



**First Report of
KSV Restructuring Inc. as
Information Officer of
KidKraft, Inc.,
Solowave Design Holdings Limited,
Solowave Design Inc.,
Solowave International Inc. and
Solowave Design LP**

June 18, 2024

Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Report.....	4
1.2 Currency	4
1.3 Defined Terms	4
1.4 Restrictions	4
2.0 Background	5
3.0 Update on Chapter 11 Proceedings	6
4.0 Proposed Recognition of US Court Orders	7
4.1 Claims Bar Date Order	7
4.2 Second Interim DIP Order	8
5.0 Conclusion and Recommendation	10

Appendices

Appendix	Tab
Initial Recognition Order (Foreign Main Proceeding)	A
Supplemental Order (Foreign Main Proceeding), without schedules.....	B
Proposed Information Officer's Pre-filing Report (without appendices)	C



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

FIRST REPORT OF KSV RESTRUCTURING INC.
AS INFORMATION OFFICER

JUNE 18, 2024

1.0 Introduction

1. On May 10, 2024, KidKraft, Inc. ("KidKraft" or the "Foreign Representative"), Solowave Design Holdings Limited, Solowave International Inc. and Solowave Design Inc. (collectively, the "Canadian Corporate Debtors"), Solowave Design LP (together with the Canadian Corporate Debtors, the "Canadian Debtors"), Solowave Design Corp., KidKraft Europe, LLC, KidKraft Intermediate Holdings, LLC, KidKraft International Holdings, Inc., KidKraft Partners, LLC, and KidKraft International IP Holdings, LLC (collectively, the "US Debtors" and together with the Canadian Debtors, the "Chapter 11 Debtors") filed voluntary petitions for relief pursuant to Chapter 11 of the US Bankruptcy Code with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "US Court"). The cases commenced by the Chapter 11 Debtors in the US Court are referred to herein as the "Chapter 11 Proceedings".
2. On May 10, 2024, the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") granted an Interim Stay Order (the "Interim Stay Order") in respect of KidKraft, the Canadian Debtors and their respective directors, officers, Business and Property (as defined in the Interim Stay Order).
3. On May 13, 2024, the US Court heard the Chapter 11 Debtors' first day motions and, as a result of that hearing, granted numerous orders (collectively, the "First Day Orders"), including the following:
 - a) Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative and (II) Granting Related Relief;
 - b) Order Directing Joint Administration of the Debtors' Chapter 11 Cases;

- c) Order Authorizing the Employment and Retention of Stretto, Inc. as Claims, Noticing, and Solicitation Agent;
- d) 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”);
- e) 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;
- f) 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;
- g) Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief;
- h) 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;
- i) 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;
- j) Order (I) Authorizing the Debtors to (A) Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief; and
- k) Interim Order (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 (the “First Interim DIP Order”).

4. On May 17, 2024, on application by the Foreign Representative, the Canadian Court issued the following orders pursuant to Part IV of the *Companies' Creditors Arrangement Act* ("CCAA"):
 - a) the Initial Recognition Order (Foreign Main Proceeding), a copy of which is attached as Appendix "A", which, *inter alia*, recognizes the Chapter 11 Proceedings as a "foreign main proceeding" and recognizes the Foreign Representative as the "foreign representative", as defined in section 45 of the CCAA, and stays all proceedings against the Chapter 11 Debtors; and
 - b) the Supplemental Order (Foreign Main Proceeding) (the "Supplemental Order"), a copy of which is attached as Appendix "B" (without schedules), which, *inter alia*, appoints KSV Restructuring Inc. ("KSV") as Information Officer (in such capacity, the "Information Officer") with respect to the Chapter 11 Debtors, grants certain stays as set out therein, grants the Administration Charge, Directors' Charge and the DIP Charge (each as defined in the Supplemental Order) and recognizes the First Day Orders.
5. On May 23, 2024, the Office of the United States Trustee for the Northern District of Texas (the "US Trustee") appointed an official unsecured creditors' committee (the "UCC"). The Information Officer understands that one of the Canadian Debtor's largest trade vendors is a committee member on the UCC.
6. On June 10, 2024, the US Court entered the following orders.
 - a) *Final 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 "Final Customer Programs Order"); and*
 - b) *Order (I) Establishing Bar Dates and Procedures and (II) Approving the Form and Manner of Notice Thereof (the "Claims Bar Date Order").*
7. No objections had been filed in respect thereof.
8. On June 11, 2024, the US Court entered the *Second Interim Order 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 Parties, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the "Second Interim DIP Order").*

9. The purpose of the Chapter 11 Proceedings and the Canadian recognition proceedings is to provide a stabilized environment for the Chapter 11 Debtors to continue to operate in the normal course while they implement their restructuring plan, including a proposed sale of the Chapter 11 Debtors' US and Canadian assets to Backyard Products, LLC (the "Purchaser") pursuant to an asset purchase agreement among the Purchaser, as purchaser, and KidKraft, Solowave Design Corp., Solowave Design LP and Solowave Design Inc., as sellers (the "Purchase Agreement") (the "Sale Transaction").
10. This report ("Report") has been filed with the Canadian Court by KSV in its capacity as Information Officer.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide an update on the Chapter 11 Proceedings and a summary of the orders for which Canadian Court recognition is being sought, being the Claims Bar Date Order, the Second Interim DIP Order and the Final Customer Programs Order;
 - b) provide the Information Officer's commentary on the reasonableness of the Foreign Representative's motion for recognition of the Claims Bar Date Order, the Second Interim DIP Order and the Final Customer Programs Order; and
 - c) recommend that the Canadian Court grant the relief being sought by the Foreign Representative.

1.2 Currency

1. All currency references in this Report are to Canadian dollars, unless otherwise noted.

1.3 Defined Terms

1. Capitalized terms not otherwise defined in this Report have the meanings given to them in the: (i) Affidavit of Geoffrey Walker sworn May 10, 2024, (ii) the Declaration of Geoffrey Walker (the "Walker Declaration"), (ii) the Affidavit of Mr. Walker sworn on May 15, 2024, and (iii) the Affidavit of Mr. Walker sworn June 17, 2024 in support of this motion (the "Third Affidavit").

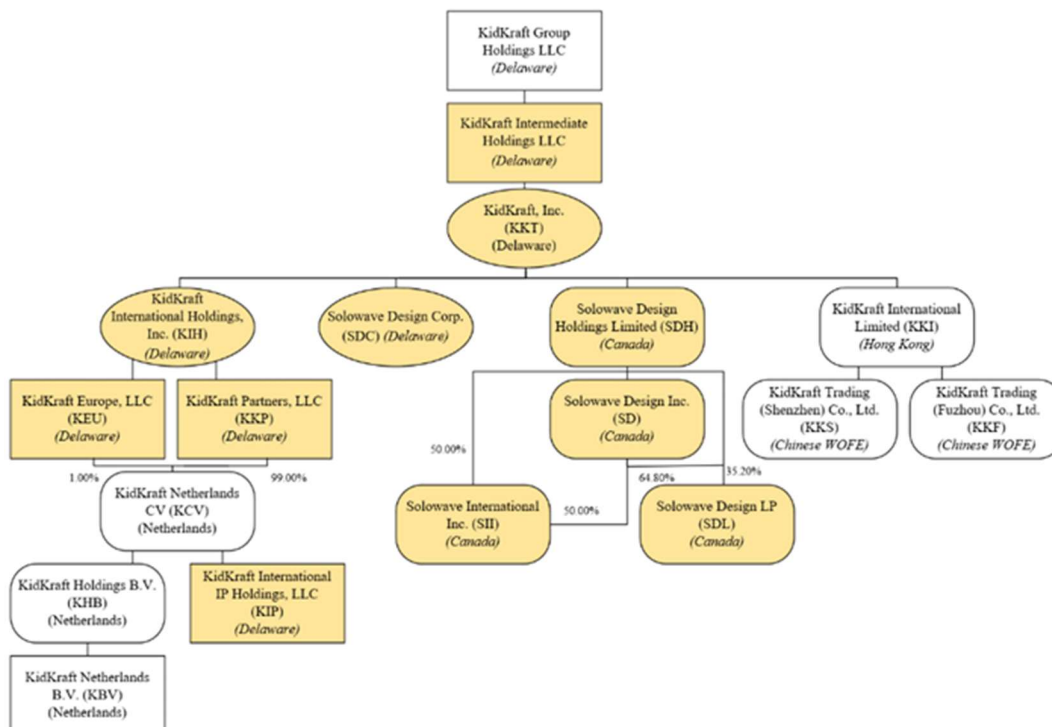
1.4 Restrictions

1. In preparing this Report, the Information Officer has relied upon unaudited financial information prepared by management of the Chapter 11 Debtors, the Chapter 11 Debtors' books and records, including those of the Canadian Debtors, materials filed in the Chapter 11 Proceedings and discussions with the Chapter 11 Debtors' Canadian legal counsel.
2. The Information Officer has not performed an audit or other verification of such information. An examination of the Chapter 11 Debtors' financial forecasts as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been

performed. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Information Officer expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Information Officer in its preparation of this Report.

2.0 Background

1. 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, including swing sets, dollhouses, playhouses and more.
2. In 2008 and 2009, KidKraft (together with the other Chapter 11 Debtors and its non-debtor affiliates, the "Company"), expanded its global presence and opened offices in the Netherlands and China. The Company further expanded its product offerings to include playhouses and swing sets and, in 2016, acquired the Solowave Design business, a leading maker of outdoor wood play sets in Canada.
3. All of the Chapter 11 Debtors are incorporated or established under the laws of the US, with the exception of the Canadian Debtors.
4. Each of the Canadian Corporate Debtors is incorporated under the laws of Ontario. Solowave Design LP is a limited partnership formed under the laws of the Province of Alberta.
5. The Company's organizational structure consists of eighteen entities, of which eleven are Chapter 11 Debtors. The corporate organization chart is provided below, with the Chapter 11 Debtors highlighted in yellow.



6. The Company distributes its products through partnerships with several large stores, including Costco, Sam's Club, Target and Walmart, through online retailers, and through direct-to-consumer sales from their website.
7. The Company has strong partnerships across global retailers with more than 3,000 points of distribution in over 90 countries, as well as deep relationships within the global logistics community.
8. The Company employs over 60 employees on a full-time or part-time basis. KidKraft employs one employee in Canada. The Canadian Debtors do not employ any employees in Canada or otherwise. None of the employees are represented by a union or are subject to a collective bargaining agreement. The Company does not maintain a registered pension plan in Canada.
9. The Company's head office is located at 4630 Olin Road in Dallas, Texas. Operations for the Chapter 11 Debtors, including those in Canada, are managed from their US head office. Other than a registered office in Ottawa (located at the address of a registered agent for compliance purposes only), the Company does not maintain any office premises in Canada. The Company's sole employee in Canada works remotely from a home office.
10. Further information concerning the Chapter 11 Debtors' background, financial position, corporate structure and the reasons the Chapter 11 Debtors required creditor protection to implement the Backyard Transaction and their restructuring plan are provided in the Walker Declaration and Mr. Walker's affidavits. Copies of materials filed in these proceedings are available on the Information Officer's website at: <https://www.ksvadvisory.com/experience/case/KidKraft>.

3.0 Update on Chapter 11 Proceedings

1. As described in the Third Affidavit, the Chapter 11 Debtors have continued to advance their restructuring objectives while operating in the ordinary course of business in the context of the Chapter 11 Proceedings. During this period, the Chapter 11 Debtors have engaged with their vendors, creditors, employees, customers, landlords and other stakeholders to stabilize their post-filing operations.
2. As at the date of this Report, the Information Officer is not aware of any issues raised by Canadian stakeholders in respect of the Chapter 11 Proceedings or operational issues experienced by the Canadian Debtors resulting from the commencement of the Chapter 11 Proceedings.
3. Since the commencement of these proceedings, the Information Officer has been contacted by Canada Revenue Agency ("CRA") and is attempting to facilitate CRA's payroll audit. The Chapter 11 Debtors have been asked to provide CRA with certain payroll information for CRA to conduct its payroll audit, which is a standard procedure in any insolvency filing.

4.0 Proposed Recognition of US Court Orders

1. The Third Affidavit provides the details of the Orders of the US Court for which Canadian Court recognition is being sought on this motion. The following sections of this Report include a summary of the Claims Bar Date Order and Second Interim DIP Order, including the Information Officer's assessment thereon. The Information Officer has reviewed the other Orders of the US Court sought to be recognized on this motion and the contents of the Third Affidavit and believes the Order not detailed in this Report is reasonable and appropriate in the circumstances for the following reasons:
 - a) the Order is consistent with the integrated nature of the Chapter 11 Debtors' operations in the US and Canada and Canadian creditors are proposed to receive the same treatment as US creditors in the Order;
 - b) the Order is more procedural/administrative in nature or a standard form order approved and recognized in most cross-border restructuring proceedings with the objective of enhancing the prospect that the Chapter 11 Debtors can continue to operate in the normal course during the Chapter 11 Proceedings;
 - c) no Canadian stakeholders objected to the Order in the Chapter 11 Proceedings; and
 - d) a significant creditor of the Canadian Debtors is a member of the UCC in the Chapter 11 Proceedings.

4.1 Claims Bar Date Order

1. The Claims Bar Date Order, *inter alia*, establishes deadlines for filing proofs of claim for all creditors of the Chapter 11 Debtors, including Canadian creditors, approves the form and manner of notice (the "Notice") and other provisions of the claims process to be carried out by Stretto, Inc. ("Stretto"), in its capacity as the claims agent appointed in the Chapter 11 Proceedings, with respect to bar dates, and grants related relief.
2. The deadlines to submit Proofs of Claim under the Claims Bar Date Order are as follows:
 - a) for all persons and entities with prepetition claims, including any prepetition claims against the Canadian Debtors, June 28, 2024 at 5:00 pm Prevailing Central Time (the "General Bar Date");
 - b) for all governmental units, November 6, 2024 at 5:00 pm Prevailing Central Time (the "Governmental Bar Date" and together with the General Bar Date, the "Bar Dates");
 - c) for those with claims arising from the rejection of an executory contract or unexpired lease, the later of (i) the General Bar Date or the Governmental Bar Date, as applicable, and (ii) 5:00 p.m. Prevailing Central Time on the date that is 21 days following service of an order approving the rejection of any executory contract or unexpired lease of the Debtors; and

- d) all persons or entities holding claims affected by the Chapter 11 Debtors filing a previously unfiled schedule of assets and liabilities and schedule of executory contracts and unexpired leases (the “Schedules”), or amending or supplementing their Schedules, that disputes such changes must file a Proof of Claim on or by the later of (i) the General Bar Date or the Governmental Bar Date, as applicable, and (ii) 5:00 p.m. Prevailing Central Time, on the date that is 21 days from the date on which the Chapter 11 Debtors provide notice of the previously unfiled Schedule or amendment or supplement to the Schedules.
3. At this time, the Foreign Representative is seeking recognition by the Canadian Court of the Claims Bar Date Order. The Information Officer considered the following in assessing the reasonableness of that request:
 - a) the Claims Bar Date Order provides for the claims against the Canadian Debtors to be addressed on the same basis as those against the US-based Chapter 11 Debtors;
 - b) the Claims Bar Date Order requires that Stretto provide notice and instructions regarding the Bar Dates by mailing the Notice and Proof of Claim form to known Claimants (which includes Canadian claimants) two days following entry of the Claims Bar Date Order, which service occurred on June 11, 2024. As a result, the General Bar Date will occur nearly 17 days after the Notice to all known holders of potential claims against the Chapter 11 Debtors was sent. In the Information Officer’s view, this timing provides an appropriate amount of time for potential claimants to make inquiries and submit Proofs of Claim;
 - c) the Claims Bar Date Order requires that the Notice be published in the New York Times (national edition) and The Globe and Mail (National Edition) (the “Publication”), which Publication will occur two business days after serving the Bar Dates Notice Package or as soon as reasonably practicable thereafter;
 - d) Proofs of Claim may be submitted by first class mail, overnight courier or other hand-delivery system, or electronically through an interface available on Stretto’s website. This provides reasonable options for Canadian claimants to submit Proofs of Claim. In addition, the Bar Dates and procedures are consistent with typical claims process orders issued by the Canadian Court in the context of cross-border insolvency proceedings;
 - e) the Bar Date Order contemplates one comprehensive claims process for all creditors of the Chapter 11 Debtors, wherever they may be located; and
 - f) known Canadian creditors of the Chapter 11 Debtors have or will receive a claims package from Stretto.

4.2 Second Interim DIP Order¹

1. As set out in the Walker Declaration, the Chapter 11 Debtors, including the Canadian Debtors, require financing during the Chapter 11 Proceedings to provide the necessary liquidity to maintain their businesses, preserve the value of their assets for all stakeholders and to successfully complete the Sale Transaction.

¹ Capitalized terms not otherwise defined in this section of the Report are as defined in the DIP Facility.

2. Based on the Walker Declaration, the amount available under the DIP Facility is projected to address the Chapter 11 Debtors' immediate liquidity needs during the Chapter 11 Proceedings.
3. A copy of the DIP Facility Term Sheet is appended to the Foreign Representative's application materials. A summary of the key attributes of the DIP Facility is provided in the table below.

Borrower	KidKraft, Inc.
Guarantor	KidKraft, Inc., KidKraft Intermediate Holdings, LLC, KidKraft International Holdings, Inc., KidKraft Europe, LLC, KidKraft International IP Holdings, LLC, KidKraft Partners, LLC, Solowave Design Corp., Solowave Design Inc., Solowave Design LP, Solowave Design Holdings Limited and Solowave International Inc.
Nature of Liability	Senior secured superpriority priming debtor-in-possession loans.
Postpetition Lender	1903 Partners, LLC
Postpetition Agent	GB Funding, LLC
Commitment	US\$10.5 million
Interest Rate	The prevailing interest rate under the Prepetition Credit Agreement plus 8.50%. Based on the 30-day average SOFR rate, the effective interest rate on advances under the DIP Facility would be approximately 14%.
Expenses and Fees	An origination fee of 2.00% of the DIP Commitment, and an exit fee of 2.00% of the DIP Commitment to the DIP Lender and a weekly administrative fee of \$7,500 to the DIP Agent.
Budget	The Chapter 11 Debtors must operate in accordance with the DIP Budget.

4. Under the Second Interim DIP Order, the DIP Facility consists of an aggregate principal amount of:
 - a) US\$10.5 million, consisting of the Interim DIP Commitment and the Final DIP Commitment;
 - b) US\$23.3 million of Prepetition Obligations, which will be deemed to have been advanced and shall convert into DIP Loans on a dollar-for-dollar cashless basis upon entry of the Final DIP Order (the "Limited Roll-Up"); and
 - c) use of the Cash Collateral from the time of the entry of the First Interim DIP Order until the Carve-Out Termination Date (as such term is defined in the Final DIP Order).
5. The Second Interim DIP Order includes certain important differences from the First Interim DIP Order, including, most notably:
 - a) increasing the interim commitment under the DIP Facility from US\$4 million to US\$5.5 million;
 - b) decreasing the incremental final commitment under the DIP Facility from US\$6.5 million to US\$5 million; and
 - c) providing a deadline for the Committee to serve and file written objections to the Final DIP Order of June 11, 2024.

6. Upon the entry by the US Court of a “Final DIP Order”, which is currently anticipated to take place on June 21, 2024, among other things:
 - a) the Final DIP Commitment (US\$5 million) will be made available to KidKraft; and
 - b) US\$23.3 million of the Prepetition obligations shall be “rolled-up” and converted into DIP Loans on a dollar-for-dollar cashless basis.
7. At this time, the Foreign Representative is only seeking recognition by the Canadian Court of the Second Interim DIP Order.
8. The Information Officer’s Pre-filing report dated May 16, 2024 (the “Proposed Information Officer’s Report”), a copy of which (without appendices) is attached as Appendix “C”, contains the Information Officer’s complete analysis on the reasonableness of the DIP Facility, including the Limited Roll Up.
9. The Limited Roll-Up provides for a “roll up” of only the prepetition advances made by Gordon Brothers (US\$23.3 million) following the date on which the Canadian Debtors became guarantors of the Prepetition Credit Facility, being January 31, 2024. Accordingly, the DIP Facility does not increase the existing liability of the Canadian Debtors pursuant to the Prepetition Credit Facility or grant security over assets in Canada in favour of the Prepetition and DIP Lender that were previously unencumbered. For this and the other reasons set out in the Proposed Information Officer’s Report, the Information Officer believes the DIP Facility and the Second Interim DIP Order are fair and reasonable in the circumstances.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Information Officer recommends that this Court grant the Order sought by the Foreign Representative.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS INFORMATION OFFICER OF
KIDKRAFT INC., SOLOWAVE DESIGN HOLDINGS LIMITED,
SOLOWAVE INTERNATIONAL INC., SOLOWAVE DESIGN INC. AND
SOLOWAVE DESIGN LP
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) FRIDAY, THE 17TH
)
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**

**INITIAL RECOGNITION 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") by KidKraft, Inc. ("**KidKraft**"), in its capacity as the foreign representative (in such capacity, the "**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, Solowave Design Holdings Limited, Solowave Design Inc., Solowave International Inc. and Solowave Design LP (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, the affidavit of Geoff Walker affirmed May 10, 2024, the affidavit of Geoff Walker affirmed May 15, 2024, the preliminary report of KSV Restructuring Inc., in its capacity as proposed information officer (the “**Proposed Information Officer**”) dated May 16, 2024, each filed, and upon being provided with copies of the documents required by section 46 of the CCAA,

AND UPON BEING ADVISED by counsel for the Foreign Representative that in addition to this Initial Recognition Order (Foreign Main Proceeding), a Supplemental Order (Foreign Main Proceeding) is being sought,

AND UPON HEARING the submissions of counsel for the Foreign Representative, counsel for the Proposed Information Officer, 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 16, 2024.

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.

FOREIGN REPRESENTATIVE

2. **THIS COURT ORDERS** that the Foreign Representative is the “foreign representative” as defined in section 45 of the CCAA in respect of the Foreign Proceeding.

CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDING

3. **THIS COURT ORDERS** that the centre of its main interests for each of the Chapter 11 Debtors is the United States of America and that the Foreign Proceeding is hereby recognized as a “foreign main proceeding” as defined in section 45 of the CCAA.

STAY OF PROCEEDINGS

4. **THIS COURT ORDERS** that until otherwise ordered by this Court:
- (a) all proceedings taken or that might be taken against any Chapter 11 Debtor under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 or the *Winding-up and Restructuring Act*, R.S.C. 1985, c. W-11, are stayed;
 - (b) further proceedings in any action, suit or proceeding against any Chapter 11 Debtor are restrained; and
 - (c) the commencement of any action, suit or proceeding against any Chapter 11 Debtor is prohibited.

NO SALE OF PROPERTY

5. **THIS COURT ORDERS** that, except with leave of this Court, each of the Chapter 11 Debtors is prohibited from selling or otherwise disposing of:
- (a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and
 - (b) any of its other property in Canada.

GENERAL

6. **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.
7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, 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 Chapter 11 Debtors, the Foreign Representative and their 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 any of the Chapter 11 Debtors and the Foreign Representative as may be necessary or desirable to give effect to this Order, or to assist any of the Chapter 11 Debtors and the Foreign Representative and their agents in carrying out the terms of this Order.
8. **THIS COURT ORDERS** that the Interim Stay Order of this Court dated May 10, 2024 (the “**Interim Stay Order**”) shall be of no further force and effect once this Order becomes

effective, and 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, provided that nothing herein shall invalidate any action taken in compliance with such Interim Stay Order prior to the effectiveness of this Order.

9. **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 Chapter 11 Debtors, the Foreign Representative, 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 identified on the service list maintained by the Proposed Information Officer), or upon such other notice, if any, as this Court may order.



Mr. Justice
Cavanagh

Justice Cavanagh

Ontario
**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**INITIAL RECOGNITION ORDER
(FOREIGN MAIN PROCEEDING)**

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Appendix “B”



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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) FRIDAY, THE 17TH
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

SUPPLEMENTAL 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**") by KidKraft, Inc. ("**KidKraft**"), in its capacity as the foreign representative (in such capacity, the "**Foreign Representative**") in respect of the proceedings commenced in the United States Bankruptcy Court for the Northern District of Texas (the "**U.S. Bankruptcy Court**") 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, the Affidavit of Geoff Walker affirmed May 10, 2024, the affidavit of Geoff Walker affirmed May 15, 2024, and the preliminary report of KSV Restructuring Inc. (“KSV”), in its capacity as proposed information officer dated May 16, 2024, each filed, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Foreign Representative, counsel for the proposed information officer, and counsel for the other parties appearing on the participant information form, no one appearing for any other party although duly served as appears from the affidavit of service of Emilie Dillon sworn May 16, 2024, and on reading the consent of KSV to act as the information officer, each 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.

INITIAL RECOGNITION ORDER

3. **THIS COURT ORDERS** that any capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Initial Recognition Order (Foreign Main Proceeding) of this Court dated May 15, 2024 (the “**Initial Recognition Order**”).

4. **THIS COURT ORDERS** that the provisions of this Supplemental Order shall be interpreted in a manner complementary and supplementary to the provisions of the Initial Recognition Order, provided that in the event of a conflict between the provisions of this Supplemental Order and the provisions of the Initial Recognition Order, the provisions of the Initial Recognition Order shall govern.

RECOGNITION OF FOREIGN ORDERS

5. **THIS COURT ORDERS** that the following orders (collectively, the “**Foreign Orders**”) of the U.S. Bankruptcy Court made in the Foreign Proceeding are hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to Section 49 of the CCAA:

- (a) *Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative and (II) Granting Related Relief;*
- (b) *Order Directing Joint Administration of the Debtors’ Chapter 11 Cases;*
- (c) *Order Authorizing the Employment and Retention of Stretto, Inc. as Claims, Noticing, and Solicitation Agent;*
- (d) *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;*
- (e) *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;*
- (f) *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;*

- (g) *Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief;*
- (h) *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;*
- (i) *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;*
- (j) *Order (I) Authorizing the Debtors to (A) Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief; and*
- (k) *Interim and Final Orders (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 (the “**Interim DIP Order**”);*

(copies of which are attached as Schedules “A” to “K” hereto, respectively);

provided, however, that in the event of any conflict between the terms of the Foreign Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property (as hereinafter defined) in Canada.

APPOINTMENT OF INFORMATION OFFICER

6. **THIS COURT ORDERS** that KSV is hereby appointed as an officer of this Court (in such capacity, the “**Information Officer**”), with the powers and duties set out herein and in any other Order made in these proceedings.

NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY

7. **THIS COURT ORDERS** that until such date as this Court may order (the “**Stay Period**”) no proceeding, application or enforcement process in any court or tribunal in Canada (each, a “**Proceeding**”) 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 any of 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 and the Information Officer, 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

8. **THIS COURT ORDERS** that, without limiting the stay of proceedings provided for in the Initial Recognition Order, 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 Debtor and the Information Officer, 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, (d) prevent the filing of any registration to preserve or perfect a security interest, (e) prevent the registration of a claim for lien; or (f) prevent the DIP Agent (as defined in the

Interim DIP Order) under the post-filing financing approved in the Foreign Proceeding pursuant to the Interim DIP Order (the “**DIP Facilities**”) from making any filing or any registration contemplated by or consistent with the DIP Facilities or the Interim DIP Order.

NO INTERFERENCE WITH RIGHTS

9. **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, except with leave of this Court.

ADDITIONAL PROTECTIONS

10. **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 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.

11. **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 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.

12. **THIS COURT ORDERS** that no Proceeding shall be commenced or continued against or in respect of the Information Officer, except with leave of this Court. In addition to the rights and protections afforded to the Information Officer herein, or as an officer of this Court, the Information Officer shall have the benefit of all of the rights and protections afforded to a Monitor under the CCAA, and shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

OTHER PROVISIONS RELATING TO INFORMATION OFFICER

13. **THIS COURT ORDERS** that the Information Officer:

- (a) is hereby authorized to provide such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (b) shall report to this Court at such times and intervals that the Information Officer considers appropriate with respect to the status of these proceedings and the status of the Foreign Proceeding, which reports may include information relating to the Property, the Business, or such other matters as may be relevant to the proceedings herein;
- (c) in addition to the periodic reports referred to in paragraph 13(b) above, the Information Officer may report to this Court at such other times and intervals as the Information Officer may deem appropriate with respect to any of the matters referred to in paragraph 13(b) above;
- (d) shall have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Chapter 11 Debtors, to the extent that is necessary to perform its duties arising under this Order; and
- (e) shall be at liberty to engage independent legal counsel or such other persons as the Information Officer deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order.

14. **THIS COURT ORDERS** that the Foreign Representative and the Chapter 11 Debtors shall (a) advise the Information Officer of all material steps taken by the Foreign Representative or the Chapter 11 Debtors in these proceedings or in the Foreign Proceeding; (b) co-operate fully with the Information Officer in the exercise of its powers and discharge of its obligations; and (c) provide the Information Officer with the assistance that is necessary to enable the Information Officer to adequately carry out its functions.

15. **THIS COURT ORDERS** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

16. **THIS COURT ORDERS** that the Information Officer (a) shall post on its website all Orders of this Court made in these proceedings, all reports of the Information Officer filed herein, and such other materials as this Court may order from time to time; and (b) may post on its website any other materials that the Information Officer deems appropriate.

17. **THIS COURT ORDERS** that the Information Officer may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the Chapter 11 Debtors is privileged or confidential, the Information Officer shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Information Officer, the Foreign Representative and the relevant Chapter 11 Debtors may agree.

18. **THIS COURT ORDERS** that Osler, Hoskin & Harcourt LLP, as Canadian counsel to the Foreign Representative and the Chapter 11 Debtors (“**Canadian Counsel**”), the Information Officer and Gowling WLG (Canada) LLP, counsel to the Information Officer, shall be paid by the Foreign Representative or the Chapter 11 Debtors (or any of their respective affiliates as they may elect) their reasonable fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order, in each case at their standard rates

and charges unless otherwise ordered by the Court on the passing of accounts. The Chapter 11 Debtors are hereby authorized and directed to pay the accounts of Canadian Counsel, the Information Officer and counsel for the Information Officer on a bi-weekly basis or on such terms as such parties may agree and the retainers previously paid to Canadian Counsel, the Information Officer and counsel to the Information Officer, respectively, are hereby approved, *nunc pro tunc*. The accounts of Canadian Counsel, the Information Officer, and counsel to the Information Officer shall not be subject to approval in the Foreign Proceeding.

19. **THIS COURT ORDERS** that the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. **THIS COURT ORDERS** that Canadian Counsel, the Information Officer and counsel to the Information Officer shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of C\$750,000 as security for their professional fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 25 and 27 hereof.

DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE

21. **THIS COURT ORDERS** that the Chapter 11 Debtors shall indemnify its directors and officers against obligations and liabilities in Canada that they may incur as directors or officers of Chapter 11 Debtors after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director’s or officer’s gross negligence or wilful misconduct.

22. **THIS COURT ORDERS** that the directors and officers of the Chapter 11 Debtors shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of C\$100,000, as security for the indemnity provided in paragraph 21 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 25 and 27 hereof.

23. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Chapter 11 Debtors' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 21 of this Order.

DIP FINANCING

24. **THIS COURT ORDERS** that the DIP Agent, for and on behalf of itself and the DIP Lender (each as defined in the Interim DIP Order), shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Charge**") on the Property, which DIP Charge shall be consistent with the liens and charges created by or set forth in the Interim DIP Order, provided however that, with respect to the Property, the DIP Charge shall have the priority set out in paragraphs 25 and 27 hereof, and further provided that, the DIP Charge shall not be enforced except in accordance with the terms of the Interim DIP Order and with leave of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

25. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Charge (collectively, the "**Charges**"), as among them, shall be as follows:

- (a) First – Administration Charge (to the maximum amount of C\$750,000);
- (b) Second – Directors' Charge (to the maximum amount of C\$100,000); and
- (c) Third – DIP Charge.

26. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

27. **THIS COURT ORDERS** that the Charges (as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

28. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Chapter 11 Debtors shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Charges, unless the Chapter 11 Debtors also obtain the prior written consent of the beneficiaries of the Charges (collectively, the “**Chargees**”).

29. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds any Chapter 11 Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (i) the creation of the Charges shall not create or be deemed to constitute a breach by a Chapter 11 Debtor of any Agreement to which it is a party;
- (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (iii) the payments made by the Chapter 11 Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

SERVICE AND NOTICE

30. **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. This Court further orders that a case website shall be established in accordance with the Protocol with the following URL: <https://www.ksvadvisory.com/experience/case/KidKraft>.

31. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Foreign Representative, the Chapter 11 Debtors, the Information Officer and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Chapter 11 Debtors’ creditors or other interested parties at their respective 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.

32. **THIS COURT ORDERS** that the Foreign Representative, the Chapter 11 Debtors, the 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).

33. **THIS COURT ORDERS** that, notwithstanding section 53(b) of the CCAA, without delay after this Order is made, the Information Officer shall cause to be published, a notice substantially in the form attached to this Order as Schedule “L”, once a week for two consecutive weeks, in *The Globe and Mail* (National Edition).

34. **THIS COURT ORDERS** that the Information Officer shall maintain and update as necessary a list of all Persons appearing in person or by counsel in these proceedings (the “**Service List**”). The Information Officer shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to these proceedings. Notwithstanding the foregoing, the Information Officer shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

35. **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

36. **THIS COURT ORDERS** that nothing in this Order shall prevent the Information Officer from acting as an interim receiver, a receiver, a receiver and manager, a monitor, a proposal trustee, or a trustee in bankruptcy of any Chapter 11 Debtor, the Business or the Property.

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

Representative, the Chapter 11 Debtors and the Information Officer and their respective agents in carrying out the terms of this Order.

38. **THIS COURT ORDERS** that each of the Foreign Representative, the Chapter 11 Debtors and the Information Officer shall be at liberty and is hereby authorized and empowered to apply to any court, tribunal, or regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

39. **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 Foreign Representative, the Chapter 11 Debtors, the Information Officer, the DIP Agent and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

40. **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.

 Mr. Justice
Cavanagh

Justice Cavanagh

Appendix “C”



**Report of
KSV Restructuring Inc. as
Proposed Information Officer of
KidKraft, Inc.,
Solowave Design Holdings Limited,
Solowave Design Inc.,
Solowave International Inc. and
Solowave Design LP**

May 16, 2024

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.2	Currency	3
1.3	Restrictions	3
1.4	KSV’s Qualifications to Act as Information Officer	3
2.0	Background	4
3.0	The Canadian Debtors.....	5
3.1	Financial Overview.....	6
3.2	Creditor Composition	6
4.0	First Day Orders	8
5.0	The DIP Facility	9
6.0	Court Ordered Charges	11
7.0	The Plan	12
8.0	Conclusion and Recommendation	13

Appendices

Appendix	Tab
Interim Stay Order and Endorsement dated May 10, 2024.....	A
Consent to Act of KSV Restructuring Inc.	B
DIP Summary Schedule	C



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

REPORT OF KSV RESTRUCTURING INC.
AS PROPOSED INFORMATION OFFICER

MAY 16, 2024

1.0 Introduction

1. On May 10, 2024, KidKraft, Inc. ("KidKraft" or the "Foreign Representative"), Solowave Design Holdings Limited, Solowave International Inc. and Solowave Design Inc. (collectively, the "Canadian Corporate Debtors"), Solowave Design LP (together with the Canadian Corporate Debtors, the "Canadian Debtors"), Solowave Design Corp., KidKraft Europe, LLC, KidKraft Intermediate Holdings, LLC, KidKraft International Holdings, Inc., KidKraft Partners, LLC, and KidKraft International IP Holdings, LLC (collectively, the "US Debtors" and together with the Canadian Debtors, the "Chapter 11 Debtors") filed voluntary petitions for relief pursuant to Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "US Court"). The cases commenced by the Chapter 11 Debtors in the US Court are referred to herein as the "Chapter 11 Proceedings".
2. The purpose of the Chapter 11 Proceedings and the proposed Canadian recognition proceedings (the "Recognition Proceedings") is to provide a stabilized environment for the Chapter 11 Debtors to continue to operate in the normal course while they implement their restructuring plan, including a proposed sale of the Chapter 11 Debtors' US and Canadian assets to Backyard Products, LLC (the "Purchaser") pursuant to an asset purchase agreement among the Purchaser, as purchaser, and KidKraft, Solowave Design Corp., Solowave Design LP and Solowave Design Inc., as sellers (collectively, the "Sellers") (the "Sale Transaction").

3. On May 10, 2024, the Ontario Superior Court of Justice (Commercial List) (the “Canadian Court”) granted an Interim Stay Order (the “Interim Stay Order”) in respect of KidKraft and the Canadian Debtors and their respective directors, officers, Business and Property (as defined in the Interim Stay Order). A copy of the Interim Stay Order and the endorsement of the Honourable Justice Cavanagh is attached as Appendix “A”.
4. On May 13, 2024, the US Court heard the Chapter 11 Debtors’ first day motions and, as a result of that hearing, granted numerous orders (collectively, the “First Day Orders”).
5. At this time, the Foreign Representative is making an application to the Canadian Court for recognition of the Chapter 11 Proceedings under Part IV of the *Companies’ Creditors Arrangement Act* (the “CCAA”) pursuant to two proposed orders (jointly, the “Recognition Orders”):
 - a) the initial recognition order which, *inter alia*, recognizes the Chapter 11 Proceedings as a “foreign main proceeding” and recognizes the Foreign Representative as the “foreign representative”, as defined in section 45 of the CCAA; and
 - b) the supplemental order which, *inter alia*, appoints KSV Restructuring Inc. (“KSV”) as information officer, recognizes certain of the First Day Orders issued by the US Court in the Chapter 11 Proceedings, grants certain stays as set out therein and grants the Administration Charge, D&O Charge, and the DIP Charge (as defined in the Recognition Orders).
6. This report (“Report”) is filed by KSV in its capacity as proposed information officer (the “Proposed Information Officer”) in the Recognition Proceedings.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV’s qualifications to act as “Information Officer”;
 - b) provide background information about the Chapter 11 Debtors and the Chapter 11 Proceedings, including a summary of the First Day Orders for which Canadian Court recognition is being sought;
 - c) provide the Proposed Information Officer’s commentary on the reasonableness of the US\$10.5 million senior secured super-priority multi-draw debtor-in-possession (“DIP”) term loan credit facility (the “DIP Facility”) among the Chapter 11 Debtors and GB Funding, LLC (the “Prepetition and DIP Agent”) and 1903 Partners, LLC (the “Prepetition and DIP Lender” and, together with the Prepetition and DIP Agent, “Gordon Brothers”);
 - d) summarize the potential implications of the Chapter 11 Proceedings, particularly the DIP Facility, on the Canadian Debtors’ stakeholders;

- e) summarize the rationale for the proposed Court-ordered charges, being the Administration Charge, D&O Charge and DIP Charge (each as defined in the proposed Recognition Orders);
- f) provide an overview of the Chapter 11 Debtors' Joint Plan of Reorganization (the "Plan"), including the Sale Transaction; and
- g) recommend that the Canadian Court grant the relief being sought by the Foreign Representative.

1.2 Currency

1. All currency references in this Report are to Canadian dollars, unless otherwise noted.

1.3 Restrictions

1. In preparing this Report, the Proposed Information Officer has relied upon unaudited financial information prepared by management of the Chapter 11 Debtors, the Chapter 11 Debtors' books and records, including those of the Canadian Debtors, materials filed in the Chapter 11 Proceedings and discussions with the Chapter 11 Debtors' Canadian legal counsel.
2. The Proposed Information Officer has not performed an audit or other verification of such information. An examination of the Chapter 11 Debtors' financial forecasts as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposed Information Officer expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Proposed Information Officer in its preparation of this Report.

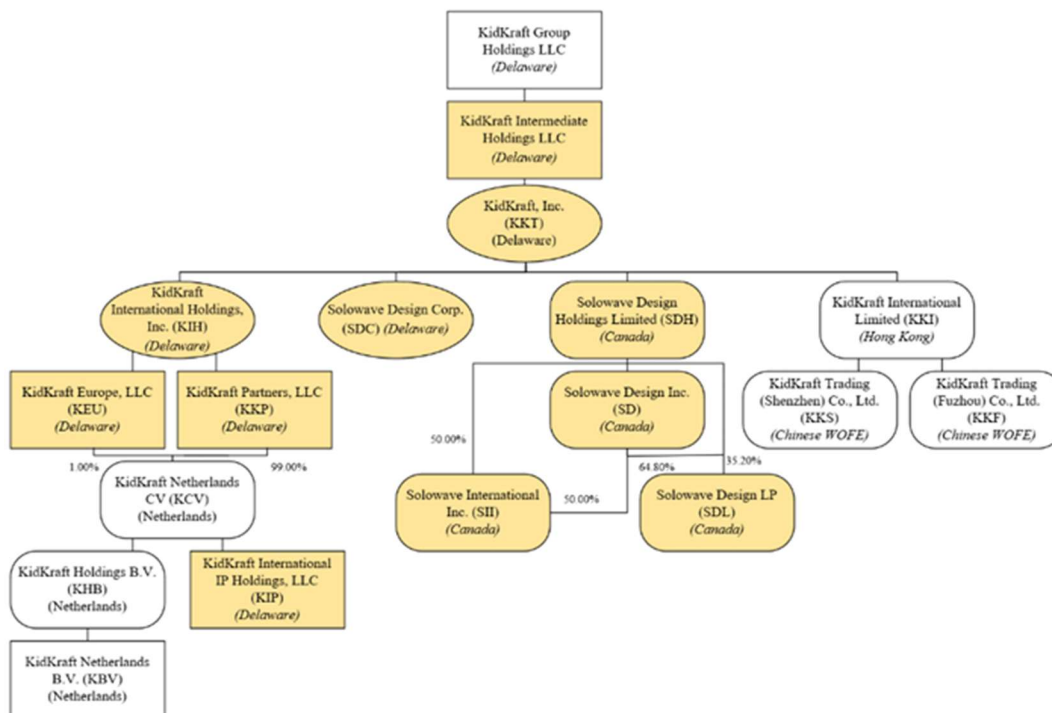
1.4 KSV's Qualifications to Act as Information Officer

1. KSV is qualified to act as Information Officer. KSV's qualifications include:
 - a) KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions set out in Section 11.7(2) of the CCAA; and
 - b) KSV has extensive experience acting as Information Officer under Part IV of the CCAA in a wide variety of industries.
2. On April 20, 2024, KSV was engaged by the Canadian Debtors to assist to prepare for these proceedings. KSV's engagement letter contemplates that "*In the event the Companies file for protection and KSV is appointed as Information Officer, this engagement shall terminate immediately prior to the commencement of those proceedings. In such circumstances, KSV's duties and obligations as Information Officer will be as set out in the order commencing the proceedings, as well as by statute, and KSV would from that date forward be acting as an officer of the Court*".

3. KSV has consented to act as Information Officer in these proceedings should the Canadian Court grant the Recognition Orders. A copy of KSV's consent to act as Information Officer is attached as Appendix "B".

2.0 Background

1. 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, including swing sets, dollhouses, playhouses and more.
2. In 2008 and 2009, KidKraft (together with the other Chapter 11 Debtors and its non-debtor affiliates, the "Company"), expanded its global presence and opened offices in the Netherlands and China. The Company further expanded its product offerings to include playhouses and swing sets and, in 2016, acquired the Solowave Design business, a leading maker of outdoor wood play sets in Canada.
3. All of the Chapter 11 Debtors are incorporated or established under the laws of the US, with the exception of the Canadian Debtors.
4. Each of the Canadian Corporate Debtors is incorporated under the laws of Ontario. Solowave Design LP is a limited partnership formed under the laws of the Province of Alberta.
5. The Company's organizational structure consists of eighteen entities, of which eleven are Chapter 11 Debtors. The corporate organization chart is provided below, with the Chapter 11 Debtors highlighted in yellow.



6. The Company distributes its products through partnerships with several large stores, including Costco, Sam's Club, Target and Walmart, through online retailers, and through direct to consumer sales from their website.
7. The Company has strong partnerships across global retailers with more than 3,000 points of distribution in over 90 countries, as well as deep relationships within the global logistics community.
8. The Company employs over 60 employees on a full-time or part-time basis. KidKraft employs one employee in Canada. The Canadian Debtors do not employ any employees in Canada or otherwise. None of the employees are represented by a union or are subject to a collective bargaining agreement. The Company does not maintain a registered pension plan in Canada.
9. The Company's head office is located at 4630 Olin Road in Dallas, Texas. Operations for the Chapter 11 Debtors, including those in Canada, are managed from their US head office. Other than a registered office in Ottawa (located at the address of a registered agent for compliance purposes only), the Company does not maintain any office premises in Canada. The Company's sole employee in Canada works remotely from a home office.
10. Further information concerning the Chapter 11 Debtors' background, financial position, corporate structure and the reasons the Chapter 11 Debtors require creditor protection to implement their restructuring plan are provided in the Declaration of Geoffrey Walker filed in the Chapter 11 Proceedings (the "Walker Declaration"), Mr. Walker's Affidavit sworn May 10, 2024 in support of the Interim Stay Order (the "First Walker Affidavit"), and Mr. Walker's Affidavit sworn in respect of the Foreign Representative's motion for the Recognition Orders (collectively with the First Walker Affidavit, the "Walker Affidavits"). Should the Recognition Orders be granted, copies of Court materials filed in these proceedings, including the Walker Declaration and the Walker Affidavits, will be available on the Information Officer's website at: <https://www.ksvadvisory.com/experience/case/KidKraft>.

3.0 The Canadian Debtors

1. In Canada, the Company delivers the products it imports into Canada to customers through Mainfreight Inc. ("Mainfreight"), a third-party logistics provider, pursuant to a Logistics Services Agreement between KidKraft and Mainfreight dated July 28, 2023. As of April 30, 2024, Mainfreight held inventory valued at approximately \$323,000, all of which is owned by KidKraft or Solowave Design LP and maintained at Mainfreight's facility in Mississauga. The Proposed Information Officer understands that Mainfreight was paid current prior to the Chapter 11 filing.
2. The Walker Affidavits contain information supporting a finding of the centre of main interest ("COMI") of each of KidKraft and the Canadian Debtors. Given, *inter alia*, the reliance of the Canadian Debtors on the US Debtors in all facets of the Canadian business, including management, infrastructure, credit facilities, sales, human resources, accounting and cash management, it appears to the Proposed Information Officer that the COMI of the Canadian Debtors is the US.

3.1 Financial Overview

1. Based on the Canadian Debtors' unaudited¹ consolidated financial results for their fiscal year ended March 31, 2024, the Canadian Debtors incurred a net loss of approximately \$18.6 million.
2. The Canadian Debtors' most recent unaudited balance sheet as at March 31, 2024 is provided in the table below.

(unaudited; CAD\$000s)	March 31, 2024
Cash	8
Accounts Receivable	3,260
Inventory	565
Prepaid and other	1
Intercompany	1,424
Deposits and noncurrent assets	387
Total Assets	5,645
Accounts payable and accrued liabilities	1,810
Income tax payable	84
Total Liabilities	1,894
Shareholder's equity	3,750
Total Liabilities and Equity	5,645

3. The March 31, 2024 balance sheet reflects that there are relatively immaterial working capital assets in Canada, being principally accounts receivable and inventory with book values totalling approximately \$3.8 million. The Canadian Debtors' balance sheet does not reflect their potentially substantial obligations under their guarantees of Chapter 11 Debtors' indebtedness under the Prepetition Credit Agreement (as defined below). Those contingent obligations would in all likelihood erode the book value of any equity that may be reflected on the Canadian Debtors' unaudited financial statements.

3.2 Creditor Composition

3.2.1 Secured Creditors

The Prepetition and DIP Lender

1. The Prepetition and DIP Lender is the Company's principal secured creditor. As of May 10, 2024 (the "Petition Date"), the Chapter 11 Debtors' funded secured debt liabilities totalled approximately US\$145 million owing under the Amended and Restated First Lien Credit Agreement dated as of April 3, 2020, among KidKraft and KidKraft Netherlands B.V., as borrower, KidKraft Intermediate Holdings, LLC and its subsidiaries that are guarantors thereto (as amended, including by a Forbearance Amendment No. 5 and Joinder to Amended and Restated First Lien Credit Agreement dated as of January 31, 2024 (the "Fifth Amendment"), the "Prepetition Credit Agreement").

¹There are no stand-alone audited financial statements for the Canadian Debtors. The unaudited financial statements of these entities have historically been consolidated with the Company's financial statements for audit purposes, and an audit is performed on a consolidated basis only.

2. The Fifth Amendment was entered in connection with a debt sale transaction whereby the Prepetition and DIP Lender acquired the first lien debt from the then lenders under the Prepetition Credit Agreement. The Canadian Debtors became guarantors of the obligations and pledgors of their assets under the Prepetition Credit Agreement pursuant to the Fifth Amendment. The Fifth Amendment also increased the priority revolving commitments under the Prepetition Credit Agreement to US\$25.9 million and extended the maturity of the term loans thereunder from June 30, 2023 to June 30, 2024.
3. As security for the guarantees provided by the Canadian Debtors pursuant to the Prepetition Credit Agreement, *inter alia*, the following agreements were entered into:
 - a) a security agreement supplement dated January 31, 2024, whereby the Canadian Debtors became parties to the original security agreement securing the obligations under the Prepetition Credit Agreement;
 - b) a general security agreement (the “Canadian GSA”) dated January 31, 2024, whereby the Canadian Debtors pledged a security interest in all of the Canadian Debtors’ personal property and securities (except certain excluded personal property and interests over which Coface Finanz GmbH (“Coface”) holds security pursuant to the Solowave Receivables Sale Agreement (as defined in the Canadian GSA));
 - c) patent security agreements dated January 31, 2024 and February 8, 2024, whereby security interests were granted over certain U.S. and Canadian patents held by Solowave Design Inc., Solowave Design LP and/or KidKraft; and
 - d) trademark security agreements dated January 31, 2024 and February 8, 2024, whereby security interests were granted over certain U.S. and Canadian trademark registrations and applications owned by Solowave Design Inc. and/or KidKraft.

Coface

1. KidKraft and Solowave Design LP have executed Receivables Sales Agreements with Coface dated August 4, 2021 and April 21, 2022, respectively. Pursuant to these agreements, Coface purchases certain accounts receivable (the “Purchased Receivables”) from KidKraft and Solowave Design LP. Coface thus owns the receipts from Purchased Receivables, which are deposited in lockbox accounts under the control of Coface. The Monitor understands that the Receivables Sales Agreements are still in place however, KidKraft and Solowave Design LP do not intend to sell further account receivables to Coface at this time.
2. While Coface has registered financing statements pursuant to the *Personal Property Security Act* (Ontario) (“ON PPSA”) and the *Personal Property Security Act* (Alberta) (“AB PPSA”) against Solowave Design LP and Solowave Design Inc., following discussions with Canadian counsel to the Canadian Debtors, the Proposed Information Officer understands that the Chapter 11 Debtors are of the view that the Purchased Receivables and related proceeds are owned by Coface and not by the Chapter 11 Debtors, and the Recognition Orders do not alter the ownership of, or Coface’s rights to, the Purchased Receivables and related proceeds. In fact, the Proposed Information Officer understands that the Cash Management Order (as defined below) authorizes the Chapter 11 Debtors’ continued use of lockbox accounts (for Purchased Receivables sold prior to May 10, 2024).

3.2.2 Unsecured Creditors

1. Based on the Canadian Debtors' books and records as at April 30, 2024, unsecured creditors of the Canadian Debtors are owed approximately \$834,500. Of this amount, approximately \$749,300 is owed to ShingFai, a woodworking and renovation company based in China.

4.0 First Day Orders

1. The Foreign Representative is seeking recognition of the following First Day Orders by the Canadian Court:
 - a) Order (I) Authorizing KidKraft, Inc. to Act as Foreign Representative and (II) Granting Related Relief (the "Foreign Representative Order");
 - b) Order Directing Joint Administration of the Debtors' Chapter 11 Cases;
 - c) Order Authorizing the Employment and Retention of Stretto, Inc. as Claims, Noticing, and Solicitation Agent (the "Claims Agent Retention Order");
 - d) 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 "Customer Programs Order");
 - e) 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;
 - f) 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;
 - g) Order (I) Authorizing the Debtors to Pay Certain Taxes and Fees and (II) Granting Related Relief;
 - h) 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;
 - i) 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 "Cash Management Order");

- j) Order (I) Authorizing the Debtors to (A) Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief; and
 - k) Interim and Final Orders (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 (the “Interim DIP Order”).
2. The Walker Declaration and the Walker Affidavits provide further background in support of each First Day Order. The Proposed Information Officer has reviewed the First Day Orders and the related motions and discussed the rationale for them, particularly as it relates to the Canadian Debtors, with Canadian counsel to the Foreign Representative.
 3. The Proposed Information Officer believes that the First Day Orders are consistent with the integrated nature of the Chapter 11 Debtors’ operations in the US and Canada. In addition, certain of the First Day Orders are customary, procedural and/or administrative in nature.
 4. The Proposed Information Officer notes that the Canadian creditors are proposed to receive the same treatment as US creditors in the First Day Orders, including ascribing “administrative claim” status for post-filing goods or services provided to the Chapter 11 Debtors during the Chapter 11 Proceedings.
 5. The Proposed Information Officer understands that the Chapter 11 Debtors anticipate bringing further motions before the US Court in the coming days seeking approval of additional orders, including a Bar Date Order establishing the bar dates and procedures for a claims process. Based on the draft provided to the Proposed Information Officer, the Bar Date Order contemplates the same treatment for US and Canadian creditors and requires publication of the relevant notice in *The Globe and Mail*.

5.0 The DIP Facility²

1. As set out in the Walker Declaration, the Chapter 11 Debtors, including the Canadian Debtors, require financing during the Chapter 11 Proceedings to provide the necessary liquidity to maintain their businesses, preserve the value of their assets for all stakeholders and to successfully complete the Sale Transaction.
2. Based on the Walker Declaration, the amount available under the DIP Facility is projected to address the Chapter 11 Debtors’ immediate liquidity needs during the Chapter 11 Proceedings.

² Capitalized terms not otherwise defined in this section of the Report are as defined in the DIP Facility.

3. A copy of the DIP Facility Term Sheet is appended to the Foreign Representative's application materials. A summary of the key attributes of the DIP Facility is provided in the table below.

Borrower	KidKraft, Inc.
Guarantor	KidKraft, Inc., KidKraft Intermediate Holdings, LLC, KidKraft International Holdings, Inc., KidKraft Europe, LLC, KidKraft International IP Holdings, LLC, KidKraft Partners, LLC, Solowave Design Corp., Solowave Design Inc., Solowave Design LP, Solowave Design Holdings Limited and Solowave International Inc.
Nature of Liability	Senior secured superpriority priming debtor-in-possession loans.
Postpetition Lender	1903 Partners, LLC
Postpetition Agent	GB Funding, LLC
Commitment	US\$10.5 million (US\$4 million as an interim commitment and an additional US\$6.5 million as a final commitment (the "Final Commitment"))
Interest Rate	The prevailing interest rate under the Prepetition Credit Agreement plus 8.50%. Based on the 30-day average SOFR rate, the effective interest rate on advances under the DIP Facility would be approximately 14%.
Expenses and Fees	An origination fee of 2.00% of the DIP Commitment, and an exit fee of 2.00% of the DIP Commitment to the DIP Lender and a weekly administrative fee of \$7,500 to the DIP Agent.
Budget	The Chapter 11 Debtors must operate in accordance with the DIP Budget.

4. The Proposed Information Officer considered the following in determining the reasonability of the DIP Facility and whether the Canadian Court should recognize the Interim DIP Order, which is a condition of the DIP Facility:
- a) interim funding of US\$4 million from the DIP Facility is required for the Chapter 11 Debtors to operate in the normal course during the Chapter 11 Proceedings. The Chapter 11 Debtors' ability to pay vendors, suppliers and employees, and to otherwise fund operations, is essential to preserve and maintain the going concern value in order to complete the Sale Transaction. The DIP Facility permits the orderly continuation of operations and should assist to minimize operational disruption, all of which is in the best interest of all stakeholders, including the Canadian stakeholders;
 - b) the DIP Facility contemplates a "roll up" of only the prepetition advances made by Gordon Brothers (US\$23.3 million) following the date on which the Canadian Debtors became guarantors of the Prepetition Credit Facility, being January 31, 2024 (the "Limited Roll-Up"). Accordingly, the DIP Facility does not increase the existing liability of the Canadian Debtors pursuant to the Prepetition Credit Facility or grant security over assets in Canada in favour of the Prepetition and DIP Lender that were previously unencumbered;
 - c) the DIP Charge would secure all obligations owing under the DIP Facility, although at this time, KidKraft and the Canadian Debtors are not seeking authorization for the DIP Charge to secure the Final Commitment and the Limited Roll-Up. The Proposed Information Officer understands that KidKraft and the Canadian Debtors will come back before this Court at a later date to seek recognition of the US Order granting a priming lien in respect of the Final Commitment and Roll-Up Amount, if and when such US Order is issued;
 - d) the Proposed Information Officer understands that the Chapter 11 Debtors are unable to procure other funding options more favourable than the DIP Facility. Considering all alternatives, the Chapter 11 Debtors have reasonably concluded that the DIP Facility represents the best financing available at this time;

- e) the Proposed Information Officer compared the pricing of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings in recent years. The comparison is attached as Appendix “C”. Based on this analysis, the overall cost (interest and fees) of the proposed DIP Facility, as reflected in the table in Paragraph 3 above, is consistent with other recent DIP financings approved by Canadian courts;
 - f) the DIP Facility contemplates the Prepetition and DIP Lender having a first-ranking super priority charge on the Property of KidKraft and the Canadian Debtors (which would not include Coface-owned Purchased Receivables and related proceeds);
 - g) in anticipation of these proceedings, KSV retained Gowling WLG (Canada) LLP (“Gowlings”) to act as its legal counsel in the event that the Recognition Orders are granted and KSV is appointed as Information Officer. Gowlings provided an opinion³ dated May 8, 2024 which, subject to the standard assumptions and qualifications contained therein, concludes that the GSA granted by the Canadian Debtors in favour of the Collateral Agent and Secured Parties (as defined in the GSA), being the Prepetition and DIP Lender, as registered under the ON PPSA and AB PPSA, creates a valid and perfected security interest in the Canadian Debtors’ assets situated in Ontario and Alberta.
5. Based on the foregoing, the Proposed Information Officer believes that the Canadian Court’s recognition of the Interim DIP Order and granting the DIP Charge is reasonable and appropriate in the circumstances.

6.0 Court Ordered Charges

- 1. In addition to the DIP Charge, the proposed Recognition Orders contemplate an Administration Charge (\$750,000) and D&O Charge (\$100,000).
- 2. The Foreign Representative is seeking an Administration Charge in an amount not to exceed \$750,000 to secure the fees and expenses of the Chapter 11 Debtors’ Canadian counsel (Osler, Hoskin & Harcourt LLP), the Information Officer and its counsel (Gowlings).
- 3. The Administration Charge is a customary provision in recognition orders under Part IV of the CCAA - it is required by certain of the professionals engaged to assist a debtor company and to protect those professionals in the event it is unable to pay their fees and costs during the insolvency process.
- 4. The Proposed Information Officer believes that the quantum of the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the cross-border proceedings and the services to be provided by the professionals involved.
- 5. The Foreign Representative is also seeking a D&O Charge in an amount not to exceed \$100,000 in favour of the directors and officers in respect of their potential obligations and liabilities in Canada.

³ A copy of the security opinion will be made available to the Canadian Court should it wish to review it.

6. The D&O Charge is also a customary provision in recognition orders under Part IV of the CCAA. The Proposed Information Officer was involved in the quantification of the proposed D&O Charge, which is comprised of the potential post-filing exposure in respect of sales taxes and payroll obligations.
7. The Proposed Information Officer is of the view that the D&O Charge is reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial at this time for the Canadian Debtors to advance these proceedings.

7.0 The Plan

1. The Chapter 11 Debtors entered into a restructuring support agreement dated April 25, 2024 with Gordon Brothers, MidOcean, one of the Company's ultimate shareholders and a subordinated unsecured lender to the US Debtors, and the Purchaser (the "RSA"). The RSA contemplates the Plan, which the Chapter 11 Debtors have filed in the Chapter 11 Proceedings.
2. The details of the Plan and RSA are provided in the Walker Declaration and the Walker Affidavits and, accordingly, are not repeated herein. A summary of the key provisions vis-à-vis the Canadian Debtors and their stakeholders is as follows:
 - a) the RSA documents the parties' commitment to the Sale Transaction;
 - b) by signing the RSA, Gordon Brothers, MidOcean and the Purchaser have agreed to take any steps and actions that are reasonably necessary to implement the Restructuring Transactions (as defined in the RSA), including, in the case of Gordon Brothers, voting in favor of the Plan on terms consistent with the RSA, and not objecting to the relief sought by the Chapter 11 Debtors;
 - c) Gordon Brothers agrees to provide the DIP Facility; and
 - d) the RSA contemplates the consummation of the transactions contemplated in the Plan and distributions to holders of claims against, and interests in, the Chapter 11 Debtors based on the treatment provided for such holders in the Plan.
3. In connection with the RSA, the Chapter 11 Debtors and the Purchaser negotiated⁴ and entered into an Asset Purchase Agreement (the "APA"). The APA contemplates the sale of certain of the Chapter 11 Debtors' assets, including the Canadian assets, in accordance with the terms of the RSA through the Chapter 11 Proceedings. This sale includes the assumption of certain of the Chapter 11 Debtors' liabilities, a commitment to offer employment to almost all of the Chapter 11 Debtors' employees and payment of contract cure costs incurred in connection with the Chapter 11 Proceedings. Based on the current listing of transferred employees, the one Canadian employee is contemplated to be offered employment by the Purchaser; however, pursuant to the APA and RSA, that listing may be revised up to two days before closing.

⁴ Gordon Brothers participated in and gave input during the negotiations.

4. The Proposed Information Officer intends to provide its overall assessment of the reasonableness of the Plan and Sale Transaction on the Canadian stakeholders in a report to be filed when the Foreign Representative seeks to recognize orders of the US Court approving the Plan and Sale Transaction, should those orders be granted by the US Court. Recognition of the Plan Confirmation Order and the Sale Transaction Approval and Vesting Order are both conditions precedent to Plan implementation.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposed Information Officer recommends that this Court grant the Recognition Orders sought by the Foreign Representative.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED INFORMATION OFFICER OF
KIDKRAFT INC., SOLOWAVE DESIGN HOLDINGS LIMITED,
SOLOWAVE INTERNATIONAL INC., SOLOWAVE DESIGN INC. AND
SOLOWAVE DESIGN LP
AND NOT IN ITS PERSONAL CAPACITY**

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

**FIRST REPORT OF
KSV RESTRUCTURING INC. AS
INFORMATION OFFICER
JUNE 18, 2024**

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