(e) Subject to Section 9.2(b) and Section 10.15, the Parties acknowledge that the agreements contained in this Section 2.9 are an integral part of the transactions contemplated in this Agreement, that the damages resulting from termination of this Agreement under circumstances where KK OpCo terminates this Agreement pursuant to a Buyer Breach Termination are uncertain and incapable of accurate calculation and that the payment of the Buyer Breach Fee is not a penalty but rather shall constitute liquidated damages in a reasonable amount that will compensate Sellers in the circumstances where KK OpCo is entitled to the Buyer Breach Fee because of a Buyer Breach Termination for the efforts and resources expended and opportunities forgone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated hereby, and that, without these agreements, Sellers and Buyer would not enter into this Agreement. If any Party fails to take any action necessary to cause the payment of the Deposit Amount (or the Buyer Breach Fee, as applicable) to any other Party(ies) if and when the same is due, and, in order to obtain such Deposit Amount (or the Buyer Breach Fee, as applicable), such other Party(ies) commence a suit which results in a judgment in favor of such other Party(ies), such failing Party shall pay to such other Party(ies) an amount in cash equal to the costs and expenses (including reasonable attorney's fees) incurred by such other Party(ies) in connection with such suit.

Section 2.10 Closing.

(a) Subject to the Sale Orders, the purchase, sale, assignment and conveyance of the Transferred Assets contemplated by this Agreement shall take place at a closing (the "Closing") to be held by telephone conference and electronic exchange of documents (or, if the Parties agree to hold a physical closing, at the offices of King & Spalding LLP, located at 1180 Peachtree Street NE, Atlanta, Georgia 30309 at 10:00 a.m. Eastern Time on the second (2nd) Business Day following the satisfaction or, to the extent permitted by applicable Law, waiver of all conditions to the obligations of the Parties set forth in Article VIII (other than such conditions as may, by their terms, only be satisfied at the Closing or on the Closing Date, but subject to the satisfaction or waiver of such conditions), or at such other place or at such other time or on such other date as Sellers and Buyer mutually may agree in writing. The day on which the Closing takes place is referred to as the "Closing Date."

(b) At or prior to the Closing, Sellers shall deliver or cause to be delivered to Buyer:

(i) a bill of sale, assignment and assumption agreement, in form and substance reasonably satisfactory to the Parties (the "Assignment and Assumption Agreement"), duly executed by the applicable Sellers;

(ii) an IP Assignment Agreement, duly executed by the applicable Sellers;

(iii) a copy of the Sale Orders;

(iv) for each Seller (or, if a Seller is a disregarded entity for U.S. federal income tax purposes, such Seller's regarded owner for U.S. federal income tax purposes) other than Sellers who are not "United States persons" (within the meaning of Section 7701(a)(30) of the Code), an IRS Form W-9, and for Sellers who are not "United States persons" (within the meaning of Section 7701(a)(30) of the Code), an applicable IRS Form W-8;

(v) a duly executed certificate of a duly authorized officer of KK OpCo certifying the satisfaction of the conditions set forth in Section 8.3(a) and Section 8.3(b);

(vi) Provincial sales tax clearance certificate(s) issued by the relevant Governmental Authority stating that the Sellers have paid and remitted all outstanding provincial sales Tax and any related penalties and interest under the relevant taxing legislation, if required under Section 6 of the Retail Sales Tax (Ontario) or by a corresponding provision of applicable Law in another province, if and as applicable;

(vii) a Conditions Certificate, duly executed by KK OpCo; and

(viii) such other documents as any Buyer may reasonably request that are not inconsistent with the terms of this Agreement and reasonably necessary to effectuate or consummate the transactions contemplated by this Agreement (without expanding or supplementing any of the representations and warranties hereunder or Buyer's remedies with respect thereto).

(c) At or prior to the Closing, Buyer shall deliver or cause to be delivered to Sellers:

(i) the Assignment and Assumption Agreement, duly executed by Buyer;

(ii) the IP Assignment Agreement, duly executed by Buyer;

(iii) the Initial Cash Consideration in cash by wire transfer of immediately available funds to an account or accounts designated by Sellers;

(iv) a duly executed certificate of an executive officer of Buyer certifying the satisfaction of the conditions set forth in Section 8.2(a) and Section 8.2(b); and

(v) a Conditions Certificate, duly executed by Buyer.

(d) At or prior to the Closing, Buyer shall deposit into escrow with Escrow Agent an amount equal to (i) the Adjustment Escrow Amount, (ii) the Net A/R Adjustment Amount and (iii) the In-Transit Inventory Escrow Amount, by wire transfer of immediately available funds pursuant to the terms of the Escrow Agreement.

Section 2.11 Purchase Price Allocation. For U.S. federal and applicable state, local and foreign Tax purposes, Buyer, Sellers, and their respective Affiliates shall use commercially reasonable efforts to agree to an allocation of the Purchase Price for applicable Tax purposes) among the Transferred Assets in accordance with Section 1060 of the Code and the Treasury Regulations thereunder (or any similar principles applicable for the purposes of the Income Tax Act (Canada) as soon as reasonably practicable after the date on which both the Adjustment Closing Statement and the A/R Dilution Closing Statement are finalized (such allocation, the "Allocation"); provided that for purposes of the Allocation the Parties agree to allocate the portion of the Purchase Price attributable to the Canadian Transferred Assets by asset class and by province in which the particular assets are located. If the Parties reach an agreement with respect to the Allocation, Buyer, Sellers and their Affiliates shall (a) file all applicable Tax Returns in accordance with the Allocation, as finally determined hereunder, and (b) not take any Tax-related action in connection with any Tax audit or proceeding that is inconsistent with the Allocation, except, in each case, to the extent otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code or any similar provision of state, local or foreign Tax Law; provided, however, that (A) if Buyer and Seller cannot mutually agree on the Allocation, each Party shall be entitled to determine its own allocation and file its IRS Form 8594 consistent therewith and (B) neither Party shall be unreasonably impeded in its ability and discretion to negotiate, compromise and/or settle any Tax audit, claim or similar proceedings in connection with such allocation.

Section 2.12 Designated Buyer(s).

(a) In connection with the Closing, without limitation by the terms of Section 10.14, Buyer shall be entitled to designate, in accordance with the terms and subject to the limitations set forth in this Section 2.12, one (1) or more Affiliates to purchase specified Transferred Assets, assume specified Assumed Liabilities, employ specified Transferred Employees and assume the rights and obligations under this Agreement of the Buyer, in whole or in part, on and after the Closing Date (any such Person shall be properly designated by a Buyer in accordance with this Section 2.12, a "Designated Buyer"); provided that no such designation would impede or materially delay the Closing or affect the timely receipt of any regulatory approval; provided, further, that no such designation shall be permitted if any Taxes required to be withheld under applicable Law from any amounts otherwise payable hereunder would be higher than the amount of Taxes that would be required to be withheld absent such designation and the Buyer or the Designated Buyer does not agree to gross up the amount paid to the applicable Seller so that the applicable Seller is in the same economic position it would have been in if such designation had not occurred (taking into account all Taxes payable by such Seller as a result of

such gross up). At and after the Closing, Buyer shall, or shall cause its Designated Buyer(s) to, honor Buyer's obligations at the Closing. After the Closing, any reference to any Buyer made in this Agreement in respect of any purchase, assumption, or employment referred to in this Agreement shall include reference to the appropriate Designated Buyer(s), if any. Buyer shall be liable for all obligations of any Designated Buyer(s) under this Agreement as to any particular Assumed Liability that any Designated Buyer is assuming at the Closing.

(b) Without limitation of Section 6.4, the designation of a Designated Buyer in accordance with Section 2.12(a) shall be made by a Buyer by way of a written notice to be delivered to Sellers as soon as reasonably practicable following the date of this Agreement but in no event later than two (2) Business Days prior to Closing, which written notice shall (i) contain appropriate information about the Designated Buyer(s), (ii) indicate which Transferred Assets, Assumed Liabilities and Transferred Employees Buyer intends such Designated Buyer(s) to purchase, assume and/or employ, as applicable, hereunder and (iii) include a signed counterpart to this Agreement pursuant to which the Designated Buyer(s) agree to be bound by the terms of this Agreement as it relates to such Designated Buyer(s) and which authorizes Buyer to act as such Designated Buyer(s)' agent for all purposes hereunder. Notwithstanding the foregoing, and for the avoidance of doubt, any designation pursuant to Section 2.12(a) shall not relieve Buyer of any of its obligations under this Agreement (or otherwise) and Buyer shall remain primarily liable therefor.

Section 2.13 Withholding. Notwithstanding anything in this Agreement to the contrary, Buyer shall be entitled to deduct and withhold from any amount (or portion thereof) payable under this Agreement such Taxes as are required to be deducted and withheld from such amount under the Code or any other applicable provision of U.S., Canadian or foreign Tax Law. To the extent that Buyer intends to withhold any such amounts from the Purchase Price, it shall notify the applicable Seller of such intention and shall provide such Seller with an opportunity to provide forms or evidence that would establish an exemption from, or reduction in the amount of, withholding tax and shall otherwise cooperate in good faith with Sellers and use commercially reasonable efforts to minimize or eliminate any such deductions or withholdings. To the extent that any amounts are so deducted and withheld and paid to the applicable Governmental Authority, such deducted and withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as set forth in the Disclosure Letter attached hereto, each Seller jointly and severally represents and warrants to Buyer as follows:

Section 3.1 Organization. Each Seller (a) is an entity duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, as applicable, (b) has all requisite power and authority to own and operate its properties and to carry on its businesses as now conducted, subject to the provisions of the Bankruptcy Code and the CCAA, and (c) is qualified to do business and is in good standing (or its

equivalent) in every jurisdiction in which its ownership of property or the conduct of its business as now conducted requires it to qualify, except where the failure to be so qualified is not and would not reasonably be expected to be material to the Business.

Section 3.2 Authority. Subject to approval of the Bankruptcy Courts and entry of the Sale Orders, as applicable (a) each Seller has the corporate (or equivalent) power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby, (b) the execution, delivery and performance by such Seller of this Agreement and each of the Ancillary Agreements to which it will be a party and the consummation by such Seller of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate (or equivalent) action and (c) this Agreement has been, and upon its execution each of the Ancillary Agreements to which such Seller will be a party will have been, duly executed and delivered by such Seller and, assuming due execution and delivery by each of the other parties thereto, this Agreement constitutes, and upon its execution each of the Ancillary Agreements to which such Seller will be a party will constitute, the legal, valid and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law) (the "Enforceability Exceptions").

Section 3.3 No Conflict; Required Filings and Consents.

(a) Except as set forth on Section 3.3(a) of the Disclosure Letter and assuming that (x) entry is made by the Bankruptcy Courts of the Sale Orders and (y) the notices, authorizations, approvals, Orders, permits or consents set forth on Section 3.3(b) of the Disclosure Letter are made, given or obtained (as applicable), after giving effect to the application of the Bankruptcy Code, including Section 365 thereof, on certain legal and contractual provisions applicable to the Transferred Contracts and other Transferred Assets, the execution, delivery and performance by Sellers of this Agreement and the consummation by Sellers of the transactions contemplated hereby, do not and will not, with or without notice, lapse or time or both: (i) violate the Organizational Documents of Sellers; (ii) conflict with or violate any Law applicable to Sellers or by which any Transferred Asset is bound; (iii) result in any material breach of, constitute a material default (or an event that, with notice or lapse of time or both, would become a material default) under, create in any party thereto the right to terminate or cancel, or require any consent under, or result in the creation or imposition of any material Encumbrance (other than a Permitted Encumbrance) on any Transferred Asset; or (iv) result in any material breach of, constitute a material default under, create in any party thereto the right to terminate or cancel, or require any consent under, or result in the creation or imposition of any material Encumbrance on any Transferred Contract; except, in the case of clause (ii) and (iv), for any such violations, breaches, defaults or other occurrences that are not material to the Business taken as a whole.

(b) Except as set forth on Section 3.3(b) of the Disclosure Letter, no Seller is required to file, seek or obtain any notice, authorization, approval, Order, permit, or consent of or with any Governmental Authority in connection with the execution, delivery and performance by Sellers of this Agreement or the consummation by Sellers of the transactions contemplated hereby,

except (i) requisite approvals from the Bankruptcy Courts or (ii) as may be necessary as a result of any facts or circumstances relating to any Buyer or any of its Affiliates.

Section 3.4 Transferred Assets. Subject to entry of the Sale Orders by the Bankruptcy Courts:

(a) Each Seller, as applicable, has good, valid and marketable title to, and owns and possesses all rights and interests in, including the right to use, each of the Transferred Assets, or with respect to leased Transferred Assets, valid leasehold interests in, or with respect to licensed Transferred Assets, valid licenses to use, in each case, in all material respects.

(b) Assuming that the notices, authorizations, approvals, Orders, permits or consents set forth on Section 3.4(b) of the Disclosure Letter and the Sales Orders are made, given or obtained (as applicable), this Agreement and the instruments and documents to be delivered by Sellers to Buyer at the Closing shall be adequate and sufficient to transfer (i) Sellers' entire right, title and interest in and to the Transferred Assets and (ii) to Buyer, good, valid and marketable title to, and interest in the applicable Transferred Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), claims and interests, other than Assumed Liabilities, in each case, in all material respects.

(c) The Transferred Assets are adequate for the purposes for which such assets are currently used or are held for use, conform in all material respects to all Laws applicable thereto, are in good repair and operating condition (subject to normal wear and tear), and there are no facts or conditions affecting the Transferred Assets which would, individually or in the aggregate, reasonably be expected to interfere with the use or operation thereof as currently used or operated, or their adequacy for such use, in any material respect.

Section 3.5 Absence of Certain Changes or Events. Since February 29, 2024, through the date of this Agreement, there has not been any event, change, condition, occurrence or effect that, individually or in the aggregate, has had, or would be reasonably expected to have, a Material Adverse Effect. Except (i) discussions, negotiations and activities related to this Agreement and the RSA or other potential strategic transactions, including preparation for the Bankruptcy Cases, (ii) for the solicitation of, discussions and negotiations with, presentations and provision of other diligence to and similar engagement with other potential bidders for the Transferred Assets, the negotiation and execution of this Agreement, (iii) for the preparation and commencement of the Bankruptcy Cases and Sellers' debtor in possession financing in the Bankruptcy Cases or (iv) as expressly contemplated by this Agreement, from February 29, 2024, until the date hereof, Sellers have operated only in the Ordinary Course of Business and no Seller has taken any action or failed to take any action, as applicable, that would be prohibited by Section 6.1(b), if taken, failed to be taken or proposed to be taken, except for the execution and delivery of this Agreement.

Section 3.6 Compliance with Law; Permits.

(a) As of the date hereof, (i) the Business is being conducted in compliance with, and Sellers are in compliance with, all applicable Laws relating to the operation of the Business and the Transferred Assets and (ii) there are no pending or, to the Knowledge of Sellers, threatened, claims from any Governmental Authority relating to any non-compliance of the

Business or the Transferred Assets, except, in each case of (i) and (ii), as has not been, and would not be reasonably expected to be material to the Business, taken as a whole.

(b) Sellers are in possession of all material permits (including work permits and visas), licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority (the "Permits") necessary for them to own, lease and operate their assets and properties, to employ or engage officers, workers and employees who are not citizens of the country where they are carrying out their duties or performing their services and to carry on the Business as currently conducted. All material Permits held by Sellers: (i) are valid and in full force and effect and no Seller is in default under, or in violation of, any such Permit, except for such defaults or violations which would not reasonably be expected, individually or in the aggregate, to materially restrict or interfere with Buyer's ability to operate the Business as currently operated and no suspension or cancellation of any such Permit is pending (other than pursuant to its terms) or, to Sellers' Knowledge, threatened and (ii) subject to entry of the Sale Orders each such Permit may be transferred or reissued to Buyer in accordance with this Agreement and without the approval of any Person (other than the Bankruptcy Courts).

(c) Each Seller, in relation to the Transferred Assets, is (and has been at all times during the past three (3) years) in compliance with all applicable Laws except as has not been, and would not be reasonably expected to be material, to the Business, taken as a whole. Except as set out in Section 3.6(c) of the Disclosure Letter, during the past three (3) years Sellers have not been charged with, nor received any notice that it is under investigation with respect to, and, to the Knowledge of Sellers, no Seller is otherwise now under investigation with respect to, any violation of any applicable Law or other requirement of a Governmental Authority. No Seller sells, or has ever sold, in relation to the Transferred Assets, any product or provided any services to any Governmental Authority. In respect to the Transferred Assets, no Seller is currently a party to or subject to any Contract with any Governmental Authority. Sellers are not debarred or suspended from doing business with any Governmental Authority.

(d) Each Seller, and any such officer and director and, to the Knowledge of the Sellers, any agent acting on behalf of such Seller, in relation to the Transferred Assets, is in compliance and has since the Compliance Date complied with applicable anti-corruption Laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), all national and international laws enacted to implement the Organization for Economic Co-operation and Development Convention on Combatting Bribery of Foreign Officials in International Business Transactions, and other similar Laws of those countries in which any Seller conducts business (collectively, "Anti-Corruption Laws"), and to Knowledge of the Sellers there are no unresolved investigations or claims concerning any Liability of Sellers with respect to such Laws. Each Seller has policies and procedures in place that are reasonably designed to (i) prevent, detect, and deter bribery and corruption in the conduct of the Business, and (ii) achieve compliance by the Business with all applicable anti-corruption Laws.

(e) Each Seller, in relation to the Transferred Assets, is (and has been at all times during the past three (3) years) in compliance with all applicable Customs and International Trade Laws, and at no time has any Seller or, to Seller's Knowledge, any Person acting on behalf of the Business committed any violation of the Customs and International Trade Laws of those

countries in which Sellers are engaged in the Business. Except as set forth on Section 3.6(e) of the Disclosure Letter, the conduct of the Business and Sellers is, and during the past three (3) years has been, in all material respects, in compliance with all Laws governing or concerning the payment of all customs duties, countervailing duties, fees and charges applicable to and due with respect to all import transactions, including any countervailing or antidumping duties. No products, goods, parts, or accessories imported in the course of engaging in the Business are or have been subject to any countervailing or antidumping duty investigation, order, notice or other proceeding by any Governmental Authority. There are no material unresolved questions or claims concerning any Liability of any conduct in furtherance of the Business with respect to Customs and International Trade Laws applicable to the import or export of goods. Without limiting the foregoing, neither Sellers nor, to Seller's Knowledge, any Person acting on behalf of the Business has received any notice that it is subject to any civil or criminal investigation, audit or any other inquiry involving or otherwise relating to any alleged or actual violation of the Customs and International Trade Laws.

(f) Each Seller, in relation to the Transferred Assets, is (and has been at all times during the past three (3) years) in compliance with all applicable Laws relating to the importation of materials into the countries in which the Sellers conduct the Business. The origin declarations made in furtherance of the Business are and, during the past three (3) years have been, accurate and based on the exercise of reasonable care. Neither Sellers nor, to Seller's Knowledge, any Person acting on behalf of the Business has received any written, or to the Knowledge of Sellers, oral, communication with respect to the conduct of the Business during the past three (3) years from any Governmental Authority that (i) excludes products or materials or (ii) asserts that any Seller owes additional duties, liquidated damages, penalties or fees.

(g) Neither Sellers nor, to Seller's Knowledge, any Person acting on behalf of the Business (i) has been or is designated on any list maintained by any U.S. governmental entity responsible for the implementation or enforcement of Customs and International Trade Laws (each such person a "Listed Person"), or (ii) is directly or indirectly 50 percent or more owned by, or otherwise controlled by or acting for (A) any Listed Person or (B) any Governmental Authority or Person that is the subject or target of a comprehensive embargo under Law, or (iii) is located, organized or resident in any country or territory that is the subject or target of a comprehensive embargo under Law (currently, Cuba, Iran, North Korea, Syria, and certain regions of Ukraine).

Section 3.7 Litigation. Except for Actions filed in the Bankruptcy Courts, there are no Actions pending or, to the Knowledge of the Sellers, threatened in writing against the Sellers that questions or challenges (i) the validity of this Agreement or the Ancillary Agreements,(ii) any action taken or proposed to be taken by the Sellers pursuant to this Agreement or Ancillary Agreements or in connection with the transactions contemplated by this Agreement, or (iii) the Intellectual Property rights owned by the Sellers or their Subsidiaries (excluding any objections, rejections, oppositions, or other such proceedings at the United States Patent and Trademark Office, the U.S. Copyright Office, or such other filing offices, domestic or foreign, challenging the registrability of such Intellectual Property). Except as set forth on Section 3.7 of the Disclosure Letter and except for Actions filed in the Bankruptcy Courts, there are no Actions pending or, to the Knowledge of the Sellers, threatened in writing against the Sellers that involves or affects the Transferred Assets or the Business. Except as set forth on Section 3.7 of the Disclosure Letter and except for Actions filed in the Bankruptcy Courts, there are no material Actions pending or, to the

Knowledge of the Sellers, threatened in writing against the Sellers based on, arising out of, in connection with or otherwise relating to (i) the non-payment of wages or other compensation to employees or (ii) violation of Law with respect to the employment or termination of employment of or failure to employ any individual.

Section 3.8 Labor and Employment Matters.

(a) No Seller is a party to or bound by a collective bargaining agreement.

(b) Solely with respect to the Business, (i) there is no unfair labor practice charge or complaint pending or, to Sellers' Knowledge, threatened against Sellers before the National Labor Relations Board or any similar Governmental Authority, (ii) no labor union, labor organization, works council or group of Employees has made a pending demand in writing for recognition or certification as the bargaining agent of the Employees, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of Sellers, threatened to be brought or filed with the National Labor Relations Board or any similar Governmental Authority, (iii) to the Knowledge of Sellers, there are no pending or threatened union organizing or decertification activities and (iv) there are no pending or, to Sellers' Knowledge, threatened strikes, work stoppages, lockouts, slowdowns or other material labor disputes, that, in each case of (i) through (iv), would reasonably be expected to be material to the Business, taken as a whole.

(c) Solely with respect to the Business, each Seller is and for the past three (3) years has been in compliance with all applicable Laws respecting labor, labor relations, employment and employment practices, including but not limited to all Laws respecting collective bargaining, the terms and conditions of employment, wages, hours, equal employment opportunity, employment discrimination, worker classification (including the proper classification of workers as independent contractors and consultants, and employees as exempt or non-exempt for overtime pay), immigration, work authorization, occupational health and safety, workers' compensation, vacation pay, the payment of social security and other employment Taxes, disability rights or benefits, plant closures and layoffs, affirmative action, labor relations, employee leave issues and unemployment insurance, in each case, except as would not reasonably be expected to be material to the Business, taken as a whole.

Section 3.9 Real Property. Section 3.9 of the Disclosure Letter sets forth a correct and complete legal description of each parcel of real property leased or sub-leased by any Seller (the "Leased Real Property"). The Leased Real Property constitutes all of the real property owned, leased, occupied or otherwise used in connection with the Business.

Section 3.10 Intellectual Property.

(a) A true, correct and complete list (in all material respects) of all (i) issued Patents and pending Patent applications, (ii) registered Trademarks and applications to register any Trademarks, (iii) registered Copyrights and applications for registration of Copyrights, and (iv) domain name registrations, in each case which is owned by any Seller and relates to the Business (the "Registered IP") is set forth on Section 3.10(a) of the Disclosure Letter. Sellers are the sole and exclusive owners of all material Intellectual Property included in the Transferred IP that is

owned or purportedly to be owned by such Seller or such Subsidiary, including all Registered IP, and all items of such Registered IP are subsisting, and, to the Knowledge of Sellers, valid and enforceable. No claim has been made or, to the Knowledge of Sellers, threatened alleging that any such Registered IP is invalid or unenforceable in whole or in part or challenging the use or of the Intellectual Property owned by a Seller or any Subsidiaries of the Sellers. Except as disclosed on Section 3.10(a) of the Disclosure Letter, none of the Intellectual Property owned by a Seller or any Subsidiaries of the Sellers is subject to any outstanding order, judgment, or stipulation restricting the use thereof by any of the Sellers or any Subsidiary of any Seller.

(b) The conduct of the Business (including the products and services sold or performed by the Sellers and their respective Subsidiaries in the conduct of the Business) and the use, practice or exploitation of the Transferred IP and other Intellectual Property as currently used, practiced or exploited by Sellers and any Subsidiaries of the Sellers in the conduct of the Business do not, to the Knowledge of the Sellers, infringe, misappropriate or otherwise violate (and, since January 1, 2021 have not infringed, misappropriated or otherwise violated) any Person's Intellectual Property rights, and since January 1, 2021 there has been no such Action asserted or, to the Knowledge of Sellers, threatened against any Seller or any Subsidiary of such Seller.

(c) Other than third-party commercial "off-the-shelf" software licensed by the Sellers or their Subsidiaries on standard terms and conditions and Intellectual Property that is governed by any Excluded Contract, the Transferred IP constitutes all material Intellectual Property used in, held for use or necessary for the conduct of the Business as currently conducted.

(d) To the Knowledge of Sellers, no Person is infringing, misappropriating or otherwise violating in any material respect any Intellectual Property owned by or exclusively licensed to Sellers or any Subsidiary of any Seller that is a Transferred Asset or is used in or relates to the Business or the products and services of the Business, and since January 1, 2021, no such Actions have been asserted or threatened against any Person by any Seller or any Subsidiary of such Seller.

(e) Sellers have taken commercially reasonable steps to safeguard and maintain the Transferred IP, including maintaining the confidentiality of all trade secrets and other material confidential or proprietary information related primarily to the Business, and none of such confidential or proprietary information has been disclosed other than to employees, contractors, representatives and agents of the Sellers and the Subsidiaries of the Sellers, and other third parties in connection with the operation of the Business, all of whom are bound by written confidentiality agreements. To the Knowledge of Sellers, no Person is in violation of any such agreement.

Section 3.11 Tax Matters.

Except as set forth in Section 3.11 of the Disclosure Letter:

(a) All material Tax Returns required to be filed by or with respect to the Transferred Assets or the Business have been timely filed, and all such Tax Returns are true, correct and complete in all material respects. Except for any Taxes that need not be paid pursuant to an Order of the Bankruptcy Courts or pursuant to the Bankruptcy Code or CCAA, subject to any obligation of Sellers under the Bankruptcy Code and the CCAA, all material Taxes due and

payable by or with respect to the Transferred Assets or the Business have been timely paid (whether or not shown as due on any Tax Return).

(b) There is no action, suit, claim, deficiency, assessment, or audit pending, proposed in writing, or, to Sellers' Knowledge, threatened in writing with respect to material Taxes of or relating to the Transferred Assets or the Business.

(c) There are no Encumbrances for Taxes upon the Transferred Assets, other than Permitted Encumbrances.

(d) No agreement, waiver, extension or consent regarding the application of the statute of limitations with respect to any material Taxes or material Tax Returns of or with respect to the Transferred Assets or the Business is outstanding, nor is there pending any request for such an agreement, waiver, extension or consent.

(e) All material Taxes required to have been deducted, withheld, collected or deposited by the Sellers with respect to the Business have been timely deducted, withheld, collected or deposited and, to the extent required, have been paid or remitted to the relevant Tax authorities.

(f) None of the Canadian Transferred Assets are owned by a Seller that is a non-resident of Canada for purposes of the *Income Tax Act* (Canada), other than such assets that are not "taxable Canadian property" or are "excluded property" of such other Sellers for purposes of section 116 of the *Income Tax Act* (Canada).

(g) Solowave Design LP is a "Canadian partnership" for purposes of the *Income Tax Act* (Canada), and Solowave International Inc., Solowave Design Holdings Limited, and Solowave Design Inc. are not non-residents of Canada within the meaning of the *Income Tax Act* (Canada).

The representations and warranties set forth in this Section 3.11 and Section 3.8(c) constitute the sole and exclusive representations and warranties of Seller with respect to Tax matters in connection with the Business and the Transferred Assets, and no other provision of this Agreement shall be deemed to address or include such matters.

Section 3.12 Environmental Matters.

(a) As of the date hereof, Sellers, the Transferred Assets and the Business are in compliance in all respects with all applicable Environmental Laws, which compliance includes, but is in no way limited to, compliance with the terms of, all Environmental Permits, except in each case, as such noncompliance would not be reasonably expected to have a Material Adverse Effect.

(b) As of the date hereof, Sellers, the Transferred Assets and the Business are in possession of all material Environmental Permits required in connection with the lawful conduct or operation of the Business and the ownership or use of the Transferred Assets as currently operated. There is no material claim or action currently pending or, to the Knowledge of Sellers,

threatened, that is or would reasonably be expected to result in the cancellation, revocation or other adverse or limiting modification of any such Environmental Permit.

(c) There is no Environmental Claim pending or, to the Knowledge of Sellers, threatened against or affecting any Seller, Transferred Asset or the Business that would be reasonably expected to have a Material Adverse Effect. There are no environmental conditions, including the presence of any Hazardous Material at the Leased Real Property, which would be reasonably likely to form the basis of any Liability of the Business, any Transferred Asset or of any Environmental Claim against or affecting any Seller or the Business that would be reasonably expected to have, a Material Adverse Effect.

Section 3.13 Material Contracts.

(a) Subject to requisite approvals from the Bankruptcy Courts, as applicable, and assumption by the applicable Seller of the applicable Contract in accordance with applicable Law and except as a result of the commencement of the Bankruptcy Cases, each Transferred Contract is in full force and effect and is a valid, binding and enforceable obligation of the applicable Seller and, to the Knowledge of Sellers, each of the other Parties thereto, except as may be limited by the Enforceability Exceptions. Except as set forth on Section 3.13(a) of the Disclosure Letter, or as would not reasonably be expected to be material to the Business, taken as a whole, no Seller is in default, or is alleged by the counterparty thereto to have breached or to be in default, under any Transferred Contract, and, to the Knowledge of Sellers, the other party to each Transferred Contract is not in default thereunder. No Transferred Contract has been canceled or otherwise terminated, and no Seller has received any notice from any Person regarding any such cancellation or termination.

Section 3.14 Financial Statements.

(a) True, correct and complete copies of (i) the audited consolidated balance sheets and statements of income, changes in shareholders' equity and cash flow of KK OpCo and its Subsidiaries as of March 31, 2023, together with the auditor's reports thereon (the "Audited Financial Statements") and (ii) an unaudited consolidated balance sheets and statements of income, changes in shareholders' equity and cash flow of the Sellers as of and for the 11-month period ended February 29, 2024 (the "Interim Financial Statements" and, together with Audited Financial Statements, the "Financial Statements") have been provided to Buyer. The Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Sellers as of the dates and for the periods indicated in such Financial Statements, have been prepared in all material respects, in accordance with the books of account and other financial records of the Sellers and have been prepared, in all material respects, in conformity with GAAP (except, in the case of the Interim Financial Statements, for the absence of footnotes and other presentation items and for normal year-end adjustments that are not material individually or in the aggregate).

Section 3.15 Accounts Receivable. Sellers have not entered into any agreement to discount or accelerate the payment of the Transferred A/R. The Transferred A/R has arisen from bona fide transactions entered into by the Sellers in the Ordinary Course of Business consistent with past practice and, other than A/R Dilution, are not subject in any material respect to claims

of set-off or other defenses or counterclaims other than normal cash discounts accrued in the Ordinary Course of Business.

Section 3.16 Inventory. On and as of the Execution Date, the level of inventory and raw materials (as of type, category, style, brand and description, and proportion to all Purchased Inventory) is in all material respects consistent with the level and mix set forth in the KK Inventory File as of the date hereof.

Section 3.17 Certain Payments. Since the Compliance Date, no Seller (nor, to the Knowledge of Sellers, any of their respective Representatives) has, in violation of Anti-Corruption Laws, (a) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity; (b) used or is using any corporate funds for any direct or indirect unlawful payments to any foreign or domestic governmental officials or employees; (c) violated or is violating any provision of the FCPA; (d) established or maintained, or is maintaining, any unlawful fund of corporate monies or other properties; or I made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

Section 3.18 Competition Act; Cultural Business. For purposes of subsection 110(2) of the Competition Act (Canada), each of (a) the total value of the Transferred Assets that are assets in Canada and (b) the gross revenues from sales prescribed by that subsection, each measured in accordance with the Competition Act (Canada) and the regulations thereunder as at Closing, will be less than the review threshold amount as determined pursuant to subsections 110(8) and 110(9) of the Competition Act (Canada). The Business does not include a "cultural business" as that term is defined in subsection 14.1(6) of the Investment Canada Act.

Section 3.19 Financial Advisors. Neither Buyer nor any Designated Buyer is and will become obligated to pay any fee or commission or like payment to any broker, finder, or financial advisor as a result of the consummation of the transactions contemplated by this Agreement based upon any arrangement made by or on behalf of Sellers.

Section 3.20 Exclusivity of Representations and Warranties. Notwithstanding the delivery or disclosure to Buyer or any of its Affiliates or Representatives of any documentation or other information (including any financial projections or other supplemental data), except for the representations and warranties expressly set forth in this Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v), no Seller makes, or has made, (and each Seller and their respective Affiliates and Representatives, hereby disclaims) any express or implied representation or warranty with respect to the Business or with respect to the accuracy or completeness of any information provided, or made available, to Buyer or any of its Affiliates or Representatives, and Buyer and its Representatives are not relying on any representation, warranty or other information of any Seller or any Person except for those expressly set forth in this Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v). No Seller makes (and each Seller and their respective Affiliates and Representatives, hereby disclaims) any express or implied representation or warranty (including as to completeness or accuracy) to Buyer with respect to, and no Seller or any other Person shall be subject to any liability to Buyer or any other Person resulting from, any Seller or their respective Representatives providing, or making available, to Buyer or any of its Affiliates or its Representatives, or resulting from the omission of, any estimate, projection, prediction, data, budget, forecast, financial information, memorandum, prospect information,

presentation or any other materials or information, including any oral, written, video, electronic or other materials or information presented to or made available to Buyer in connection with presentations by KK OpCo's management or information made available on any "data sites" or in the course of their due diligence investigation of the Business, the negotiation of this Agreement or the course of the transactions contemplated by this Agreement except as expressly set forth in this Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers as to only itself as follows:

Section 4.1 Organization. Buyer is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all necessary corporate (or equivalent) power and authority to perform its obligations hereunder and under any Ancillary Agreement.

Section 4.2 Authority. Buyer has the power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Buyer of this Agreement and each of the Ancillary Agreements to which it will be a party and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action and this Agreement has been, and upon its execution each of the Ancillary Agreements to which Buyer will be a party will have been, duly executed and delivered by Buyer and assuming due execution and delivery by each of the other Parties and thereto, this Agreement constitutes, and upon its execution each of the Ancillary Agreements to which Buyer will be a party will constitute, the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with its respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 4.3 No Conflict; Required Filings and Consents.

(a) Assuming that (x) entry is made by the Bankruptcy Courts of the Sale Orders, (y) the notices, authorizations, approvals, Orders, permits or consents set forth on Section 3.3(b) of the Disclosure Letter are made, given or obtained (as applicable) and (z) any filings required by any applicable federal or state securities or "blue sky" Laws are made, the execution, delivery and performance by Buyer of this Agreement and each of the Ancillary Agreements to which Buyer will be a party, and the consummation of the transactions contemplated hereby and thereby, or compliance by Buyer with any of the provisions hereof, do not and will not:

(i) conflict with the Organizational Documents of Buyer;

(ii) conflict with or violate any Law applicable to Buyer or by which any property or asset of Buyer is bound or affected;

(iii) conflict with or violate any Order of any Governmental Authority; or

(iv) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or give rise to a right of termination, modification, notice or cancellation or require any consent of any Person pursuant to, any Contract to which Buyer is a party.

except, in each case of clauses (i) through (iv), as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to perform its obligations under this Agreement;

(b) Buyer is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any Governmental Authority in connection with the execution, delivery and performance by Buyer of this Agreement and each of the Ancillary Agreements to which it will be a party or the consummation of the transactions contemplated hereby or thereby, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to perform its obligations under this Agreement.

Section 4.4 Absence of Litigation. There is no Action pending or, to the knowledge of Buyer, threatened in writing, against Buyer that, if adversely determined, (a) would prevent or materially restrict, impede or delay the performance by Buyer of its obligations under this Agreement or (b) would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to perform its obligations under this Agreement.

Section 4.5 Qualification.

(a) To the knowledge of Buyer, there exist no facts or circumstances that would cause, or be reasonably expected to cause, Buyer and/or its Affiliates not to qualify as "good faith" purchasers under Section 363(m) of the Bankruptcy Code.

(b) As of the Closing, Buyer will be capable of satisfying the conditions contained in Sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code with respect to the Transferred Contracts, if any, that are being transferred to it.

Section 4.6 Brokers. No broker, finder or investment banker is entitled to any fee, commission or expense from Buyer that would be payable by Sellers in connection with the transactions contemplated hereby.

Section 4.7 Sufficient Funds; Solvency. Buyer has, or will have available to it at the Closing, sufficient funds to satisfy all obligations of Buyer under this Agreement, including the payment of a portion of the Initial Cash Consideration and any associated expenses including to pay all fees, costs and expenses to be paid by Buyer related to the transactions contemplated hereby. Assuming the accuracy of the representation and warranties of the Sellers set forth in

Article III, Buyer is not insolvent (either because of its financial condition is such that the sum of its debts is greater than the fair value of its assets or because the present fair value of its assets will be less than the amount required to pay its probable liabilities on its debts as they become absolute and matured). Buyer and each Designated Buyer, as applicable, has or will have available to it at the Closing, sufficient access to capital to satisfy the Assumed Liabilities. Without limiting this Section 4.7, in no event shall the receipt or availability of any funds or financing be a condition to Closing or to any of Buyer's obligations hereunder.

Section 4.8 Exclusivity of Representations and Warranties.

(a) Except for the representations and warranties expressly set forth in this Article IV, neither Buyer nor any other Person on behalf of Buyer makes (and Buyer, on behalf of itself, its Subsidiaries, and their respective Affiliates and Representatives, hereby disclaims), and KK Parent has not relied on, any express or implied representation or warranty with respect to Buyer, its Subsidiaries or any of their respective businesses, operations, properties, assets, liabilities or otherwise in connection with this Agreement or the transactions contemplated hereby, including as to the accuracy or completeness of any information.

(b) Except for the representations and warranties expressly set forth in Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v), Buyer acknowledges and agrees that (x) no Seller or any other Person on behalf of any Seller makes, or has made, any express or implied representation or warranty, at law or in equity, with respect to Sellers or with respect to the accuracy or completeness of any information provided, or made available, to Buyer or any of its Affiliates or Representatives, including with respect to its business, operations, assets (including the Transferred Assets), liabilities (including the Assumed Liabilities), conditions (financial or otherwise), prospects or otherwise in connection with this Agreement or the transactions contemplated by this Agreement, including any representation or warranty as to value, merchantability, fitness for any particular purpose or for ordinary purposes, and Buyer and its Representatives are not relying on any written or oral statement, representation, warranty, guaranty or other information of any Seller or any Person except for those expressly set forth in Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v) or (y) no person has been authorized by Sellers or any other Person on behalf of Sellers to make any representation or warranty relating to the Business in connection with this Agreement, and if made, such representation or warranty shall not be relied upon by Buyer as having been authorized by such entity. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that no Seller or any other Person has made a representation or warranty (including as to completeness or accuracy) to Buyer with respect to, and no Seller or any other Person shall be subject to any liability to Buyer or any other Person resulting from, Sellers or their respective Representatives providing, or making available, to Buyer or any of its Affiliates or their respective Representatives, or resulting from the omission of, any estimate, projection, prediction, data, financial information, memorandum, presentation or any other materials or information, including any materials or information made available to Buyer and/or its Representatives in connection with presentations by KK OpCo's management or information made available on any "data sites." Buyer acknowledges that it has conducted, to its satisfaction, its own independent investigation of the condition (financial or otherwise), operations and business of Sellers and, in making its determination to proceed with the transactions contemplated by this Agreement, Buyer has relied solely on the results of its own independent investigation and representations and warranties set

forth in Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v) and has not relied directly or indirectly on any materials or information made available to Buyer and/or its Representatives by or on behalf of any Seller. Buyer acknowledges that, should the Closing occur, Buyer shall acquire its portion of the Business and the Transferred Assets, as set forth in this Agreement, without any surviving representations or warranties, on an "as is" and "where is" basis.

ARTICLE V

BANKRUPTCY COURT MATTERS

Section 5.1 Debtors-in-Possession. As of the Petition Date through the Closing, Sellers shall continue to operate their businesses as debtors-in-possession pursuant to the Bankruptcy Code and any Order of the Bankruptcy Courts.

Section 5.2 Sale Orders. The U.S. Sale Order shall among other things, (a) approve, pursuant to Sections 105, 363, and 365 of the Bankruptcy Code, (i) the execution, delivery and performance by Sellers of this Agreement, (ii) the sale of the Transferred Assets to Buyer on the terms set forth herein and free and clear of all Encumbrances (other than Permitted Encumbrances), and (iii) the performance by Sellers of their respective obligations under this Agreement; and (b) find that Buyer is a "good faith" purchaser within the meaning of Section 363(m) of the Bankruptcy Code and the sale is entitled to the protections afforded under Section 363(m) of the Bankruptcy Code. The Canadian Sale Order shall, among other things, (a) recognize and give full force and effect to the U.S. Sale Order in Canada pursuant to the CCAA, and (b) vest the Canadian Transferred Assets in and to the Buyer, free and clear of all Encumbrances other than the Permitted Encumbrances.

Section 5.3 Cooperation with Respect to Approvals from the Bankruptcy Courts. Buyer shall take such commercially reasonable actions as are reasonably requested by Sellers to assist in obtaining entry by the Bankruptcy Courts of the Sale Orders, including furnishing affidavits or other documents or information for filing with the Bankruptcy Courts for purposes of, among other things: (a) demonstrating that Buyer is a "good faith" purchaser within the meaning of Section 363(m) of the Bankruptcy Code; and (b) establishing "adequate assurance of future performance" within the meaning of Section 365 of the Bankruptcy Code.

Section 5.4 Bankruptcy Court Filings.

(a) Sellers shall consult with Buyer concerning the Sale Orders and any other Orders of the Bankruptcy Courts entered after the date hereof relating to the transactions contemplated herein, and the bankruptcy proceedings in connection therewith.

(b) Sellers shall provide Buyer with copies of any material applications, pleadings, notices, proposed Orders and other documents to be filed by Sellers in the Bankruptcy Cases that relate in any material respect to this Agreement, the Transferred Assets, or Buyer at least 24 hours prior to the making of any such filing or submission to the Bankruptcy Courts, and such documents shall be in form and substance acceptable to the Parties in their reasonable discretion to the extent of their respective consent rights set forth in Section 2 thereof.

Section 5.5 Appeal of Sale Orders. In the event an appeal is taken or a stay pending appeal is requested from any Sale Order, Sellers shall promptly notify Buyer of such appeal or stay request and provide Buyer a copy of the related notice of appeal or order of stay. Sellers shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of any Sale Order, Sellers shall, in consultation with Buyer, be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal. In such case, Sellers will provide Buyer with a draft copy of any filing or submission at least three (3) Business Days prior to the filing or submission to the applicable Bankruptcy Court and any such documents shall be in form and substance acceptable to the Parties to the extent of their respective consent rights set forth in Section 2 of the RSA.

ARTICLE VI

COVENANTS

Section 6.1 Conduct of Business Prior to the Closing. From the date of this Agreement until the Closing Date or earlier termination of this Agreement,

(a) except (1) as otherwise expressly required by this Agreement, (2) as expressly set forth in Section 6.1 of the Disclosure Letter, (3) as required by Law (including the Bankruptcy Code) or required by any Order, (4) for any limitations on operations imposed by the Bankruptcy Courts, the Bankruptcy Code, the CCAA, the DIP Order, or the DIP Facility or the Prepetition Credit Agreement; or (5) with the prior written consent of Buyer (which shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement until the Closing Date or earlier termination of this Agreement, Sellers shall use commercially reasonable efforts to conduct the Business in the Ordinary Course of Business and preserve the material business relationships with customers, suppliers, distributors and others with whom Sellers deal in the Ordinary Course of Business (including timely payment of post-petition accounts payable, purchasing and maintaining appropriate levels of Inventory, performing all reasonably required maintenance and repairs, making capital expenditures and collecting receivables);

(b) except (1) as otherwise expressly required by this Agreement (including with respect to a Qualifying Alternative Transaction), (2) as expressly set forth in Section 6.1 of the Disclosure Letter, (3) as required by Law (including the Bankruptcy Code) or required by any Order, (4) for any limitations on operations or requirements imposed by the Bankruptcy Courts, the Bankruptcy Code, the CCAA, the DIP Order, or the DIP Facility or the Prepetition Credit Agreement; or (5) with the prior written consent of Buyer (which shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement until the Closing Date or earlier termination of this Agreement, Sellers shall not:

(i) sell, transfer, lease, sublease, license, abandon, encumber or otherwise dispose of any Transferred Assets other than immaterial dispositions thereof and/or Inventory sold or disposed of in the Ordinary Course of Business;

(ii) acquire any corporation, partnership, limited liability company, other business organization or division thereof related to or affecting the Business or the

Transferred Assets or any material assets, except acquisitions of raw materials in the Ordinary Course of Business;

(iii) fail to make payments in accordance with and as contemplated by the Prepetition Budget or the DIP Budget;

(iv) enter into any joint venture agreement that involves a sharing of profits, cash flows, expenses or losses with other Persons related to or affecting the Business or the Transferred Assets;

(v) (1) reject, terminate (other than by expiration in accordance with its terms), or materially amend any Transferred Contract or seek approval of the Bankruptcy Courts to do so, or (2) fail to use commercially reasonable efforts to oppose any action by a third party to so terminate (including any action by a third party to obtain approval of the Bankruptcy Courts to terminate) any Transferred Contract;

(vi) make any loans, advances or capital contributions to, or investments in, any other Person (other than to a Seller in the Ordinary Course of Business);

(vii) subject any of the Transferred Assets to any Encumbrance other than Permitted Encumbrances;

(viii) incur, guarantee or assume any indebtedness for borrowed money, enter into any capital lease or guarantee any such indebtedness except for indebtedness under the DIP Facility or the Prepetition Credit Agreement;

(ix) use the sale theme "going out of business";

(x) modify, amend, terminate or waive any rights under any Transferred Contract;

(xi) change or modify any material accounting practice, policy or procedure, except as required by GAAP or applicable Law;

(xii) except as required by applicable Law, (1) revoke or change any material Tax election or method of accounting with respect to Taxes, (2) make any material Tax election inconsistent with past practices and outside ordinary course of business, (3) file any amended Tax Return, (3) enter into any closing agreement or settle or compromise any material Tax claim or assessment, or (4) consent to any extension or waiver of the limitation period applicable to any claim or assessment with respect to Taxes; in each case to the extent such action could adversely affect Buyer or any of its Affiliates in a Tax period that ends after the Closing Date;

(xiii) ship, sell or transfer any Inventory during the period that is between the Inventory Count and the Closing Date;

(xiv) amend the DIP Budget; or

(xv) agree or commit to any of the foregoing; and

(c) from the date of this Agreement until the Closing Date or earlier termination of this Agreement, Sellers shall use reasonable best efforts to clear any unapplied cash in respect of the Transferred A/R.

Without in any way limiting any Party's rights or obligations under this Agreement, the Parties understand and agree that (i) nothing contained in this Agreement shall give Buyer, directly or indirectly, the right to control or direct the operations of Sellers, or the Business prior to the Closing and (ii) prior to the Closing, Sellers shall exercise, consistent with, and subject to, the terms and conditions of this Agreement, complete control and supervision over the Business and their operations.

Section 6.2 Covenants Regarding Information.

(a) From the date hereof until the Closing Date or earlier termination of this Agreement, upon reasonable request, Sellers shall afford Buyer and its Representatives reasonable access to the properties, offices, plants and other facilities, books and records (including Tax books and records) of Sellers, solely with respect to the Business, and shall furnish Buyer with such financial, operating and other data and information, and access to all the officers, employees, customers, vendors, accountants and other Representatives of Sellers, solely with respect to the Business, as any Buyer may reasonably request in connection with the transactions contemplated by this Agreement. Notwithstanding anything to the contrary in this Agreement, Sellers shall not be required to provide access to or disclose any information to any Buyer or its Representatives if (i) such access or disclosure is prohibited pursuant to the terms of a confidentiality agreement with a third party entered into prior to the date hereof, (ii) such access or disclosure would violate applicable Law, or (iii) such access or disclosure would adversely affect any attorney-client or other legal privilege or contravene and applicable Laws (the "Disclosure Limitations"); provided that the Parties shall reasonably cooperate in seeking to find a way to allow disclosure of such information to the extent doing so would not (in the good faith belief of Sellers after consultation with outside counsel) violate any such confidentiality agreement or applicable Law, or cause such privilege to be undermined with respect to such information.

(b) The information provided pursuant to this Section 6.2 prior to Closing will be used solely for the purpose of effecting the transactions contemplated hereby, and will be governed by the terms and conditions of the Confidentiality Agreement, which Confidentiality Agreement shall not terminate upon the execution of this Agreement notwithstanding anything to the contrary therein. The Confidentiality Agreement shall terminate automatically, and with no further action required of any party thereto, upon the Closing. No Seller makes any representation or warranty as to the accuracy of any information, if any, provided pursuant to this Section 6.2, and Buyer may not rely on the accuracy of any such information (and Buyer hereby knowingly and expressly disclaims any reliance with respect to any such information), except to the extent of the representations and warranties set forth in Article III or in the officer's certificate delivered pursuant to Section 2.10(b)(v).

(c) From and after the Closing, until the closing of the Bankruptcy Cases, Buyer will provide Sellers and their Representatives, with reasonable access, during normal business

hours, and upon reasonable advance notice, subject to reasonable denials of access or delays to the extent any such access would unreasonably interfere with the operations of either Buyer or the Business, to the books and records, including work papers, schedules, memoranda, and other documents (for the purpose of examining and copying) that are in its possession or reasonable control relating to its respective Transferred Assets, its respective Assumed Liabilities, or the Excluded Assets with respect to periods or occurrences prior to the Closing Date, for the purposes of (i) complying with the requirements of any Governmental Authority, including the Bankruptcy Courts, (ii) the closing of the Bankruptcy Cases and the wind down of Sellers' estates (including reconciliation of claims and preparation of Tax Returns or other Tax proceedings and the functions of any trusts established under the Plan), (iii) complying with applicable Laws or (iv) other reasonable business purposes; provided that no Buyer shall be obligated to provide any such access that would, in the reasonable, good faith judgment of Buyer, conflict with the Disclosure Limitations. Unless otherwise consented to in writing by KK OpCo, Buyer will not, for a period of three (3) years following the Closing Date, destroy, alter or otherwise dispose of any of such books and records without first offering to surrender to KK OpCo such books and records or any portion thereof that Buyer may intend to destroy, alter or dispose of.

Section 6.3 Employee Matters.

(a) Not later than three (3) Business Days prior to the Designation Deadline, Buyer shall provide (or cause an Affiliate to provide) to each Seller employee identified on Section 6.3 of the Disclosure Letter, an offer of employment which such employment shall commence as of the Closing, that provides for (i) a base annual salary or hourly wage rate, as applicable, that is not less than such employee's base annual salary or hourly wage rate, as applicable, with the applicable Seller immediately prior to the Closing, and (ii) benefits comparable to those provided by Buyer to its similarly situated employees. Buyer shall use commercially reasonable efforts to ensure that each offer of employment executed by a Transferred Employee reflects a full release by such employee of any and all Liabilities, obligations and/or causes of action of or against any Seller and its Affiliates. At any time during the period commencing from the Effective Date until the Designation Deadline, Buyer may amend or revise the employee list on Section 6.3 of the Disclosure Letter in order to (i) add any employee employed by a Seller as of the date thereof, or (ii) remove any Seller employee based on such employee's actions that would give rise to a for cause employment termination. Each Seller employee who receives and accepts (or is deemed with a base salary equal to or better than the Company's existing terms to have accepted) Buyer's (or an Affiliate of Buyer's) offer of employment and who commences employment with Buyer or an Affiliate thereof on the Closing shall be a "Transferred Employee". Sellers will reasonably cooperate with Buyer with respect to such employee matters. Buyer shall, or shall cause its Affiliate to, credit each Transferred Employee with the amount of paid time off accrued, but unused by such Transferred Employee as of the Closing Date.

(b) Sellers shall retain all Liabilities relating to all unpaid wages, salaries, commissions and other compensation amounts, earned or accrued on or before the Closing Date by or in respect of all of their current and former employees, including the Transferred Employees. During the ninety (90) days from Closing, Buyer shall not, and shall cause its Affiliates not to, take any action that causes any Seller or Affiliate of Seller to incur Liabilities under the WARN Act.

(c) Nothing herein, expressed or implied, shall confer upon any Seller employees (or any of their beneficiaries or alternate payees) any rights or remedies (including any right to employment or continued employment, or any right to compensation or benefits for any period) of any nature or kind whatsoever, under or by reason of this Agreement or otherwise. In addition, the provisions of this Section 6.3, are for the sole benefit of the parties to this Agreement and are not for the benefit of any third party.

Section 6.4 Consents and Filings; Further Assurances.

(a) Subject to the terms and conditions of this Agreement, each of the Parties shall, and shall cause its Subsidiaries to, use reasonable best efforts to cooperate with each other Party and to, promptly take, or cause to be taken, any and all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Ancillary Agreements, in accordance with the terms hereof and thereof. This Section 6.4(a) does not apply with respect to Taxes.

(b) From time to time, whether at or following the Closing, Sellers and Buyer shall execute, acknowledge and deliver all such further conveyances, notices, assumptions and releases and such other instruments, and shall take such further actions, as may be necessary or appropriate to vest in Buyer all the right, title, and interest in, to or under its Transferred Assets, to provide Buyer and Sellers all rights and obligations to which they are entitled and subject pursuant to this Agreement and the Ancillary Agreements, and to otherwise make effective as promptly as practicable the transactions contemplated by this Agreement and the Ancillary Agreements. Each of the Parties will take, or cause to be taken, all actions, and do, or cause to be done, all things necessary, proper or advisable under applicable Laws to cause all of the obligations imposed upon it in this Agreement to be duly complied with and to cause all conditions precedent to such obligations to be satisfied. Notwithstanding the foregoing, nothing in this Section 6.4 shall (a) require Sellers or Buyer or any of their Affiliates to make any expenditure or incur any obligation on their own or on behalf of any other Party (unless funds in the full amount thereof are advanced by such other Party in cash) or (b) prohibit Sellers or any of their Affiliates from ceasing operations or winding up its affairs following the Closing.

(c) Sellers and Buyer shall cooperate with each other and, as promptly as practicable after the date of this Agreement, take, or cause to be taken, all reasonable actions, and do, or cause to be done, all reasonable things necessary, proper or advisable under applicable Laws to obtain the transfer or reissuance to the applicable Buyer of all Environmental Permits necessary to lawfully own and operate the Business and Transferred Assets. The Parties shall take, or cause to be taken, all reasonable actions, and do, or cause to be done, all reasonable things necessary, proper or advisable under applicable Laws to (i) respond promptly to any requests for additional information made by such agencies, (ii) participate in any hearings, settlement proceedings or other proceedings ordered with respect to applications to transfer or reissue such Environmental Permits, and (iii) cause regulatory approval to be obtained as soon as practicable after the date of filing. Each Party will bear its costs of the preparation and review of any such filing. Sellers and Buyer shall have the right to review in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing made in connection any

filings to transfer the Environmental Permits and the filing Party shall consider in good faith any revisions reasonably requested by the non-filing Party.

(d) Following Closing, Sellers shall cooperate with Buyer's reasonable requests with respect to the investigation and prosecution of any Actions related primarily to the Business or the Transferred Assets (other than in connection with disputes between the Parties), including taking, or causing to be taken, all actions, and doing, or causing to be done, all things necessary, proper or advisable under applicable Laws to furnish all reasonably available information and testimony, to arrange discussions with, and the calling as witnesses of, officers, directors, employees, agents and Representatives, and to provide other reasonable assistance in connection with any such Actions, with such cooperation to be at the cost and expense of the requesting Buyer.

Section 6.5 Refunds and Remittances.

(a) After the Closing: (i) if Sellers or any of their Affiliates receive any refund or other amount that is a Transferred Asset or is otherwise properly due and owing to a Buyer in accordance with the terms of this Agreement, Sellers promptly shall remit, or shall cause to be remitted, such amount to Buyer in accordance with this Agreement and (ii) if any Buyer or any of its Affiliates receive any refund or other amount that is an Excluded Asset or is otherwise properly due and owing to Sellers or any of their Affiliates in accordance with the terms of this Agreement, Buyer promptly shall remit, or shall cause to be remitted, such amount to Sellers in accordance with this Agreement.

(b) In the event that, from and after the Closing, (i) Sellers or any of their Affiliates have retained ownership of a Transferred Asset, then, for no additional consideration to Sellers or any of their Affiliates, Sellers shall, and shall cause their controlled Affiliates to, convey, assign or transfer promptly such Transferred Asset to the applicable Buyer or its designees in accordance with this Agreement, and the Parties shall execute all other documents and instruments, and take all other lawful actions reasonably requested, in order to convey, assign and transfer such Transferred Asset to the applicable Buyer or its designees in accordance with this Agreement, (ii) any Excluded Asset has been conveyed to or is received by a Buyer, then, without any consideration payable to Buyer or any of its Affiliates, Buyer shall convey, assign or transfer promptly such Excluded Asset to Sellers in accordance with this Agreement, and the Parties shall execute all other documents and instruments, and take all other lawful actions reasonably requested, in order to convey, assign and transfer such Excluded Asset to Sellers or their designees in accordance with this Agreement.

Section 6.6 Public Announcements and Communications. From the date hereof through the Closing Date, neither Buyer, on the one hand, nor Sellers, on the other hand, shall issue any public report, statement, press release or otherwise make any public statement regarding this Agreement or the transactions contemplated hereby, without the prior written consent of Buyer and KK OpCo, unless otherwise required by applicable Law, in which case such Party shall coordinate and consult with the other Party with respect to the timing, basis, scope and content before issuing any such report, statement or press release; provided, however, that nothing in this Section 6.6 shall (a) prohibit or delay any required filing or other disclosure with the Bankruptcy Courts, or any other Governmental Authority or otherwise hinder either KK OpCo's or its Representatives' ability to timely comply with all Laws (including the Bankruptcy Code, the

CCAA and the WARN Act), (b) prohibit any public announcement containing information that is otherwise generally available to the public (including as a result of any filing or other disclosure with the Bankruptcy Courts, or any other Governmental Authority) or (c) delay or prohibit any WARN Act-related notice issued by KK OpCo. Until the Closing Date, Buyer and Sellers shall use commercially reasonable efforts to develop mutually agreeable messaging for any communications to employees, customers, vendors or suppliers, or as may be necessary to obtain any required third party consent or approval in connection with this Agreement. Sellers shall consult with Buyer before any material communications (other than those made in the Ordinary Course of Business) to any employees, customers, vendors or suppliers, or as may be necessary to obtain any required third party consent or approval in connection with this Agreement.

Section 6.7 Collection of Accounts Receivable. Subject to the terms of the DIP Order:

(a) As of the Closing Date, each Seller hereby (i) authorizes Buyer and any Buyer designee to open any and all mail addressed to any Seller relating to the Business or the Transferred Assets and delivered to the offices of the Business or otherwise to Buyer or any Buyer designee if received on or after the Closing Date and (ii) appoints Buyer, any Buyer designee or its attorney-in-fact to endorse, cash and deposit any monies, checks or negotiable instruments received by Buyer of any Buyer designee after the Closing Date with respect to Transferred A/R or accounts receivable relating to work performed or products delivered by Buyer after the Closing, as the case may be, made payable or endorsed to any Seller or Seller's order, for Buyer's or any Buyer designee's own account.

(b) As of the Closing Date, each Seller agrees that any monies, checks or negotiable instruments received by any Seller after the Closing Date with respect to Transferred A/R or accounts receivable relating to work performed by Buyer after the Closing, as the case may be, shall be held in trust by such Seller for Buyer's or any Buyer designee's benefits and accounts, and promptly upon receipt by a Seller of any such payment, such Seller shall pay over to Buyer or their designee the amount of such payments without any right of set off or reimbursement.

(c) Without limiting the foregoing, Sellers will, and will cause their respective Subsidiaries and Affiliates to, deposit into the bank account designated by the Buyer (the "Designated A/R Account") within one (1) Business Day after receipt all amounts received by Sellers or their respective Subsidiaries and Affiliates constituting Transferred A/R. Sellers will, and will cause their respective Subsidiaries and Affiliates to, deliver written instructions no later than one (1) Business Day following the Closing to all customers with accounts receivable constituting Transferred A/R to deliver all payments with respect thereto directly to the Designated A/R Account. Sellers will maintain their bank accounts to accept any Transferred A/R for 120 days following the Closing.

(d) As of the Closing Date, Buyer or any Buyer designee shall have the sole authority to bill and collect Transferred A/R and accounts receivable relating to work performed by Buyer after the Closing.

(e) Notwithstanding anything to the contrary contained hereto, any Designated Buyers that acquire any Transferred A/R hereunder shall be express third-party beneficiaries of this Section 6.7.

Section 6.8 Intercompany Accounts and Arrangements. Effective prior to the Closing, all outstanding intercompany accounts, whether payables or receivables, between any Seller, on the one hand, and any Subsidiary of Sellers, on the other hand, shall be settled in full without any cash payment required to be made, and shall be of no further force and effect, in each case, without Liability to the Business, Buyer, or the Sellers at or after the Closing.

Section 6.9 In-Transit Inventory. Any Inventory of Sellers that is not located in Canada, the United States or Australia as of the date hereof and does not constitute Excluded Specified Inventory shall be referred to herein as "Foreign Inventory". Foreign Inventory shall only be included in the definition of the Purchased Inventory for the purposes of the Closing to the extent it has been imported to and has cleared customs in the United States as of the Closing. Any Foreign Inventory that is in-transit to the United States as of the Closing shall be referred to herein as "In-Transit Inventory", and shall only be purchased by Buyer in accordance with the terms of this Section 6.9. Seller will, or will cause a designee to, (i) serve as the importer of record for such In-Transit Inventory, (ii) exercise commercially reasonable efforts to import such In-Transit Inventory into the United States and (iii) exercise commercially reasonable efforts to cause such In-Transit Inventory to clear through United States customs. At Closing, Buyer will deposit into escrow with Escrow Agent an amount equal to the Purchased Inventory Payment Amount applicable to such In-Transit Inventory *plus* the estimated customs, duties/tariffs and transportation costs attributable to such In-Transit Inventory as mutually agreed by the Parties (such escrowed amount, the "In-Transit Inventory Escrow Amount"). Upon successful importation of such In-Transit Inventory, Seller will provide Buyer with a detailed accounting of all out-of-pocket, documented customs, duties/tariffs and transportation costs attributable to such In-Transit Inventory. Within five (5) Business Days of Buyer's receipt of such accounting, Buyer and KK OpCo will promptly deliver a joint written instruction to the Escrow Agent instructing Escrow Agent to release the amount of the In-Transit Inventory Escrow Amount attributable to such successfully imported In-Transit Inventory (the "In-Transit Inventory Consideration"). If any such In-Transit Inventory has not cleared customs within one-hundred twenty (120) days following the Closing (excluding any delays caused by *force majeure* or other delays outside of the reasonable control of any party), such In-Transit Inventory shall be retained by the applicable Seller (the "Excluded In-Transit Inventory") and the corresponding portion of the In-Transit Inventory Escrow Amount shall be returned to Buyer. Buyer shall not, and Buyer shall cause each of its Affiliates and Representatives not to, interfere with or impede, in any manner whatsoever, the process by which any Seller (or any Representative thereof) transports, exports, imports, pays duties or fees with respect to, ships, moves or otherwise interacts with any In-Transit Inventory.

Section 6.10 Exclusivity. Except as provided in Section 6(b) of the RSA, the Sellers will not, and will direct their Affiliates not to, directly or indirectly, through any Representative of any of them or otherwise, initiate, solicit or encourage (including by way of furnishing non-public information or assistance), or enter into negotiations or discussions of any type, directly or indirectly, or enter into a confidentiality Contract, letter of intent or purchase Contract, merger Contract or other similar Contract with any Person other than Buyer with respect to a sale of all or any substantial portion of the assets of any Seller, or a merger, consolidation, business combination, sale of all or any substantial portion of the equity any Seller, or the liquidation or similar extraordinary transaction with respect to any Seller. The Sellers will notify Buyer as promptly as practicable of any inquiry or proposal by a third party to do any of the foregoing that

the Sellers or any of their Affiliates or any of their respective Representatives may receive relating to any of such matters.

Section 6.11 Name Change. Except as necessary to effect the transactions contemplated by this Agreement, including the winding down of the Business and any Subsidiary of any Seller, from and after the Closing, the Sellers and their Affiliates shall cease using any Transferred IP related to the Business as well as the names set forth on Section 6.11 of the Disclosure Letter or any derivation thereof. Each Sale Order shall effectuate a change to the caption of the applicable Bankruptcy Case to exclude the words "KidKraft." In addition, Buyer hereby grants to the Sellers and their Subsidiaries a limited, non-exclusive, worldwide, irrevocable, sublicensable, non-transferable, fully paid-up, right and license to use the Transferred IP, solely as necessary to effect the transactions contemplated herein, including the winding down of the Business and any Subsidiary of any Seller.

ARTICLE VII

TAX MATTERS

Section 7.1 Transfer Taxes. The Purchase Price and any other consideration payable under this Agreement are exclusive of Transfer Taxes. Any and all sales, harmonized sales, use, property transfer or gains, real estate or land transfer or gains, documentary, stamp, registration, recording, filing, value-added, goods and services or other similar Taxes (including any Canadian federal goods and services tax or harmonized sales tax payable under Part IX of the ETA, or any similar taxes payable under applicable Canadian provincial legislation) ("Transfer Taxes") payable by Buyer solely as a result of the sale or transfer of the Transferred Assets and the assumption of the Assumed Liabilities pursuant to this Agreement shall be borne by Buyer. Sellers and Buyer shall use commercially reasonable efforts and cooperate in good faith to mitigate, reduce, or eliminate any such Transfer Taxes and the appropriate Party shall provide the information and documentation that is necessary to obtain any available exemptions or relief including the information required under subsection 169(4) of Part IX of the ETA (which shall be provided by the Seller(s) registered for goods and services tax/harmonized sales tax) and any other documentation necessary in connection with recovery by the Buyer of Transfer Taxes. Buyer shall prepare and file all necessary Tax Returns or applicable elections and other documents with respect thereto and, if reasonably requested or required by applicable Law, the Sellers will, and will cause their Affiliates to, join in the execution of any such Tax Returns and other documentation. Buyer shall promptly provide a copy of any such Tax Returns or other documents to Sellers. To the extent that Sellers do not provide a provincial sales or retail sales tax clearance certificate(s) that is required under applicable Law, Sellers shall indemnify Buyer for any Tax liability (including penalties and interest) that is assessed against Buyer arising from the failure of the particular Seller(s) to provide such certificate(s)

Section 7.2 Tax Cooperation. Buyer and Sellers agree to furnish or cause to be furnished to each other, upon reasonable request, as promptly as practicable, such information (including access to books and records relating to Taxes) and assistance relating to the Business, the Transferred Assets and the Assumed Liabilities as is reasonably necessary for determining any Liability for Taxes, filing a Tax Return, making any election relating to Taxes, the claiming or recovery of any Transfer Taxes, preparing for any audit by any Governmental Authority or

prosecuting or defending any claim, suit or proceeding relating to any Tax. Any reasonable expenses incurred in furnishing such information or assistance pursuant to this Section 7.2 shall be borne by the requesting Party.

Section 7.3 Straddle Period Allocation. The Sellers shall be allocated and bear all Non-Income Taxes attributable to (A) any Tax period ending on or prior to the Closing Date, and (B) the portion of any Straddle Period ending on the Closing Date, and (ii) Buyer shall be allocated and bear all Non-Income Taxes attributable to (A) any Tax period beginning after the Closing Date and (B) the portion of any Straddle Period beginning after the Closing Date. For purposes of determining the allocation of Non-Income Taxes set forth in the first sentence of this Section 7.3, (i) Non-Income Taxes that are based upon or related to sales or receipts imposed on a transactional basis (other than Non-Income Taxes described in (ii)) shall be allocated to the period in which the transaction giving rise to such Non-Income Taxes occurred, and (ii) Non-Income Taxes that are ad valorem, property or other Non-Income Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated on a per diem basis between Buyer and Sellers as of the Closing Date, and the amount of such Non-Income Taxes for which Sellers are allocated shall be equal to the amount of the Non-Income Tax for the applicable Straddle Period multiplied by a fraction, the numerator of which is the number of days from the beginning of the period through and including the Closing Date and the denominator of which is the entire number of days in the period. For the avoidance of doubt, any Non-Income Taxes for which Sellers are liable under this Section 7.3 shall not constitute Assumed Liabilities.

Section 7.4 Section 22 Tax Election. At the reasonable request of Buyer and to the extent this election is available under applicable Law, Buyer and each Canadian Seller (as applicable) agree to elect jointly on or before the date on which such election is required to be made in accordance with applicable Law, in the prescribed form under Section 22 of the Income Tax Act (Canada) (and any equivalent or corresponding provision under applicable provincial legislation) as to the sale of the Transferred A/R described in Section 22 of the Income Tax Act (Canada) (and any equivalent or corresponding provision under applicable provincial or territorial legislation) and to designate in such election an amount equal to the portion of the Purchase Price allocated to such Transferred Assets pursuant to Section 2.11 as the consideration paid by Buyer therefor. Each of Buyer and Canadian Seller shall prepare and file their respective Tax returns in a manner consistent with such election.

Section 7.5 Subsection 20(24) Tax Election. Buyer and each Canadian Seller (as applicable) acknowledge that Canadian Seller is transferring Transferred Assets to Buyer with a value equal to the amount set out in the Allocation in consideration for Buyer assuming prepaid obligations of Canadian Seller to deliver goods or provide services in the future. At the reasonable request of Buyer, Canadian Seller and Buyer will, if applicable, execute and file, on a timely basis and using any prescribed form, a joint election under subsection 20(24) of the Income Tax Act (Canada) and any equivalent or corresponding provision under applicable provincial legislation as to such assumption hereunder, and prepare their respective Tax Returns in a manner consistent with such joint election.

Section 7.6 Canadian Transferred Assets. At least thirty (30) days prior to the Closing, Sellers shall deliver or cause to be delivered to Buyer a schedule listing all Transferred Assets of the Sellers (other than the Canadian Sellers) that are located in Canada or used or held by the

Sellers in a business carried on in Canada, including, for greater certainty, property that this "excluded property" for the purposes of section 116 of the *Income Tax Act* (Canada). This schedule shall contain reasonable details regarding the description such Transferred Assets and their physical location.

Section 7.7 Tax Registrations. At least thirty (30) days prior to the Closing, Sellers shall deliver or cause to be delivered to the Buyer a schedule listing all of the Sellers' registrations for goods and services tax, harmonized sales tax and provincial sales tax, including the applicable tax registration numbers. If the Sellers have determined that such registrations are not applicable to the Sellers, the Sellers shall provide a certification that it is not registered, or required to be registered, for goods and services tax, harmonized sales tax and/or provincial sales tax purposes, and is not required to collect and remit such taxes, as the case may be.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.1 General Conditions. The respective obligations of Buyer and Sellers to consummate the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by any Party in its sole discretion (provided that such waiver shall only be effective as to the obligations of such Party):

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary, preliminary or permanent), or shall have initiated and be actively pursuing any legal proceedings seeking any such Order, that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements (any such Law or Order, a "Legal Restraint").

(b) The Bankruptcy Courts shall have entered the Sale Orders, and the Sale Orders shall not have been stayed, reversed or modified in a manner materially adverse to Buyer without the consent of Buyer.

Section 8.2 Conditions to Obligations of Sellers. The obligations of Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by KK OpCo in its sole discretion:

(a) The representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and at and as of the Closing with the same force and effect as if made at and as of the Closing (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct in all material respects as of such date or with respect to such period).

(b) Buyer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date.

(c) Sellers shall have received the documents listed in Section 2.10(c).

Section 8.3 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any of which may be waived only in a writing executed by Buyer in its sole discretion:

(a) Representations and Warranties.

(i) The representations and warranties of Sellers contained in this Agreement (as qualified (but not expanded) by any section of the Disclosure Letter that is amended, supplemented or modified following the Execution Date in accordance with the terms of this Agreement), other than the Fundamental Representations of Sellers, shall be true and correct (without giving effect to any "materiality" or "Material Adverse Effect" qualifiers set forth therein) as of the date of this Agreement and at and as of the Closing with the same force and effect as if made at and as of the Closing (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct (without giving effect to any "materiality" or "Material Adverse Effect" qualifiers set forth therein) as of such date or with respect to such period), in each of the foregoing cases, except where the failure of such representations and warranties to be true and correct at such time would, either individually or in the aggregate, not constitute a Material Adverse Effect.

(ii) The Fundamental Representations of Sellers contained in this Agreement (as qualified (but not expanded) by any section of the Disclosure Letter that is amended, supplemented or modified following the Execution Date in accordance with the terms of this Agreement) shall be true and correct in all respects (other than de minimis inaccuracies) as of the date of this Agreement and at and as of the Closing with the same force and effect as if made at and as of the Closing (other than those Fundamental Representations of Sellers that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period).

(b) Sellers shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

(c) No Material Adverse Effect shall have occurred after the date of this Agreement.

(d) Buyer shall have received the documents listed in Section 2.10(b).

(e) Sellers shall have performed or complied in all material respects with all agreements and covenants required by the RSA to be performed or complied with by RSA at or prior to the Closing and the RSA shall be in full force.

Section 8.4 Information Officer's Certificate. When the conditions to Closing set forth in this Article VIII have been satisfied and/or waived by Sellers and Buyer, as applicable, Sellers

and Buyer will each deliver to the Information Officer the applicable Conditions Certificate. Upon receipt of each of the Conditions Certificates, the Information Officer shall (a) issue forthwith the Information Officer's Certificate concurrently to Sellers and Buyer (with a copy legal counsel for the DIP Agent), at which time the Closing will be deemed to have occurred, and the Canadian Transferred Assets shall vest in and to Buyer (or its permitted designee) pursuant to the Canadian Sale Order, and (b) file as soon as practicable a copy of the Information Officer's Certificate with the CCAA Court (and shall provide a true copy of such filed certificate to Sellers, Buyer and Gordon Brothers). The Parties hereto acknowledge and agree that the Information Officer shall be entitled to file the Information Officer's Certificate with the CCAA Court without independent investigation upon receiving the Conditions Certificates, and the Information Officer will be relying exclusively on the basis of the Conditions Certificates and without any obligation whatsoever to verify the satisfaction or waiver of the applicable conditions and shall have no liability to Sellers or Buyer or any other Person as a result of filing the Information Officer's Certificate upon receiving such Conditions Certificates.

ARTICLE IX

TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of both Buyer and KK OpCo;

(b) by either KK OpCo or Buyer, if:

(i) a Legal Restraint is in effect that has become final and nonappealable; provided that no Party may terminate this Agreement pursuant to this Section 9.1(b)(i) whose breach of any of its representations, warranties, covenants or agreements contained herein results in such Legal Restraint;

(ii) the Closing shall not have occurred on or before July 19, 2024 (the "Outside Date"); provided that no Party shall be permitted to terminate this Agreement pursuant to this Section 9.1(b)(ii) if (A) the failure of the Closing to have occurred by the Outside Date was caused by the breach of such Party with respect to any obligation or condition of this Agreement or (B) another Party has commenced appropriate proceedings to enforce its rights pursuant to Section 10.15, and, thereafter, uses commercially reasonable efforts to prosecute such proceeding or proceedings(s);

(iii) the RSA is terminated as to all parties thereof in accordance with its terms, unless such termination was following such Party's breach of the RSA;

(iv) if Sellers consummate any Qualifying Alternative Transaction.

(c) by Buyer, if:

(i) at any time, Sellers shall have breached or violated any of their representations, warranties or covenants set forth in this Agreement in a manner that would

prevent the satisfaction of the conditions to Closing set forth in Section 8.3(a) or Section 8.3(b), and (except in the case of a breach of the obligation to close within two (2) Business Days after the date contemplated in Section 2.10, in which case such two (2) Business Day period shall apply) such breach or violation shall not have been cured by the earlier of ten (10) days after written notice thereof has been given by Buyer to Seller and the Outside Date; provided that Buyer shall not be entitled to terminate the Agreement pursuant to this Section 9.1(c)(i) if Buyer is then in breach of any of its obligations under this Agreement such that the conditions in Section 8.2(a) or (b) would not be satisfied;

(ii) (x) the U.S. Bankruptcy Court has not entered an interim DIP Order within three (3) Business Days after the Petition Date; (y) the U.S. Bankruptcy Court has not entered a final DIP Order within thirty (30) days after the Petition Date; or (z) Gordon Brothers fails to fund the DIP Facility when required, and each such event remains uncured (to the extent curable) for a period of five (5) Business Days; provided that, with respect to clause (y), such time period shall be subject to reasonable extensions (not to exceed 45 days following the Petition Date) so long as Sellers and Gordon Brothers are using commercially reasonable efforts to cause the prompt entry of the DIP Order and the funding of the DIP Facility;

(iii) the Chapter 11 Case is dismissed or converted to a case under chapter 7 of the Bankruptcy Code, and neither such dismissal nor conversion expressly contemplates the transactions provided for in this Agreement or the CCAA Recognition Proceedings are dismissed;

(iv) Sellers withdraw or seek authority to withdraw the Sale Orders; or

(v) (A) any Seller enters into one or more Qualifying Alternative Transactions with one or more Persons or (B) Sellers publicly announce any plan of reorganization or plan of liquidation or support any such plan filed by any third party, other than, in the case of this clause (B), any such plan that includes a conversion of any of the Chapter 11 Cases to chapter 7 of the Bankruptcy Code or that would not prevent or materially delay the Closing from occurring in accordance with the terms of this Agreement.

(d) by KK OpCo at any time if:

(i) (x) Buyer shall have breached or violated any of its representations, warranties or covenants set forth in this Agreement in a manner that would prevent the satisfaction of the conditions to Closing set forth in Section 8.2(a) or Section 8.2(b), as the case may be, or (y) Buyer shall have materially breached any Sale Order, and in each case, (except in the case of a breach of the obligation to close within two (2) Business Days after the date contemplated in Section 2.10, in which case such two (2) Business Day period shall apply) such breach or violation shall not have been cured within ten (10) days after written notice thereof has been given by KK OpCo to Buyer, provided that KK OpCo shall not be entitled to terminate the Agreement pursuant to this Section 9.1(d)(i) if any Seller is then in breach of any of its obligations under this Agreement such that the conditions in Section 8.3(a) or (b) would not be satisfied; or

(ii) the board of directors or board of managers, as applicable, of any Seller determines, in good faith based upon advice of outside legal counsel, that proceeding with this Agreement or the transactions contemplated hereunder (including the Plan or solicitation of the Plan) or taking any action (or refraining from taking any action) in relation thereto, would be inconsistent with the exercise of its fiduciary duties under applicable law.

The Party seeking to terminate this Agreement pursuant to this Section 9.1 (other than Section 9.1(a)) shall, if such Party is KK OpCo, give prompt written notice of such termination to Buyer, and if such Party is a Buyer, give prompt written notice of such termination to Sellers.

Section 9.2 Effect of Termination.

(a) In the event of termination of this Agreement as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability on the part of any Party except (i) for the provisions of Section 6.6 (Public Announcements), Section 10.3 (Fees and Expenses), Section 10.7 (Notices), Section 10.10 (Parties in Interest), Section 10.11 (Governing Law), Section 10.12 (Submission to Jurisdiction) and this Article IX and (ii) that, subject to Section 9.2(b), no such termination shall relieve any Party from liability for Fraud.

(b) The Parties agree that if this Agreement is terminated, then (i) KK OpCo's or Buyer's receipt of the Deposit Amount or the Buyer Breach Fee, as applicable, in accordance with this Agreement (when payable), and (ii) Buyer's receipt of the Bidder Protections (when payable) pursuant to Section 9.3 shall be the sole and exclusive remedies of such Party against the other Party(ies) and any of its or their respective Affiliates for any Liability, damage or other loss suffered as a result of any breach of any representation, warranty, covenant or agreement in this Agreement or the failure of the transactions contemplated hereby to be consummated, and upon payment of such amounts (if due), neither Buyer nor any of its respective Affiliates shall have any further monetary Liability relating to or arising out of this Agreement or the transactions contemplated by this Agreement, in each case, except in the case of Fraud. For the avoidance of doubt, the foregoing does not limit a Party's rights to seek specific performance under Section 10.15 prior to a termination of this Agreement in accordance with Section 9.1.

Section 9.3 Termination Payment.

(a) In the event that this Agreement is terminated pursuant to Section 9.1(b)(iv), Section 9.1(c)(v) or Section 9.1(d)(ii) (in each case, unless such termination is in connection with a transaction that involves a conversion of the Chapter 11 Cases to chapter 7 of the Bankruptcy Code), in consideration for Buyer having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from Buyer or any other application to or order of the Bankruptcy Courts, (i) the Deposit Amount shall be returned to Buyer in with Section 2.9(b)(iii) and (ii) Sellers shall jointly and severally be liable for and shall pay (or cause to be paid to) Buyer a break-up fee equal to $1,179,673.20 (the "Break-up Fee") and (iii) Sellers shall jointly and severally be liable for and shall reimburse (or cause to be reimbursed to) Buyer, Buyer's reasonable and documented out-of-pocket costs, fees and expenses (including reasonable legal, financial advisory, accounting and other similar costs, fees and

expenses) incurred prior to the termination of this Agreement in connection with its evaluation and negotiation of the transactions contemplated by this Agreement (the "Expense Reimbursement" and together with the Break-up Fee the "Bidder Protections"); provided such Expense Reimbursement shall not exceed $1,000,000. In the event that this Agreement is terminated pursuant to Section 9.1(b)(iii) (other than such termination in connection with a breach of the RSA by Buyer), Section 9.1(c)(i), Section 9.1(c)(ii) or Section 9.1(c)(iv), in consideration for Buyer having expensed considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from Buyer or any other application to or order of the Bankruptcy Courts, (i) the Deposit Amount shall be returned to Buyer in with Section 2.9(b)(iii) and (ii) Sellers shall jointly and severally be liable for the Expense Reimbursement. In the event Sellers become obligated under this Agreement to pay any or all of the Bidder Protections, Sellers shall pay such amounts in immediately available funds to such account or accounts as may be specified in written notice by Buyer; provided that if such obligation arises from a termination pursuant Section 9.1(c)(v), then such amounts shall be paid upon the earlier of (i) the consummation of such transaction giving rise to such termination and (ii) the effective date of the Chapter 11 Case. The Bidder Protections shall constitute an allowed administrative expense claim of Sellers' estates under sections 503(b) and 507 of the Bankruptcy Code.

(b) Each of the Parties acknowledges and agrees that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the other Parties would not enter into this Agreement. Each of the Parties further acknowledges that the payment by Sellers of the Bidder Protections is not a penalty, but rather liquidated damages in a reasonable amount that will compensate Buyers, in the circumstances in which such Bidder Protection is payable, for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision. The obligation to pay the Bidder Protections in accordance with the provisions of this Agreement will (i) be binding upon and enforceable jointly and severally against each Seller immediately upon execution of this Agreement and (ii) survive the subsequent termination of this Agreement, solely to the extent permitted by applicable law. The obligation to pay the Bidder Protections as and when required under this Agreement, is intended to be, and is, binding upon (A) any successors or assigns of any Seller and (B) any trustee, examiner or other representative of a Seller's estate (each of (A) and (B), a "Successor") as if such Successor were a Seller hereunder.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Nonsurvival of Representations, Warranties and Covenants. The respective representations, warranties and covenants of Sellers and Buyer contained in this Agreement and any certificate delivered pursuant hereto shall terminate at, and not survive, the Closing; provided that this Section 10.1 shall not limit any covenant or agreement of the Parties to the extent that its terms require performance after the Closing.

Section 10.2 Bulk Sales. Notwithstanding any other provisions in this Agreement, Buyer and Sellers hereby waive compliance with all "bulk sales," "bulk transfer" and similar Laws that may be applicable with respect to the sale and transfer of any or all of the Transferred Assets to Buyer.

Section 10.3 Fees and Expenses. Except as otherwise provided herein (including Section 6.4(a) and Section 7.1 or in the DIP Order, and except that the actual, documented costs of the Inventory Count shall be borne fifty percent (50%) by the Sellers and fifty percent (50%) by the Buyer (up to a maximum, aggregate amount of $25,000) all fees and expenses incurred in connection with or related to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the Party incurring such fees or expenses, whether or not such transactions are consummated.

Section 10.4 Transition of Permits. To the extent that a Buyer has not obtained all of the Permits included in the Transferred Assets that are necessary for Buyer to take title to all of the Transferred Assets at the Closing and to operate all aspects of the Business as of immediately following the Closing in the same manner in all material respects as it was operated by Sellers immediately prior to the Closing, Sellers shall, to the extent permitted by applicable Laws, use commercially reasonable efforts to maintain after the Closing such Permits that Buyer reasonably requests, at Buyer's sole expense, until the earlier of the time Buyer has obtained such Permits and six (6) months following the Closing (or the remaining term of any such Permit or the closing of the Chapter 11 Case, if shorter).

Section 10.5 Amendment and Modification. This Agreement may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing specifically designated as an amendment hereto, signed on behalf of each Party.

Section 10.6 Waiver. No failure or delay of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Any agreement on the part of either Party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such Party.

Section 10.7 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) on the first Business Day following the date of dispatch if delivered utilizing a next-day service by a nationally recognized next-day courier, (c) on the day of transmission if sent via email transmission to the email address(es) given below and the sender does not receive a notice of such transmission being undeliverable to such email address or (d) on the earlier of confirmed receipt or the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the Party to receive such notice:

(i) if to Sellers, to:

KidKraft, Inc.
Attention: Geoffrey Walker
Email: Geoff.W@kidkraft.com

with a copy (which shall not constitute notice) to:
Vinson & Elkins LLP
Attention: Lauren Kanzer; Peter Marshall
Email: lkanzer@velaw.com; pmarshall@velaw.com

with an additional copy (which shall not constitute notice) to:

Gordon Brothers
Attention:
Email:

(ii) if to Buyer, to:

Backyard Products, LLC
317 S. Main Street
Ann Arbor, Michigan 48104
Attention: Thomas van der Meulen
Email: tvandermeulen@backyardproducts.com

with copies (which shall not constitute notice) to:

King & Spalding LLP
1180 Peachtree Street NE
Suite 1600
Atlanta, GA 30309
Attention: Roger G. Schwartz; Spencer A. Stockdale
Email: rschwartz@kslaw.com; sstockdale@kslaw.com

Section 10.8 Interpretation. When a reference is made in this Agreement to a Section, Article, Exhibit or Schedule such reference shall be to a Section, Article, Exhibit or Schedule of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit or Schedule are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein shall have the meaning as defined in this Agreement. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to the Agreement as a whole and not to any particular provision in this Agreement. The term "or" is not exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall." References to

days mean calendar days unless otherwise specified. References to "Transferred Assets," "Transferred Contracts," "Transferred Employee Records," "Transferred Employees" and "Transferred IP" and the like shall (a) for purposes of the representations and warranties of Sellers, only apply to such items as of the date hereof (and shall not include items that are added to such definitions after the date hereof) and (b) for all other purposes (including Section 6.1) shall only apply to such items that meet the applicable definition as of the time of determination. By way of example, in the event that the Company amends a Contract that is, at such time, not a Transferred Contract but thereafter becomes a Transferred Contract, such amendment to such Contract shall not be a breach of Section 6.1(b)(x); however the amendment of such Contract after it becomes a Transferred Contract shall be subject to Section 6.1(b)(x).

Section 10.9 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) and the Ancillary Agreements constitute the entire agreement, and supersede all prior written agreements, arrangements, communications and understandings, and all prior and contemporaneous oral agreements, arrangements, communications and understandings between the Parties with respect to the subject matter hereof and thereof. Neither this Agreement nor any Ancillary Agreement shall be deemed to contain or imply any restriction, covenant, representation, warranty, agreement or undertaking of any Party with respect to the transactions contemplated hereby or thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder, and none shall be deemed to exist or be inferred with respect to the subject matter hereof.

Section 10.10 Parties in Interest. Except as specifically set forth in Section 10.13 and Section 10.22, this Agreement shall be binding upon and inure solely to the benefit of each Party, and nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.11 Governing Law. Except to the extent of the mandatory provisions of the Bankruptcy Code or the CCAA, this Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby (in contract or tort) shall be governed by, and construed in accordance with the internal Laws of the State of Delaware, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of Delaware.

Section 10.12 Submission to Jurisdiction. Without limitation of any Party's right to appeal any Order of the Bankruptcy Courts, (x) the U.S. Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby and (y) any and all claims relating to the foregoing shall be filed and maintained only in the U.S. Bankruptcy Court, and the Parties hereby consent and submit to the exclusive jurisdiction and venue of the U.S. Bankruptcy Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such Action or proceeding; provided, however, that, if the Chapter 11 Case is closed or the U.S. Bankruptcy Court declines jurisdiction, each of the Parties irrevocably agrees that any Action or proceeding arising out of or relating to this Agreement brought by another Party or its successors or assigns shall be heard and determined in the Court of Chancery of the State of Delaware, or if jurisdiction is not available in the Court of

Chancery, then in the United States District Court for the Northern District of Texas, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient, without limiting any other manner of service permitted by Law. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts of the State of Texas, and of the United States District Court for the Northern District of Texas as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. Notwithstanding the foregoing, the CCAA Recognition Proceedings shall be subject to the jurisdiction of the CCAA Court.

Section 10.13 Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of Sellers or Buyer or any officer, director, employee, Representative or investor of any Party hereto.

Section 10.14 Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated (except pursuant to Section 2.12), in whole or in part, by operation of law or otherwise, by any Seller without the prior written consent of Buyer, and by Buyer without the prior written consent of KK OpCo, and any such assignment without such prior written consent shall be null and void. Notwithstanding the foregoing, (a) subject to the terms of Section 2.12, Buyer may assign any of its rights under this Agreement to any of its Affiliates and (b) Buyer may designate its rights under this Agreement pursuant to Section 2.12 to any Person, in each case without obtaining the prior written consent of KK OpCo; provided that in connection with such assignment, such assignment shall not relieve Buyer of any of its obligations under this Agreement (or otherwise). Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns.

Section 10.15 Specific Performance. Each Party acknowledges that money damages would be both incalculable and an insufficient remedy for any breach of this Agreement by such Party and that any such breach would cause Buyer, on the one hand, and Seller, on the other hand, irreparable harm. Accordingly, notwithstanding anything to this Agreement to the contrary, each Party hereto also agrees that, in the event of any breach or threatened breach of the provisions of this Agreement by such Party (including failure to consummate the Closing and the transactions contemplated thereby), Buyer, on the one hand, and Sellers, on the other hand, shall be entitled to equitable relief without the requirement of posting a bond or other security, including in the form of injunctions and orders for specific performance. Any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy

conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. Sellers, on the one hand, and Buyer, on the other hand, hereby agree not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by Sellers or Buyer, as applicable, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of Sellers or Buyer, as applicable, under this Agreement. In the event that, due to a Party's breach or threatened breach of this Agreement whereby such other Party(ies) commence a suit contemplated by this Section 10.15 which results in a judgment in favor of such other Party(ies), such failing Party shall pay to such other Party(ies) an amount in cash equal to the costs and expenses (including attorney's fees) incurred by such other Party(ies) in connection with such suit.

Section 10.16 Currency. All references to "dollars" or "$" in this Agreement or any Ancillary Agreement refer to United States dollars, which is the currency used for all purposes in this Agreement and any Ancillary Agreement.

Section 10.17 Severability. If any term or other provision of this Agreement, or any portion thereof, is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms and provisions of this Agreement, or the remaining portion thereof, shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any such term or other provision, or any portion thereof, is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are consummated to the fullest extent possible.

Section 10.18 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 10.18.

Section 10.19 Counterparts. This Agreement may be executed in any number of counterparts, including by means of email in portable document format (.pdf), each of which when

executed shall be deemed to be an original copy of this Agreement and all of which taken together shall constitute one and the same agreement.

Section 10.20 Jointly Drafted. This Agreement is the product of negotiations among the Parties, each of which is represented by legal counsel, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement. Rules of construction relating to interpretation against the drafter of an agreement shall not apply to this Agreement and are expressly waived by each Party. The Parties acknowledge and agree that prior drafts of this Agreement and the other agreements and documents contemplated hereby will not be deemed to provide any evidence as to the meaning of any provision hereof or the intent of the Parties with respect hereto and that such drafts will be deemed to be the joint work product of the Parties.

Section 10.21 Limitation on Damages. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL ANY BUYER OR BUYER NON-RECOURSE PERSON OR ANY SELLER OR SELLER NON-RECOURSE PERSON BE LIABLE FOR, OR BEAR ANY OBLIGATION IN RESPECT OF, ANY PUNITIVE, SPECIAL, OR EXEMPLARY DAMAGES OF ANY KIND OR CHARACTER OR ANY DAMAGES RELATING TO, OR ARISING OUT OF, DIMINUTION IN VALUE, LOST PROFITS OR CHANGES IN RESTRICTIONS ON BUSINESS PRACTICES.

Section 10.22 No Recourse.

(a) This Agreement may be enforced only by KK OpCo against, and any claim, action, suit, or other legal proceeding by Seller may be brought only against Buyer, and then only as, and subject to the terms and limitations, expressly set forth in this Agreement. Neither Seller nor any other Person shall have any recourse against any past, present, or future director, officer, employee, incorporator, manager, member, general or limited partner, stockholder, Affiliate, agent or Advisor of Buyer or of any Affiliate of Buyer or any of their successors or permitted assigns (each, a "Buyer Non-Recourse Person"), and no Buyer Non-Recourse Person shall have any liability for any obligations or liabilities of Buyer under this Agreement or for any claim, action, or proceeding based on, in respect of or by reason of the transactions contemplated hereby.

(b) This Agreement may be enforced only by Buyer against, and any claim, action, suit, or other legal proceeding by Buyer may be brought only against, Sellers, and then only as, and subject to the terms and limitations, expressly set forth in this Agreement. Neither of Buyer, nor any Designated Buyer, nor any other Person shall have any recourse against any past, present, or future director, officer, employee, incorporator, manager, member, general or limited partner, stockholder, Affiliate, agent or Advisor of Sellers or of any Affiliate of Sellers or any of their successors or permitted assigns (each, a "Seller Non-Recourse Person"), and no such Seller Non-Recourse Person shall have any liability for any obligations or liabilities of Seller under this Agreement or for any claim, action, or proceeding based on, in respect of or by reason of the transactions contemplated hereby.

Section 10.23 Time of Essence. Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement. When calculating the period of time before which, within which or following which, any act is to be done or step taken pursuant to this

Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Section 10.24 Disclosed Personal Information (Canada).

(a) The Parties confirm that the Disclosed Personal Information is necessary for the purposes of determining if the Buyer shall proceed with the transactions contemplated by this Agreement and, if applicable, to complete the transaction. The Buyer shall use the Disclosed Personal Information solely for purposes related to the transaction and shall not disclose such information unless authorized by applicable law. The Buyer shall protect the confidentiality of all Disclosed Personal Information in a manner consistent with security safeguards appropriate to the sensitivity of the information. If the transactions contemplated by this Agreement do not proceed, the Buyer shall return to the Seller or, at the Seller's request, securely destroy the Disclosed Personal Information within a reasonable period of time.

(b) Following the consummation of the transactions contemplated by this Agreement, the Parties shall (i) not use or disclose the Disclosed Personal Information for any purposes other than the carrying on of the Business (with use or disclosure of the Disclosed Personal Information being restricted to those purposes for which the information was initially collected or for which additional consent was or is obtained) unless consent is obtained or as otherwise permitted or required by applicable Laws; (ii) protect the confidentiality of all Disclosed Personal Information in a manner consistent with security safeguards appropriate to the sensitivity of the information; and (iii) give effect to any withdrawal of consent with respect to the Disclosed Personal Information. Where applicable privacy Laws require impacted individuals to be notified of the transactions, Buyer will notify the affected individuals, in accordance with applicable Law (including Privacy Laws), that the transactions have been completed and that their Personal Data has been disclosed to Buyer.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Asset Purchase Agreement on the day and year first above written.

SELLERS:

KIDKRAFT, INC.

Geoffrey Walker
By: 157075C3EBC384B20D8FCABA09D766A7 contractworks
Name: Geoffrey Walker
Title: Chief Executive Officer

KIDKRAFT INTERNATIONAL IP HOLDINGS, LLC

Geoffrey Walker
By: 157075C3EBC384B20D8FCABA09D766A7 contractworks
Name: Geoffrey Walker
Title: Chief Executive Officer

SOLOWAVE DESIGN CORP.

Geoffrey Walker
By: 157075C3EBC384B20D8FCABA09D766A7 contractworks
Name: Geoffrey Walker
Title: Chief Executive Officer

SOLOWAVE DESIGN INC.

Geoffrey Walker
By: 157075C3EBC384B20D8FCABA09D766A7 contractworks
Name: Geoffrey Walker
Title: Chief Executive Officer

SOLOWAVE DESIGN LP, by its general partner SOLOWAVE DESIGN INC.

Geoffrey Walker
By: 157075C3EBC384B20D8FCABA09D766A7 contractworks
Name: Geoffrey Walker
Title: Chief Executive Officer

BUYER:

BACKYARD PRODUCTS, LLC

By: _____
Name: Thomas van der Meulen
Title: Chief Executive Officer

EXHIBIT A

ESCROW AGREEMENT

[Attached.]

EXECUTION VERSION

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made and entered into as of April 25, 2024 by and among BACKYARD PRODUCTS, LLC, Delaware limited liability company (the "Buyer"), KIDKRAFT, INC., a Delaware corporation (the "Seller" and, together with the "Buyer", sometimes referred to individually as a "Party" and collectively as the "Parties"), and Citibank, N.A., as escrow agent (the "Escrow Agent"). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, pursuant to that certain Asset Purchase Agreement, dated as of the date hereof, by and between the Buyer, the Seller and certain other parties signatory thereto (the "Purchase Agreement"), the Buyer will deposit an amount equal to $3,000,000 (the "Escrow Amount") in a separate and distinct account (the "Escrow Account") to be held by the Escrow Agent for the purposes of securing the Deposit Funds pursuant to Section 2.9 of the Purchase Agreement.

WHEREAS, each of the Parties agrees to work in good faith and use best efforts to amend to this Agreement in accordance with Section 13 herein in order to implement the terms of the Purchase Agreement prior to any closing date.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Appointment. The Parties hereby appoint the Escrow Agent as their escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment and agrees to act as escrow agent in accordance with the terms and conditions set forth herein.

2. Escrow Funds.

(a) Simultaneous with the execution and delivery of this Agreement, the Buyer is depositing with the Escrow Agent the Escrow Amount in immediately available funds. The Escrow Agent hereby acknowledges receipt of the Escrow Amount, together with all products and proceeds thereof, including all interest, dividends, gains and other income (collectively, the "Escrow Earnings") earned with respect thereto (collectively, the "Escrow Funds") in the Escrow Account, subject to the terms and conditions of this Agreement.

(b) For greater certainty, all Escrow Earnings shall be retained by the Escrow Agent and reinvested in the Escrow Funds and shall become part of the Escrow Funds; and shall be disbursed as part of the Escrow Funds in accordance with the terms and conditions of this Agreement.

3. Investment of Escrow Funds.

(a) Unless otherwise instructed in writing and executed by an Authorized Representative (as defined in Section 4(a)(iv) below) of both Parties, the Escrow Agent shall hold the Escrow Funds in a "noninterest-bearing deposit account" of Citibank, N.A., insured by the Federal Deposit Insurance Corporation ("FDIC") to the applicable limits. The Escrow Funds shall at all times remain available for distribution in accordance with Section 4 below. Except as expressly provided herein, the Escrow Funds shall not, in any manner, directly or indirectly, be assigned, hypothecated, pledged, alienated, released from escrow or transferred within escrow.

(b) The Escrow Agent shall send an account statement to each of the Parties on a monthly basis reflecting activity in the Escrow Account for the preceding month.

(c) The Escrow Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the escrowed property, as applicable, provided that the Escrow Agent has made such investment, reinvestment or liquidation of the escrowed property in accordance with the terms, and subject to the conditions of this Agreement. The Escrow Agent does not have a duty nor will it undertake any duty to provide investment advice.

4. Disposition and Termination of the Escrow Funds.

(a) Escrow Funds. The Parties shall act in accordance with, and the Escrow Agent shall hold and release the Escrow Funds as provided in, this Section 4(a) as follows:

(i) Upon receipt of a Joint Release Instruction with respect to the Escrow Funds, the Escrow Agent shall promptly, but in any event within two (2) Business Days after receipt of a Joint Release Instruction, disburse all or part of the Escrow Funds in accordance with such Joint Release Instruction.

(ii) Upon receipt by the Escrow Agent of a copy of Final Determination from any Party, the Escrow Agent shall on the fifth (5th) Business Day following receipt of such determination, disburse as directed, part or all, as the case may be, of the Escrow Funds (but only to the extent funds are available in the Escrow Account) in accordance with such Final Determination. The Escrow Agent will act on such Final Determination without further inquiry.

(iii) All payments of any part of the Escrow Funds shall be made by wire transfer of immediately available funds or check as set forth in the Joint Release Instruction or Final Determination, as applicable.

(iv) Any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of any funds on deposit in any Escrow Account under the terms of this Agreement must be in writing, executed by the appropriate Party or Parties as evidenced by the signatures of the person or persons set forth on Exhibit A-1 and Exhibit A-2 (the "Authorized Representatives") and delivered to the Escrow Agent either (i) in writing by overnight mail or (ii) attached to an e-mail received on a Business Day sent to an e-mail address set forth in Section 11 (and receipt by the Escrow Agent confirmed) below. In the event a Joint Release Instruction or Final Determination is delivered to the Escrow Agent, whether in writing, by e-mail or otherwise, the Escrow Agent is authorized to seek confirmation of such instruction by telephone call back to the person or persons designated in Exhibit A-1 and/or A-2 annexed

hereto (the "Call Back Authorized Individuals"), and the Escrow Agent may rely upon the confirmations of anyone purporting to be a Call Back Authorized Individual. To assure accuracy of the instructions it receives, the Escrow Agent may record such call backs. If the Escrow Agent is unable to verify the instructions, or is not reasonably satisfied with the verification it receives, the Escrow Agent shall promptly notify the Parties of such inability to verify or non-satisfaction of verification, and it will not execute the instruction until all such issues have been resolved to the reasonable satisfaction of the Escrow Agent. The persons and telephone numbers for call backs may be changed only in writing, executed by an Authorized Representative of the applicable Party and actually received and acknowledged by the Escrow Agent.

(b) Certain Definitions.

(i) "Business Day" means any day that is not a Saturday, not a Sunday or any other day on which banks are not required or authorized by law to be closed in New York, New York.

(ii) "Final Determination" means a final non-appealable order of any court of competent jurisdiction which may be issued, together with (A) a certificate executed by an Authorized Representative of the prevailing Party, to the effect that such order is final and non-appealable and from a court of competent jurisdiction having proper authority and (B) the written payment instructions executed by an Authorized Representative of the prevailing Party, to effectuate such order.

(iii) "Joint Release Instruction" means the joint written instruction, substantially in the form of Exhibit B annexed hereto, executed by an Authorized Representative of each of the Buyer and the Seller, directing the Escrow Agent to disburse all or a portion of the Escrow Funds, as applicable.

(iv) "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

5. Escrow Agent. The Escrow Agent undertakes to perform only such duties as are expressly set forth herein, which shall be deemed purely ministerial in nature, and no other duties, including but not limited to any fiduciary duties, shall be implied. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of, nor have any requirements to comply with, the terms and conditions of any other agreement, instrument or document between the Parties, in connection herewith, if any, including without limitation the Purchase Agreement, nor shall the Escrow Agent be required to determine if any Person has complied with any such agreements, nor shall any additional obligations of the Escrow Agent be inferred from the terms of such agreements, even though reference thereto may be made in this Agreement. Notwithstanding the terms of any other agreement between the Parties, the terms and conditions of this Agreement will control the actions of Escrow Agent. The Escrow Agent may rely upon and shall not be liable, in the absence of its fraud, willful misconduct or gross negligence as adjudicated by a court of competent jurisdiction, for acting or refraining from acting upon any Joint Release Instruction or Final Determination furnished to it hereunder and reasonably believed by it to be genuine and to have been signed by an Authorized Representative of the proper Party or Parties. Concurrent with

the execution of this Agreement, the Parties shall deliver to the Escrow Agent Authorized Representative's forms in the form of Exhibit A-1 and Exhibit A-2 attached hereto. The Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document, notice, instruction or request. The Escrow Agent shall have no duty to solicit any payments which may be due to it or the Escrow Funds. In the event that the Escrow Agent, acting reasonably in accordance with its duties hereunder, shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any Party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be directed otherwise in a Joint Release Instruction or Final Determination. In the event of a dispute between the Escrow Agent and the Parties, after thirty (30) days' notice to each of the Parties of the Escrow Agent's intention to do so, the Escrow Agent may interplead all of the assets held hereunder into a court of competent jurisdiction or may seek a declaratory judgment with respect to certain circumstances, and thereafter be fully relieved from any and all liability or obligation with respect to such interpleaded assets or any action or nonaction based on such declaratory judgment. The Escrow Agent may consult with legal counsel of its selection in the event of any dispute or question as to the meaning or construction of any of the provisions hereof or its duties hereunder. The Escrow Agent will not be liable for any action taken, suffered or omitted to be taken by it in good faith except to the extent that the Escrow Agent's fraud, gross negligence or willful misconduct was the cause of any direct loss to either Party. To the extent practicable, the Parties agree to pursue any redress or recourse in connection with any dispute (other than with respect to a dispute involving the Escrow Agent) without making the Escrow Agent a party to the same. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for any special, indirect, punitive, incidental or consequential losses or damages of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such losses or damages and regardless of the form of action.

6. Resignation and Removal of Escrow Agent. The Escrow Agent (a) may resign and be discharged from its duties or obligations hereunder by giving thirty (30) calendar days advance notice in writing of such resignation to the Parties specifying a date when such resignation shall take effect or (b) may be removed, with or without cause, by the Buyer and the Seller acting jointly at any time by providing written notice executed by an Authorized Representative of each Party, to the Escrow Agent. Any corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow business of the Escrow Agent's line of business may be transferred, shall be the Escrow Agent under this Agreement without further act. The Escrow Agent's sole responsibility after such thirty (30) day notice period expires or after receipt of written notice of removal shall be to hold and safeguard the Escrow Funds (without any obligation to reinvest the same) and to deliver the same (i) to a substitute or successor escrow agent pursuant to a joint written designation from the Parties, (ii) as set forth in a Joint Release Instruction or (iii) in accordance with the directions of a Final Determination, and, at the time of such delivery, the Escrow Agent's obligations hereunder shall cease and terminate. Any successor escrow agent shall, as a condition of its appointment, execute a counterpart of this Agreement and agree in writing to be bound as Escrow Agent hereunder. In the event the Escrow Agent resigns, if the Parties have failed to appoint a successor escrow agent prior to the expiration of thirty (30) calendar days following receipt of the notice of resignation, the Escrow Agent may petition any court of

competent jurisdiction for the appointment of such a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon all of the parties hereto.

7. Fees and Expenses. The fees agreed upon for the services to be rendered hereunder are described in Schedule 1 attached hereto and are intended as full compensation for the Escrow Agent services as contemplated by this Agreement.

8. Indemnity. Each of the Parties shall jointly and severally indemnify, defend, and hold harmless the Escrow Agent and its affiliates and their respective successors, assigns, directors, officers, agents and employees (the "Indemnitees") from and against any and all losses, damages, claims, liabilities, penalties, judgments, settlements, actions, suits, proceedings, litigation, investigations, reasonable and documented out of pocket costs or expenses actually suffered and incurred (including the reasonable and documented fees and expenses of one outside counsel and experts and their staffs and reasonable and documented out of pocket expenses of document location, duplication and shipment, but excluding any income or similar taxes imposed on the fees payable hereunder) (collectively "Escrow Agent Losses") arising out of or in connection with (a) the Escrow Agent's execution and performance of this Agreement, tax reporting or withholding under or in connection with this Agreement, the enforcement of any rights or remedies under or in connection with this Agreement, or as may arise by reason of any act, omission or error of the Indemnitee, except to the extent that such Escrow Agent Losses, as adjudicated by a court of competent jurisdiction, have been caused by the fraud, gross negligence or willful misconduct of such Indemnitee, or (b) its following any instructions or other directions from the Buyer or the Seller. To the extent any Escrow Agent Losses result from or are attributable to a Party's failure to provide fully executed IRS Forms W-8, W-9 and/or other required documentation pursuant to Section 9(a), such Party shall be solely responsible for indemnifying the Indemnities for such Escrow Agent Losses. The Escrow Agent will promptly make all claims for indemnification hereunder by written notice to the Parties of such claim, together with detailed supporting documentation related thereto, provided in accordance with the terms set forth herein. Notwithstanding anything to the contrary herein, the Buyer and the Seller agree, solely as between themselves, that any obligation for indemnification under this Section 8 (or for reasonable fees and expenses of the Escrow Agent described in Section 7) shall be borne by the Party or Parties determined by a court of competent jurisdiction to be responsible for causing the loss, damage, liability, cost or expense against which the Escrow Agent is entitled to indemnification or, if no such determination is made, then one-half by the Buyer and one-half by the Seller. The Parties acknowledge that the foregoing indemnities shall survive the resignation, replacement or removal of the Escrow Agent or the termination of this Agreement. Notwithstanding anything to the contrary, the parties hereto agree that no indemnification obligations hereunder shall be satisfied from the Escrow Funds.

9. Tax Matters.

(a) The Buyer shall be responsible for and the taxpayer on all taxes due on the interest or other income earned, if any, on the Escrow Funds for the calendar year in which such interest or other income is earned. The Escrow Agent shall report any interest or other income earned on the Escrow Funds, if any, to the IRS or other taxing authority on IRS Form 1099. Prior to the date hereof, the Parties have provided the Escrow Agent with certified tax identification

numbers by furnishing appropriate forms W-9 or W-8 as applicable and such other forms and documents that the Escrow Agent may have reasonably requested.

(b) The Escrow Agent shall be responsible only for income and withholding tax reporting to the Internal Revenue Service with respect to income earned on the Escrow Funds. The Escrow Agent shall withhold any taxes required to be withheld by applicable law, including but not limited to required withholding in the absence of proper tax documentation, and shall remit such taxes to the appropriate authorities.

(c) The Escrow Agent, its affiliates, and its employees are not in the business of providing tax or legal advice to any taxpayer outside of Citigroup, Inc. and its affiliates. This Agreement and any amendments or attachments hereto are not intended or written to be used, and may not be used or relied upon, by any such taxpayer or for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

10. Covenant of Escrow Agent. The Escrow Agent hereby agrees and covenants with the Buyer and the Seller that it shall perform all of its obligations under this Agreement and shall not deliver custody or possession of any of the Escrow Funds to anyone except pursuant to the express terms of this Agreement or as otherwise required by law.

11. Notices. Except as otherwise expressly required in Section 4(a)(iv), all communications required under this Agreement shall be in writing, in English, and shall be deemed to have been duly given if delivered (i) personally, (ii) on the day of transmission if sent by electronic mail ("e-mail") with a PDF attachment executed by an Authorized Representative of the Party/ Parties to the e-mail address given below, and written confirmation of receipt is obtained promptly after completion of the transmission, (iii) by overnight delivery with a reputable national overnight delivery service, or (iv) by mail or by certified mail, return receipt requested, and postage prepaid. If any notice is mailed, it shall be deemed given five (5) Business Days after the date such notice is deposited with the United States Postal Service. If notice is given to a Party, it shall be given at the address for such Party set forth below. It shall be the responsibility of the Parties to notify the Escrow Agent and the other Party in writing of any name or address changes.

if to the Buyer, then to:

BACKYARD PRODUCTS, LLC
317 S. Main Street
Ann Arbor, Michigan 48104
Attention: Thomas van der Meulen
Email: tvandermeulen@backyardproducts.com:

with a copy (which shall not constitute notice) to:

King & Spalding LLP
1180 Peachtree Street NE
Suite 1600
Atlanta, GA 30309

Attention: Roger G. Schwartz; Spencer A. Stockdale
Email: rschwartz@kslaw.com; sstockdale@kslaw.com

or, if to the Seller, then to:

KidKraft, Inc.
4630 Olin Rd.
Dallas, TX 75244
Attention: Geoffrey Walker
Johnnie Goodner
Telephone No.: (214) 393-3804
E-mail:geoff.w@kidkraft.com;
johnnie.goodner@kidkraft.com

with a copy (which shall not constitute notice) to:

Vinson & Elkins LLP
1114 Avenue of the Americas, 32nd Floor
New York, NY 10036
Attention: Lauren R. Kanzer
Telephone No.: (212) 237-0166
E-mail: lkanzer@velaw.com

2001 Ross Avenue, Suite 3900
Dallas, Texas 75201
Attention: Peter Marshall
Telephone No.: (214) 220 -7849
E-mail: pmarshall@velaw.com

GB Funding, LLC, as Administrative Agent
101 Huntington Avenue
Suite 1100
Boston, Massachusetts 02199
Attention: David Braun and Kyle Shonak
Telephone No.: (888) 424-1903
Email: dbraun@gordonbrothers.com
kshonak@gordonbrothers.com

or, if to the Escrow Agent, then to:

Citibank, N.A.
Citi Private Bank
388 Greenwich Street
Tower Building, 27th Floor
New York, NY 10013

Attn: Eddy Rosero and Nelson Kercado
Telephone No.: 212-783-7073 and 212-559-8509
Facsimile No.: 212-783-7131
E-mail: eddy.rosero@citi.com and nelson.kercado@citi.com

Notwithstanding the above, in the case of communications delivered to the Escrow Agent pursuant to the foregoing clause (i) through (iv) of this Section 11, such communications shall be deemed to have been given on the date received by the Escrow Agent. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate.

12. Termination. This Agreement shall terminate on the first to occur of (a) the distribution of all of the amounts in the Escrow Funds in accordance with this Agreement or (b) delivery to the Escrow Agent of a written notice of termination executed jointly by an Authorized Representative of Buyer and the Seller, after which this Agreement shall be of no further force and effect except that the provisions of Sections 8, 13, and 19 hereof shall survive termination.

13. Miscellaneous. The recitals hereto are incorporated herein as though fully set forth herein. The provisions of this Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by all of the parties hereto. Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by any party hereto except as set forth in Section 6 and Section 16, without the prior consent of the other parties hereto. This Agreement shall be governed by and construed under the laws of the State of New York, without regard to the conflicts of law rules of such state. Each party irrevocably waives any objection on the grounds of venue, forum non-conveniens or any similar grounds and irrevocably consents to service of process by mail or in any other manner permitted by applicable law and consents to the jurisdiction of the federal district courts located in the Southern District of New York, without regard to the conflicts of law rules of such state. The parties hereto hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising from or relating to this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All signatures of the parties to this Agreement may be transmitted by facsimile or electronic transmission in portable document format (.pdf), and such facsimile or .pdf will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party. If any provision of this Agreement is determined to be prohibited or unenforceable by reason of any applicable law of a jurisdiction, then such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in such jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. Each Party represents, warrants and covenants that each document, notice, instruction or request provided by such Party to the Escrow Agent shall comply with applicable laws and regulations. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby irrevocably waived by the parties hereto to the fullest extent permitted by law, to the end that this Agreement shall be enforced as written. Except as expressly provided in Section 7 and Section 8, nothing in this Agreement, whether express or implied, shall be construed to give to any person or entity other than the Escrow Agent and the Parties any legal or equitable right, remedy, interest or claim under or in respect of this Agreement or any funds escrowed hereunder.

14. Compliance with Court Orders. In the event that any Escrow Funds shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the property deposited under this Agreement, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the Parties or to any other Person, by reason of such compliance notwithstanding such writ, order or decree being subsequently reversed, modified, annulled, set aside or vacated.

15. Further Assurances. Following the date hereof, each party shall deliver to the other parties such further information and documents and shall execute and deliver to the other parties such further instruments and agreements as any other party shall reasonably request to consummate or confirm the transactions provided for herein, to accomplish the purpose hereof or to assure to any other party the benefits hereof.

16. Assignment. This Agreement may not be assigned by either Party (by operation of law or otherwise) without the prior written consent of the other Party, and no assignment of the interest of any of the Parties shall be binding upon the Escrow Agent unless and until written notice of such assignment shall be filed with and consented to by the Escrow Agent (such consent not to be unreasonably withheld). Any transfer or assignment of the rights, interests or obligations hereunder in violation of the terms hereof shall be void and of no force or effect. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

17. Force Majeure. The Escrow Agent shall not incur any liability for not performing any act or fulfilling any obligation hereunder by reason of any occurrence beyond its control (including, but not limited to, any provision of any present or future law or regulation or any act of any governmental authority, any act of God or war or terrorism, or the unavailability of the Federal Reserve Bank wire services or any electronic communication facility), it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

18. Compliance with Federal Law. To help the U.S. Government fight the funding of terrorism and money laundering activities and to comply with Federal law requiring financial institutions to obtain, verify and record information on the source of funds deposited to an account, the Parties agree to provide the Escrow Agent with the name, address, taxpayer identification number, and remitting bank for all Parties depositing funds at Citibank pursuant to the terms and conditions of this Agreement. For a non-individual person such as a business entity, a charity, a trust or other legal entity, the Escrow Agent will ask for documentation to verify its formation and existence as a legal entity. The Escrow Agent may also ask to see financial statements, licenses, an identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

19. Use of Citibank Name. No publicly distributed printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions "Citibank" by name or the rights, powers, or duties of the Escrow Agent under this Agreement shall be issued by any other Parties hereto, or on such Party's behalf, without the prior written consent of the Escrow Agent, except as may be required by applicable law.

20. Confidentiality. Except as required by law, the Escrow Agent agrees to keep confidential, and to cause any of its affiliates or agents to keep confidential and not to disclose any and all documents, materials, and any other non-public information which it shall have obtained regarding the Parties in connection with the execution and delivery of this Agreement and its performance of its duties and obligations hereunder. This Section 20 shall survive termination of this Agreement for a period of twelve (12) months after such termination.

21. Use of Electronic Records and Signatures. As used in this Agreement, the terms "writing" and "written" include electronic records, and the terms "execute," "signed" and "signature" include the use of electronic signatures. Notwithstanding any other provision of this Agreement or the attached Exhibits and Schedules, any electronic signature that is presented as the signature of the purported signer, regardless of the appearance or form of such electronic signature, may be deemed genuine by Escrow Agent in Escrow Agent's sole discretion, and such electronic signature shall be of the same legal effect, validity and enforceability as a manually executed, original, wet-ink signature; provided, however, that any such electronic signature must be an actual and not a typed signature. In accordance with Section 8 of this Agreement, Escrow Agent shall be indemnified and held harmless from any Escrow Agent Losses it incurs as a result of its acceptance of and reliance on electronic signatures that it deems to be genuine. Any electronically signed agreement, instruction or other document shall be an "electronic record" established in the ordinary course of business and any copy shall constitute an original for all purposes. The terms "electronic signature" and "electronic record" shall have the meaning ascribed to them in 15 USC § 7006. This Agreement and any instruction or other document furnished hereunder may be transmitted by facsimile or as a PDF file attached to an email.

22. Return of Funds. If the Escrow Agent releases any funds, including but not limited to the Escrow Amount or any portion of it, to a Party and subsequently determines, in its sole discretion, that the payment or any portion of it was made in error, the Party shall, upon notice, promptly refund the erroneous payment. Any such erroneous payment by the Escrow Agent, and the Party's return thereof to the Escrow Agent, shall not affect any obligation or right of either the Escrow Agent or the Parties. Each of the Parties agrees not to assert discharge for value, bona fide payee, or any similar doctrine as a defense to the Escrow Agent's recovery of any erroneous payment.

23. Sanctions. None of the Parties or any of their parents or subsidiaries, or any of their respective directors, officers, or employees, or to the knowledge of any Party, the affiliates of the Parties or any of their subsidiaries, will, directly or indirectly, use any part of any proceeds or lend, contribute, or otherwise make available such Escrow Funds in any manner that would result in a violation by any person of economic, trade, or financial sanctions, requirements, or embargoes imposed, administered, or enforced from time to time by the United States (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury and the U.S. Department of State), the United Kingdom (including, without limitation, His Majesty's

Treasury), the European Union and any EU member state, the United Nations Security Council, and any other relevant sanctions authority.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

BUYER:

BACKYARD PRODUCTS, LLC

By: _____
Name: Thomas van der Meulen
Its: Chief Executive Officer

SELLER:

KIDKRAFT, INC.

By: _____
Name: _____
Its: _____

ESCROW AGENT:

CITIBANK, N.A.

By: _____
Name: _____
Its: _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

BUYER:

BACKYARD PRODUCTS, LLC

By: _____
Name:
Its:

SELLER:

KIDKRAFT, INC.

Johnnie Goodner
6C8E1CE6C6DBFF05FDEF4122056E24FD contractworks.
By: _____
Name: Johnnie Goodner
Its: Chief Financial Officer

ESCROW AGENT:

CITIBANK, N.A.

By: _____
Name: _____
Its: _____

ESCROW AGENT:

CITIBANK, N.A.

By: _____
Name: Nelson Kercado, SVP
Its: Citibank, N.A.
388 Greenwich Street, 29th flr
New York, NY 10013
212-559-8509

Schedule 1

ESCROW AGENT FEE SCHEDULE
Citibank, N.A., Escrow Agent

Acceptance Fee
To cover the acceptance of the Escrow Agency appointment, the study of the Agreement, and supporting documents submitted in connection with the execution and delivery thereof, and communication with other members of the working group:

Fee: Waived

Administration Fee
The annual administration fee covers maintenance of the Escrow Account including safekeeping of assets in the escrow account, normal administrative functions of the Escrow Agent, including maintenance of the Escrow Agent's records, follow-up of the Agreement's provisions, and any other safekeeping duties required by the Escrow Agent under the terms of the Agreement. Fee is based on the total Escrow Amount being deposited in a non-interest bearing deposit account, FDIC insured to the applicable limits.

Fee: Waived

Tax Preparation Fee
To cover preparation and mailing of Forms 1099-INT, if applicable for the escrow parties for each calendar year:

Fee: Waived

Transaction Fees
To oversee all required disbursements or release of property from the escrow account to any escrow party, including cash disbursements made via check and/or wire transfer, fees associated with postage and overnight delivery charges incurred by the Escrow Agent as required under the terms and conditions of the Agreement:

Fee: Waived

Other Fees
Material amendments to the Agreement: additional fee(s), if any, to be discussed at time of amendment.

TERMS AND CONDITIONS: The above schedule of fees does not include charges for out-of-pocket expenses or for any services of an extraordinary nature that Citibank or its legal counsel may be called upon from time to time to perform. Fees are also subject to satisfactory review of the documentation, and Citibank reserves the right to modify them should the characteristics of the transaction change. Citibank's participation in this program is subject to internal approval of the third party depositing monies into the escrow account to be established hereunder. The Acceptance Fee, if any, is payable upon execution of the Agreement. Should this schedule of fees be accepted and agreed upon and work commenced on this program but subsequently halted and the program is not brought to market, the Acceptance Fee and legal fees incurred, if any, will still be payable in full.

EXHIBIT A-1

Certificate as to Buyer's Authorized Signatures

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as authorized representatives of the Buyer and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under this Agreement, on behalf of the Buyer. The below listed persons (must list at least two individuals, if applicable) have also been designated Call Back Authorized Individuals and will be notified by Citibank N.A. upon the release of Escrow Funds from the escrow account(s).

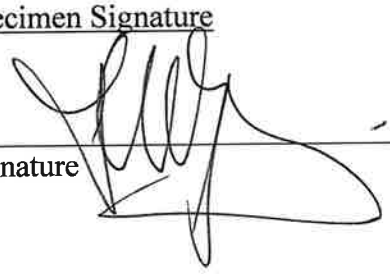
Name / Title / Telephone	Specimen Signature
Thomas van der Menlen Name	 Signature
CEO Title	
404-664-5546 → Same Phone	Mobile Phone
Dan Lawrence Name	 Signature
CFO Title	
8 → Phone	843-816-3553 Mobile Phone
Name	Signature
Title	
Telephone	Mobile Phone

EXHIBIT A-2

Certificate as to Seller's Authorized Signatures

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as Authorized Representatives of the Seller and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under this Agreement, on behalf of the Seller. The below listed persons (must list at least two individuals, if applicable) have also been designated Call Back Authorized Individuals and will be notified by Citibank N.A. upon the release of Escrow Funds from the escrow account(s).

Name / Title / Telephone	Specimen Signature
Geoffrey Walker	DocuSigned by: Geoffrey Walker 9B943E20E04B443...
Name	Signature
President and Chief Executive Officer	
Title	
	310-874-0092
Phone	Mobile Phone
Name	Signature
Title	
Phone	Mobile Phone
Name	Signature
Title	
Telephone	Mobile Phone

EXHIBIT A-2

Certificate as to Seller's Authorized Signatures

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as Authorized Representatives of the Seller and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under this Agreement, on behalf of the Seller. The below listed persons (must list at least two individuals, if applicable) have also been designated Call Back Authorized Individuals and will be notified by Citibank N.A. upon the release of Escrow Funds from the escrow account(s).

Name / Title / Telephone	Specimen Signature
Geoffrey Walker Name	 Signature
President and Chief Executive Officer Title	
 Phone	310-874-0092 Mobile Phone
Johnnie Goodner Name	 Signature
Chief Financial Officer Title	
 Phone	469-360-9789 Mobile Phone
 Name	 Signature
 Title	
 Telephone	 Mobile Phone

EXHIBIT B

Form of Joint Release Instruction

[Date]

[Via Email]
[Via Fax]
[212.780.7131]
Citibank, N.A.
Escrow Services
388 Greenwich Street
Tower Building, 29th Floor
New York, NY 10013
Attn: Eddy Rosero and Nelson Kercado

RE: [Name of Parties] – Escrow Agreement dated April 25, 2024
Escrow Account number [25Dxxxxxxxxx]

We refer to an escrow agreement dated April 25, 2024 between BACKYARD PRODUCTS, LLC, Delaware limited liability company (the "Buyer"), KIDKRAFT, INC., a Delaware corporation (the "Seller") and Citibank, N.A. as Escrow Agent (the "Escrow Agreement")

Capitalized terms in this letter that not otherwise defined shall have the same meaning given to them in the Escrow Agreement.

Pursuant to Section 4(a)(i) of the above referenced escrow agreement, the Parties instruct the Escrow Agent to release [$] to the specified party as instructed below. This letter constitutes a "Joint Release Instruction" pursuant to Section 4 of the Escrow Agreement.

[Bank name]
[ABA number]
[Bank Address]
[Beneficiary name]
[Beneficiary Account number]

Thank you.

[Signatures Follow]

IN WITNESS WHEREOF, this Joint Release Instruction has been duly executed as of the date first written above.

BUYER:

BACKYARD PRODUCTS, LLC

By: _____
Name: _____
Its: _____

SELLER:

KIDKRAFT, INC.

By: _____
Name: _____
Its: _____

EXHIBIT B

ILLUSTRATIVE CALCULATION OF CERTAIN PURCHASE PRICE ELEMENTS

[Attached.]

			March Estimate
Consideration for Other Purchased Assets			
IP, Obsolete, and all Other Assets			4,000,000
$350k for Europe "additional price"			350,000
Consideration for Other Purchased Assets			**4,350,000**
Consideration for Accounts Receivable			
A/R of KK100 (US) as of 3/31/24	20,197,627		
Less: Over 90 Days Past Due Date	(1,763,074)		
A/R of KK150 (Canada) as of 3/31/24	4,843,072		
Less: Over 90 Days Past Due Date	123,679		
Eligible A/R	23,401,305		
Less: Coface, RF Balance	(2,457,055)		
Less: Dilution Reserves	(3,444,747)		
Consideration for Accounts Receivable	**17,499,503**	*90%*	**15,749,553**
Consideration for Inventory			
KK200 Total Inventory as of 3/21/24			
KBV Excluded Inventory	3,543,308		
Nerf, Barbie, American Girl Inventory - Australia	41,098		
Expected to Ship from Amsterdam/UK Warehouses	943,727		
Australia Warehouse	505,474		
KK200 Inventory	**5,033,607**		
Total Inventory as of 3/21/24	**35,526,779**		
Less: KBV Excluded Inventory	(3,543,308)		
Less: Nerf, Barbie, American Girl Inventory - US	(1,539,969)		
Less: Nerf, Barbie, American Girl Inventory - Australia	(41,098)		
Less: KK100 Inventory at Suppliers	(1,134,379)		
Included Inventory	**29,268,025**		
KK100 Inventory			
First Quality*	19,426,597	75%	14,569,948
Discontinued	4,712,992	60%	2,827,795
Obsolete Inventory	2,886,716	0%	-
Ainsley RTV	792,519	75%	594,389
KK200 Inventory			
First Quality - Australia	255,494	75%	191,621
Discontinued - Australia	159,805	60%	95,883
Obsolete Inventory - Australia	90,175	0%	-
Amsterdam/UK Warehouse	943,727	100%	943,727
Consideration for Inventory	**29,268,025**		**19,223,363**
Total			**39,322,916**

This is Exhibit "C" referred to in the Affidavit of GEOFFREY WALKER sworn by GEOFFREY WALKER at the City of Dallas, in the State of Texas, before me at the City of Toronto, in the Province of Ontario, on May 15, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Commissioner for Taking Affidavits (or as may be)

EMILIE DILLON

LSO NO. 85199L

William L. Wallander (Texas Bar No. 20780750)
Matthew D. Struble (Texas Bar No. 24102544)
Kiran Vakamudi (Texas Bar No. 24106540)
VINSON & ELKINS LLP
2001 Ross Avenue, Suite 3900
Dallas, TX 75201
Tel: 214.220.7700
Fax: 214.999.7787
bwallander@velaw.com; mstruble@velaw.com;
kvakamudi@velaw.com

David S. Meyer (*pro hac vice* pending)
Lauren R. Kanzer (*pro hac vice* pending)
VINSON & ELKINS LLP
1114 Avenue of the Americas, 32nd Floor
New York, NY 10036
Tel: 212.237.0000
Fax: 212.237.0100
dmeyer@velaw.com; lkanzer@velaw.com

PROPOSED ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Case No. 24-80045-11**
	§	
KIDKRAFT, INC., *et al*.,	§	**(Chapter 11)**
	§	
Debtors.[1]	§	**(Joint Administration Requested)**
	§	**(Emergency Hearing Requested)**

EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND MAINTAIN EXISTING BANK ACCOUNTS, (B) CONTINUE USING EXISTING CHECKS AND BUSINESS FORMS, (C) MAINTAIN THEIR CORPORATE CARD PROGRAM, AND (D) CONTINUE INTERCOMPANY TRANSACTIONS AND (II) GRANTING RELATED RELIEF

EMERGENCY RELIEF HAS BEEN REQUESTED. RELIEF IS REQUESTED NOT LATER THAN 9:30 A.M. (CENTRAL TIME) ON MAY 13, 2024.

IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST APPEAR AT THE HEARING IF ONE IS SET, OR FILE A WRITTEN RESPONSE PRIOR TO THE DATE THAT RELIEF IS REQUESTED IN THE PRECEDING

[1] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers or Canadian business numbers, as applicable, are: KidKraft, Inc. (3303), KidKraft Europe, LLC (3174), KidKraft Intermediate Holdings, LLC (8800), KidKraft International Holdings, Inc. (2933), KidKraft Partners, LLC (3268), KidKraft International IP Holdings, LLC (1841), Solowave Design Corp. (9294), Solowave Design Holdings Limited (0206), Solowave Design Inc. (3073), Solowave Design LP (7201), and Solowave International Inc. (4302). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 4630 Olin Road, Dallas, TX 75244.

PARAGRAPH. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

A HEARING WILL BE CONDUCTED ON THIS MATTER ON MAY 13, 2024, AT 9:30 A.M. (CENTRAL TIME) IN COURTROOM #2, FLOOR 14, UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS, 1100 COMMERCE STREET, DALLAS, TX 75242.

PARTICIPATION AT THE HEARING WILL ONLY BE PERMITTED BY AN AUDIO AND VIDEO CONNECTION.

AUDIO COMMUNICATION WILL BE BY USE OF THE COURT'S DIAL-IN FACILITY. YOU MAY ACCESS THE FACILITY AT 1-650-479-3207. VIDEO COMMUNICATION WILL BE BY USE OF THE CISCO WEBEX PLATFORM. CONNECT VIA THE CISCO WEBEX APPLICATION OR CLICK THE LINK ON JUDGE LARSON'S HOME PAGE. THE MEETING CODE IS 160 135 6015. CLICK THE SETTINGS ICON IN THE UPPER RIGHT CORNER AND ENTER YOUR NAME UNDER THE PERSONAL INFORMATION SETTING.

HEARING APPEARANCES MUST BE MADE ELECTRONICALLY IN ADVANCE OF ELECTRONIC HEARINGS. TO MAKE YOUR APPEARANCE, CLICK THE "ELECTRONIC APPEARANCE" LINK ON JUDGE LARSON'S HOME PAGE. SELECT THE CASE NAME, COMPLETE THE REQUIRED FIELDS AND CLICK "SUBMIT" TO COMPLETE YOUR APPEARANCE.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The above-captioned debtors and debtors in possession (collectively, the "***Debtors***"), file this *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System and Maintain Existing Bank Accounts, (B) Continue Using Existing Checks and Business Forms, (C) Maintain Their Corporate Card Program, and (D) Continue Intercompany Transactions and (II) Granting Related Relief* (the "***Motion***") and in support respectfully submit the following:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the Northern District of Texas (the "***Court***") has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). The Debtors confirm their consent, pursuant to rule 7008 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***"), to the entry of

a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are sections 105(a), 345, 363, and 503 of title 11 of the United States Code (the "***Bankruptcy Code***"), Bankruptcy Rules 6003 and 6004, rules 9007-1 and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas (the "***N.D. Tex. L.B.R.***"), and the *General Order Regarding Procedures for Complex Chapter 11 Cases* (the "***Complex Case Procedures***").

EMERGENCY CONSIDERATION

4. In accordance with the N.D. Tex. L.B.R. and Complex Case Procedures, the Debtors request emergency consideration of this Motion. The Debtors submit that emergency relief in connection with this Motion is essential to the success of these chapter 11 cases. As discussed in detail below and in the First Day Declaration (as defined below), any delay in granting the relief requested could hinder the ultimate success of the Debtors' chapter 11 cases and cause immediate and irreparable harm. As such, the Debtors believe that emergency consideration is necessary and request that this Motion be heard at the Debtors' first day hearings.

BACKGROUND

5. KidKraft, Inc. (together with its Debtor and non-Debtor affiliates, the "***Company***") is a Dallas-based privately held company that is a leader in branded, sustainable, wood-based active and imaginative play products, with operations in the U.S., Canada, Europe, and Asia. The Company works with global supply partners to source materials and build its products, which include dollhouses, play sets, playhouses, swing sets, and more. It distributes its products through

partnerships with major global retailers and through direct-to-customer sales, with more than 3,000 points of distribution in over 90 countries. The Company, like many in its industry, has experienced significant headwinds in recent years that have strained liquidity and operations. Unable to satisfy its funded debt obligations, the Company and its advisors undertook an extensive marketing and sale process that has culminated in these chapter 11 cases, through which the Company aims to implement a sale to a strategic buyer pursuant to a prepackaged chapter 11 plan (or, in the alternative, pursuant to consummation of a stand-alone sale pursuant to section 363 of the Bankruptcy Code) to, among other things, preserve jobs and continue the KidKraft brand as a going concern.

6. On the date hereof (the "***Petition Date***"), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. As of the date hereof, no request for the appointment of a trustee or examiner has been made and no official committee of unsecured creditors has been appointed in these chapter 11 cases.

7. Additional information regarding the Debtors and these chapter 11 cases, including the Debtors' business operations, capital structure, financial condition, and the reasons for and objectives of these chapter 11 cases, is set forth in the *Declaration of Geoffrey Walker in Support of Chapter 11 Petitions and First Day Pleadings* (the "***First Day Declaration***") filed contemporaneously herewith and incorporated herein by reference.[2]

[2] Capitalized terms used but not otherwise defined in this Motion shall have the meaning set forth in the First Day Declaration.

RELIEF REQUESTED

8. By this Motion, the Debtors seek entry of an interim order (the "***Interim Order***"), substantially in the form attached hereto as **Exhibit A**, and subsequently a final order (the "***Final Order***"), substantially in the form attached hereto as **Exhibit B**, (i) authorizing the Debtors to (a) continue to operate their cash management system and maintain existing bank accounts, (b) continue using their existing business forms and checks, (c) maintain their corporate card program, and (d) continue to engage in intercompany transactions and (ii) granting related relief. In addition, the Debtors request that the Court schedule a final hearing within approximately 25 days of the commencement of these chapter 11 cases to consider approval of this Motion on a final basis.

THE DEBTORS' CASH MANAGEMENT SYSTEM

A. Overview of the Cash Management System

9. The Debtors and their Non-Debtor Affiliates (as defined below) manage their cash, receivables, and payables, in the ordinary course of business, through a centralized cash management system (the "***Cash Management System***"). The Debtors use the Cash Management System to efficiently collect, transfer, concentrate, and disburse funds generated from their operations. The Cash Management System also enables the Debtors to monitor the collection and disbursement of funds and the administration of their bank accounts, which are maintained at JPMorgan Chase Bank, N.A. ("***JPMorgan***"), HSBC Bank USA ("***HSBC***"), and China Merchants Bank ("***CMB***") (each, a "***Bank***," and collectively, the "***Banks***"). The Debtors maintain accounting controls with respect to each of their bank accounts and are able to accurately trace the funds through their Cash Management System to ensure that all transactions are adequately documented and readily ascertainable, including in connection with the intercompany transactions more fully described below. The Debtors will continue to maintain their books and records relating to the

Cash Management System to the same extent such books and records were maintained prior to the Petition Date. Accordingly, the Debtors will be able to accurately document, record, and track the transactions occurring within the Cash Management System for the benefit of their estates.

B. The Bank Accounts

10. The Debtors' Cash Management System consists of a total of 19 bank accounts (collectively, the "***Bank Accounts***"),[3] which are maintained at the Banks. A list identifying each of the Bank Accounts, along with the type of account, the Bank at which such account is held, and the last four digits of each account number, is attached hereto as **Exhibit C**, and a diagram depicting the Cash Management System, the relationship between the Bank Accounts, and the general flow of funds is attached hereto as **Exhibit D**. A general description of the Bank Accounts is provided in the table below:

Bank Accounts	Description of Accounts
KidKraft, Inc. ("*KKT*")	
Main Operating Account Account Ending: 6589	This account is primarily used for the day-to-day operating disbursements (ACH (as defined below), wires, auto drafts) of KKT and its domestic affiliates, including taxes and other expenses. Funds are transferred to and from the various other Bank Accounts in the ordinary course on an as-needed basis. The Main Operating Account is subject to a deposit account control agreement in favor of GB Funding, LLC, in its capacity as the administrative agent under the Prepetition Credit Agreement (the "***Administrative Agent***").
KKT USD Factoring Account Account Ending: 5107	This account is primarily used to collect receipts paid in USD from KKT's sales that are subject to the *Receivables Sale Agreement*, dated as of August 4, 2021, with Coface Finanz GmbH ("***Coface***," and such agreement, the "***KKT Factoring Agreement***").[4] Excess cash is transferred to the Main Operating Account. The KKT USD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.

[3] For the avoidance of doubt, this Motion applies to all of the Debtors' bank accounts irrespective of whether or not such account is specifically identified herein.

[4] For the avoidance of doubt, the Debtors do not expect any new receivables generated postpetition to be subject to the KKT Factoring Agreement.

Bank Accounts	Description of Accounts
KKT CAD Factoring Account Account Ending: 1636	This account is primarily used to collect receipts paid in CAD from KKT's sales that are subject to the KKT Factoring Agreement. Excess cash is transferred to the KKT CAD Operating Account. The KKT CAD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.
KKT CAD Operating Account Account Ending: 1689	This account is primarily used to collect receipts paid in CAD on account of KKT's non-factored receivables. Unused amounts in the KKT CAD Factoring Account are transferred into this account. Excess cash in this account is transferred to the Main Operating Account. The KKT CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
KKT Collateral Account Account Ending: 1720	This account is a cash collateral account on account of the Corporate Card Program (as defined below). The KKT Collateral Account is subject to a deposit account control agreement in favor of the Administrative Agent.
Fuzhou Operating Account Account Ending: 9726	This account is primarily used for operating disbursements (ACH, wires, auto drafts) of vendor payments of KKT's Fuzhou (China) subsidiary. Funds are transferred from the Main Operating Account to this account as necessary.
Shenzhen Operating Account Account Ending: 0501	This account is primarily used for the day-to-day operating disbursements (ACH, wires, auto drafts) of KKT's Shenzhen (China) subsidiary, including taxes and other expenses. Funds are transferred from the Main Operating Account to this account as necessary.
Reserve Account Account Ending: 6979	This account will be used as the Debtors' adequate assurance account pursuant to the *Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving the Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief*, filed contemporaneously herewith.
Solowave Design Corp. ("*SDC*")	
SDC Factoring Account Account Ending: 5021	This account was previously used to collect receipts from SDC's sales that were subject to a now-terminated factoring agreement with HSBC Bank USA (the "***HSBC Factoring Agreement***"). This account has minimal activity.
SDC USD Operating Account Account Ending: 6860	This account is primarily used to collect receipts paid in USD on account of SDC's non-factored receivables and to pay vendors amounts due on behalf of SDC. Excess cash in this account is transferred to the Main Operating Account. The SDC USD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
SDC Deposit Account Account Ending: 4785	This account is primarily used to collect receipts on account of SDC's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDC Deposit Account is subject to a deposit account control agreement in favor of the Administrative Agent.

Bank Accounts	Description of Accounts
SDC CAD Operating Account Account Ending: 1688	This account is primarily used to collect receipts paid in CAD on account of SDC's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDC CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
Solowave Design LP	
SDL USD Factoring Account Account Ending: 7319	This account is primarily used to collect receipts paid in USD from SDL's sales that are subject to the *Receivables Sale Agreement*, dated as of April 21, 2022, with Coface, (the "***SDL Factoring Agreement***").[5] Excess cash is transferred to the SDL USD Operating Account. The SDC USD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.
SDL USD Operating Account Account Ending: 6795	This account is primarily used to collect receipts paid in USD on account of SDL's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDL USD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
SDL CAD Factoring Account Account Ending: 1475	This account is primarily used to collect receipts paid in CAD from SDL's sales that are subject to the SDL Factoring Agreement. Excess cash is transferred to the SDL CAD Operating Account. The SDL CAD Factoring Account is subject a deposit account control agreement in favor of Coface and the Administrative Agent.
SDL CAD Operating Account Account Ending: 1690	This account is primarily used to collect receipts paid in CAD on account of SDL's non-factored receivables. Excess cash in this account is transferred to the Main Operating Account. The SDL CAD Operating Account is subject to a deposit account control agreement in favor of the Administrative Agent.
Solowave Design Inc.	
SDI Reserve Account Account Ending: 7670	The SDI Reserve Account is available for disbursements of Solowave Design Inc., but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Canadian Priority Reserve Account pursuant to the *Emergency Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105,361,362,363,364, and 507 and Fed. R. Bankr. P. 2002, 4001, and 9014 (I) Authorizing Debtors and Debtors in Possession to Obtain Postpetition Senior Secured Superpriority Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Secured Lenders, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief*, filed contemporaneously herewith (the "***DIP Motion***").

[5] For the avoidance of doubt, the Debtors do not expect any new receivables generated postpetition to be subject to the SDL Factoring Agreement.

Bank Accounts	Description of Accounts
Solowave International Inc.	
SII Reserve Account Account Ending: 7787	The SII Reserve Account is available for disbursements of Solowave International Inc., but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Post-Carve-Out Trigger Notice Reserve Account pursuant to the DIP Motion.
Solowave Design Holdings Limited	
SDH Reserve Account Account Ending: 3058	The SDH Reserve Account is available for disbursements of Solowave Design Holdings Limited, but it generally has minimal activity. During the Chapter 11 Cases, this account will be used solely as the Debtors' Funded Reserve Account pursuant to the DIP Motion.

11. As of the Petition Date, the Bank Accounts had a combined value of approximately $3,510,000.

12. The Debtors respectfully request that the Court authorize the Debtors to continue to operate their Cash Management System and maintain and continue to use the Bank Accounts and authorize the Banks to maintain, service, and administer the Bank Accounts without interruption and in the ordinary course of business. In this regard, the Debtors respectfully request that the Banks be authorized to receive, process, honor, and pay any and all checks, drafts, wires, credit card payments, automated clearing house ("***ACH***") transfers, and other instructions, payable through, drawn, or directed on such Bank Accounts after the Petition Date by holders, makers, or other parties entitled to issue instructions with respect thereto, provided that sufficient funds are on deposit in the applicable Bank Accounts to cover such payments.

C. Compliance with Section 345 of the Bankruptcy Code and the U.S. Trustee Guidelines

i. Waiver of Section 345(b)

13. All of the Bank Accounts except the Shenzhen Operating Account are maintained at Banks that are insured by the Federal Deposit Insurance Corporation (the "***FDIC***") and, therefore, comply with section 345(b) of the Bankruptcy Code. As a Chinese institution with no

domestic branches, CMB is not insured or backed by the United States government; however, the Debtors believe that CMB is a well-capitalized and sophisticated banking institution and request that the Court waive the requirement for CMB to post a bond in favor of the United States to insure this account.

i. U.S. Trustee Guidelines

14. The U.S. Trustee has established certain operating guidelines (the "***U.S. Trustee Guidelines***") for debtors in possession.[6] The U.S. Trustee Guidelines require, among other things, that upon the filing of a bankruptcy petition, a debtor must immediately close all of its existing bank accounts and open new bank accounts that are designated as debtor-in-possession accounts with authorized depositories whose deposits are insured by the FDIC and who agree to comply with the requirements of the U.S. Trustee. The U.S. Trustee Guidelines further require debtors to maintain one account solely for the purpose of setting aside estate monies required for the payment of taxes and another separate account for cash collateral.

15. Here, the Debtors maintain the majority of their deposits with JPMorgan, which is an authorized depository institution in the Northern District of Texas. However, the Debtors also maintain the Shenzhen Operating Account at CMB and the SDC Deposit Account and the SDC Factoring Account at HSBC, which are not authorized depository institutions in the Northern District of Texas. As of the Petition Date, the Shenzhen Operating Account at CMB had a balance of approximately $575,000 and the SDC Deposit Account and SDC Factoring Account at HSBC each had a $0 balance. Reestablishing these accounts at different institutions could prove costly

[6] *See Guidelines for Debtors-in-Possession*, U.S. Department of Justice, United States Trustee Program, Region 6, *available at* https://www.justice.gov/ust-regions-r06/page/file/1588141/dl.

for the Debtors and would hinder their operations and businesses. The Debtors will work in good faith with the U.S. Trustee to address any concerns regarding the continued use of CMB.

16. The Debtors believe that both HSBC and CMB are stable, well-capitalized institutions and, therefore, that the Bank Accounts can be maintained at HSBC and CMB without jeopardizing the rights of any parties in interest. The Bank Accounts at HSBC do not carry material balances, and the Debtors do not anticipate any activity for these accounts beyond the payment of ordinary course overhead payments and Bank Fees for the duration of these chapter 11 cases. The Debtors request that the Court waive the requirements of the U.S. Trustee Guidelines and allow the Debtors to maintain their existing Bank Accounts at CMB and HSBC.

17. Further, the Shenzhen Operating Account is important to the Debtors' continued operations. Neither KidKraft Trading (Fuzhou) Co., Ltd. nor KidKraft Trading (Shenzhen) Co., Ltd. (the "***Non-Debtor China Affiliates***") maintains its own bank account; rather KKT funds the operational expenses of such Non-Debtor China Affiliates through the Shenzhen Operating Account and the Fuzhou Operating Account. Losing access to the Shenzhen Operating Account would impact the Company's ability to pay its China-based employees.[7] Therefore, the Debtors respectfully request that the Court allow the Debtors to maintain, service, and administer the Shenzhen Operating Account at CMB and the SDC Deposit Account and the SDC Factoring Account at HSBC, without interruption and in the ordinary course of business, notwithstanding the fact that CMB and HSBC are not authorized depository institutions under the U.S. Trustee Guidelines.

[7] Pursuant to the *Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief*, filed substantially contemporaneously herewith, the Debtors are seeking authority to fund amounts necessary to pay wages of employees of their Non-Debtor China Affiliates.

B. Bank Fees

18. In the ordinary course of business, the Debtors incur and pay, or allow to be deducted from the appropriate Bank Accounts, certain fees and expenses related to the cost of administering the Bank Accounts, including, among other things, wire transfers and other fees, costs, and expenses standard for typical corporate bank accounts, letters of credit, and cash management systems (collectively, the "***Bank Fees***"). The Bank Fees are either debited directly from the Debtors' Bank Accounts or are paid on a per transaction basis. The amount of Bank Fees owed each month varies based on account activity and average monthly balance maintained in the Bank Accounts. Historically, the Debtors have paid approximately $10,000 per month in Bank Fees. As of the Petition Date, approximately $10,000 of Bank Fees has accrued and is outstanding, all of which will become due and payable within the first twenty-one days after the Petition Date.

C. Business Forms

19. As part of the Cash Management System, the Debtors utilize preprinted checks and business forms (including, without limitation, letterhead, purchase orders, invoices, and preprinted checks, collectively, the "***Checks and Business Forms***") in the ordinary course of their businesses. To minimize expenses to their estates and avoid confusion on the part of employees, customers, and vendors during the pendency of these chapter 11 cases, the Debtors respectfully request that the Court authorize their continued use of Checks and Business Forms as such forms were in existence immediately before the Petition Date, without reference to the Debtors' status as debtors-in-possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new Checks and Business Forms as required under the U.S. Trustee Guidelines. To the extent the Debtors exhaust their existing supply of Checks and Business Forms during these chapter 11 cases, the Debtors will transition to using Checks and Business Forms with the designation "Debtor-in-Possession" and the corresponding bankruptcy case number on all such forms.

D. Corporate Card Program

20. As part of the Cash Management System and in the ordinary course of business, the Debtors maintain company-paid credit cards (the "***Corporate Cards***") that are utilized to pay for certain work-related expenses, such as work-related travel and certain non-recurring purchases made on behalf of the Debtors and certain operating expenses on behalf of the Debtors and Non-Debtor Affiliates (collectively, the "***Corporate Card Program***"). The Corporate Cards are issued by JPMorgan (the "***Corporate Card Provider***"). As of the Petition Date, approximately 34 Corporate Cards have been issued by the Corporate Card Provider to the Debtors and their employees.

21. In general, Corporate Cards are issued to employees for use on the Debtors' behalf for the payment of business-related expenses, including travel for business purposes and office-related purchases made on behalf of the Debtors, that are verified through receipts. The Debtors receive weekly statements for purchases (the "***Corporate Card Expenses***") made with the Corporate Cards in the preceding week. Once the Debtors determine that the Corporate Card Expenses comply with the Debtors' policies and procedures, the Debtors typically pay any outstanding Corporate Card Expenses within four days of each statement date.

22. Over the last 12 months, the Debtors have incurred a monthly average of approximately $330,000 of Corporate Card Expenses and have paid the full balance owed approximately four days after each weekly statement date. As of the Petition Date, approximately $50,000 in Corporate Card Expenses has accrued and is outstanding, all of which will become due and owing within the first 21 after the Petition Date. Any fees that the Debtors pay on account of the Corporate Card are included in the Bank Fees.

23. Use of the Corporate Cards is an integral part of the Cash Management System, and the ability of the Debtors' employees to continue using the Corporate Cards is essential to the

ongoing operation of the Debtors' businesses. Accordingly, the Debtors respectfully request that the Court authorize the Debtors to continue the Corporate Card Program in the ordinary course of business.

E. Intercompany Transactions

24. In the ordinary course of business, the Debtors maintain business relationships with each other and with certain of their non-Debtor affiliates (the "***Non-Debtor Affiliates***"), conducting intercompany transactions (collectively, the "***Intercompany Transactions***") from time to time that result in intercompany receivables and payables (the "***Intercompany Claims***"). As described above, the Debtors manage their expenses and revenues through a centralized Cash Management System. The Debtors track all fund transfers in their respective accounting systems and can ascertain, trace, and account for all Intercompany Transactions and will continue to do so postpetition.

i. Intercompany Transactions Among the Debtors

25. At any given time, there may be Intercompany Claims owing by one Debtor to another Debtor. Intercompany Transactions are made periodically to reimburse certain Debtors for various expenditures associated with their businesses or to fund certain Debtors' accounts in anticipation of certain upcoming expenditures, as needed. For example, in the operation of the Cash Management System, the Debtors transfer funds, for cash concentration purposes, from the SDC Operating Account to the Main Operating Account. Transferring cash to the Main Operating Account allows the Debtors to run their operations and financing activities from a centralized Bank Account.

ii. Intercompany Transactions Between the Debtors and Non-Debtor Affiliates

26. The Debtors also engage in Intercompany Transactions with the Non-Debtor Affiliates in the ordinary course of business as part of the Cash Management System. The

Intercompany Transactions with the European Non-Debtor Affiliates have historically been minimal, as the European Non-Debtor Affiliates have typically generated sufficient cash flow to cover their operations, and such transfers typically involve funds being transferred from the Non-Debtor Affiliates to the Debtors' Bank Accounts. However, within the last year, the Debtors have been funding inventory purchases for certain European Non-Debtor Affiliates, which are recorded in the books and records as intercompany payables and receivables. The Intercompany Transactions with the Chinese Non-Debtor Affiliates are made periodically to fund certain Debtors' accounts in anticipation of upcoming expenditures, for example employee payroll, and such transfers typically involve funds being transferred from the Debtors' Bank Accounts to the Chinese Non-Debtor Affiliates. The Chinese Non-Debtor Affiliates do not have their own source of income and rely on the Debtors to fund their operational needs.

iii. Intercompany Transactions Are Necessary

27. The Intercompany Transactions are necessary due to the corporate structure and Cash Management System of the Debtors. This system not only maximizes efficiency but also simplifies third-party interactions with the Debtors as an enterprise. If the Intercompany Transactions were to be discontinued, the Cash Management System and the Debtors' operations would be unnecessarily disrupted to the detriment of the Debtors' estates. The Debtors thus submit that continuing the Intercompany Transactions is essential and in the best interests of the Debtors' respective estates. To minimize business disruptions and preserve value for their estates, the Debtors seek authority to continue the Intercompany Transactions in the ordinary course of business postpetition, consistent with the Debtors' customary prepetition practices.

28. The Debtors respectfully submit that the failure to receive the relief requested hereinabove, including authorization to continue to operate their Cash Management System,

maintain and continue to use the Bank Accounts, continue the Corporate Card Program, and continue the Intercompany Transactions in the ordinary course of business postpetition consistent with the Debtors' customary prepetition practices would imperil the Debtors' restructuring and cause irreparable harm.

BASIS FOR RELIEF REQUESTED

A. The Court Should Approve the Debtors' Continued Use of the Bank Accounts and Cash Management System as Essential to the Debtors' Operations and Restructuring Efforts.

29. In order for the U.S. Trustee to supervise the administration of chapter 11 cases, the U.S. Trustee Guidelines generally require chapter 11 debtors to:

i. close all existing bank accounts and open new debtor-in-possession bank accounts, including an operating account, tax account, and payroll account (as applicable);

ii. obtain and utilize new checks for all debtor-in-possession accounts that bear the designation "Debtor-in-Possession" and the Debtor's bankruptcy case number;

iii. deposit all receipts and make all disbursements only though the approved debtor-in-possession accounts, with any funds in excess of those required for current operations being maintained in an interest-bearing account;

iv. deposit to the tax debtor-in-possession account sufficient funds to pay any tax liability (when incurred); and

v. deposit all estate funds into an account with a financial institution that agrees to comply with the requirements of the U.S. Trustee and is an authorized depository approved by the U.S. Trustee.[8]

30. As set forth above, the Debtors respectfully request authority to maintain their existing Bank Accounts and operate their Cash Management System, consistent with their ordinary course practices prior to the Petition Date and to implement ordinary course changes to the Cash

[8] *See Region 6 Guidelines for Chapter 11 Cases* at §§ VIII.

Management System consistent with prepetition practices. Such relief is appropriate under sections 363(c) and 105(a) of the Bankruptcy Code.

31. Section 363(c)(1) of the Bankruptcy Code authorizes a debtor-in-possession to use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1). The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor-in-possession with the flexibility to engage in the ordinary transactions required to operate its business without unneeded oversight by its creditors or the bankruptcy court. *See In re HLC Props., Inc.*, 55 B.R. 685, 686 (Bankr. N.D. Tex. 1985) (finding "no need to further burden the docket or the staff of the Court with a superfluous order" when a transaction is in the ordinary course of business); *Med. Malpractice Ins. Ass'n v. Hirsch (In re Lavigne)*, 114 F.3d 379, 384 (2d Cir. 1997); *Chaney v. Official Comm. of Unsecured Creditors of Crystal Apparel, Inc. (In re Crystal Apparel, Inc.)*, 207 B.R. 406, 409 (S.D.N.Y. 1997). Included within the purview of section 363(c) of the Bankruptcy Code is a debtor's ability to continue the "routine transactions" necessitated by a debtor's cash management system. *Amdura Nat'l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.)*, 75 F.3d 1447, 1453 (10th Cir. 1996). A cash management system allows a debtor "to administer more efficiently and effectively its financial operations and assets." *In re Southmark Corp*., 49 F.3d 1111, 1114 (5th Cir. 1995). Accordingly, section 363(c)(1) of the Bankruptcy Code authorizes the continuation of the Cash Management System as it operated prepetition without the Court's approval.

32. Even if continuation of the Cash Management System and other relief requested herein were outside the ordinary course of business, the Court may grant such relief pursuant to section 363(b) of the Bankruptcy Code. Section 363(b) of the Bankruptcy Code provides, in relevant part, that "[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in

the ordinary course of business, property of the estate . . . ." 11 U.S.C. § 363(b)(1). Courts in the Fifth Circuit have granted a debtor's request to use property of the estate outside of the ordinary course of business pursuant to section 363(b) of the Bankruptcy Code upon a finding that such use is supported by sound business reasons. *See, e.g.*, *In re Cont'l Air Lines*, 780 F.2d 1223, 1226 (5th Cir. 1986) ("[F]or the debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business."); *see also In re Terrace Gardens Park P'ship*, 96 B.R. 707, 714 (Bankr. W.D. Tex. 1989).

33. Section 105(a) of the Bankruptcy Code also authorizes the Court to permit the Debtors to continue to use the Cash Management System, including maintaining their existing Bank Accounts. Section 105(a) of the Bankruptcy Code vests the Court with the power to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Courts consistently recognize that a centralized cash management system "allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash." In re Columbia Gas Sys., Inc., 136 B.R. 930, 934 (Bankr. D. Del. 1992), aff'd in relevant part, 997 F.2d 1039, 1061 (3d Cir. 1993). The requirement to maintain all accounts separately "would be a huge administrative burden and economically inefficient." Columbia Gas, 997 F.2d at 1061; see also Southmark Corp., 49 F.3d at 1114 (5th Cir. 1995) (stating that a cash management system allows a debtor "to administer more efficiently and effectively its financial operations and assets"). Therefore, it is within the Court's equitable power under section 105(a) of the Bankruptcy Code to approve the continued use of the Cash Management System.

34. Here, requiring the Debtors to adopt new cash management systems and open new bank accounts at the same or different depository institutions would be expensive, impose needless administrative burdens on the Debtors, and would cause undue disruption to the Debtors' operations. Any such disruption would have a severe and adverse impact upon the Debtors' ability to navigate these chapter 11 cases, adversely affecting the Debtors' ability to maintain and maximize the value of their estates. Moreover, such a disruption would be wholly unnecessary insofar as the continued use of the Bank Accounts and Cash Management System provides a safe, efficient, and established means for the Debtors to maintain and manage their cash.

35. The Debtors submit that a waiver of certain requirements of the U.S. Trustee Guidelines is appropriate. Maintenance of the Bank Accounts and Cash Management System will minimize the disruption to the Debtors' operations and promote an orderly and efficient transition into chapter 11. Such benefits are entirely consistent with the goals underlying the U.S. Trustee Guidelines. The Cash Management System constitutes an ordinary-course and essential business practice providing significant benefits to the Debtors, including the ability to control corporate funds, ensure the maximum availability of funds when and where necessary, reduce borrowing costs and administrative expenses by facilitating the movement of funds, and ensure the availability of timely and accurate account balance information consistent with prepetition practices.

36. Accordingly, the Debtors respectfully request authority to: (i) maintain and continue to use any or all of their existing Bank Accounts in the names and with the account numbers existing immediately prior to the commencement of these chapter 11 cases, provided that the Debtors reserve the right to close some or all of their existing Bank Accounts and/or open new debtor-in-possession accounts (with notice to the Prepetition Secured Lender); (ii) deposit funds

in and withdraw funds from any of their existing Bank Accounts by all usual means, including checks, wire transfers, ACH transfers, electronic fund transfers, or other debits; and (iii) treat their existing Bank Accounts (and any accounts opened postpetition) for all purposes as debtor in possession accounts.

37. As set forth above, to ensure that all transfers and transactions will be documented in their books and records, the Debtors will continue to maintain records of all transfers within the Cash Management System consistent with their historical practices.

38. Courts in this district have routinely granted authority for a debtor's continued use of its existing cash management system, procedures, and policies, in matters involving complex, integrated businesses. *See, e.g., In re Impel Pharmaceuticals Inc.*, Case No. 23-80016 (SGJ) (Bankr. N.D. Tex. Jan. 11, 2024); *In re Ebix Inc.*, Case No. 23-80004 (SWE) (Bankr. N.D. Tex. Dec. 19, 2023); *In re Sunland Medical Foundation*, Case No. 23-8000 (MVL) (Bankr. N.D. Tex. Sep. 27, 2023); *In re Tuesday Morning Corporation*, Case No. 23-90001 (ELM) (Bankr. N.D. Tex. March 23, 2023); *In re Corsicana Bedding, LLC*, Case No. 22-90016 (ELM) (Bankr. N.D. Tex. Aug. 24, 2022). The same relief is also appropriate here. Accordingly, the Court should authorize the Debtors to continue using the Bank Accounts and the Cash Management System.

B. A Waiver of Certain Requirements of the U.S. Trustee Guidelines Is Appropriate Under the Circumstances and Will Minimize Disruptions to the Debtors' Businesses During the Transition to Chapter 11.

39. The Debtors respectfully request that the Court waive certain requirements of section 345 of the Bankruptcy Code and the U.S. Trustee Guidelines and allow the Debtors to continue using their existing Bank Accounts.

40. Section 345(a) of the Bankruptcy Code authorizes deposits of money that "will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." For deposits or investments that are not "insured or guaranteed by the

United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States," section 345(b) of the Bankruptcy Code requires debtors to obtain, from the entity with which the money is deposited, a bond in favor of the United States and secured by the undertaking of an adequate corporate surety. A court may, however, relieve a debtor-in-possession of the restrictions imposed by section 345(b) of the Bankruptcy Code for "cause." 11 U.S.C. § 345(b).

41. In evaluating whether "cause" exists, courts have considered a number of factors, such as:

(a) the sophistication of the debtor's business;

(b) the size of the debtor's business operations;

(c) the amount of the investments involved;

(d) the bank ratings (Moody's and Standard & Poor) of the financial institutions where the debtor in possession funds are held;

(e) the complexity of the case;

(f) the safeguards in place within the debtor's own business for ensuring the safety of the funds;

(g) the debtor's ability to reorganize in the face of a failure of one or more of the financial institutions;

(h) the benefit to the debtor;

(i) the harm, if any, to the debtor;

(j) the harm, if any, to the estate; and

(k) the reasonableness of the debtor's request for relief from section 345(b) requirements in light of the overall circumstances of the case.

See In re Serv. Merch. Co., Inc., 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999).

42. Here, all Bank Accounts except the Shenzhen Operating Account are maintained at Banks that are insured by the FDIC and, therefore, comply with section 345(b) of the Bankruptcy

Code. Additionally, The Debtors believe that funds held in the Shenzhen Operating Account are secure and that obtaining a bond to secure these funds, as required by section 345 of the Bankruptcy Code within a short timeframe, is unnecessary and detrimental to the Debtors' estates in these chapter 11 cases. CMB is a highly rated depository institution, subject to supervision by banking regulators in China, and the Debtors retain the right to remove funds held at the Banks and establish new Bank Accounts as needed. Moreover, the cost associated with satisfying the requirements of section 345(b) of the Bankruptcy Code is burdensome and the process of satisfying those requirements would lead to needless inefficiencies in the management of the Debtors' business. Any disruption of the cash management system or Bank Accounts could have a detrimental impact on the Debtors' ability to consummate the Sale Transaction. Accordingly, the Debtors request that the Court waive the requirements of section 345(b) of the Bankruptcy Code to the extent the Banks do not already comply with such requirements or extend the Debtors' deadline to comply with section 345(b) of the Bankruptcy Code to 45 days after the Petition Date.

43. Additionally, the U.S. Trustee Guidelines generally require chapter 11 debtors to, among other things, deposit all of their estate funds into an account with an authorized depository that agrees to comply with the requirements of the U.S. Trustee. JPMorgan is an authorized depository, and HSBC, while not an authorized depository, is FDIC insured. CMB, while neither an authorized depository nor FDIC insured, is a well-capitalized Chinese bank that the Debtors have used for several years in connection with their operations in China. The Debtors respectfully request that the Court authorize the Debtors to maintain, service, and administer the Bank Accounts maintained by the Banks, without interruption and in the ordinary course of business.

C. A Waiver of the Requirement Regarding Checks and Business Forms Is Appropriate Under the Circumstances.

44. To avoid disruption of the Cash Management System and unnecessary expense, the Debtors seek a waiver of the requirement to immediately purchase new Checks and Business Forms that include the term "debtor-in-possession" and the case number assigned to these chapter 11 cases and instead utilize the Debtors' existing inventory of Checks and Business Forms to avoid undue expense and delay. The Debtors submit that parties in interest will not be prejudiced by such relief and, accordingly, seek authority to use pre-existing Checks and Business Forms with respect to the Bank Accounts.

45. Courts in this district have routinely granted authority for a debtor's continued use of its existing Checks and Business Forms in matters involving complex, integrated businesses. *See, e.g.*, *In re Impel Pharmaceuticals Inc.*, Case No. 23-80016 (SGJ) (Bankr. N.D. Tex. Jan. 11, 2024); *In re Sunland Medical Foundation*, Case No. 23-8000 (MVL) (Bankr. N.D. Tex. Sep. 27, 2023); *In re Christian Care Centers, Inc.*, Case No. 22-8000 (SGJ) (Bankr. N.D. Tex. June 15, 2022); *In re Northwest Senior Housing Corporation*, Case No. 22-30659 (MVL) (Bankr. N.D. Tex. May 27, 2022); *In re Rockall Energy Holdings, LLC*, Case No. 22-90000 (MXM) (Bankr. N.D. Tex. Apr. 5, 2022). The same relief is also appropriate here. Accordingly, the Court should authorize the Debtors to continue the use of their existing Checks and Business Forms.

D. The Court Should Authorize the Debtors to Maintain Their Corporate Card Program and to Pay All Obligations Related Thereto.

46. Under section 363(c)(1) of the Bankruptcy Code, a debtor in possession "may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business . . . and may use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1). Furthermore, section 364(a) of the Bankruptcy Code permits a debtor in possession to "obtain unsecured credit and incur unsecured debt in the ordinary course

of business" without a court order. 11 U.S.C. § 364(a). Purchases made using the Corporate Cards fall within the ordinary course of business under section 363(c)(1) of the Bankruptcy Code. The use of credit cards, fuel cards, and similar payment methods is widespread at companies across the United States as a means of facilitating day-to-day business activities. As a result, the Debtors believe that they do not require the Court's approval to continue using the Corporate Cards in connection with the Corporate Card Program.

47. Nonetheless, out of an abundance of caution, the Debtors respectfully request authority to continue the Corporate Card Program in the ordinary course of business, and pay all postpetition obligations related thereto. In the event that the Court finds that such transactions do not fall within the ordinary course of business, the Debtors respectfully request authority pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code to permit these transactions. Further, pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code, the Debtors respectfully request authority to pay any prepetition obligations related to the Corporate Card Program.

48. Continued use of the Corporate Cards is integral to the success and stability of the Debtors' businesses. The Debtors rely on the ability of their employees to pay for expenses incurred in the ordinary course of business and to make other reasonable work-related purchases necessary to fulfill their day-to-day professional obligations. Permitting the Debtors to continue the Corporate Card Program will ensure that the Debtors' employees are able to fulfill their daily professional obligations and, in turn, prevent significant disruption to the Debtors' operations. Moreover, satisfying any prepetition amounts outstanding under the Corporate Card Program will help minimize the risk of any adverse action being taken by the Corporate Card Provider with respect to the Corporate Card Program upon the commencement of these chapter 11 cases. If the Debtors do not pay outstanding amounts owed, there is significant risk that the Corporate Card

Provider (i) could set-off amounts owed against cash in the Debtors' Bank Accounts maintained by such Corporate Card Provider and (ii) could restrict the Debtors' access to their Corporate Card Program. Indeed, if the Debtors do not pay prepetition obligations owed to the Corporate Card Provider, such provider will likely not continue to extend credit to the Debtors after the Petition Date. Without the Corporate Card Program, the Debtors' employees would likely either have to pay for the upfront costs of business travel and corporate expenses and then wait for reimbursement, or lose the ability to pay for such business expenses. In either case, the Debtors' operational effectiveness would suffer. Accordingly, the Debtors should be authorized to continue using the Corporate Cards, and to pay any prepetition amounts outstanding thereunder, as such relief will help minimize the adverse effect of the commencement of these chapter 11 cases on the Debtors' businesses.

49. Courts in this district have permitted debtors to continue using their existing corporate credit cards, purchasing cards, and similar programs. *See, e.g.*, *In re Corsicana Bedding, LLC*, Case No. 22-90016 (ELM) (Bankr. N.D. Tex. Aug. 24, 2022); *In re Christian Care Centers, Inc.*, Case No. 22-80000 (SGJ) (Bankr. N.D. Tex. June 15, 2022); *In re Northwest Senior Housing Corporation*, Case No. 22-30659 (MVL) (Bankr. N.D. Tex. May 27, 2022); *In re Rockall Energy Holdings, LLC*, Case No. 22-90000 (MXM) (Bankr. N.D. Tex. Apr. 5, 2022); *In re Red River Waste Solutions, LP*, Case No. 21-42423 (ELM) (Bankr. N.D. Tex. Feb. 17, 2022). The same relief is appropriate here. Accordingly, the Court should authorize the Debtors to continue the Corporate Card Program and to pay all obligations outstanding, including prepetition obligations, if any, related thereto.

E. The Court Should Authorize Continued Performance of Intercompany Transactions in the Ordinary Course and Grant Administrative Priority Status to Postpetition Intercompany Claims.

50. As described above, the Debtors routinely engaged in Intercompany Transactions prior to the Petition Date, and absent authority to continue engaging in Intercompany Transactions in the ordinary course of business postpetition, the Debtors' continued operations would be placed in jeopardy. In general, under section 363(c)(1) of the Bankruptcy Code, a debtor in possession "may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business . . . and may use property of the estate in the ordinary course of business without notice or a hearing." Under section 503(b)(1)(A) of the Bankruptcy Code, "[a]fter notice and a hearing, there shall be allowed administrative expenses . . . including the actual, necessary costs and expenses of preserving the estate . . . ."

51. The Debtors believe that the Intercompany Transactions occur "in the ordinary course of business" within the meaning of section 363(c)(1) of the Bankruptcy Code. Nonetheless, out of an abundance of caution, the Debtors seek express authority to engage in such transactions on a postpetition basis. The Intercompany Transactions are the type of transactions that are common among many business enterprises that operate through multiple affiliates. The Intercompany Transactions are integral to the Debtors' ability to operate their businesses. Requiring the Debtors to modify their current practices would be a costly and time-consuming undertaking, distracting the Debtors and their employees from the important task of continuing to operate the Debtors' businesses in the ordinary course and proceeding towards a timely exit from chapter 11. Accordingly, out of an abundance of caution, the Debtors respectfully request express authority to engage in such Intercompany Transactions postpetition.

52. To ensure that each Debtor will not fund the operations of another entity at the expense of such Debtors' creditors, the Debtors respectfully request, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, that all valid postpetition Intercompany Claims be accorded

administrative expense status, subject and junior to the claims, including adequate protection claims and fee and expense claims under any "carve-out," granted in connection with any postpetition financing or postpetition use of cash collateral in accordance with any interim and final orders, as applicable, approving such postpetition financing or postpetition use of cash collateral. This relief will ensure that each entity receiving payments from a Debtor will continue to bear ultimate repayment responsibility for such ordinary course transactions, thereby reducing the risk that these transactions would jeopardize the recoveries available to each Debtor's respective creditors.

53. Courts in this district have routinely granted administrative expense status to postpetition intercompany claims in similarly complex chapter 11 cases. *See, e.g., In re Ebix Inc.*, Case No. 23-80004 (SWE) (Bankr. N.D. Tex. Dec. 19, 2023); *In re Corsicana Bedding, LLC*, Case No. 22-90016 (ELM) (Bankr. N.D. Tex. Aug. 24, 2022); *In re Christian Care Centers, Inc.*, Case No. 22-80000 (SGJ) (Bankr. N.D. Tex. June 15, 2022); *In re Northwest Senior Housing Corporation*, Case No. 22-30659 (MVL) (Bankr. N.D. Tex. May 27, 2022); *In re Rockall Energy Holdings, LLC*, Case No. 22-90000 (MXM) (Bankr. N.D. Tex. Apr. 5, 2022). For the reasons set forth above, similar relief is warranted here.

F. The Debtors' Banks Should Be Authorized to Honor Checks, Wire Transfers, and Electronic Fund Transfers.

54. The Debtors have sufficient liquidity to pay the amounts described in this Motion in the ordinary course of business. In addition, under the Debtors' existing Cash Management System, the Debtors can readily identify checks, wire transfers, or electronic fund transfer requests as relating to an authorized payment in respect of the Bank Fees. Accordingly, the Debtors believe that there is minimal risk that checks, wire transfers, and electronic fund transfer requests that the Court has not authorized will be honored inadvertently. The Debtors respectfully request that the

Court authorize and direct all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks, wire transfers, or electronic fund transfer requests in respect of the relief requested in this Motion. Further, the Debtors also seek authority to issue new postpetition checks, wire transfers, or electronic fund transfer requests to replace any prepetition checks, wire transfers, or funds transfers that may be dishonored or rejected as a result of the commencement of these chapter 11 cases.

REQUEST FOR IMMEDIATE RELIEF

55. Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the Petition Date "to the extent that relief is necessary to avoid immediate and irreparable harm." For the reasons discussed herein and in the First Day Declaration, authorizing the Debtors to (i) continue to operate their Cash Management System and maintain existing Bank Accounts; (ii) continue using their existing Checks and Business Forms; (iii) maintain their Corporate Card Program; and (iv) continue to engage in Intercompany Transactions, as well as granting the other relief requested herein, is critical to enabling the Debtors to effectively transition to operating as chapter 11 debtors. Failure to receive such authorization and other relief during the first 21 days of these chapter 11 cases would significantly impact the Debtors' ability to swiftly and efficiently consummate a Sale Transaction and/or obtain confirmation of the Plan. As such, the relief requested is necessary in order for the Debtors to maximize the value of their estates for the benefit of all stakeholders. Accordingly, the Debtors submit that they have satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule 6003 to support granting the relief requested herein.

WAIVER OF BANKRUPTCY RULES 6004(a) AND 6004(h)

56. To implement the foregoing successfully, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

RESERVATION OF RIGHTS

57. For the avoidance of doubt, nothing in this Motion is intended to be, nor should it be construed as (i) an implication or admission as to the validity or priority of any claim or lien against the Debtors, (ii) an impairment or waiver of the Debtors' or any other party in interest's rights to contest or dispute any such claim or lien, (iii) a promise or requirement to pay any claim, (iv) an implication or admission that any particular claim is of a type specified or defined in the Motion or any proposed order, or (v) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law.

NOTICE

58. Notice of this Motion has been provided by delivery to: (i) the Office of the United States Trustee for the Northern District of Texas; (ii) the holders of the 30 largest unsecured claims against the Debtors (on a consolidated basis); (iii) the administrative agent under the Debtors' prepetition secured credit agreement; (iv) Katten Muchin Rosenman LLP, as counsel to the administrative agent under the Debtors' prepetition secured credit agreement; (v) King & Spalding LLP, as counsel to the buyer under the Debtors' prepetition asset purchase agreement; (vi) those persons who have formally appeared in these chapter 11 cases and requested service pursuant to Bankruptcy Rule 2002; (vii) the Internal Revenue Service; (viii) all other applicable government agencies to the extent required by the Bankruptcy Rules or the N.D. Tex. L.B.R; and (ix) the Banks. In light of the nature of the relief requested in this Motion, the Debtors submit that no further notice is necessary.

NO PRIOR REQUEST

59. No prior motion for the relief requested herein has been made to this Court or any other court.

PRAYER

The Debtors respectfully request that the Court enter the Interim Order and the Final Order, substantially in the forms attached hereto as **Exhibits A** and **B**, respectively, and grant them such other and further relief to which the Debtors may be justly entitled.

Dated: May 10, 2024
Dallas, Texas

/s/ *William L. Wallander*

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PROPOSED ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

CERTIFICATE OF SERVICE

I certify that on May 10, 2024, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Northern District of Texas.

/s/ Matthew D. Struble
One of Counsel

EXHIBIT A

Proposed Interim Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Case No. 24-80045-11**
	§	
KIDKRAFT, INC., *et al*.,	§	**(Chapter 11)**
	§	
Debtors.[1]	§	**(Joint Administration Requested)**
	§	**Re: Docket No.**

INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND MAINTAIN EXISTING BANK ACCOUNTS, (B) CONTINUE USING EXISTING CHECKS AND BUSINESS FORMS, (C) MAINTAIN THEIR CORPORATE CARD PROGRAM, AND (D) CONTINUE INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF

[1] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers or Canadian business numbers, as applicable, are: KidKraft, Inc. (3303), KidKraft Europe, LLC (3174), KidKraft Intermediate Holdings, LLC (8800), KidKraft International Holdings, Inc. (2933), KidKraft Partners, LLC (3268), KidKraft International IP Holdings, LLC (1841), Solowave Design Corp. (9294), Solowave Design Holdings Limited (0206), Solowave Design Inc. (3073), Solowave Design LP (7201), and Solowave International Inc. (4302). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 4630 Olin Road, Dallas, TX 75244.

Upon the Motion[2] filed by the above-referenced debtors and debtors in possession (collectively, the "***Debtors***") for entry of an interim order (the "***Interim Order***") (i) authorizing the Debtors to: (a) continue to operate their Cash Management System and maintain existing Bank Accounts; (b) continue using their existing Checks and Business Forms; (c) maintain their Corporate Card Program; and (d) continue to engage in Intercompany Transactions and (ii) granting related relief, all as more fully set forth in the Motion and in the First Day Declaration; and the Court having jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. § 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and that the Court may enter a final order consistent with Article III of the United States Constitution; and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates, as contemplated by Bankruptcy Rule 6003; and the Court having found that the relief requested in the Motion is in the best interests of the Debtors and their respective estates, creditors, and other parties in interest; and the Court having found that proper and adequate notice of the Motion and hearing thereon has been given and that no other or further notice is necessary; and the Court having found that good and sufficient cause exists for the granting of the relief requested in the Motion after having given due deliberation upon the Motion and all of the proceedings had before the Court in connection with the Motion, it is HEREBY ORDERED THAT:

1. The final hearing (the "***Final Hearing***") on the Motion shall be held on _____, 2024, at __:__ _.m., prevailing Central Time. Any objections or responses to entry

[2] Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Motion.

of a final order on the Motion shall be filed on or before 5:00 p.m., prevailing Central Time, on _____, 2024, and shall be served on: (i) the Debtors, 4630 Olin Road, Dallas, TX 75244, Attn: Geoff Walker; (ii) proposed attorneys to the Debtors, Vinson & Elkins LLP, 2001 Ross Avenue, Suite 3900, Dallas, TX 75201, Attn: Matthew D. Struble, and 1114 Avenue of the Americas, 32nd Floor, New York, New York 10036, Attn: Lauren R. Kanzer; (iii) counsel to the administrative agent under the Debtors' prepetition secured credit agreement, Katten Muchin Rosenman LLP, 50 Rockefeller Plaza, New York, NY 10020, Attn: Cindi M. Giglio; (iv) counsel to the buyer under the Debtors' prepetition asset purchase agreement, King & Spalding LLP, 1185 Avenue of the Americas, 34th Floor, New York, NY 10036, Attn: Roger Schwartz and Miguel Cadavid; and (v) the Office of the United States Trustee for the Northern District of Texas, 1100 Commerce Street, Room 976, Dallas, TX 75242, Attn: Meredyth Kippes.

2. The Debtors are authorized, on an interim basis, in the ordinary course of business and consistent with prepetition practices to (i) maintain and continue to operate the Cash Management System in accordance with the Motion, (ii) maintain and continue to use any or all of their existing Bank Accounts, including, but not limited to the Bank Accounts identified on **Exhibit C** to the Motion; and (iii) deposit funds in and withdraw funds from any of the Bank Accounts by all usual means, including, but not limited to, checks, wire transfers, ACH transfers and debits, electronic fund transfers, and other debits; *provided*, that the Debtors will make a reasonable effort to request that the Banks designate all of the Bank Accounts as debtor-in-possession accounts; *provided*, *further*, that the Debtors shall provide notice to the U.S. Trustee, any statutory committee appointed in these chapter 11 cases, and counsel to the Prepetition Secured Lender of any material changes to their Cash Management System (including, but not limited to, any prospective closing of Bank Accounts) within 14 days.

3. The Debtors shall have until June 24, 2024, to either bring the Bank Account at CMB into compliance with section 345(b) of the Bankruptcy Code and the U.S. Trustee Guidelines or to make such other arrangements as are agreed to by the U.S. Trustee or approved by the Court, subject to further extension.

4. The requirements of the U.S. Trustee Guidelines are hereby waived with respect to the Debtors' existing Bank Accounts at HSBC, and the Debtors are authorized to maintain and continue to use such Bank Accounts in the ordinary course of business; *provided*, *however*, that the Debtors shall use reasonable efforts to ensure that amounts in the Bank Accounts at HSBC do not exceed $250,000.

5. The Banks are each authorized and directed to maintain, service, and administer the Bank Accounts without interruption on an interim basis and in the ordinary course of business.

6. The Debtors are authorized to pay any undisputed, outstanding Bank Fees owed to the Banks as of the Petition Date and to continue to pay the Bank Fees on an interim basis in the ordinary course of business.

7. The Debtors are authorized to continue the Corporate Card Program and to pay any prepetition or postpetition amounts related thereto.

8. The Debtors are authorized to use, in their present form, the Checks and Business Forms, without reference to their status as debtors-in-possession or the case number assigned to these chapter 11 cases; *provided* that once the Debtors' existing Checks and Business Forms have been exhausted, the Debtors shall include, or direct others to include, the designation "Debtor in Possession" and the corresponding bankruptcy case number on all Checks and Business Forms as soon as it is reasonably practicable to do so.

9. The Debtors are authorized to enter into and engage in postpetition Intercompany Transactions on an interim basis in the ordinary course of business. Pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all Intercompany Claims as a result of any ordinary course postpetition Intercompany Transactions are hereby accorded administrative expense priority status; *provided*, that such administrative expense status claim shall be junior to any superpriority administrative expense status claim granted as part of the adequate protection given pursuant to the DIP Orders (as defined below). In connection therewith, the Debtors shall continue to maintain current records with respect to all transfers of cash in the ordinary course of business consistent with their practices prior to the Petition Date such that Intercompany Transactions can be readily ascertained and traceable; *provided*, *however*, that such records shall be made available upon request by the Consenting Creditor Representatives, the U.S. Trustee, or any statutory committee appointed in these Chapter 11 cases. To the extent that the transfers within the Cash Management System are disbursements, they will be noted and reflected on the monthly operating reports.

10. The Debtors will comply with the monthly operating report requirements for reporting intercompany transactions in accordance with the instructions for U.S. Trustee Form 11-MOR.

11. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

12. The Banks are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Interim Order.

13. Any bank, including the Banks, may rely upon the representations of the Debtors with respect to whether any check, draft, wire, payment order, or other transfer drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to any order of this Court, and no bank that honors such a prepetition check, draft, wire, payment order, or other transfer drawn on any Bank Account (i) at the direction of the Debtors or (ii) in a good-faith belief that this Court has authorized such prepetition check, draft, wire, payment, or other transfer to be honored shall be deemed to be, nor shall be, liable to the Debtors or their estates or any other party on account thereof or otherwise be deemed to be in violation of this Interim Order.

14. The Debtors are authorized to issue new postpetition checks, wire transfers, or electronic fund transfer requests to replace any prepetition checks, wire transfers, or funds transfers that may be dishonored or rejected as a result of the commencement of these chapter 11 cases with respect to prepetition amounts that are authorized to be paid pursuant to this Interim Order.

15. The Debtors are authorized to open new bank accounts; *provided*, *however*, that all accounts opened by the Debtors on or after the Petition Date shall be at depositories that are (i) insured by the FDIC or the Federal Savings and Loan Insurance Corporation, (ii) designated as an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee Guidelines, and (iii) with a bank that agrees to be bound by the terms of this Interim Order; *provided further*, *however*, that such opening shall be timely indicated on the Debtors' monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee, any statutory committee appointed in these chapter 11 cases, and counsel to the Prepetition Secured Lender within 14 days.

16. Notwithstanding the relief granted herein or actions taken hereunder, nothing contained in the Motion or this Interim Order or any payment made pursuant to this Interim Order

shall constitute, nor is it intended to constitute, an implication or admission as to the validity or priority of any claim or lien against the Debtors, a waiver of the Debtors' or any party in interest's rights to subsequently dispute such claim or lien, a promise or requirement to pay any prepetition claim, an implication or admission that any particular claim is of a type specified or defined in the Motion or any proposed order, a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law, or the assumption or adoption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

17. Notwithstanding anything in this Order to the contrary, any payment to be made, or any authorization contained hereunder, shall be subject to the terms of any orders authorizing debtor-in-possession financing or the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any approved budget governing or relating to such use) (such order, collectively with any such approved budget, the "***DIP Order***"); and to the extent there is any inconsistency between the terms of such DIP Order and any action taken or proposed to be taken hereunder, the terms of such DIP Order shall control.

18. Bankruptcy Rule 6003(b) has been satisfied.

19. The requirements of Bankruptcy Rule 6004(a) are waived.

20. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order shall be immediately effective and enforceable upon entry of this Interim Order.

21. The Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Interim Order.

 # # # End of Order # # #

Order submitted by:

VINSON & ELKINS LLP

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PROPOSED ATTORNEYS FOR
THE DEBTORS AND DEBTORS IN POSSESSION

EXHIBIT B

Proposed Final Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Case No. 24-80045-11**
	§	
KIDKRAFT, INC., *et al*.,	§	**(Chapter 11)**
	§	
Debtors.[1]	§	**(Joint Administration Requested)**
	§	**Re: Docket No.**

FINAL ORDER (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND MAINTAIN EXISTING BANK ACCOUNTS, (B) CONTINUE USING EXISTING CHECKS AND BUSINESS FORMS, (C) MAINTAIN THEIR CORPORATE CARD PROGRAM, AND (D) CONTINUE INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF

[1] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers or Canadian business numbers, as applicable, are: KidKraft, Inc. (3303), KidKraft Europe, LLC (3174), KidKraft Intermediate Holdings, LLC (8800), KidKraft International Holdings, Inc. (2933), KidKraft Partners, LLC (3268), KidKraft International IP Holdings, LLC (1841), Solowave Design Corp. (9294), Solowave Design Holdings Limited (0206), Solowave Design Inc. (3073), Solowave Design LP (7201), and Solowave International Inc. (4302). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 4630 Olin Road, Dallas, TX 75244.

Upon the Motion[2] filed by the above-referenced debtors and debtors in possession (collectively, the "***Debtors***") for entry of interim and final orders (i) authorizing the Debtors to: (a) continue to operate their Cash Management System and maintain existing Bank Accounts; (b) continue using their existing Checks and Business Forms; (c) maintain their Corporate Card Program; and (d) continue to engage in Intercompany Transactions and (ii) granting related relief, all as more fully set forth in the Motion and in the First Day Declaration; and the Court having jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. § 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and that the Court may enter a final order consistent with Article III of the United States Constitution; and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having entered the Interim Order; and the Court having found that the relief requested in the Motion is in the best interests of the Debtors and their respective estates, creditors, and other parties in interest; and the Court having found that proper and adequate notice of the Motion and hearing thereon has been given and that no other or further notice is necessary; and the Court having found that good and sufficient cause exists for the granting of the relief requested in the Motion after having given due deliberation upon the Motion and all of the proceedings had before the Court in connection with the Motion, it is HEREBY ORDERED THAT:

1. The Debtors are authorized, in the ordinary course of business and consistent with prepetition practices to (i) maintain and continue to operate the Cash Management System in accordance with the Motion, (ii) maintain and continue to use any or all of their existing Bank Accounts, including, but not limited to the Bank Accounts identified on Exhibit C to the Motion;

[2] Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Motion.

and (iii) deposit funds in and withdraw funds from any of the Bank Accounts by all usual means, including, but not limited to, checks, wire transfers, ACH transfers and debits, electronic fund transfers, and other debits; *provided*, that the Debtors will make a reasonable effort to request that the Banks designate all of the Bank Accounts as debtor-in-possession accounts; *provided*, *further*, that the Debtors shall provide notice to the U.S. Trustee, any statutory committee appointed in these chapter 11 cases, and counsel to the Prepetition Secured Lender of any material changes to their Cash Management System (including, but not limited to, any prospective closing of Bank Accounts) within 14 days.

2. The Debtors shall have until June 24, 2024, to either bring the Bank Account at CMB into compliance with section 345(b) of the Bankruptcy Code and the U.S. Trustee Guidelines or to make such other arrangements as are agreed to by the U.S. Trustee or approved by the Court, subject to further extension.

3. The requirements of the U.S. Trustee Guidelines are hereby waived with respect to the Debtors' existing Bank Accounts at HSBC, and the Debtors are authorized to maintain and continue to use such Bank Accounts in the ordinary course of business; *provided*, *however*, that the Debtors shall use reasonable efforts to ensure that amounts in the Bank Accounts at HSBC do not exceed $250,000.

4. The Banks are each authorized and directed to maintain, service, and administer the Bank Accounts without interruption and in the ordinary course of business.

5. The Debtors are authorized to pay any undisputed, outstanding Bank Fees owed to the Banks as of the Petition Date and to continue to pay the Bank Fees on in the ordinary course of business.

6. The Debtors are authorized to continue the Corporate Card Program and to pay any prepetition or postpetition amounts related thereto.

7. The Debtors are authorized to use, in their present form, the Checks and Business Forms, without reference to their status as debtors-in-possession or the case number assigned to these chapter 11 cases; *provided* that once the Debtors' existing Checks and Business Forms have been exhausted, the Debtors shall include, or direct others to include, the designation "Debtor in Possession" and the corresponding bankruptcy case number on all Checks and Business Forms as soon as it is reasonably practicable to do so.

8. The Debtors are authorized to enter into and engage in postpetition Intercompany Transactions in the ordinary course of business. Pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all Intercompany Claims as a result of any ordinary course postpetition Intercompany Transactions are hereby accorded administrative expense priority status; *provided*, that such administrative expense status claim shall be junior to any superpriority administrative expense status claim granted as part of the adequate protection given pursuant to the DIP Orders (as defined below). In connection therewith, the Debtors shall continue to maintain current records with respect to all transfers of cash in the ordinary course of business consistent with their practices prior to the Petition Date such that Intercompany Transactions can be readily ascertained and traceable; *provided*, *however*, that such records shall be made available upon request by the Consenting Creditor Representatives, the U.S. Trustee, or any statutory committee appointed in these Chapter 11 cases. To the extent that the transfers within the Cash Management System are disbursements, they will be noted and reflected on the monthly operating reports.

9. The Debtors will comply with the monthly operating report requirements for reporting intercompany transactions in accordance with the instructions for U.S. Trustee Form 11-MOR.

10. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Final Order in accordance with the Motion.

11. The Banks are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Final Order.

12. Any bank, including the Banks, may rely upon the representations of the Debtors with respect to whether any check, draft, wire, payment order, or other transfer drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to any order of this Court, and no bank that honors such a prepetition check, draft, wire, payment order, or other transfer drawn on any Bank Account (i) at the direction of the Debtors or (ii) in a good-faith belief that this Court has authorized such prepetition check, draft, wire, payment, or other transfer to be honored shall be deemed to be, nor shall be, liable to the Debtors or their estates or any other party on account thereof or otherwise be deemed to be in violation of this Final Order.

13. The Debtors are authorized to issue new postpetition checks, wire transfers, or electronic fund transfer requests to replace any prepetition checks, wire transfers, or funds transfers that may be dishonored or rejected as a result of the commencement of these chapter 11 cases with respect to prepetition amounts that are authorized to be paid pursuant to this Final Order.

14. The Debtors are authorized to open new bank accounts; *provided*, *however*, that all accounts opened by the Debtors on or after the Petition Date shall be at depositories that are (i)

insured by the FDIC or the Federal Savings and Loan Insurance Corporation, (ii) designated as an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee Guidelines, and (iii) with a bank that agrees to be bound by the terms of this Final Order; *provided further*, *however*, that such opening shall be timely indicated on the Debtors' monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee, any statutory committee appointed in these chapter 11 cases, and counsel to the Prepetition Secured Lender within 14 days.

15. Notwithstanding the relief granted herein or actions taken hereunder, nothing contained in the Motion or this Final Order or any payment made pursuant to this Final Order shall constitute, nor is it intended to constitute, an implication or admission as to the validity or priority of any claim or lien against the Debtors, a waiver of the Debtors' or any party in interest's rights to subsequently dispute such claim or lien, a promise or requirement to pay any prepetition claim, an implication or admission that any particular claim is of a type specified or defined in the Motion or any proposed order, a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law, or the assumption or adoption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

16. Notwithstanding anything in this Order to the contrary, any payment to be made, or any authorization contained hereunder, shall be subject to the terms of any orders authorizing debtor-in-possession financing or the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any approved budget governing or relating to such use) (such order, collectively with any such approved budget, the "***DIP Order***"); and to the extent there is any inconsistency between the terms of such DIP Order and any action taken or proposed to be taken hereunder, the terms of such DIP Order shall control.

17. The requirements of Bankruptcy Rule 6004(a) are waived.

18. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order shall be immediately effective and enforceable upon entry of this Final Order.

19. The Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Final Order.

 # # # END OF ORDER # # #

Order submitted by:

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PROPOSED ATTORNEYS FOR
THE DEBTORS AND DEBTORS IN POSSESSION

EXHIBIT C

List Of Bank Accounts

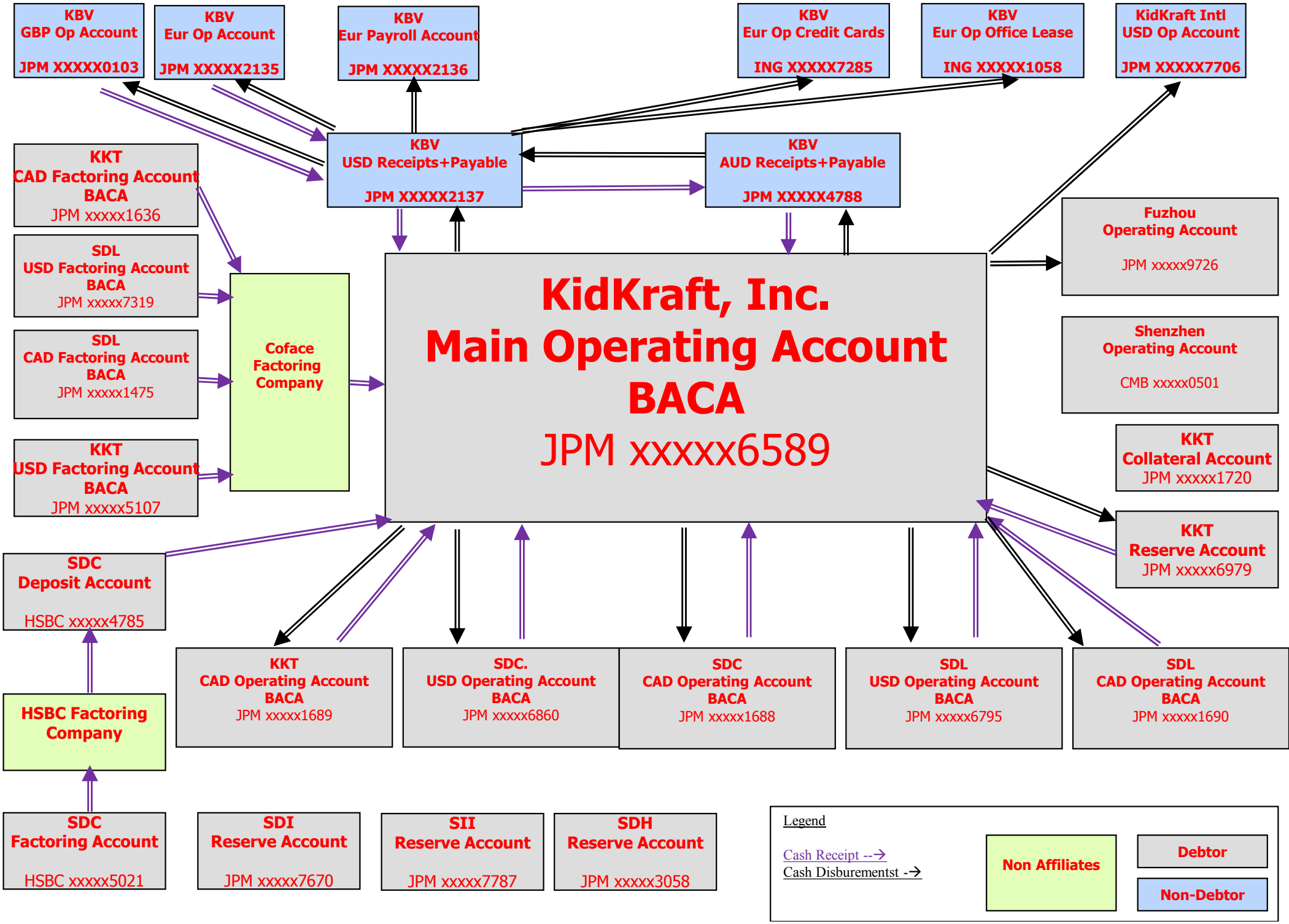
Bank Accounts

No.	Account Holder	Bank Name	Account Function	Account No.
1.	KidKraft, Inc.	JPMorgan	**Main Operating Account**	Account Ending: 6589
2.	KidKraft, Inc.	JPMorgan	**KKT USD Factoring Account**	Account Ending: 5107
3.	KidKraft, Inc.	JPMorgan	**KKT CAD Factoring Account**	Account Ending: 1636
4.	KidKraft, Inc.	JPMorgan	**KKT CAD Operating Account**	Account Ending: 1689
5.	KidKraft, Inc.	JPMorgan	**KKT Collateral Account**	Account Ending: 1720
6.	KidKraft, Inc.	JPMorgan	**Fuzhou Operating Account**	Account Ending: 9726
7.	KidKraft, Inc.	CMB	**Shenzhen Operating Account**	Account Ending: 0501
8.	KidKraft, Inc.	JPMorgan	**Reserve Account**	Account Ending: 6979
9.	Solowave Design Corp.	HSBC	**SDC Factoring Account**	Account Ending: 5021
10.	Solowave Design Corp.	JPMorgan	**SDC USD Operating Account**	Account Ending: 6860
11.	Solowave Design Corp.	HSBC	**SDC Deposit Account**	Account Ending: 4785
12.	Solowave Design Corp.	JPMorgan	**SDC CAD Operating Account**	Account Ending: 1688
13.	Solowave Design LP	JPMorgan	**SDL USD Factoring Account**	Account Ending: 7319
14.	Solowave Design LP	JPMorgan	**SDL USD Operating Account**	Account Ending: 6795
15.	Solowave Design LP	JPMorgan	**SDL CAD Factoring Account**	Account Ending: 1475
16.	Solowave Design LP	JPMorgan	**SDL CAD Operating Account**	Account Ending: 1690
17.	Solowave Design Inc.	JPMorgan	**SDI Reserve Account**	Account Ending: 7670
18.	Solowave International Inc.	JPMorgan	**SII Reserve Account**	Account Ending: 7787
19.	Solowave Design Holdings Limited	JPMorgan	**SDH Reserve Account**	Account Ending: 3058

EXHIBIT D

Cash Management System Diagram

KidKraft, Inc Cash Flow Analysis



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED Court File No: CV-24-00720035-00CL

AND IN THE MATTER OF KIDKRAFT, INC. SOLOWAVE DESIGN HOLDINGS LIMITED., SOLOWAVE DESIGN INC., SOLOWAVE INTERNATIONAL INC. AND SOLOWAVE DESIGN LP

APPLICATION OF KIDKRAFT, INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

SUPPLEMENTAL APPLICATION RECORD OF THE APPLICANT
VOLUME 1 OF 2

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