

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 27, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 333-124138

SIMMONS COMPANY

(Exact name of registrant as specified in its charter)

Delaware	20-0646221
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Concourse Parkway, Suite 800, Atlanta, Georgia	30328-6188
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (770) 512-7700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes: No:

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

Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:

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

Yes: No:

The number of shares of the registrant's common stock outstanding as of August 1, 2009: 100

DOCUMENTS OR PARTS THEREOF INCORPORATED BY REFERENCE: None

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Simmons Company and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
and Comprehensive Income (Loss)
(In thousands)

	Quarter Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Net sales	\$ 218,004	\$ 267,683	\$ 440,571	\$ 544,564
Cost of products sold	123,719	166,473	251,390	333,680
Gross profit	<u>94,285</u>	<u>101,210</u>	<u>189,181</u>	<u>210,884</u>
Operating expenses:				
Selling, general and administrative expenses	68,444	81,095	137,802	169,646
Restructuring charges	6,887	1,464	14,237	1,464
Amortization of intangibles	1,553	1,587	3,094	3,176
Licensing revenues	(1,752)	(2,460)	(3,875)	(5,028)
	<u>75,132</u>	<u>81,686</u>	<u>151,258</u>	<u>169,258</u>
Operating income	19,153	19,524	37,923	41,626
Interest expense	24,994	17,590	47,814	35,536
Interest income	(46)	(103)	(52)	(234)
Income (loss) before income taxes	(5,795)	2,037	(9,839)	6,324
Income tax expense (benefit)	(34)	856	(857)	2,628
Net income (loss)	<u>(5,761)</u>	<u>1,181</u>	<u>(8,982)</u>	<u>3,696</u>
Other comprehensive income (loss):				
Foreign currency translation adjustment	5,190	765	3,682	(4,599)
Change in retirement plans liabilities	120	77	120	77
Comprehensive income (loss)	<u>\$ (451)</u>	<u>\$ 2,023</u>	<u>\$ (5,180)</u>	<u>\$ (826)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Simmons Company and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	June 27, 2009	December 27, 2008 *
	<u>(Unaudited)</u>	<u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,341	\$ 54,930
Accounts receivable, less allowances for doubtful receivables, discounts and returns of \$4,938 and \$5,409	100,799	95,932
Inventories	31,258	31,838
Deferred financing fees	12,468	13,791
Deferred income taxes	2,174	3,119
Prepaid expenses	11,435	8,141
Other current assets	6,780	9,735
Total current assets	<u>232,255</u>	<u>217,486</u>
Property, plant and equipment, net	79,862	86,492
Goodwill	229,461	228,325
Intangible assets, net	339,362	340,471
Other assets	15,030	18,023
Total assets	<u>\$ 895,970</u>	<u>\$ 890,797</u>

* Derived from the Company's 2008 audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Simmons Company and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	June 27, 2009	December 27, 2008 *
	<u>(Unaudited)</u>	<u></u>
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 987,090	\$ 975,152
Accounts payable	37,181	50,064
Accrued liabilities	90,735	77,997
Total current liabilities	<u>1,115,006</u>	<u>1,103,213</u>
Long-term debt	12,929	13,036
Deferred income taxes	97,135	98,761
Other	38,482	38,114
Total liabilities	<u>1,263,552</u>	<u>1,253,124</u>
Commitments and contingencies		
Stockholder's deficit:		
Common stock, \$0.01 par value: authorized - 1,000 shares; issued - 100 shares	1	1
Additional paid-in capital	100,190	100,190
Accumulated deficit	(461,653)	(452,596)
Accumulated other comprehensive loss	(6,120)	(9,922)
Total stockholder's deficit	<u>(367,582)</u>	<u>(362,327)</u>
Total liabilities and stockholder's deficit	<u>\$ 895,970</u>	<u>\$ 890,797</u>

* Derived from the Company's 2008 audited condensed consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Simmons Company and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Six Months Ended	
	June 27, 2009	June 28, 2008
Cash flows from operating activities:		
Net income (loss)	\$ (8,982)	\$ 3,696
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	15,920	18,664
Provision for bad debts	2,454	1,085
Provision for deferred income taxes	(857)	1,277
Non-cash interest expense	13,817	12,234
Non-cash stock compensation expense	-	(3)
Net changes in operating assets and liabilities:		
Accounts receivable	(6,322)	(10,170)
Inventories	850	(4,337)
Other current assets	(293)	1,430
Accounts payable	(13,140)	(3,068)
Accrued liabilities	12,259	(11,111)
Other, net	(2,024)	(5,957)
Net cash provided by operating activities	<u>13,682</u>	<u>3,740</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(869)	(12,634)
Net cash used in investing activities	<u>(869)</u>	<u>(12,634)</u>
Cash flows from financing activities:		
Borrowings on revolving loan	-	24,000
Payments of other debt	(107)	(285)
Financing fees	(541)	-
Dividends to Bedding Superholdco	(75)	(16,519)
Net cash provided by (used in) financing activities	<u>(723)</u>	<u>7,196</u>
Net effect of exchange rate changes on cash	321	(526)
Change in cash and cash equivalents	12,411	(2,224)
Cash and cash equivalents, beginning of period	54,930	27,520
Cash and cash equivalents, end of period	<u>\$ 67,341</u>	<u>\$ 25,296</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Simmons Company and Subsidiaries
Unaudited Condensed Consolidated Statement of Changes in Stockholder's Deficit
(In thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)		Total Stockholder's Deficit
					Net Unrealized Gain (Loss) From Currency Translation	Benefit Plans	
December 27, 2008	100	\$ 1	\$ 100,190	\$ (452,596)	\$ (6,819)	\$ (3,103)	\$ (362,327)
Net loss	-	-	-	(8,982)	-	-	(8,982)
Change in retirement plans liabilities	-	-	-	-	-	120	120
Foreign currency translation	-	-	-	-	3,682	-	3,682
Comprehensive income (loss)	-	-	-	(8,982)	3,682	120	(5,180)
Dividend to Bedding Superholdco	-	-	-	(75)	-	-	(75)
June 27, 2009 (unaudited)	<u>100</u>	<u>\$ 1</u>	<u>\$ 100,190</u>	<u>\$ (461,653)</u>	<u>\$ (3,137)</u>	<u>\$ (2,983)</u>	<u>\$ (367,582)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

A. Basis of Presentation, Liquidity and Ability to Continue as a Going Concern

Company

Simmons Company ("Holdings") is a holding company with no operating assets. Through its wholly-owned subsidiary THL-SC Bedding Company, which is also a holding company, Simmons Company owns the common stock of Simmons Bedding Company. On August 20, 2009, THL-SC Bedding Company filed a certificate of amendment of certificate of incorporation to change its name to Bedding Holdco Incorporated ("Bedding Holdco"). On August 20, 2009, Simmons Holdco, Inc., Holdings' parent company, also filed a certificate of amendment of certificate of incorporation to change its name to Bedding Superholdco Incorporated ("Bedding Superholdco"). All of Simmons Company's business operations are conducted by Simmons Bedding Company and its direct and indirect subsidiaries (collectively "Simmons Bedding"). Simmons Company, together with its subsidiaries (collectively the "Company" or "Simmons Company"), is one of the largest bedding manufacturers in North America.

Liquidity

As of June 27, 2009, the Company had \$67.3 million of cash and cash equivalents and less than \$0.1 million of availability to borrow additional amounts from its revolving loan under Simmons Bedding's senior credit facility. The Company's outstanding borrowings consisted of Simmons Bedding's senior credit facility of \$529.5 million, Simmons Bedding's \$200.0 million 7.875% senior subordinated notes ("Subordinated Notes"), Simmons Bedding's other debt of \$13.4 million, and Holding's \$257.0 million 10.0% senior discount notes ("Discount Notes").

Since September 27, 2008, Simmons Bedding has not been in compliance with certain covenants of its \$540.0 million senior credit facility. After being unable to obtain a waiver or an amendment from its senior lenders to its senior credit facility, Simmons Bedding entered into an initial and subsequent forbearance agreement with a majority of its senior lenders pursuant to which the senior lenders agreed to refrain from enforcing their respective rights and remedies under the senior credit facility through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into amendments to the forbearance agreement on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009 with its senior lenders, whereby the senior lenders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively.

On January 15, 2009 and July 15, 2009, Simmons Bedding did not make its scheduled interest payments due on its Subordinated Notes resulting in defaults under the indenture governing the Subordinated Notes. On February 14, 2009, the default associated with the failure to pay the interest due on January 15, 2009 matured into an event of default, which gave the holders of the Subordinated Notes the right to declare the full amount of the Subordinated Notes immediately due and payable. On February 4, 2009, Simmons Bedding and a majority of the outstanding Subordinated Notes holders entered into a forbearance agreement, pursuant to which such noteholders agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. Simmons Bedding entered into amendments to the forbearance agreement on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009 with a majority of the Subordinated Notes holders, whereby such noteholders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the forbearance agreement, the noteholders party to the forbearance agreement have the obligation to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because the noteholders party to the forbearance agreement represents a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the minority holders of the Subordinated Notes.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

As a condition to the forbearance agreement with Simmons Bedding's senior lenders, the Company initiated a restructuring process in December 2008. A special committee of independent directors was formed by our board of directors on January 23, 2009 to evaluate and oversee proposals for restructuring the Company's debt obligations, including seeking additional debt or equity capital and evaluating various strategic alternatives, including a possible sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates or assets. There can be no assurance that the Company will be successful in implementing a restructuring or any other strategic alternatives. If the Company is unable to successfully complete a restructuring, comply with the terms of the forbearance agreements, or extend the forbearance periods as needed to successfully complete a restructuring, Simmons Bedding's payment obligations under the senior credit facility and the Subordinated Notes may be accelerated. If there is an acceleration of payments or default under the senior credit facility or Subordinated Notes, then Holdings would be in default under its Discount Notes and Bedding Superholdco would be in default under its \$300.0 million senior unsecured loan ("Toggle Loan"). The Company would not have the ability to repay any amounts accelerated under its various debt obligations without obtaining additional equity and/or debt financing. An acceleration of payments or default could result in a voluntary filing of bankruptcy by, or the filing of an involuntary petition for bankruptcy against, Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates. Due to the possibility of such circumstances occurring, the Company is seeking a negotiated restructuring, including a restructuring of its debt obligations and/or sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates or assets, which could occur pursuant to a pre-packaged, pre-arranged or voluntary bankruptcy filing. Any bankruptcy filing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The considerations above raise substantial doubt about the Company's ability to continue as a going concern. The Company has recorded all amounts outstanding under the senior credit facility, Subordinated Notes and Discount Notes as a current liability in the accompanying consolidated balance sheet.

The unamortized debt issuance costs associated with the senior credit facility, Subordinated Notes and Discount Notes were recorded as a current asset in the accompanying consolidated balance sheet (see Note E – Debt, which contains further information regarding the Company's debt and related forbearance agreements). We continue to amortize the debt issuance costs over the remaining life of the debt using the effective interest method.

In connection with all of the above, the Company incurred restructuring expenses in the quarter and six months ended June 27, 2009 aggregating \$6.6 million and \$13.9 million, respectively.

Basis of Presentation

These condensed consolidated financial statements of the Company are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and Rule 10-01 of Regulation S-X for interim financial information. The unaudited condensed consolidated financial statements are presented on the basis that the Company is a going concern. The going concern assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The accompanying unaudited condensed consolidated financial statements contain all adjustments which, in the opinion of management, are necessary to present fairly the financial position of the Company as of June 27, 2009, and its results of operations and cash flows for the periods presented herein. All adjustments in the periods presented herein are normal and recurring in nature unless otherwise disclosed. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 27, 2008. Operating results for the periods ended June 27, 2009 are not necessarily indicative of future results that may be expected for the fiscal year ending December 26, 2009 or for any future period.

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP includes some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates.

B. Inventories

A summary of inventories follows (in thousands):

	June 27, 2009	December 27, 2008
Raw materials	\$ 18,174	\$ 19,066
Work-in-progress	962	1,009
Finished goods	12,122	11,763
	<u>\$ 31,258</u>	<u>\$ 31,838</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

C. Goodwill

The changes in the carrying amount of goodwill for the six months ended June 27, 2009 are as follows (in thousands):

	<u>Domestic</u>	<u>Canada</u>	<u>Consolidated</u>
Balance as of December 27, 2008	\$ 206,206	\$ 22,119	\$ 228,325
Foreign currency translation adjustment	-	1,140	1,140
Other	(4)	-	(4)
Balance as of June 27, 2009	<u>\$ 206,202</u>	<u>\$ 23,259</u>	<u>\$ 229,461</u>

D. Warranties

The bedding products that the Company currently manufactures generally include non-prorated warranties as follows:

- conventional innerspring – 10 years;
- conventional specialty bedding products – 20 to 25 years; and
- juvenile bedding products – 5 years to lifetime

The Company records the estimated cost of warranty claims when its products are sold. The Company's new products undergo extensive quality control testing and are generally constructed using similar techniques and materials of our historical products. Therefore, the Company estimates the cost of warranty claims based on historical sales and warranty returns and the current average costs to settle a warranty claim. The Company includes the estimated impact of recoverable salvage value in the calculation of the current average costs to settle a warranty claim.

The following table presents a reconciliation of the Company's warranty accrual for the periods ended June 27, 2009 and June 28, 2008 (in thousands):

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 27, 2009</u>	<u>June 28, 2008</u>	<u>June 27, 2009</u>	<u>June 28, 2008</u>
Balance at beginning of period	\$ 4,904	\$ 4,576	\$ 4,763	\$ 4,291
Additional warranties issued	723	895	1,449	1,665
Warranty settlements	(661)	(806)	(1,562)	(1,352)
Accruals related to pre-existing warranties (including change in estimate)	125	79	441	140
Balance at end of period	<u>\$ 5,091</u>	<u>\$ 4,744</u>	<u>\$ 5,091</u>	<u>\$ 4,744</u>

E. Debt

Debt consisted of the following as of June 27, 2009 and December 27, 2008 (in thousands):

	<u>June 27, 2009</u>	<u>December 27, 2008</u>
Senior credit facility:		
Revolving loan	\$ 64,532	\$ 64,532
Tranche D term loan	465,000	465,000
Total senior credit facility	529,532	529,532
7.875% senior subordinated notes due 2014	200,000	200,000
10.0% senior discount notes, due 2014, net of discount of \$11,956 and \$23,894, respectively	257,044	245,106
Other, principally industrial revenue bonds	13,443	13,550
	1,000,019	988,188
Less current portion	(987,090)	(975,152)
	<u>\$ 12,929</u>	<u>\$ 13,036</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Senior Credit Facility

The senior credit facility provides for a \$75.0 million revolving loan facility and a \$465.0 million tranche D term loan facility. The revolving loan under the senior credit facility will expire on the earlier of (a) December 19, 2009 or (b) as revolving credit commitments under the facility terminate. As of June 27, 2009, under the revolving loan facility, the Company had \$64.5 million of borrowings and \$10.4 million that was reserved for the Company's reimbursement obligations with respect to outstanding letters of credit. The Company incurs an unused line fee of 0.375% per annum on the unused portion of its revolving loan facility.

The tranche D term loans under the senior credit facility will expire on December 19, 2011. The tranche D term loan has a mandatory principal payment of \$113.5 million on March 31, 2011 and quarterly mandatory principal payments of \$117.2 million from June 30, 2011 through maturity on December 19, 2011. Depending on Simmons Bedding's leverage ratio, it may be required to prepay a portion of the tranche D term loan with up to 50% of its excess cash flow (as defined in the senior credit facility) from each fiscal year. The Company was not required to prepay a portion of the tranche D term loan during the first six months of 2009.

The senior credit facility bears interest at the Company's choice of the Eurodollar Rate or Base Rate (both as defined), plus the applicable interest rate margins. The weighted average interest rate per annum in effect as of June 27, 2009 for the tranche D term loan was 10.5%. The senior credit facility is guaranteed by Bedding Holdco and all of Simmons Bedding's domestic subsidiaries, and Simmons Bedding has pledged substantially all of its assets to the senior credit facility.

The senior credit facility requires Simmons Bedding to maintain certain financial ratios, including cash interest coverage (adjusted EBITDA to cash interest expense) and total leverage (net debt to adjusted EBITDA) ratios. Adjusted EBITDA (as defined in the senior credit facility) differs from the term "EBITDA" as it is commonly used. In addition to adjusting net income (loss) to exclude interest expense, income taxes, depreciation and amortization, Adjusted EBITDA, as the Company interprets the definition of Adjusted EBITDA from the senior credit facility, also adjusts net income (loss) by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as management fees; other non-cash items reducing consolidated net income (loss); any extraordinary, unusual or non-recurring gains or losses or charges or credits; and any reasonable expenses or charges related to any issuance of securities, investments permitted, permitted acquisitions, recapitalizations, asset sales permitted or indebtedness permitted to be incurred, less other non-cash items increasing consolidated net income (loss), all of the foregoing as determined on a consolidated basis for Simmons Bedding in conformity with GAAP.

The financial covenants are as follows:

- 1) A minimum cash interest coverage ratio of no less than 3.00:1.00 from June 27, 2009 through each fiscal quarter ending thereafter.
- 2) A maximum leverage ratio of no greater than 4.00:1.00 from June 27, 2009 through each fiscal quarter ending thereafter.

For the quarter ended September 27, 2008, Simmons Bedding was not in compliance with the maximum leverage financial covenant and certain other covenants contained in its senior credit facility. In response thereto, Simmons Bedding was unable to negotiate a waiver of such defaults with its senior lenders and entered into the First Forbearance Agreement and Second Amendment to the Second Amended and Restated Credit and Guaranty Agreement ("First Forbearance Agreement") on November 12, 2008 and the Second Forbearance Agreement and Third Amendment to the Second Amended and Restated Credit and Guaranty Agreement and First Amendment to the Pledge and Security Agreement (the "Second Forbearance Agreement") on December 10, 2008 with its senior lenders. Based on the terms of the First Forbearance Agreement, the senior lenders agreed to, among other things; forbear from exercising their default-related rights and remedies under the senior credit facility against Simmons Bedding through December 10, 2008, provided that Simmons Bedding satisfied certain conditions. The Second Forbearance Agreement extended the forbearance period through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into (i) that certain First Amendment to Second Forbearance Agreement; Fourth Amendment to the Second Amended and Restated Credit and Guaranty Agreement and Second Amendment to the Pledge and Security Agreement (the "First Amendment to the Second Forbearance Agreement") on March 25, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through May 31, 2009 and, upon satisfaction of certain conditions, July 31, 2009; (ii) that certain Second Amendment to Second Forbearance Agreement; Fifth Amendment to the Second Amended and Restated Credit and Guaranty Agreement and Third Amendment to the Pledge and Security Agreement (the "Second Amendment to the Second Forbearance Agreement") on May 27, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through June 30, 2009 and, upon satisfaction of certain conditions, July 31, 2009; (iii) that certain Third Amendment to Second Forbearance Agreement; Sixth Amendment to the Second Amended and Restated Credit and Guaranty Agreement (the "Third Amendment to the Second Forbearance Agreement") on June 30, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through August 14, 2009; and (iv) that certain Fourth Amendment to Second Forbearance Agreement; Seventh Amendment to the Second Amended and Restated Credit and Guaranty Agreement (the "Fourth Amendment to the Second Forbearance Agreement" and, together with the First Amendment to the Second Forbearance Agreement, the Second Amendment to the Second Forbearance Agreement, and the Third Amendment to the Second Forbearance Agreement, the "Amendment to the Second Forbearance Agreement") on August 14, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through August 31, 2009.

During the forbearance period, the senior lenders will provide no additional loans or financial accommodation to Simmons Bedding except for the issuance, renewal, extension or replacement of letters of credit and revolving loans provided in certain limited circumstances related to the letters of credit as set forth in the forbearance agreements. In addition, Simmons Bedding will not be permitted to, directly or indirectly, incur indebtedness or liens, make investments or restricted junior payments, or consummate any asset sales, except in the ordinary course of business, during the forbearance period.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

During the forbearance period under the First Forbearance Agreement, the applicable margin on the revolving loans and tranche D term loans increased 2.0% per annum above the rate otherwise applicable. The Second Forbearance Agreement amended the senior credit facility to, among other things:

- Increase the applicable margin for both the revolving loans and the tranche D term loans to either Base Rate plus 5.285% per annum or Eurodollar Rate plus 6.285% per annum;
- Establish a floor for the Base Rate and Eurodollar Rate of 4.25% and 3.25%, respectively, per annum at the earlier of the termination of the Second Forbearance Agreement or March 31, 2009;
- Eliminate the 2% per annum penalty rate applicable to overdue payments of principal and interest; and
- Make interest payable on the revolving loans and tranche D term loans as of the last business calendar day of each month.

The Second Forbearance Agreement also required Simmons Bedding to enter into deposit account control agreements with respect to all its bank accounts, with certain exceptions. The Second Forbearance Agreement included certain covenants including:

- Minimum liquidity requirements whereby Simmons Bedding will maintain a daily cash balance of not less than \$2.5 million for any two consecutive business days and an average daily cash balance of not less than \$7.5 million for any five consecutive business days;
- Providing a long-term business plan to the senior lenders by January 7, 2009;
- Commencing a process to solicit new debt and/or equity investment by January 9, 2009;
- Providing a potential restructuring proposal to the senior lenders by January 26, 2009; and
- Increased financial reporting requirements.

As of June 27, 2009, the Company was in compliance with the covenant requirements of the Second Forbearance Agreement, as amended.

The First Amendment to the Second Forbearance Agreement amended the senior credit facility to, among other things; increase the applicable margin for both revolving loans and tranche D term loans to Base Rate plus 6.25% per annum or Eurodollar Rate plus 7.25% per annum.

In connection with the First Forbearance Agreement, Simmons Bedding agreed to pay (a) the senior lenders who approved the agreement a forbearance fee equal to 0.125% of the aggregate outstanding amount of such lender's outstanding debt under the senior credit facility (\$0.6 million) and (b) the fees and expenses of the lender's counsel in connection with the First Forbearance Agreement. In connection with the Second Forbearance Agreement, Simmons Bedding agreed to pay (a) the senior lenders who approved the agreement a forbearance fee equal to 0.5% of the aggregate outstanding amount of such lender's outstanding debt under the senior credit facility (\$2.6 million) and (b) the fees and expenses of the lender's counsel and financial advisor in connection with the Second Forbearance Agreement. The Company capitalized the lender fees of \$3.3 million in 2008 and expensed the third party fees associated with the forbearance agreements as incurred.

In connection with the Third Amendment to the Second Forbearance Agreement, Simmons Bedding agreed to pay the senior lenders who approved the agreement a forbearance fee equal to 0.15% of the aggregate outstanding amount of approving lender's outstanding debt (\$0.7 million), which the Company capitalized for the quarter ending September 26, 2009.

During the forbearance period as extended, Simmons Bedding has met various covenants and other provisions related to continued progress in its restructuring efforts and reporting on the status of the restructuring process.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Subordinated Notes

Simmons Bedding's Subordinated Notes bear interest at the rate of 7.875% per annum, which is payable semi-annually in cash in arrears on January 15 and July 15. The Subordinated Notes mature on January 15, 2014 and are subordinated in right of payment to all existing and future senior indebtedness of Simmons Bedding.

The Subordinated Notes are redeemable at the option of the Company beginning January 15, 2009 at prices decreasing from 103.9% of the principal amount thereof to par on January 15, 2012 and thereafter. The Company is not required to make mandatory redemption or sinking fund payments with respect to the Subordinated Notes.

The indenture for the Subordinated Notes requires Simmons Bedding to comply with certain restrictive covenants, including restrictions on dividends, and limitations on the occurrence of indebtedness, certain payments and distributions, and sales of Simmons Bedding's assets and stock.

Simmons Bedding did not make scheduled interest payments of \$7.9 million due on January 15, 2009 and July 15, 2009 on the Subordinated Notes resulting in defaults under the indenture governing the Subordinated Notes. On February 14, 2009, the default associated with the failure to pay the interest due on January 15, 2009 matured into an event of default, which gave the holders of the Subordinated Notes the right to declare the full amount of the Subordinated Notes immediately due and payable. On February 4, 2009, Simmons Bedding and a majority of the outstanding Subordinated Notes holders approved a Forbearance Agreement to the Indenture ("Subordinated Forbearance Agreement"), pursuant to which such noteholders agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. In connection with the Subordinated Forbearance Agreement, Simmons Bedding also agreed to pay the fees and expenses of the legal and financial advisors of the committee to the noteholders. Simmons Bedding entered into amendments to the Subordinated Forbearance Agreement on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby the majority of the outstanding Subordinated Notes holders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the Subordinated Forbearance Agreement, the noteholders party to the Subordinated Forbearance Agreement have the obligation to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because the noteholders parties to the Subordinated Forbearance Agreement represent a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the minority holders of the Subordinated Notes. In consideration for their entry into the March 25, 2009 amendment to the Subordinated Forbearance Agreement, the noteholders party to the Subordinated Forbearance Agreement received an amendment fee equal to 0.5% of the aggregate outstanding amount of such holder's Subordinated Notes (\$0.5 million). The Company capitalized the lender fees of \$0.5 million in the quarter ended March 28, 2009 and expensed the third party fees associated with the forbearance agreements as incurred.

Discount Notes

The Company's Discount Notes, with an aggregate principal amount at maturity of \$269.0 million, bear interest at the rate of 10.0% per annum payable semi-annually in cash in arrears on June 15 and December 15 of each year commencing on June 15, 2010. Prior to December 15, 2009, interest accrues on the Discount Notes in the form of an increase in the accreted value of the Discount Notes. The Company's ability to make payments on the Discount Notes is dependent on the earnings and distribution of funds from Simmons Bedding to Holdings.

The Discount Notes are redeemable at the Company's option beginning December 15, 2009 at prices decreasing from 105.0% of the principal amount thereof to par on December 15, 2012 and thereafter. The Company is not required to make mandatory redemption or sinking fund payments with respect to the Discount Notes.

If any of the Discount Notes are outstanding on June 15, 2010, the Company is obligated to redeem for cash a portion of each Discount Note then outstanding in an amount equal to (i) the excess of the aggregate amount of accrued and unpaid interest and original issue discount on the Discount Notes over (ii) the issue price of the Discount Notes multiplied by the yield to maturity of the Discount Notes (the "Mandatory Principal Redemption Amount") plus a premium equal to 5.0% (one-half of the coupon) of the Mandatory Principal Redemption Amount. No partial redemption or repurchase of the Discount Notes pursuant to any other provision of the indenture will alter the obligation of the Company to make this redemption with respect to any Discount Notes then outstanding. Assuming no redemptions prior to June 15, 2010, the Company would be obligated to make a mandatory principal payment of \$90.2 million and an interest and premium payment of \$18.0 million on June 15, 2010.

The indenture for the Discount Notes requires Holdings to comply with certain restrictive covenants, including a restriction on dividends; and limitations on the incurrence of indebtedness, certain payments and distributions, and sales of Holdings' assets and stock. Holdings was in compliance with such covenants as of June 27, 2009.

Debt & Related Unamortized Debt Issue Costs Classification

As a result of the covenant default and the lenders having the right to demand payment within the next twelve months on the senior credit facility, Subordinated Notes and, to the extent the rights under the senior credit facility were accelerated, the Discount Notes, the Company has reclassified these debt obligations from non-current liabilities to current liabilities and the related unamortized debt issue costs from non-current assets to current assets on the accompanying condensed consolidated balance sheets.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

F. Segment Information

The Company has determined that it has two reportable segments organized by geographic area, Domestic (including Puerto Rico) and Canada. Both segments manufacture, sell and distribute premium branded bedding products to retail customers and institutional users of bedding products, such as the hospitality industry.

The Company evaluates segment performance and allocates resources based on net sales and Adjusted EBITDA. Adjusted EBITDA differs from the term "EBITDA" as it is commonly used. In addition to adjusting net income (loss) to exclude interest expense, income taxes, depreciation and amortization, Adjusted EBITDA also adjusts net income (loss) by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as management fees and unusual or non-recurring items as defined by the Company's senior credit facility. Management believes the aforementioned approach is the most informative representation of how management evaluates performance. Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs.

The following tables summarize our segment information for the periods ended June 27, 2009 and June 28, 2008:

Quarter Ended June 27, 2009
(In thousands)

	<u>Domestic</u>	<u>Canada</u>	<u>Eliminations</u>	<u>Totals</u>
Net sales to external customers	\$ 193,249	\$ 24,755	\$ -	\$ 218,004
Intersegment net sales	2,032	-	(2,032)	-
Adjusted EBITDA	31,544	2,635	(56)	34,123
Depreciation and amortization expense	6,886	1,069	-	7,955
Expenditures for long-lived assets	450	227	-	677
Segment assets	910,793	112,030	(126,853)	895,970
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	\$ (4,914)	\$ (791)	\$ (56)	\$ (5,761)
Depreciation and amortization	6,886	1,069	-	7,955
Income taxes	169	(203)	-	(34)
Interest expense	23,235	1,759	-	24,994
Restructuring charges	6,672	215	-	6,887
Management fees	55	320	-	375
Gain on foreign currency	(773)	(185)	-	(958)
State taxes in lieu of income taxes	70	-	-	70
Product regulatory compliance	428	-	-	428
Other	(284)	451	-	167
Adjusted EBITDA	<u>\$ 31,544</u>	<u>\$ 2,635</u>	<u>\$ (56)</u>	<u>\$ 34,123</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Quarter Ended June 28, 2008
(In thousands)

	<u>Domestic</u>	<u>Canada</u>	<u>Eliminations</u>	<u>Totals</u>
Net sales to external customers	\$ 229,112	\$ 38,571	\$ -	\$ 267,683
Intersegment net sales	143	-	(143)	-
Adjusted EBITDA	28,963	4,372	-	33,335
Depreciation and amortization expense	9,049	1,399	-	10,448
Expenditures for long-lived assets	6,435	907	-	7,342
Segment assets	1,443,340	180,504	(138,338)	1,485,506
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 75	\$ 1,106	\$ -	\$ 1,181
Depreciation and amortization	9,049	1,399	-	10,448
Income taxes	1,299	(443)	-	856
Interest expense	15,499	2,091	-	17,590
Transaction expenses including integration costs	84	-	-	84
Restructuring charges	1,464	-	-	1,464
Relocation of facilities	329	116	-	445
Non-recurring professional service fees	12	-	-	12
Management fees	(143)	520	-	377
ERP system implementation costs	603	-	-	603
Gain on foreign currency	(50)	(278)	-	(328)
State taxes in lieu of income taxes	191	-	-	191
Other	551	(139)	-	412
Adjusted EBITDA	<u>\$ 28,963</u>	<u>\$ 4,372</u>	<u>\$ -</u>	<u>\$ 33,335</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Six Months Ended June 27, 2009
(In thousands)

	<u>Domestic</u>	<u>Canada</u>	<u>Eliminations</u>	<u>Totals</u>
Net sales to external customers	\$ 393,843	\$ 46,728	\$ -	\$ 440,571
Intersegment net sales	5,059	-	(5,059)	-
Adjusted EBITDA	66,528	2,930	(56)	69,402
Depreciation and amortization expense	13,851	2,069	-	15,920
Expenditures for long-lived assets	642	227	-	869
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	\$ (6,511)	\$ (2,415)	\$ (56)	\$ (8,982)
Depreciation and amortization	13,851	2,069	-	15,920
Income taxes	993	(1,850)	-	(857)
Interest expense	44,398	3,416	-	47,814
Restructuring charges	14,022	215	-	14,237
Management fees	203	622	-	825
(Gain) loss on foreign currency	(615)	133	-	(482)
State taxes in lieu of income taxes	133	-	-	133
Product regulatory compliance	645	-	-	645
Other	(591)	740	-	149
Adjusted EBITDA	<u>\$ 66,528</u>	<u>\$ 2,930</u>	<u>\$ (56)</u>	<u>\$ 69,402</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Six Months Ended June 28, 2008
(In thousands)

	<u>Domestic</u>	<u>Canada</u>	<u>Eliminations</u>	<u>Totals</u>
Net sales to external customers	\$ 474,114	\$ 70,450	\$ -	\$ 544,564
Intersegment net sales	206	-	(206)	-
Adjusted EBITDA	59,254	7,062	-	66,316
Depreciation and amortization expense	15,930	2,734	-	18,664
Expenditures for long-lived assets	10,848	1,786	-	12,634
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 3,493	\$ 203	\$ -	\$ 3,696
Depreciation and amortization	15,930	2,734	-	18,664
Income taxes	3,551	(923)	-	2,628
Interest expense	31,330	4,206	-	35,536
Transaction expenses including integration costs	191	-	-	191
Non-recurring professional service fees	726	-	-	726
Restructuring charges	1,464	-	-	1,464
Relocation of facilities	814	189	-	1,003
Management fees	(178)	1,043	-	865
ERP system implementation costs	1,085	-	-	1,085
(Gain) loss on foreign currency	354	(883)	-	(529)
State taxes in lieu of income taxes	297	-	-	297
Other	197	493	-	690
Adjusted EBITDA	<u>\$ 59,254</u>	<u>\$ 7,062</u>	<u>\$ -</u>	<u>\$ 66,316</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

G. Restructuring Charges

In June and October 2008, the Company announced workforce reductions in response to the downturn in the economy since the second half of 2007. These workforce reductions were completed in 2008. Associates terminated under these announced workforce reductions were offered certain benefits including severance, outplacement services and health insurance. The Company recognized a pre-tax restructuring charge for severance and benefits of \$3.8 million in 2008 (\$1.5 million in the quarter and six months ended June 28, 2008) related to these planned workforce reductions, which will be payable through March 2010. The Company will not incur cash payments after March 2010 associated with these workforce reductions.

On August 15, 2008, the Bramalea, Ontario facility's office and production workers, all members of the Canada Auto Workers Union and its Local 513 ("CAW 513"), ceased work and commenced a strike against the facility. As the strike continued, the Company evaluated its various alternatives, and decided to initiate the actions required to permanently shut down the facility due to the financial impact of the strike and its effect on customers and revenues. The closure of the Bramalea, Ontario facility was announced in September 2008. In connection with the facility closure, CAW 513 filed an unfair labor practice charge against Holdings, Simmons Bedding and Simmons Canada Inc. ("Simmons Canada"), and three former production employees filed a wrongful termination claim against Simmons Canada on behalf of themselves and a class of similarly situated former employees. The unfair labor practice charge was settled and the Ontario Labour Relations Board dismissed the matter in June 2009. The wrongful termination claim was dismissed in July 2009. An estimated settlement amount was recorded as part of the restructuring severance and benefits in 2008 and payment is expected during the third quarter of 2009.

In September 2008, the Company announced and completed the closure of its Mableton, Georgia manufacturing facility. The decision to close the Mableton, Georgia facility resulted from the then current macroeconomic environment and lower manufacturing requirements.

The Company recognized a pre-tax restructuring charge in 2008 related to the closure of the Bramalea, Ontario and Mableton, Georgia facilities of \$4.7 million, which consisted of \$2.4 million in severance and benefits and \$2.3 million in lease facility costs. In addition to the costs recognized in 2008, the Company anticipates incurring certain other exit charges related to the closure of the facilities that will be expensed as incurred. These additional charges include cost principally related to maintaining the unoccupied leased facilities and the relocation of manufacturing equipment. While the estimate of these costs, in total, is not yet final, the Company currently expects that the costs will total approximately \$1.4 million to be incurred through the first quarter of 2010. The Company incurred \$0.3 million of such exit charges in both the quarter and six months ended June 27, 2009.

In September 2008, Charles R. Eitel resigned as Chairman and Chief Executive Officer of the Company and entered into a written separation agreement with the Company. Mr. Eitel assumed the role of Vice Chairman of the Board of Directors. The Company recorded a restructuring charge in 2008 of \$1.7 million related to severance and benefits payable until September 2010 under the separation agreement.

The following table represents the pre-tax restructuring charges related to the above initiatives, including facility closures and organizational changes, recognized during the quarter and six months ended June 28, 2008:

	Quarter Ended June 28, 2008	Six Months Ended June 28, 2008
Domestic	\$ 1,464	\$ 1,464
Total	<u>\$ 1,464</u>	<u>\$ 1,464</u>

The following table reconciles the accrued restructuring charges discussed above for the six months ended June 27, 2009 (in thousands):

	Balance at December 27, 2008	Adjustments	Cash Reduction	Foreign Currency Translation	Balance at June 27, 2009
Severance and benefit costs	\$ 4,931	\$ 27	\$ (1,729)	\$ 93	\$ 3,322
Facility lease costs	1,597	-	(890)	46	753
Accrued restructuring charges	<u>\$ 6,528</u>	<u>\$ 27</u>	<u>\$ (2,619)</u>	<u>\$ 139</u>	<u>\$ 4,075</u>

In addition to the restructuring charges discussed above, the Company incurred legal and professional fees in connection with the Company's restructuring of \$6.6 million and \$13.9 million during the quarter and six months ended June 27, 2009, respectively (see Note A – Basis of Presentation, Liquidity and Ability to Continue as a Going Concern).

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

H. Commitments and Contingencies

From time to time, the Company has been involved in various legal proceedings. In November 2008, CAW 513 filed an unfair labor practice charge against Holdings, Simmons Bedding and Simmons Canada and three former production employees filed a wrongful termination claim against Simmons Canada on behalf of themselves and a class of similarly situated former employees (see Note G – Restructuring Charges).

On June 10, 2009, Tempur-Pedic International Inc., Tempur-Pedic Management, Inc. and Tempur-Pedic North America, LLC (collectively “Tempur-Pedic”) filed a lawsuit against certain bedding manufacturers, including Simmons Bedding and its subsidiary, The Simmons Manufacturing Co., LLC (“Simmons Manufacturing”), alleging such companies are violating one of their patents. The lawsuit, which was filed in the U.S. District Court for the Western District of Virginia, outlines patent infringement claims against each of the defendant companies. The Company intends to defend this action and cannot, at this time, reasonably predict the ultimate outcome of the lawsuit. While the Company does not expect that any sums it may have to pay in connection with this or any other legal proceeding would have a materially adverse effect on its consolidated financial position or net cash flows, a future charge for damage awards could have a significant impact on the Company’s net income in the period in which it is recorded.

With the exception of the matters discussed above, the Company believes that all current litigation is routine in nature, incidental to the conduct of its business and not material.

The Company does not guarantee nor have any of our assets pledged as collateral under Bedding Superholdco’s \$300 million Toggle Loan. The Toggle Loan is structurally subordinated in right of payment to any of the Company’s existing and future liabilities. Although the Company is not obligated to make cash distributions to service principal and interest on the Toggle Loan, Bedding Superholdco is dependent on the Company’s cash flows to meet the interest and principal payments under the Toggle Loan. The Toggle Loan is not included in the Company’s financial statements. Under the terms of the credit agreement governing the Toggle Loan, Bedding Superholdco may elect to pay future interest in cash or add such interest to the principal amount of the Toggle Loan. However, the Second Forbearance Agreement, as amended, prohibits the Company from making distributions to its parent companies during the forbearance period, except in the ordinary course of business. Accordingly, Bedding Superholdco elected to make its February 2009, August 2009 and February 2010 interest payments on the Toggle Loan by adding such interest to the principal amount of the Toggle Loan. The Toggle Loan matures in February 2012. An acceleration of indebtedness under the senior credit facility, Subordinated Notes or Discount Notes would trigger an event of default under the Toggle Loan.

I. Fair Value of Financial Instruments

The carrying amount of the Company’s financial instruments, consisting of cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities, approximate fair value due to their relatively short maturities.

Under Statement of Financial Accounting Standard (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS 157”), fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. SFAS 157 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy is broken down into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly;

Level 3 - Unobservable inputs for which little or no market activity exists.

The fair value of the Company’s tranche D term loan, Subordinated Notes and Discount Notes is based on Level 2 inputs, based on quotes from dealers, where obtainable, or the value of the most recent trade in the market. The following table compares the carrying values and estimated fair values of the Company’s tranche D term loan, Subordinated Notes and Discount Notes at June 27, 2009 (in millions).

	Carrying Value	Estimated Fair Value
Tranche D term loan	\$ 465.0	\$ 430.1 - \$441.8
Subordinated notes	\$ 200.0	\$ 90.0
Discount notes	\$ 257.0	\$ 25.6

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

J. Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS"), SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 addresses the measurement of fair value by companies when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. SFAS 157 provides a common definition of fair value to be used throughout GAAP, which is intended to make the measurement of fair value more consistent and comparable and improve disclosures about those measures. SFAS 157 clarifies the principal that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Company adopted SFAS 157 for financial assets and liabilities at the beginning of its fiscal year 2008 and adopted SFAS 157 for nonfinancial assets and liabilities at the beginning of its fiscal year 2009. The adoption of SFAS 157 did not have a material impact on the Company's consolidated financial position and results of operations. The Company is still assessing the impact that SFAS 157 will have on its goodwill and intangible asset impairment testing, which is performed annually during the Company's fiscal fourth quarter unless a triggering event indicates that such test should be performed earlier in the year.

In December 2007, the FASB issued SFAS 141 (Revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R replaces FASB Statement No. 141, *Accounting for Business Combinations*. SFAS 141R requires that the acquisition method of accounting be used in all business combinations and for an acquirer to be identified for each business combination. SFAS 141R defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. It requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquire at the acquisition date, measured at their fair values as of that date. SFAS 141R is effective for the Company and business combinations for which the acquisition date is on or after the beginning of fiscal year 2009. The impact on the Company of adopting SFAS 141R will depend on the nature, terms and size of the business combinations completed after the effective date.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* ("FSP 132(R)-1"). This FSP amends FASB Statement No. 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FAS 132(R)-1 provides guidance on an employer's disclosure about plan assets of a defined benefit pension or other postretirement plans. This standard is effective for fiscal years ending after December 15, 2009. The Company is assessing the impact of this guidance on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and ABP 28-1, *Interim Disclosure about Fair Value of Financial Instruments* ("FSP 107-1 and ABP 28-1"). This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. This FSP is effective for interim reporting periods ending after June 15, 2009. This FSP was adopted by the Company for the quarter ended June 27, 2009 and the Company's disclosures have been properly adjusted to reflect the adoption of this statement.

In May 2009, the FASB issued SFAS 165, *Subsequent Events* ("SFAS 165"). SFAS 165 establishes principles and requirements for subsequent events. The statement details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. This statement is effective for interim or annual reporting periods ending after June 15, 2009. This statement was adopted by the Company for the quarter ended June 27, 2009 and the Company's disclosures have been properly adjusted to reflect the adoption of this statement.

In June 2009, the FASB issued SFAS 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 amends SFAS 162, *Fair Value Accounting – An Overview of FASB Statements 157 and 159*. SFAS 168 confirms the FASB Accounting Standards Codification (Codification) will become the single official source of authoritative US GAAP (other than guidance issued by the Securities and Exchange Commission), superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF), and related literature. Therefore, only one level of authoritative US GAAP will exist. The Codification does not change US GAAP; it introduces a new structure that is organized in an easily accessible online research system. The Codification becomes effective for interim and annual periods ending on or after September 15, 2009.

In June 2009, the FAS issued FSP FAS 157-4, *Determining Fair Value when the Volume and Level of Activity have significantly decreased and Identifying Transaction that are not Orderly* ("FSP 157-4"). FSP 157-4 provides additional guidance to highlight and expands on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. The FSP is effective for periods ending after June 15, 2009. This FSP was adopted by the Company for the quarter ended June 27, 2009 and had no impact on the Company's consolidated financial statements.

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

K. Subsequent Events

In November 2008, CAW 513 filed an unfair labor practice charge against Holdings, Simmons Bedding and Simmons Canada and three former production employees filed a wrongful termination claim against Simmons Canada on behalf of themselves and a class of similarly situated former employees. In July 2009, the wrongful termination claim was dismissed (See Note G – Restructuring Charges).

On August 14, 2009, Simmons Bedding amended its forbearance agreements with the majority of its senior lenders and noteholders to extend the forbearance period through August 31, 2009.

On August 18, 2009, Simmons Bedding amended its Amended and Restated Certificate of Incorporation to provide for three classes of directors, as nearly equal in number as possible. The current members of the Board of Directors of Simmons Bedding will be divided into three classes. The term of office of the first class of directors will expire in 2009, the term of office of the second class of directors will expire in 2010 and the term of the third class of directors will expire in 2011.

On August 20, 2009, THL-SC Bedding Company filed a certificate of amendment of certificate of incorporation to change its name to Bedding Holdco Incorporated. On August 20, 2009, Simmons Holdco, Inc., Holdings' parent company, also filed a certificate of amendment of certificate of incorporation to change its name to Bedding Superholdco Incorporated.

The Company evaluated all subsequent event activity through August 21, 2009 (the issue date of this Quarterly Report on Form 10-Q) and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

L. Guarantor / Non-Guarantor Statements

Simmons Bedding's 7.875% senior subordinated notes due 2014 are fully and unconditionally guaranteed, on a joint and several basis, and on an unsecured, senior subordinated basis by Holdings and Bedding Holdco (the "Parent Guarantors") and all of Simmons Bedding's active domestic subsidiaries (the "Subsidiary Guarantors"). All of the Subsidiary Guarantors are 100% owned by Simmons Bedding. None of Simmons Bedding's direct or indirect subsidiaries located in U.S. territories or outside of the U.S. guarantee the 7.875% senior subordinated notes due 2014 (the "Non-Guarantor Subsidiaries"). The Supplemental Consolidating Condensed Financial Statements provide additional guarantor/non-guarantor information.

Supplemental Consolidating Condensed Statements of Operations
For the Quarter Ended June 27, 2009
(In thousands)

	<u>Issuer and Guarantors</u>					<u>Eliminations</u>	<u>Consolidated</u>
	<u>Parent Guarantors</u>	<u>Simmons Bedding Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>			
Net sales	\$ -	\$ (18,698)	\$ 212,426	\$ 26,308	\$ (2,032)	\$ 218,004	
Cost of products sold	-	353	106,726	18,616	(1,976)	123,719	
Gross profit	-	(19,051)	105,700	7,692	(56)	94,285	
Operating expenses:							
Selling, general and administrative expenses	-	49,510	19,713	6,108	-	75,331	
Amortization of intangibles	-	738	600	215	-	1,553	
Intercompany fees	-	(70,395)	69,556	839	-	-	
Licensing revenues	-	(275)	(1,316)	(161)	-	(1,752)	
	-	(20,422)	88,553	7,001	-	75,132	
Operating income	-	1,371	17,147	691	(56)	19,153	
Interest expense	5,915	17,103	186	1,790	-	24,994	
Interest income	-	(15)	22	(53)	-	(46)	
Income from subsidiaries	154	15,398	-	-	(15,552)	-	
Income (loss) before income taxes	(5,761)	(319)	16,939	(1,046)	(15,608)	(5,795)	
Income tax expense (benefit)	-	(473)	695	(256)	-	(34)	
Net income (loss)	\$ (5,761)	\$ 154	\$ 16,244	\$ (790)	\$ (15,608)	\$ (5,761)	

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Statements of Operations
For the Quarter Ended June 28, 2008
(In thousands)

	Issuer and Guarantors				Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
Net sales	\$ -	\$ (24,569)	\$ 251,681	\$ 40,714	\$ (143)	\$ 267,683
Cost of products sold	-	809	135,593	30,214	(143)	166,473
Gross profit	-	(25,378)	116,088	10,500	-	101,210
Operating expenses:						
Selling, general and administrative expenses	-	52,921	22,489	7,149	-	82,559
Amortization of intangibles	-	738	600	249	-	1,587
Intercompany fees	-	(77,884)	77,348	536	-	-
Licensing revenues	-	(381)	(1,891)	(188)	-	(2,460)
Operating income	-	(772)	17,542	2,754	-	19,524
Interest expense	5,693	9,592	193	2,112	-	17,590
Interest income	-	(9)	(9)	(85)	-	(103)
Income from subsidiaries	5,454	14,145	-	-	(19,599)	-
Income before income taxes	(239)	3,790	17,358	727	(19,599)	2,037
Income tax expense (benefit)	(1,420)	(1,664)	4,382	(442)	-	856
Net income	<u>\$ 1,181</u>	<u>\$ 5,454</u>	<u>\$ 12,976</u>	<u>\$ 1,169</u>	<u>\$ (19,599)</u>	<u>\$ 1,181</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Statements of Operations
For the Six Months Ended June 27, 2009
(In thousands)

	Issuer and Guarantors					Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries			
Net sales	\$ -	\$ (39,908)	\$ 435,039	\$ 50,499	\$ (5,059)	\$	\$ 440,571
Cost of products sold	-	828	218,154	37,411	(5,003)	-	251,390
Gross profit	-	(40,736)	216,885	13,088	(56)	-	189,181
Operating expenses:							
Selling, general and administrative expenses	-	103,994	35,888	12,157	-	-	152,039
Amortization of intangibles	-	1,477	1,200	417	-	-	3,094
Intercompany fees	-	(148,750)	147,163	1,587	-	-	-
Licensing revenues	-	(550)	(3,013)	(312)	-	-	(3,875)
	-	(43,829)	181,238	13,849	-	-	151,258
Operating income (loss)	-	3,093	35,647	(761)	(56)	-	37,923
Interest expense	12,144	31,859	378	3,433	-	-	47,814
Interest income	-	(21)	(2)	(29)	-	-	(52)
Income from subsidiaries	3,162	31,086	-	-	(34,248)	-	-
Income before income taxes	(8,982)	2,341	35,271	(4,165)	(34,304)	-	(9,839)
Income tax expense (benefit)	-	(821)	1,789	(1,825)	-	-	(857)
Net income (loss)	\$ (8,982)	\$ 3,162	\$ 33,482	\$ (2,340)	\$ (34,304)	\$	\$ (8,982)

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Statements of Operations
For the Six Months Ended June 28, 2008
(In thousands)

	Issuer and Guarantors				Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
Net sales	\$ -	\$ (46,721)	\$ 516,962	\$ 74,529	\$ (206)	\$ 544,564
Cost of products sold	-	1,611	277,510	54,765	(206)	333,680
Gross profit	-	(48,332)	239,452	19,764	-	210,884
Operating expenses:						
Selling, general and administrative expenses	-	111,745	44,902	14,463	-	171,110
Amortization of intangibles	-	1,477	1,200	499	-	3,176
Intercompany fees	-	(161,882)	160,048	1,834	-	-
Licensing revenues	-	(782)	(3,824)	(422)	-	(5,028)
Operating income	-	(49,442)	202,326	16,374	-	169,258
Interest expense	11,336	1,110	37,126	3,390	-	41,626
Interest income	-	(16)	(41)	(177)	-	(234)
Income from subsidiaries	11,749	27,817	-	-	(39,566)	-
Income before income taxes	413	9,421	36,732	(676)	(39,566)	6,324
Income tax expense (benefit)	(3,283)	(2,328)	9,163	(924)	-	2,628
Net income	<u>\$ 3,696</u>	<u>\$ 11,749</u>	<u>\$ 27,569</u>	<u>\$ 248</u>	<u>\$ (39,566)</u>	<u>\$ 3,696</u>

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Balance Sheets
As of June 27, 2009
(In thousands)

	Issuer and Guarantors					Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries			
ASSETS							
Current assets:							
Cash and cash equivalents	\$ -	\$ 53,032	\$ 6,715	\$ 7,594	\$ -	\$ -	\$ 67,341
Accounts receivable	-	-	79,680	21,930	(811)	-	100,799
Inventories	-	37	25,166	6,111	(56)	-	31,258
Other	2,440	25,280	2,999	2,138	-	-	32,857
Total current assets	2,440	78,349	114,560	37,773	(867)	-	232,255
Property, plant and equipment, net	-	21,027	41,082	17,753	-	-	79,862
Goodwill and other intangibles, net	-	66,903	438,133	63,787	-	-	568,823
Other assets	34,739	98,049	475	1,909	(120,142)	-	15,030
Net investment in and advances to (from) affiliates	(147,588)	420,497	12,245	(2,487)	(282,667)	-	-
Total assets	\$ (110,409)	\$ 684,825	\$ 606,495	\$ 118,735	\$ (403,676)	\$ -	\$ 895,970
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)							
Current liabilities:							
Current maturities of long-term debt	\$ 257,044	\$ 729,532	\$ 300	\$ 214	\$ -	\$ -	\$ 987,090
Accounts payable and accrued liabilities	129	62,248	51,053	27,000	(12,514)	-	127,916
Total current liabilities	257,173	791,780	51,353	27,214	(12,514)	-	1,115,006
Long-term debt	-	-	12,200	74,441	(73,712)	-	12,929
Deferred income taxes	-	38,220	90,349	3,292	(34,726)	-	97,135
Other non-current liabilities	-	25,540	8,106	4,836	-	-	38,482
Total liabilities	257,173	855,540	162,008	109,783	(120,952)	-	1,263,552
Stockholder's equity (deficit)	(367,582)	(170,715)	444,487	8,952	(282,724)	-	(367,582)
Total liabilities and stockholder's equity (deficit)	\$ (110,409)	\$ 684,825	\$ 606,495	\$ 118,735	\$ (403,676)	\$ -	\$ 895,970

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Balance Sheets
As of December 27, 2008
(In thousands)

	Issuer and Guarantors					Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries			
ASSETS							
Current assets:							
Cash and cash equivalents	\$ -	\$ 46,255	\$ 2,337	\$ 6,338	\$ -	\$ -	\$ 54,930
Accounts receivable	-	-	75,634	21,904	(1,606)	-	95,932
Inventories	-	37	27,414	4,387	-	-	31,838
Other	2,602	17,086	12,505	2,593	-	-	34,786
Total current assets	2,602	63,378	117,890	35,222	(1,606)	-	217,486
Property, plant and equipment, net	-	23,335	44,429	18,728	-	-	86,492
Goodwill and other intangibles, net	-	68,381	439,337	61,078	-	-	568,796
Other assets	34,736	100,000	512	8,758	(125,983)	-	18,023
Net investment in and advances to (from) affiliates	(154,430)	434,362	299,351	(1,797)	(577,486)	-	-
Total assets	\$ (117,092)	\$ 689,456	\$ 901,519	\$ 121,989	\$ (705,075)	\$ -	\$ 890,797
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)							
Current liabilities:							
Current maturities of long-term debt	\$ 245,106	\$ 729,533	\$ 300	\$ 213	\$ -	\$ -	\$ 975,152
Accounts payable and accrued liabilities	129	55,714	58,212	30,172	(16,166)	-	128,061
Total current liabilities	245,235	785,247	58,512	30,385	(16,166)	-	1,103,213
Long-term debt	-	6,598	12,200	70,935	(76,697)	-	13,036
Deferred income taxes	-	39,930	88,782	4,775	(34,726)	-	98,761
Other non-current liabilities	-	25,113	8,319	4,682	-	-	38,114
Total liabilities	245,235	856,888	167,813	110,777	(127,589)	-	1,253,124
Stockholder's equity (deficit)	(362,327)	(167,432)	733,706	11,212	(577,486)	-	(362,327)
Total liabilities and stockholder's equity (deficit)	\$ (117,092)	\$ 689,456	\$ 901,519	\$ 121,989	\$ (705,075)	\$ -	\$ 890,797

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Statements of Cash Flows
For the Six Months Ended June 27, 2009
(In thousands)

	Issuer and Guarantor					Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries			
Net cash provided by (used in) operating activities	\$ (45)	\$ (30,759)	\$ 43,906	\$ 580	\$ -	\$ -	\$ 13,682
Cash flows from investing activities:							
Purchase of property, plant and equipment, net	-	(329)	(313)	(227)	-	-	(869)
Net cash used in investing activities	-	(329)	(313)	(227)	-	-	(869)
Cash flows from financing activities:							
Receipts from (distribution to) affiliates	120	38,406	(39,215)	689	-	-	-
Financing fees	-	(541)	-	-	-	-	(541)
Dividend to Bedding Superholdco	(75)	-	-	-	-	-	(75)
Repayment of long-term obligations	-	-	-	(107)	-	-	(107)
Net cash provided by (used in) financing activities	45	37,865	(39,215)	582	-	-	(723)
Net effect of exchange rate changes	-	-	-	321	-	-	321
Change in cash and cash equivalents	-	6,777	4,378	1,256	-	-	12,411
Cash and cash equivalents:							
Beginning of period	-	46,255	2,337	6,338	-	-	54,930
End of period	\$ -	\$ 53,032	\$ 6,715	\$ 7,594	\$ -	\$ -	\$ 67,341

Simmons Company and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Supplemental Consolidating Condensed Statements of Cash Flows
For the Six Months Ended June 28, 2008
(In thousands)

	Issuer and Guarantors				Eliminations	Consolidated
	Parent Guarantors	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
Net cash provided by (used in) operating activities	\$ (3)	\$ (33,425)	\$ 31,877	\$ 5,291	\$ -	\$ 3,740
Cash flows from investing activities:						
Purchase of property, plant and equipment, net	-	(3,820)	(7,012)	(1,802)	-	(12,634)
Net cash used in investing activities	-	(3,820)	(7,012)	(1,802)	-	(12,634)
Cash flows from financing activities:						
Dividends to Bedding Superholdco	(16,519)	-	-	-	-	(16,519)
Borrowings on revolving loan	-	24,000	-	-	-	24,000
Repayment of long-term obligations	-	-	-	(285)	-	(285)
Receipt from (distribution to) affiliates	16,522	8,926	(25,378)	(70)	-	-
Net cash provided by (used in) financing activities	3	32,926	(25,378)	(355)	-	7,196
Net effect of exchange rate changes	-	-	-	(526)	-	(526)
Change in cash and cash equivalents	-	(4,319)	(513)	2,608	-	(2,224)
Cash and cash equivalents:						
Beginning of period	-	8,241	4,087	15,192	-	27,520
End of period	\$ -	\$ 3,922	\$ 3,574	\$ 17,800	\$ -	\$ 25,296

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements as of December 27, 2008, including related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 27, 2008, and the unaudited interim financial statements included elsewhere in this report.

Business Overview

We are one of the world's largest mattress manufacturers, manufacturing and marketing a broad range of products under our well-recognized brand names. We have two reportable segments organized by geographic area, Domestic (U.S. including Puerto Rico) and Canada. In 2008, we derived approximately 88% of our net sales from our Domestic segment.

Since September 27, 2008, Simmons Bedding has not been in compliance with certain covenants of its \$540.0 million senior credit facility. After being unable to obtain a waiver or an amendment from its senior lenders to its senior credit facility, Simmons Bedding entered into an initial and subsequent forbearance agreement with a majority of its senior lenders pursuant to which the senior lenders agreed to refrain from enforcing their respective rights and remedies under the senior credit facility through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into amendments to the forbearance agreement with its senior lenders on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby the senior lenders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively.

On January 15, 2009 and July 15, 2009, Simmons Bedding did not make its scheduled interest payments due on its Subordinated Notes resulting in defaults under the indenture governing the Subordinated Notes. On February 14, 2009, the default associated with the failure to pay the interest due on January 15, 2009 matured into an event of default, which gave the holders of the Subordinated Notes the right to declare the full amount of the Subordinated Notes immediately due and payable. On February 4, 2009, Simmons Bedding and a majority of the outstanding Subordinated Notes holders entered into a forbearance agreement, pursuant to which such noteholders agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. Simmons Bedding entered into amendments to the forbearance agreement with a majority of the Subordinated Notes holders on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby such noteholders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the forbearance agreement, the noteholders party to the forbearance agreement have the obligation to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because the noteholders party to the forbearance agreement represents a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the minority holders of the Subordinated Notes.

As a condition to the forbearance agreement with Simmons Bedding's senior lenders, the Company initiated a restructuring process in December 2008. A special committee of independent directors was formed by our board of directors on January 23, 2009 to evaluate and oversee proposals for restructuring the Company's debt obligations, including seeking additional debt or equity capital and evaluating various strategic alternatives, including a possible sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or assets. There can be no assurance that the Company will be successful in implementing a restructuring or any other strategic alternatives. If the Company is unable to successfully complete a restructuring, comply with the terms of the forbearance agreements, or extend the forbearance periods as needed to successfully complete a restructuring, Simmons Bedding's payment obligations under the senior credit facility and the Subordinated Notes may be accelerated. If there is an acceleration of payments or default under the senior credit facility or Subordinated Notes, then Holdings would be in default under its Discount Notes and Bedding Superholdco would be in default under its \$300.0 million senior unsecured loan Toggle Loan. The Company would not have the ability to repay any amounts accelerated under its various debt obligations without obtaining additional equity and/or debt financing. An acceleration of payments or default could result in a voluntary filing of bankruptcy by, or the filing of an involuntary petition for bankruptcy against, Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates. Due to the possibility of such circumstances occurring, the Company is seeking a negotiated restructuring, including a restructuring of its debt obligations and/or sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates or assets, which could occur pursuant to a pre-packaged, pre-arranged or voluntary bankruptcy filing. Any bankruptcy filing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The considerations above raise substantial doubt about the Company's ability to continue as a going concern. For further information regarding our debt covenant violations and related forbearance agreements, please see Part II, Item 1A "Risk Factors – Risks Related to Our Liquidity" and Part I, Item 2 "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Liquidity and Capital Resources."

Results of Operations

The following table sets forth historical consolidated financial information as a percent of net sales:

	Quarter Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of products sold	56.8%	62.2%	57.1%	61.3%
Gross margin	43.2%	37.8%	42.9%	38.7%
Operating expenses:				
Selling, general and administrative expenses	31.4%	30.3%	31.3%	31.2%
Restructuring charges	3.2%	0.5%	3.2%	0.3%
Amortization of intangibles	0.7%	0.6%	0.7%	0.6%
Licensing revenues	-0.8%	-0.9%	-0.9%	-0.9%
	34.5%	30.5%	34.3%	31.1%
Operating income	8.8%	7.3%	8.6%	7.6%
Interest expense	11.5%	6.6%	10.9%	6.5%
Interest income	0.0%	0.0%	0.0%	0.0%
Income (loss) before income taxes	-2.7%	0.8%	-2.2%	1.2%
Income tax expense (benefit)	0.0%	0.3%	-0.2%	0.5%
Net income (loss)	-2.6%	0.4%	-2.0%	0.7%

Quarter Ended June 27, 2009 as Compared to the Quarter Ended June 28, 2008

Net Sales. Our consolidated net sales decreased \$49.7 million, or 18.6%, to \$218.0 million for the quarter ended June 27, 2009 compared to \$267.7 million for the quarter ended June 28, 2008 principally due to a decline in our Domestic segment net sales. Our Domestic segment net sales decreased \$34.0 million, or 14.8%, to \$195.3 million (includes \$2.0 million of inter-segment net sales) for the quarter ended June 27, 2009 compared to \$229.3 million (includes \$0.1 million in inter-segment net sales) during the same period of 2008. Our Domestic segment net sales decreased for the quarter ended June 27, 2009 primarily as a result of a decrease in our conventional bedding unit volume of 15.5%, or approximately \$33.4 million, and our average unit selling price (“AUSP”) of 0.9%, or approximately \$1.7 million, compared to the same period of 2008. We attribute our conventional bedding unit volume decline principally to the weak U.S. macroeconomic environment resulting in consumers delaying or foregoing their purchases of mattresses. Our conventional bedding AUSP decreased principally due to a shift in our product sales mix.

Our Canada segment net sales decreased \$13.8 million to \$24.8 million for the quarter ended June 27, 2009 compared to \$38.6 million for the quarter ended June 28, 2008. In local currency, our Canada segment net sales decreased for the quarter ended June 27, 2009 by 26.4% compared to the same period of 2008 due to a decline in conventional bedding unit volume of 28.9%, which was partially offset by an increase in conventional bedding AUSP of 3.5%. Our Canada segment unit volume decreased principally due to a weak retail environment in Canada and production issues following the closure of our Bramalea, Ontario facility in September 2008 resulting in less customer promotional activity during the second quarter of 2009 compared to the same period of 2008. Our Canada segment AUSP increased principally due to price increases implemented in the third quarter of 2008, the introduction of a new 2009 product line, and a shift in sales mix to higher priced products.

Gross Profit. Our consolidated gross profit decreased \$6.9 million to \$94.3 million (43.2% of consolidated net sales) for the quarter ended June 27, 2009 compared to \$101.2 million (37.8% of consolidated net sales) for the quarter ended June 28, 2008. Our Domestic segment gross profit decreased \$4.3 million to \$87.1 million (44.6% of Domestic segment net sales) for the quarter ended June 27, 2009 compared to \$91.4 million (39.9% of Domestic segment net sales) for the quarter ended June 28, 2008. Our Domestic segment gross margin increased 4.7 percentage points for the second quarter of 2009 compared to the same period of 2008 principally due to a decrease in our conventional bedding material costs per unit of 10.9% and our conventional bedding manufacturing cost per unit of 4.7%. Our material cost per unit decreased primarily due to deflation in the costs of raw materials, particularly in the price of foam, steel and lumber. Our manufacturing cost per unit decreased principally due to our operating one less manufacturing facility due to the closure of our Mableton, Georgia facility in September 2008 and on-going labor and overhead cost containment initiatives, partially offset by fixed manufacturing costs being absorbed by fewer units.

Our Canada segment gross profit decreased \$2.5 million to \$7.3 million (29.4% of Canada segment net sales) for the quarter ended June 27, 2009 compared to \$9.8 million (25.5% of Canada segment net sales) for the quarter ended June 28, 2008. Our Canada segment gross margin increased 3.9 percentage points due primarily to (i) reduced plant overhead as a result of the closure of our Bramalea, Ontario facility in September 2008; (ii) deflation in material costs; and (iii) a change in our sales mix.

Selling, General and Administrative Expenses ("SG&A"). Our consolidated SG&A decreased \$12.7 million for the quarter ended June 27, 2009 to \$68.4 million (31.4% of consolidated net sales) compared to \$81.1 million (30.3% of consolidated net sales) for the quarter ended June 28, 2008. Our Domestic segment SG&A decreased \$11.5 million to \$62.9 million (32.3% of Domestic segment net sales) for the quarter ended June 27, 2009 from \$74.4 million (32.4% of Domestic segment net sales) for the quarter ended June 28, 2008. Our Domestic segment SG&A decreased principally due to (i) lower volume variable selling and distribution expenses of \$7.4 million due principally to lower sales volumes; (ii) lower salaries and fringe benefits of \$4.7 million principally due to our July and November 2008 reductions in workforce; and (iii) lower fixed selling and brand development expenses of \$1.8 million principally due to the timing of floor sample shipments and cost savings initiatives. Partially offsetting these decreases for the quarter ended June 27, 2009 compared to the same period of 2008, we incurred incremental bonus expense of \$3.1 million as a result of our financial performance exceeding our budget and additional bad debt expense of \$1.0 million.

Our Canada segment SG&A decreased \$1.1 million to \$5.6 million (22.5% of Canada segment net sales) for the quarter ended June 27, 2009 from \$6.7 million (17.4% of Canada segment net sales) for the quarter ended June 28, 2008. Our Canada segment SG&A decreased principally due to lower volume variable selling expenses and cost savings initiatives.

Restructuring Charges. For the quarter ended June 27, 2009, restructuring costs increased \$5.4 million to \$6.9 million compared to \$1.5 million for the quarter ended June 28, 2008. For the quarter ended June 27, 2009, restructuring costs consisted of legal and professional fees associated with our financial restructuring efforts of \$6.6 million and exit costs associated with the closure of our Bramalea, Ontario and Mableton, Georgia manufacturing facilities in September 2008 of \$0.3 million. For the quarter ended June 28, 2008, restructuring costs consisted of \$1.5 million related to severance and benefits costs associated with the workforce reduction announced in June 2008.

Amortization of Intangibles. For the quarter ended June 27, 2009, amortization of intangibles decreased less than \$0.1 million to \$1.6 million compared the quarter ended June 28, 2008.

Interest Expense. For the quarter ended June 27, 2009, interest expense increased \$7.4 million to \$25.0 million from \$17.6 million for the quarter ended June 28, 2008. The increased interest expense for the quarter ended June 27, 2009 was primarily due to higher (i) base rates on our senior credit facility as a result of increased interest rate margins related to our senior lender forbearance agreement and (ii) average outstanding borrowings during the period. Our non-cash interest expense, which includes accretion of our Discount Notes and the amortization of deferred financing fees, increased \$0.6 million to \$6.8 million for the quarter ended June 27, 2009 compared to \$6.1 million for the quarter ended June 28, 2008.

Income Taxes: The effective income tax rate for the quarter ended June 27, 2009 of 0.6% was lower than the 42.0% tax rate for the same quarter of the prior year, principally due to the effect of valuation allowances applied against net operating losses in the second quarter of 2009 that resulted in the non-recognition of tax benefits in the U.S. tax jurisdiction.

Six Months Ended June 27, 2009 as Compared to the Six Months Ended June 28, 2008

Net Sales. Our consolidated net sales decreased \$104.0 million, or 19.1%, to \$440.6 million for the six months ended June 27, 2009 compared to \$544.6 million for the six months ended June 28, 2008 principally due to a decline in our Domestic segment net sales. Our Domestic segment net sales decreased \$75.4 million, or 15.9%, to \$398.9 million (includes \$5.1 million of inter-segment net sales) for the six months ended June 27, 2009 compared to \$474.3 million (includes \$0.2 million in inter-segment net sales) during the same period of 2008. Our Domestic segment net sales decreased for the six months ended June 27, 2009 primarily as a result of a decrease in our conventional bedding unit volume of 16.9%, or approximately \$76.4 million. We attribute our conventional bedding unit volume decline principally to the weak U.S. macroeconomic environment resulting in consumers delaying or foregoing their purchases of mattresses. Our conventional bedding AUSP remained unchanged for the six months ended June 27, 2009 compared to the six months ended June 28, 2008.

Our Canada segment net sales decreased \$23.7 million to \$46.7 million for the six months ended June 27, 2009 compared to \$70.5 million for the six months ended June 28, 2008. In local currency, our Canada segment net sales decreased for the six months ended June 27, 2009 by 20.9% compared to the same period of 2008 due to a decline in conventional bedding unit volume of 22.1%, which was partially offset by an increase in our conventional bedding AUSP of 1.2%. Our Canada segment unit volume decreased principally due to a weak retail environment in Canada and production issues following the closure of our Bramalea, Ontario facility in September 2008 resulting in less customer promotional activity during the first six months of 2009 compared to the same period of 2008. Our Canada segment AUSP increased principally due to a price increase implemented in the third quarter of 2008, the introduction of the new 2009 product line, and a shift in sales mix to higher priced products.

Gross Profit. Our consolidated gross profit decreased \$21.7 million to \$189.2 million (42.9% of consolidated net sales) for the six months ended June 27, 2009 compared to \$210.9 million (38.7% of consolidated net sales) for the six months ended June 28, 2008. Our Domestic segment gross profit decreased \$15.2 million to \$177.2 million (44.4% of Domestic segment net sales) for the six months ended June 27, 2009 compared to \$192.4 million (40.6% of Domestic segment net sales) for the six months ended June 28, 2008. Our Domestic segment gross margin increased 3.8 percentage points for the first six months of 2009 compared to the same period of 2008 principally due to a decrease in our conventional bedding material cost per unit of 8.6% and our conventional bedding manufacturing cost per unit of 0.3%. Our material cost per unit decreased primarily due to deflation in the costs of raw materials, particularly in the price of foam, steel and lumber. Our manufacturing cost per unit decreased principally due to our operating one less manufacturing facility due to the closure of our Mableton, Georgia facility in September 2008 and on-going labor and overhead cost containment initiatives, partially offset by fixed manufacturing costs being absorbed by fewer units.

Our Canada segment gross profit decreased \$6.4 million to \$12.0 million (25.7% of Canada segment net sales) for the six months ended June 27, 2009 compared to \$18.5 million (26.2% of Canada segment net sales) for the six months ended June 28, 2008. Our Canada segment gross margin decreased 0.5 percentage points due primarily to (i) the purchasing of more products from the Domestic segment, which is more costly than to manufacture in Canada, following the closure of our Bramalea, Ontario facility in September 2008 and (ii) inflation in material costs.

Selling, General and Administrative Expenses ("SG&A"). Our consolidated SG&A decreased \$31.8 million for the six months ended June 27, 2009 to \$137.8 million (31.3% of consolidated net sales) compared to \$169.6 million (31.2% of consolidated net sales) for the six months ended June 28, 2008. Our Domestic segment SG&A decreased \$29.5 million to \$126.5 million (31.8% of Domestic segment net sales) for the six months ended June 27, 2009 from \$156.1 million (32.9% of Domestic segment net sales) for the six months ended June 28, 2008. Our Domestic segment SG&A decreased principally due to (i) lower volume variable selling and distribution expenses of \$16.0 million due principally to lower sales volumes; (ii) lower salaries and fringe benefits of \$8.1 million principally due to our July and November 2008 reductions in workforce; and (iii) lower fixed selling and brand development expenses of \$7.3 million principally due to the timing of floor sample shipments and cost savings initiatives. Partially offsetting these decreases for the six months ended June 27, 2009 compared to the same period of 2008 we incurred incremental bonus expense of \$5.8 million as a result of our financial performance exceeding our budget and additional bad debt expense of \$1.3 million.

Our Canada segment SG&A decreased \$2.3 million to \$11.3 million (24.1% of Canada segment net sales) for the six months ended June 27, 2009 from \$13.6 million (19.3% of Canada segment net sales) for the six months ended June 28, 2008. Our Canada segment SG&A decreased principally due to lower volume variable selling expenses and cost savings initiatives.

Restructuring Charges. For the six months ended June 27, 2009, restructuring costs increased \$12.8 million to \$14.2 million compared to \$1.5 million for the six months ended June 28, 2008. For the six months ended June 27, 2009, restructuring costs consisted of legal and professional fees associated with our financial restructuring efforts \$13.9 million and exit costs associated with the closure of our Bramalea, Ontario and Mableton, Georgia manufacturing facilities in September 2008 of \$0.3 million. For the six months ended June 28, 2008, restructuring costs consisted of severance and benefits costs associated with the workforce reduction announced in June 2008.

Amortization of Intangibles. For the six months ended June 27, 2009, amortization of intangibles decreased \$0.1 million to \$3.1 million compared to \$3.2 million for the six months ended June 28, 2008.

Interest Expense. For the six months ended June 27, 2009, interest expense increased \$12.3 million to \$47.8 million from \$35.5 million for the six months ended June 28, 2008. The increased interest expense for the six months ended June 27, 2009 was primarily due to higher (i) base rates on our senior credit facility as a result of increased interest rate margins related to our senior lender forbearance agreements and (ii) average outstanding borrowings during the period. Our non-cash interest expense, which includes accretion of our Discount Notes and the amortization of deferred financing fees, increased \$1.6 million to \$13.8 million for the six months ended June 27, 2009 compared to \$12.2 million for the six months ended June 28, 2008.

Income Taxes: The effective income tax rate for the six months ended June 27, 2009 of 8.7% was lower than the 41.6% tax rate for the same six months of the prior year, principally due to the effect of valuation allowances applied against net operating losses in the first six months of 2009 that resulted in the non-recognition of tax benefits in the U.S. tax jurisdiction.

Liquidity and Capital Resources

Our principal sources of cash to fund liquidity needs are (i) cash provided by operating activities of Simmons Bedding and (ii) borrowings available under Simmons Bedding's senior credit facility. Restrictive covenants in our debt agreements restrict our ability to pay cash dividends and make other distributions. Our primary use of funds consists of payments for working capital requirements, capital expenditures, customer supply agreements, principal and interest for our debt, and acquisitions. As of June 27, 2009, we had \$67.3 million of cash on hand and less than \$0.1 million of availability to borrow under Simmons Bedding's revolving loan facility. As of August 1, 2009, we had \$64.5 million of cash on hand.

Since September 27, 2008, Simmons Bedding has not been in compliance with certain covenants of its \$540.0 million senior credit facility. After being unable to obtain a waiver or an amendment from its senior lenders to its senior credit facility, Simmons Bedding entered into an initial and subsequent forbearance agreement with a majority of its senior lenders pursuant to which the senior lenders agreed to refrain from enforcing their respective rights and remedies under the senior credit facility through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into amendments to the forbearance agreement with its senior lenders on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby the senior lenders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively.

On January 15, 2009 and July 15, 2009, Simmons Bedding did not make its scheduled interest payments due on its Subordinated Notes resulting in defaults under the indenture governing the Subordinated Notes. On February 14, 2009, the default associated with the failure to pay the interest due on January 15, 2009 matured into an event of default, which gave the holders of the Subordinated Notes the right to declare the full amount of the Subordinated Notes immediately due and payable. On February 4, 2009, Simmons Bedding and a majority of the outstanding Subordinated Notes holders entered into a forbearance agreement, pursuant to which such noteholders agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. Simmons Bedding entered into amendments to the forbearance agreement with a majority of the Subordinated Notes holders on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby such noteholders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the forbearance agreement, the noteholders party to the forbearance agreement have the obligation to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because the noteholders party to the forbearance agreement represent a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the minority holders of the Subordinated Notes.

As a condition to the forbearance agreement with Simmons Bedding's senior lenders, the Company initiated a restructuring process in December 2008. A special committee of independent directors was formed by our board of directors on January 23, 2009 to evaluate and oversee proposals for restructuring the Company's debt obligations, including seeking additional debt or equity capital and evaluating various strategic alternatives, including a possible sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or assets. There can be no assurance that the Company will be successful in implementing a restructuring. If the Company is unable to successfully complete a restructuring, comply with the terms of the forbearance agreements, or extend the forbearance periods as needed to successfully complete a restructuring, Simmons Bedding's payment obligations under the senior credit facility and the Subordinated Notes may be accelerated. If there is an acceleration of payments or default under the senior credit facility or Subordinated Notes, then Holdings would be in default under its Discount Notes and Bedding Superholdco would be in default under its \$300.0 million senior unsecured loan Toggle Loan. The Company would not have the ability to repay any amounts accelerated under its various debt obligations without obtaining additional equity and/or debt financing. An acceleration of payments or default could result in a voluntary filing of bankruptcy by, or the filing of an involuntary petition for bankruptcy against, Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of their affiliates. Due to the possibility of such circumstances occurring, the Company is seeking a negotiated restructuring, including a restructuring of its debt obligations and/or sale of the Company, its affiliates, or assets, which could occur pursuant to a pre-packaged, pre-arranged or voluntary bankruptcy filing. Any bankruptcy filing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The considerations above raise substantial doubt about the Company's ability to continue as a going concern.

There are substantial risks related to our liquidity. For further information regarding these risks, please see Part II, Item 1A "Risk Factors – Risks Related to Our Liquidity."

The following table summarizes our changes in cash (in millions):

	<u>Six Months Ended</u>	
	<u>June 27, 2009</u>	<u>June 28, 2008</u>
Statement of Cash Flow Data:		
Cash flows provided by (used in):		
Operating activities	\$ 13.7	\$ 3.7
Investing activities	(0.9)	(12.6)
Financing activities	(0.7)	7.2
Effect of exchange rate changes on cash	0.3	(0.5)
Increase (decrease) in cash and cash equivalents	12.4	(2.2)
Cash and cash equivalents:		
Beginning of period	54.9	27.5
End of period	<u>\$ 67.3</u>	<u>\$ 25.3</u>

Six Months Ended June 27, 2009 as Compared to Six Months Ended June 28, 2008

Cash flows provided by Operating Activities. Our cash flows provided by operating activities increased \$10.0 million for the six months ended June 27, 2009 compared to the six months ended June 28, 2008. The increase in cash provided for the first six months of 2009 compared to the same period of the prior year was primarily due to less cash utilized for working capital offset by lower operating results due principally to our restructuring costs. Our working capital (excluding deferred debt issuance costs classified as a current asset) increased \$3.8 million during the first six months of 2009 compared to a \$23.9 million increase during the same period of 2008. Our working capital increased less for the first six months of 2009 compared to the same period of 2008 principally due to lower sales volumes and timing of vendor payments.

Cash flows used in Investing Activities. For the six months ended June 27, 2009, our cash flows used in investing activities decreased \$11.7 million compared to the same period of 2008 due to a decrease in capital spending. Our purchases of property, plant and equipment decreased in 2009 principally due to a reduction in projects in line with the current economic environment. In addition, our 2008 purchases were higher than normal due to the upgrade of our Domestic segment ERP system and the purchase of new manufacturing equipment to help meet anticipated future demand for our products.

Cash flows provided by (used in) Financing Activities. For the six months ended June 27, 2009, our financing activities resulted in a \$0.7 million use of cash due to \$0.5 million in forbearance fees paid to the holders of our Subordinated Notes, \$0.1 million in debt payments and a dividend payment of less than \$0.1 million to Bedding Superholdco. For the six months ended June 28, 2008, our financing activities resulted in a \$7.2 million source of cash principally due to \$24.0 million of borrowings under our revolving credit facility, partially offset by a \$16.5 million dividend payment to Bedding Superholdco.

Debt

As of June 27, 2009, our debt outstanding was \$1,000.0 million compared to \$988.2 million as of December 27, 2008. Our outstanding debt was primarily Simmons Bedding's senior credit facility and Subordinated Notes and Holdco's Discount Notes.

Senior Credit Facility

The senior credit facility provides for a \$75.0 million revolving loan facility and a \$465.0 million tranche D term loan facility. The revolving loan under the senior credit facility will expire on the earlier of (a) December 19, 2009 or (b) as revolving credit commitments under the facility terminate. As of June 27, 2009, under the revolving loan facility, Simmons Bedding had \$64.5 million of borrowings and \$10.4 million that was reserved for its reimbursement obligations with respect to outstanding letters of credit. Simmons Bedding incurs an unused line fee of 0.375% per annum on the unused portion of its revolving loan facility.

The tranche D term loans under the senior credit facility will expire on December 19, 2011. The tranche D term loan has a mandatory principal payment of \$113.5 million on March 31, 2011 and quarterly mandatory principal payments of \$117.2 million from June 30, 2011 through maturity on December 19, 2011. Depending on Simmons Bedding's leverage ratio, it may be required to prepay a portion of the tranche D term loan with up to 50% of its excess cash flow (as defined in the senior credit facility) from each fiscal year. We were not required to prepay a portion of the tranche D term loan during the first six months of 2009.

The senior credit facility bears interest at our choice of the Eurodollar Rate or Base Rate (both as defined), plus the applicable interest rate margins. The weighted average interest rate per annum in effect as of June 27, 2009 for the tranche D term loan was 10.5%. The senior credit facility is guaranteed by Bedding Holdco and all of Simmons Bedding's domestic subsidiaries. Simmons Bedding has pledged substantially all of its assets to the senior credit facility.

The senior credit facility requires Simmons Bedding to maintain certain financial ratios, including cash interest coverage (adjusted EBITDA to cash interest expense) and total leverage (net debt to adjusted EBITDA) ratios. Adjusted EBITDA (as defined in the senior credit facility) differs from the term "EBITDA" as it is commonly used. In addition to adjusting net income (loss) to exclude interest expense, income taxes, depreciation and amortization, Adjusted EBITDA, as we interprets the definition of Adjusted EBITDA from the senior credit facility, also adjusts net income (loss) by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as management fees; other non-cash items reducing consolidated net income (loss); any extraordinary, unusual or non-recurring gains or losses or charges or credits; and any reasonable expenses or charges related to any issuance of securities, investments permitted, permitted acquisitions, recapitalizations, asset sales permitted or indebtedness permitted to be incurred; less other non-cash items increasing consolidated net income (loss), all of the foregoing as determined on a consolidated basis for Simmons Bedding in conformity with GAAP.

The financial covenants are as follows:

- 1) A minimum cash interest coverage ratio of no less than 3.00:1.00 from June 27, 2009 through each fiscal quarter ending thereafter.
- 2) A maximum leverage ratio of no greater than 4.00:1.00 from June 27, 2009 through each fiscal quarter ending thereafter.

Since September 27, 2008, Simmons Bedding was not in compliance with the maximum leverage financial covenant and certain other covenants contained in its senior credit facility. In response thereto, Simmons Bedding was unable to negotiate a waiver of such defaults with its senior lenders and entered into the First Forbearance Agreement and Second Amendment to the Second Amended and Restated Credit and Guaranty Agreement (“First Forbearance Agreement”) on November 12, 2008 and the Second Forbearance Agreement and Third Amendment to the Second Amended and Restated Credit and Guaranty Agreement and First Amendment to the Pledge and Security Agreement (the “Second Forbearance Agreement”) on December 10, 2008 with its senior lenders. Based on the terms of the First Forbearance Agreement, the senior lenders agreed to, among other things; forbear from exercising their default-related rights and remedies under the senior credit facility against Simmons Bedding through December 10, 2008, provided that Simmons Bedding satisfied certain conditions. The Second Forbearance Agreement extended the forbearance period through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into (i) that certain First Amendment to Second Forbearance Agreement; Fourth Amendment to the Second Amended and Restated Credit and Guaranty Agreement and Second Amendment to the Pledge and Security Agreement (the “First Amendment to the Second Forbearance Agreement”) on March 25, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through May 31, 2009 and, upon satisfaction of certain conditions, July 31, 2009; (ii) that certain Second Amendment to Second Forbearance Agreement; Fifth Amendment to the Second Amended and Restated Credit and Guaranty and Third Amendment to the Pledge and Security Agreement (the “Second Amendment to the Second Forbearance Agreement”) on May 27, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through June 30, 2009 and, upon satisfaction of certain conditions, July 31, 2009; (iii) that certain Third Amendment to Second Forbearance Agreement; Sixth Amendment to the Second Amended and Restated Credit and Guaranty Agreement (the “Third Amendment to the Second Forbearance Agreement”) on June 30, 2009, pursuant to which the senior lenders extended the forbearance period under the Second Forbearance Agreement through August 14, 2009; and (iv) that certain Fourth Amendment to Second Forbearance Agreement; Seventh Amendment to the Second Amended and Restated Credit and Guaranty Agreement (the “Fourth Amendment to the Second Forbearance Agreement” and, together with the First Amendment to the Second Forbearance Agreement, the Second Amendment to the Second Forbearance Agreement and the Third Amendment to the Second Forbearance Agreement, the “Amendment to the Second Forbearance Agreement”) on August 14, 2009, pursuant to which the senior lenders extended the forbearance period under Second Forbearance Agreement through August 31, 2009.

During the forbearance period, the senior lenders will provide no additional loans or financial accommodation to Simmons Bedding except for the issuance, renewal, extension or replacement of letters of credit and revolving loans provided in certain limited circumstances related to the letters of credit as set forth in the forbearance agreements. In addition, Simmons Bedding will not be permitted to, directly or indirectly, incur indebtedness, liens, investments, restricted junior payments, or consummate any asset sales, except in the ordinary course of business, during the forbearance period.

During the forbearance period under the First Forbearance Agreement, the applicable margin on the revolving loans and tranche D term loans increased 2.0% per annum above the rate otherwise applicable. The Second Forbearance Agreement amended the senior credit facility to, among other things:

- Increase the applicable margin for both the revolving loans and the tranche D term loans to either Base Rate plus 5.285% per annum or Eurodollar Rate plus 6.285% per annum;
- Establish a floor for the Base Rate and Eurodollar Rate of 4.25% and 3.25%, respectively, per annum at the earlier of the termination of the Second Forbearance Agreement or March 31, 2009;
- Eliminate the 2% per annum penalty rate applicable to overdue payments of principal and interest; and
- Make interest payable on the revolving loans and tranche D term loans as of the last business calendar day of each month.

The Second Forbearance Agreement also required Simmons Bedding to enter into deposit account control agreements with respect to all its bank accounts, with certain exceptions. The Second Forbearance Agreement included certain covenants including:

- Minimum liquidity requirements whereby Simmons Bedding will maintain a daily cash balance of not less than \$2.5 million for any two consecutive business days and an average daily cash balance of not less than \$7.5 million for any five consecutive business days;
- Providing a long-term business plan to the senior lenders by January 7, 2009;
- Commencing a process to solicit new debt and/or equity investment by January 9, 2009;
- Providing a potential restructuring proposal to the senior lenders by January 26, 2009; and
- Increased financial reporting requirements

As of June 27, 2009, the Company was in compliance with the covenant requirements of the Second Forbearance Agreement, as amended.

The First Amendment to the Second Forbearance Agreement amended the senior credit facility to, among other things; increase the applicable margin for both revolving loans and tranche D term loans to Base Rate plus 6.25% per annum or Eurodollar Rate plus 7.25% per annum.

In connection with the First Forbearance Agreement, Simmons Bedding agreed to pay (a) the senior lenders who approved the agreement a forbearance fee equal to 0.125% of the aggregate outstanding amount of such lender's outstanding debt under the senior credit facility (\$0.6 million) and (b) the fees and expenses of the lender's counsel in connection with the First Forbearance Agreement. In connection with the Second Forbearance Agreement, Simmons Bedding agreed to pay (a) the senior lenders who approved the agreement a forbearance fee equal to 0.5% of the aggregate outstanding amount of such lender's outstanding debt under the senior credit facility (\$2.6 million) and (b) the fees and expenses of the lender's counsel and financial advisor in connection with the Second Forbearance Agreement. The Company capitalized the lender fees of \$3.3 million in 2008 and expensed the third party fees associated with the forbearance agreements as incurred. In connection with the Third Amendment to the Second Forbearance Agreement, Simmons Bedding agreed to pay the senior lenders who approved the agreement a forbearance fee equal to 0.15% of the aggregate outstanding amount of approving lender's outstanding debt (\$0.7 million), which the Company capitalized for the quarter ending September 26, 2009.

During the forbearance period as extended, Simmons Bedding has met various covenants and other provisions related to continued progress in its restructuring efforts and reporting on the status of the restructuring process.

Subordinated Notes

Simmons Bedding's \$200.0 million senior subordinated notes due 2014 bear interest at the rate of 7.875% per annum, which is payable semi-annually in cash in arrears on January 15 and July 15. The Subordinated Notes mature on January 15, 2014 and are subordinated in right of payment to all existing and future senior indebtedness of Simmons Bedding.

The Subordinated Notes are redeemable at the option of the Company beginning January 15, 2009 at prices decreasing from 103.938% of the principal amount thereof to par on January 15, 2012 and thereafter. The Company is not required to make mandatory redemption or sinking fund payments with respect to the Subordinated Notes.

The indenture for the Subordinated Notes require Simmons Bedding to comply with certain restrictive covenants, including restrictions on dividends, and limitations on the occurrence of indebtedness, certain payments and distributions, and sales of Simmons Bedding's assets and stock.

Simmons Bedding did not make scheduled interest payments of \$7.9 million due on January 15, 2009 and July 15, 2009 on the Subordinated Notes resulting in defaults under the indenture governing the Subordinated Notes. On February 14, 2009, the default associated with the failure to pay the interest due on January 15, 2009 matured into an event of default, which gives the holders of the Subordinated Notes the right to declare the full amount of the Subordinated Notes immediately due and payable. On February 4, 2009, Simmons Bedding and a majority of the outstanding Subordinated Notes holders approved a Forbearance Agreement to the indenture governing the Subordinated Notes ("Subordinated Forbearance Agreement"), pursuant to which such noteholders agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. In consideration for their entry into the amendment to the Subordinated Forbearance Agreement, the noteholders party to the forbearance agreement received an amendment fee equal to 0.5% of the aggregate outstanding amount of such holder's Subordinated Notes (\$0.5 million). In connection with the Subordinated Forbearance Agreement, Simmons Bedding also agreed to pay the fees and expenses of the legal and financial advisors of the committee to the noteholders. Simmons Bedding entered into amendments to the Subordinated Forbearance Agreement on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby a majority of the noteholders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the Subordinated Forbearance Agreement, the noteholders party to the Subordinated Forbearance Agreement have the obligation to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because the noteholders party to the Subordinated Forbearance Agreement represent a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the minority holders of the Subordinated Notes.

Discount Notes

Our Discount Notes, with an aggregate principal amount at maturity of \$269.0 million, bear interest at the rate of 10.0% per annum payable semi-annually in cash in arrears on June 15 and December 15 of each year commencing on June 15, 2010. Prior to December 15, 2009, interest will accrue on the Discount Notes in the form of an increase in the accreted value of the Discount Notes. The Company's ability to make payments on the Discount Notes is dependent on the earnings and distribution of funds from Simmons Bedding to Holdings. Simmons Bedding is prohibited from making certain distributions under the forbearance agreements.

The Discount Notes are redeemable at the our option beginning December 15, 2009 at prices decreasing from 105.0% of the principal amount thereof to par on December 15, 2012 and thereafter. We are not required to make mandatory redemption or sinking fund payments with respect to the Discount Notes.

If any of the Discount Notes are outstanding on June 15, 2010, we are obligated to redeem for cash a portion of each Discount Note then outstanding in an amount equal to (i) the excess of the aggregate amount of accrued and unpaid interest and original issue discount on the Discount Notes over (ii) the issue price of the Discount Notes multiplied by the yield to maturity of the Discount Notes (the "Mandatory Principal Redemption Amount) plus a premium equal to 5.0% (one-half of the coupon) of the Mandatory Principal Redemption Amount. No partial redemption or repurchase of the Discount Notes pursuant to any other provision of the indenture will alter our obligation to make this redemption with respect to any Discount Notes then outstanding. Assuming no redemptions prior to June 15, 2010, we would be obligated to make a mandatory principal payment of \$90.2 million and an interest and premium payment of \$18.0 million on June 15, 2010.

The indenture for the Discount Notes requires Holdings to comply with certain restrictive covenants, including a restriction on dividends; and limitations on the incurrence of indebtedness, certain payments and distributions, and sales of Holdings' assets and stock. Holdings was in compliance with such covenants as of June 27, 2009.

Toggle Loan

We do not guarantee or have any of our assets pledged as collateral under Bedding Superholdco's \$300 million Toggle Loan. The Toggle Loan is structurally subordinated in right of payment to any of our existing and future liabilities. Although we are not obligated to make cash distributions to service principal and interest on the Toggle Loan, Bedding Superholdco is dependent on our cash flow to meet the interest and principal payments under the Toggle Loan. The Toggle Loan is not included in our financial statements. Under the terms of the credit agreement governing the Toggle Loan, Bedding Superholdco may elect to pay future interest in cash or add such interest to the principal amount of the Toggle Loan. However, the Second Forbearance Agreement, as amended, prohibits us from making distributions to its parent companies during the forbearance period, except in the ordinary course of business. Accordingly, Bedding Superholdco has elected to make its February 2009, August 2009 and February 2010 interest payments on the Toggle Loan by adding such interest to the principal amount of the Toggle Loan. The Toggle Loan matures in February 2012. An acceleration of indebtedness under the senior credit facility, Subordinated Notes or Discount Notes would trigger an event of default under the Toggle Loan.

Seasonality/Other

Our third fiscal quarter sales are typically higher than sales for our other fiscal quarters. We attribute this seasonality principally to retailers' sales promotions related to the 4th of July and Labor Day holidays. For the last five years, third quarter sales have represented on average 27% of our consolidated net sales.

Accounting Pronouncements

See Note J in the Notes to our Unaudited Condensed Consolidated Financial Statements in Item 1 for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations and financial condition, which is incorporated herein by reference.

Forward Looking Statements

“*Safe Harbor*” statement under the *Private Securities Litigation Reform Act of 1995*. This quarterly report on Form 10-Q includes forward-looking statements that reflect our current views about future events and financial performance. Words such as “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” and variations of such words or similar expressions that predict or indicate future events, results or trends, or that do not relate to historical matters, identify forward-looking statements. The forward-looking statements in this report speak only as of the date of this report. These forward-looking statements are expressed in good faith and Simmons believes there is a reasonable basis for them. However, there can be no assurance that the events, results or trends identified in these forward-looking statements will occur or be achieved. Investors should not rely on forward-looking statements because they are subject to a variety of risks, uncertainties, and other factors that could cause actual results to differ materially from Simmons’s expectations. These factors include, but are not limited to: (i) compliance with covenants in, and any defaults under, our debt agreements or instruments; (ii) our ability to (a) comply with the terms of the forbearance agreements, including meeting certain conditions contained therein, (b) obtain further extensions to the forbearance periods, or (c) develop and implement a restructuring on acceptable terms, on a timely basis or at all; (iii) compliance by the lenders and noteholders with the terms of the forbearance agreements; (iv) increased cost of credit and associated fees resulting from the forbearance extensions and any waiver or modification of the senior credit facility by the lenders or any waiver or modification of the Subordinated Notes or other indebtedness; (v) Simmons Bedding being required to immediately repay all amounts outstanding under the senior credit facility resulting from the noncompliance with the covenants thereunder or otherwise being in default under its debt which could in turn result in a default under the indebtedness of Simmons Bedding, Simmons Company or Bedding Superholdco or could result in a bankruptcy filing by or against us or any of our affiliates and have an adverse impact on the value of our and our affiliate’s debt and equity securities; (vi) the potential adverse impact of any restructuring or any related pre-arranged or voluntary bankruptcy filing on our business, financial condition, liquidity, results of operations and the value of our and our affiliate’s debt and equity securities; (vii) interest rate and credit market risks; (viii) competitive pressures in the bedding industry; (ix) general economic and industry conditions; (x) our ability to launch new products on a timely basis, the success of our new products and the future costs to rollout such products; (xi) legal and regulatory requirements; (xii) our relationships with and viability of our suppliers, significant customers and licensees; (xiii) fluctuations in our costs of raw materials and energy prices; (xiv) our ability to hold or increase prices on our products and the related effect on our unit sales; (xv) an increase in our return rates and warranty claims; (xvi) our labor relations; (xvii) encroachments on our intellectual property; (xviii) our product liability, intellectual property and other litigation claims; (xix) our level of indebtedness; (xx) foreign currency exchange rate risks; (xxi) our future acquisitions; (xxii) our ability to achieve the expected benefits from any personnel realignments; (xxiii) higher bad debt expense as a result of increased customer bankruptcies due to instability in the economy and slowing consumer spending; (xxiv) our ability to maintain sufficient liquidity to operate our business; and (xxv) other risks and factors identified from time to time in our reports filed with the Securities Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, either to reflect new developments or for any other reason.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q. Except as may be required by law, we undertake no obligation to publicly update or revise forward-looking statements, which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information relative to our market risk sensitive instruments by major category should be read in conjunction with the related disclosure contained in Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

Market Risk

The principal market risks to which we are exposed that may adversely affect our results of operations and financial position include changes in future foreign currency exchange rates, interest rates, commodity prices and equity prices. We seek to minimize or manage these market risks through normal operating and financing activities and through the use of derivative instruments, where practicable. We do not trade or use instruments with the objective of earning financial gains on the market fluctuations, nor do we use instruments where there are not underlying exposures.

Foreign Currency Exposures

As a result of our acquisition of Simmons Canada, our earnings are affected by fluctuations in the value of the Canadian dollar (Simmons Canada's functional currency) as compared to the currencies of Simmons Canada's foreign denominated purchases (principally the U.S. dollar). Foreign currency forward contracts are used in some instances as economic hedges against the earnings effects of such fluctuations. The Company had no forward contracts outstanding at June 27, 2009.

Interest Rate Risk

We are exposed to market risks from changes in interest rates. Our senior credit facility and certain of our other debt instruments are floating rate debt. We currently do not have a hedging program in place to manage fluctuations in long-term interest rates.

On June 27, 2009, we had floating rate debt of \$533.3 million. All other factors remaining unchanged, a hypothetical 10% increase or decrease in interest rates on our floating rate debt would impact our income before income taxes by \$5.6 million for the quarter ended June 27, 2009.

Commodity Price Risk

The major raw materials that we purchase for production are foam, wire, spring components, lumber, cotton, insulator pads, foundation constructions, fabrics and roll goods consisting of foam, fiber, ticking and non-wovens. The price and availability of these raw materials are subject to market conditions affecting supply and demand. In particular, the price of many of our goods can be impacted by fluctuations in petrochemical and steel prices. Additionally, our distribution costs can be impacted by fluctuations in diesel prices. We currently do not have a hedging program in place to manage fluctuations in commodity prices.

Equity Price Risk

Our defined benefit plans hold investments in both equity and fixed income securities. Our annual contribution amount to such plans is dependent upon, among other things, the return on the plans' assets. The annual contribution amount could increase if equity prices decrease. Our estimated contributions to the plans for 2009 are expected to be \$1.1 million.

Item 4T. Internal Controls and Procedures

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported, within the time periods specified in SEC rules and forms. An evaluation was carried out under the supervision and with the participation of the Company's management, including the President and Chief Operating Officer ("President") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the President and CFO have concluded that the Company's disclosure controls and procedures are effective as of June 27, 2009.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls in the second quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -

OTHER INFORMATION

Item 1. Legal Proceedings

See paragraph 1 and 2 of Note H to the Unaudited Condensed Consolidated Financial Statements, Part 1, Item 1 included herein.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 27, 2008, which could materially affect our business, financial condition or future results. To the extent that the risk factors set forth below appear in our Annual Report on Form 10-K, the risk factors set forth below amend and supplement those risk factors with the same titles contained in such previously filed reports.

Risks Related to Our Liquidity and Restructuring

We are not in compliance with certain covenants under the senior credit facility and the indenture governing the Subordinated Notes, and as a result we have entered into related forbearance agreements. If we are unable to successfully complete a restructuring, comply with the terms of the forbearance agreements, or extend the forbearance periods as needed to complete a restructuring, our payment obligations under the senior credit facility and the Subordinated Notes may be accelerated, which could lead to a bankruptcy filing. A bankruptcy filing would subject our business and operations to certain risks and have a negative effect on the value of our debt.

Simmons Bedding's senior credit facility requires us to maintain specified consolidated financial ratios and satisfy certain consolidated financial tests. At September 27, 2008, December 27, 2008, March 28, 2009 and June 27, 2009, Simmons Bedding was not in compliance with the maximum leverage financial covenant and certain other covenants contained in its senior credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt - Senior Credit Facility." As a result, since November 12, 2008, Simmons Bedding has operated under a forbearance agreement with its senior lenders. Pursuant to the forbearance agreement, the senior lenders agreed to, among other things, forbear from exercising their default related rights and remedies under the senior credit facility through March 31, 2009, subject to earlier termination in some circumstances. Simmons Bedding entered into amendments to the forbearance agreement with its senior lenders on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby the senior lenders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. We have incurred fees and expenses in connection with this forbearance agreement and related amendments. In addition, we have entered into deposit account control agreements with our senior lenders that may limit our access to cash held in such accounts in the case of an event of default under the senior credit facility.

On January 15, 2009 and July 15, 2009, Simmons Bedding did not make the scheduled payment of interest due on its Subordinated Notes resulting in a default under the indenture governing the Subordinated Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt - Subordinated Notes." On February 4, 2009, Simmons Bedding and the holders of a majority of the outstanding Subordinated Notes entered into a forbearance agreement, pursuant to which such holders have agreed to refrain from enforcing their respective rights and remedies under the Subordinated Notes and the related indenture through March 31, 2009. Simmons Bedding entered into amendments to the forbearance agreement on March 25, 2009, May 27, 2009, June 30, 2009, and August 14, 2009, whereby such holders extended their forbearance period through May 31, 2009, June 30, 2009, August 14, 2009, and August 31, 2009, respectively. Pursuant to the terms of the forbearance agreement, such holders have agreed to take any actions that are necessary to prevent an acceleration of the payments due under the Subordinated Notes during the forbearance period. Because such holders represent a majority of the Subordinated Notes, they have the power under the indenture to rescind any acceleration of the Subordinated Notes by either the trustee or the other holders of the Subordinated Notes.

We have incurred fees and expenses in connection with the forbearance agreements and related amendments, which are reflected in our restructuring charges, as well as increased interest margins.

If we are unable to successfully complete a restructuring, comply with the terms of the forbearance agreements, or extend the forbearance periods as needed to successfully complete a restructuring, our payment obligations under the senior credit facility and the Subordinated Notes may be accelerated. If there is an acceleration of payments under the senior credit facility or the Subordinated Notes, then Holdings would be in default under its Discount Notes and Bedding Superholdco would be in default under its Toggle Loan. We would not have the ability to repay any amounts accelerated under our various debt obligations without obtaining additional equity and/or debt financing. An acceleration of payments or default could result in a voluntary filing of bankruptcy by, or the filing of an involuntary petition for bankruptcy against, Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates. Due to the possibility of such circumstances occurring, we are seeking a negotiated restructuring, including a restructuring of our debt obligations and/or sale of us, our affiliates, our assets or assets of our affiliates, which could occur pursuant to a pre-packaged, pre-arranged or voluntary bankruptcy filing.

Any bankruptcy by or against us or our affiliates would subject our business and operations to various risks, including (i) the incurrence of significant costs, including expenses for legal counsel and professional advisors, (ii) difficulty maintaining or increasing our sales, (iii) difficulty obtaining and maintaining relationships with dealers, suppliers and vendors, which may require us to pay them on a current cash basis, (iv) difficulty in maintaining our manufacturing operations, (v) difficulty in retaining and motivating key employees or recruiting new employees, (vi) difficulty in maintaining or obtaining sufficient financing to fund our operations and any reorganization plan and meet future obligations, (vii) potential defaults under our contractual obligations such as leases and (viii) the incurrence of cancellation of indebtedness income that is equal to or in excess of our accrued net operating losses and tax credits and that could result in an increase in our cash tax payments and our effective tax rate and reduce our cash flows from operations. In addition, we may not be able to successfully develop or consummate a plan of reorganization that is acceptable to the bankruptcy court and our creditors, investors and other stakeholders. Any bankruptcy filing would adversely impact the ability of Simmons Bedding, Bedding Holdco, Holdings or Bedding Superholdco to repay their respective debt. Any debt or equity holder of Simmons Bedding, Holdings or Bedding Superholdco could suffer the loss of a significant part or all of its loan or investment as a result of a bankruptcy filing.

We and our affiliates currently have substantial indebtedness that we or our affiliates may be unable to extend, refinance or repay, and we are seeking to implement a restructuring. Any restructuring could have a negative impact on our business and liquidity and investments in the debt and equity securities of Simmons Bedding, Holdings, and Bedding Superholdco. In addition, a restructuring may not be successful. A restructuring or

a failure to implement a restructuring could result in a bankruptcy filing, which would have a material adverse effect on our business, financial conditions, liquidity and operations, raise substantial doubt about our ability to continue as a going concern and effect the value of our debt.

We currently have a substantial amount of debt that we may be unable to extend, refinance or repay. If we are unable to refinance or extend our debt, or such debt is accelerated due to our default because we are unable to comply with the terms of the forbearance agreements or otherwise, or if we are unable to extend the forbearance periods as needed to successfully complete a restructuring, our assets will not be sufficient to repay such debt in full, and our available cash flow will not be adequate to maintain our current operations. A special committee of independent directors was formed by our board of directors to evaluate and oversee proposals for a restructuring, including a possible sale of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or the assets of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates, which could likely occur pursuant to a pre-packaged, pre-arranged or voluntary filing of bankruptcy. Such bankruptcy filing could have the material adverse impacts described above. In addition, any restructuring may require us to obtain debtor-in-possession financing which may not be available in the amounts required, on acceptable terms, on a timely basis or at all. Current credit market conditions could make it more difficult to obtain acceptable debtor-in-possession financing or to refinance our indebtedness as part of any restructuring. If we are unable to obtain any requisite debtor-in-possession financing, we may not be able to successfully implement our restructuring. There can be no assurance that we will be successful in implementing a restructuring.

Even if we are successful in implementing a restructuring, the terms of such restructuring could have a negative impact on our business and liquidity, including (i) limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service or refinancing or to fund operations, (ii) limiting our ability to use or prohibiting our use of any operating cash flow to pay dividends to service our or Bedding Superholdco's debt or fund our business, (iii) limiting our ability to capitalize on our business opportunities and react to competitive pressures and regulatory changes and (iv) limiting our ability or increasing the costs to refinance our debt. In addition, if the restructuring and any related bankruptcy filing involves the sale of Simmons Bedding or its assets, we may not have any remaining operating assets to generate cash flow to repay the debt of Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates and the proceeds may not be sufficient to repay such debt in full, and, as a result, any debt or equity holder of Simmons Bedding, Simmons or Bedding Superholdco could suffer the loss of a significant part or all of its loan or investment.

If we are unable to successfully complete a restructuring, comply with the terms of the forbearance agreements or extend the forbearance periods prior to a successful completion of a restructuring, our senior lenders and holders of Subordinated Notes will be entitled to accelerate their debt upon the termination of the forbearance agreements. If there is an acceleration of payments under the senior credit facility, then Simmons Bedding would be in default under its Subordinated Notes, Holdings would be in default under its Discount Notes, and Bedding Superholdco would be in default under its Toggle Loan. We would not have the ability to repay any amounts accelerated under our various debt obligations without obtaining additional equity and/or debt financing. An acceleration of payments or default could result in a voluntary filing of bankruptcy by Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or the filing of an involuntary petition for bankruptcy against Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates, which would have the material adverse impacts described above.

Our financial statements have been prepared assuming that we will continue as a going concern. However, if we do not retain the necessary financing to meet our obligations and pay our liabilities when they come due or restructure our debt in a manner satisfactory to our lenders, it could result in a voluntary filing of bankruptcy by Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or the filing of an involuntary petition for bankruptcy against Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates, which would have the material adverse impacts described above.

The factors described in this Quarterly Report on Form 10-Q, including in the footnotes to our consolidated financial statements, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from this uncertainty. In addition, our independent registered public accounting firm has included an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern in their audit report for the fiscal year ended December 27, 2008. No assurances can be made regarding our ability to satisfy our liquidity and working capital requirements, to obtain the necessary financing to meet our obligations and pay our liabilities when they come due or our ability to successfully complete a restructuring. Failure to successfully implement a restructuring on a timely basis or at all would result in depleting our available funds and not being able to pay our obligations when they become due and continue as a going concern. Failure to satisfy such obligations and our other liquidity and working capital requirements could result in a voluntary filing of bankruptcy by Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates or the filing of an involuntary petition for bankruptcy against Simmons Bedding, Bedding Holdco, Holdings, Bedding Superholdco or any of our affiliates, which would have the material adverse impacts described above.

The senior credit facility and the indentures related to our debt instruments contain various covenants which limit management's discretion in the operation of our business.

The senior credit facility and the indentures related to the Subordinated Notes, the Discount Notes and the Toggle Loan and the existing forbearance agreements related to the senior credit facility and the Subordinated Notes contain various provisions which limit management's discretion in managing our business by, among other things, restricting our ability to:

- borrow money;
- pay dividends on stock or repurchase stock;
- make certain types of investments and other restricted payments;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with affiliates;
- sell stock in certain of our subsidiaries; and
- restrict dividends or other payments from our subsidiaries.

In addition, the senior credit facility requires Simmons Bedding to meet certain financial ratios. Covenants in the senior credit facility require Simmons Bedding to use a portion of the proceeds it receives in specified debt or equity issuances to repay outstanding borrowings under its senior credit facility.

Even if we are able to refinance or extend our indebtedness or enter into a successful restructuring plan, our substantial indebtedness could still adversely affect our financial health and reduce the cash available to support our business and operations.

On a consolidated basis, we are currently highly leveraged. As of June 27, 2009, we had \$1,000.0 million of total indebtedness outstanding and less than \$0.1 million available on our revolving loan under our senior credit facility. Even if we are able to successfully complete a restructuring, we may still maintain some indebtedness. Any indebtedness could have important consequences. For example, it could:

- make it more difficult for Simmons to satisfy its obligations with respect to our outstanding debt, and a failure to comply with any financial and other restrictive covenants could result in an event of default under our debt instruments and agreements;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- increase our vulnerability to interest rate increases, as borrowings under the senior credit facility and certain other debt are at variable rates, resulting from financial market conditions, ratings downgrades or other factors;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, among other things, our ability to borrow additional funds.

In addition, we may be able to incur additional indebtedness in the future. If new debt is added, the related risks described above could intensify.

Each of Holdings and Bedding Superholdco is a holding company with no operations. Each of Holdings and Bedding Superholdco may not have access to the cash flow and other assets of its subsidiaries that may be needed to make payments on its respective debt obligations.

Holdings is a holding company that conducts no operations. Its primary assets are deferred financing fees and the capital stock of Bedding Holdco, which in turn is a holding company that conducts no operations and the only assets of which are the capital stock of Simmons Bedding. Bedding Superholdco is our parent company and it has no material assets other than its ownership of our capital stock. Operations are conducted through Simmons Bedding and its subsidiaries, and Holdings' ability to make payments on the Discount Notes and Bedding Superholdco's ability to make payments on the Toggle Loan are solely dependent on the earnings and distribution of funds from Simmons Bedding and its subsidiaries through loans, dividends or otherwise. However, none of Holdings' or Bedding Superholdco's subsidiaries is obligated to make capital contributions, dividends, loans or other payments available to it for payment on the Discount Notes or the Toggle Loan. The terms of the senior credit facility and the forbearance agreements significantly restrict Simmons Bedding from paying dividends and otherwise transferring assets to Holdings or to Bedding Superholdco, except for administrative, legal and accounting services. Further, the Subordinated Notes significantly restrict Simmons Bedding and its subsidiaries from paying dividends to Holdings or to Bedding Superholdco and otherwise transferring assets to Holdings or to Bedding Superholdco. Given the restrictions in Simmons Bedding's existing debt instruments, we currently anticipate that, in order to pay interest on or the principal amount at maturity of the Discount Notes or Toggle Loan, we would be required to adopt one or more alternatives, such as refinancing all of our indebtedness, selling our equity securities or the equity securities or assets of Simmons Bedding, or seeking capital contributions or loans from our affiliates. There can be no assurance that any of the foregoing actions could be effected as part of the restructuring on satisfactory terms, if at all, or that any of the foregoing actions would enable us to refinance our indebtedness or pay interest on or the principal amount of the Discount Notes or Toggle Loan, or that any of such actions would be permitted by the terms of any other debt instruments of ours or our subsidiaries then in effect. In addition, it is likely that any restructuring that we would implement would not enable us to make any further payments on the Discount Notes or Toggle Loan, and as a result, any equity or debt holder of Simmons Bedding, Holdings or Bedding Superholdco could suffer the loss of a significant part or all of its loan or investment.

The actions of Bedding Superholdco's controlling stockholder could conflict with the interests of the holders of our debt.

Bedding Superholdco's stockholders include affiliates of THL, affiliates of Fenway Partners and certain members of our management and directors. As of December 27, 2008, affiliates of THL owned 71.1% of all voting stock. THL has the ability to elect all of the members of our board of directors, subject to certain voting agreements under our stockholders' agreement, appoint new management and approve any action requiring the approval of our stockholders. The directors have the corporate authority, subject to any restrictions under our debt and forbearance agreements, to make decisions affecting our capital structure, including the issuance of additional indebtedness, the terms of any restructuring and the declaration of dividends. In February 2007, Bedding Superholdco borrowed \$300.0 million under the Toggle Loan to distribute \$278.3 million to certain of Holdings' then existing stockholders. In 2004, the net proceeds of the issuance of the \$269.0 million aggregate amount of the Discount Notes were used to pay a \$162.7 million dividend to stockholders. In addition, transactions may be pursued that could enhance THL's equity investment while involving risks to our interests or the interests of our investors. In particular, these and other actions of Bedding Superholdco's controlling stockholder could negatively impact the debt or equity holders of Simmons Bedding, Holdings or Bedding Superholdco.

We are vulnerable to interest rate risk with respect to our debt, which could lead to an increase in interest expense and reduce our cash available for operations.

We are subject to interest rate risk in connection with our variable rate indebtedness. Interest rate changes could increase the amount of our interest payments and thus negatively impact our future earnings and cash flows. Our annual interest expense on our floating rate indebtedness will increase by \$0.7 million for each 1/8th percentage point increase in interest rates.

Risks Related to Our Business

Deteriorating economic conditions could negatively affect our revenues and profitability.

General U.S. and world economic conditions have weakened significantly, and we expect this weakness to continue for the balance of 2009. The unemployment rate is expected to continue to rise, consumer confidence and spending, including spending on larger homes or second homes, has decreased dramatically and the stock market remains extremely volatile. In addition, in an economic recession or under other adverse economic conditions, customers and vendors may be more likely to fail to meet contractual terms or their payment obligations. Such failures will impact our cash flow and ability to repay our indebtedness. A further decline in economic conditions may have continued material adverse effect on our business.

We operate in the highly competitive bedding industry, and if we are unable to compete successfully, we may lose customers and our sales may decline.

The bedding industry is highly competitive. There are approximately 550 bedding manufacturers in the U.S. The top six manufacturers (including us) accounted for approximately 67% of the conventional bedding industry's wholesale revenues in 2008 and the top 15 accounted for 81% of wholesale revenues, according to *Furniture/Today*, an industry publication. The highly competitive nature of the bedding industry means we are continually subject to the potential loss of market share or the inability to gain market share, difficulty in raising prices, and margin reductions. We may not be able to compete effectively in the future. In addition, some of our principal competitors may be less highly-leveraged, have greater access to financial or other resources, have lower cost operations and/or be better able to withstand changing market conditions.

Regulatory requirements relating to our products may increase our costs, alter our manufacturing processes and impair our product performance.

Our products are and will continue to be subject to regulation in the U.S. and Canada by various federal, state, provincial and local regulatory authorities. In addition, other governments and agencies in other jurisdictions regulate the sale and distribution of our products. Compliance with these regulations may negatively impact our business. For example, the products manufactured, distributed and sold by the Company come within the scope of several provisions of the Consumer Product Safety Improvement Act of 2008 ("CPSIA"), which was signed into law on August 14, 2008. CPSIA Section 102 requires that as of November 12, 2008, a Certificate of Compliance ("COC") issued by the manufacturer accompany all products subject to regulation by the CPSC, that the COC be provided to all distributors and retailers to whom such regulated product is shipped, and that the COC be available for inspection upon request of the CPSC. All of the products subject to regulation by the CPSC that we manufacture were accompanied by a COC in advance of the November 12, 2008 deadline, and we are able to produce the COCs upon request, in accordance with current federal law. Further, CPSIA Section 101 establishes limitations on the levels of lead that may be present in certain products intended for use by children; similarly, CPSIA Section 108 regulates the levels of certain phthalates which may be present in certain products intended for use by children. Many of the juvenile products manufactured or distributed by us are subject to and comply with these regulations. We are currently preparing to meet the requirements of CPSIA Section 104 at such time as a final rule becomes effective. CPSIA Section 104 will require registration of certain children's products. We will continue to monitor rulemaking by the CPSC and to work toward compliance with additional requirements of the CPSIA, particularly with respect to juvenile products sold by us, and expect to be in full compliance in advance of the respective effective dates. We incurred and will continue to incur significant costs related to the new standards. In addition, the CPSC and other regulatory agencies may also adopt new laws, rules and regulations relating to other standards. Our product solutions will not necessarily meet all future standards. Compliance with such new laws, rules and regulations may increase our costs, alter our manufacturing processes and impair the performance of our products. Further, any bankruptcy filing by or against us could adversely affect our ability to comply with new laws, rules or regulations on a timely basis.

Legal and regulatory requirements may impose costs or charges on us that impair our business and reduce our profitability.

Our marketing and advertising practices could become the subject of proceedings before regulatory authorities or the subject of claims by other parties which could require us to alter or end these practices or adopt new practices that are not as effective or are more expensive. In addition, our operations are subject to federal, state, provincial and local laws and regulations relating to pollution, environmental protection, occupational health and safety and labor and employee relations. We may not be in complete compliance with all such requirements at all times. Under various environmental laws, we may be held liable for the costs of remediation of releases of hazardous substances at any properties currently or previously owned or operated by us or at any site to which we sent hazardous substances for disposal. Such liability may be imposed without fault, and the amount of such liability could be material. We are subject to investigation under various labor and employment laws and regulations by both governmental entities and employees and former employees. Should liability be imposed as a result of such activity, particularly in the context of class or multi-plaintiff litigation, our profitability could be reduced. Further, any bankruptcy filing by or against us or our affiliates would result in significant expense for legal counsel and professional advisors.

Our new product launches may not be successful, which could cause a decline in our market share and our level of profitability.

Each year we invest significant time and resources in research and development to improve our product offerings. In addition, we incur increased costs in the near term associated with the introduction of new product lines, including training of our employees in new manufacturing, sales processes, and the production and placement of new floor samples for our customers. We are subject to a number of risks inherent in new product introductions, including development delays, failure of new products to achieve anticipated levels of market acceptance, and costs associated with failed product introductions. In addition, we have a limited ability to increase prices on existing products, and any failure of new product introductions may reduce our ability to sell our products at appropriate price levels. Further, any bankruptcy filing by or against us or our affiliates could adversely affect our ability to improve our product offerings.

We may experience further fluctuations in our operating results due to seasonality, which could make sequential quarter to quarter comparison an unreliable indication of our performance.

We have historically experienced and expect to continue to experience seasonal and quarterly fluctuations in net sales and operating income. Our third quarter sales are typically higher than our other fiscal quarters. We attribute this seasonality principally to retailers' sales promotions related to the 4th of July and Labor Day holidays. This seasonality means that a sequential quarter to quarter comparison may not be a good indication of our performance or how we will perform in the future.

We rely on a relatively small number of suppliers and third-party providers, and if we experience difficulty with a major supplier or a major third-party provider, we may have difficulty finding alternative sources. This could disrupt our business.

We purchase substantially all of our conventional bedding raw materials centrally to obtain volume discounts and achieve economies of scale. We obtain a large percentage of our raw materials from a small number of suppliers. For the year ended December 27, 2008, we purchased approximately 74% of our raw materials from ten suppliers. As a result of the current economic climate, our suppliers have experienced and may in the future experience disruptions in their relationships with their suppliers, which disrupt their ability to provide us with requisite supplies and negatively impact our manufacturing. Any future supply disruptions could adversely affect our ability to manufacture our products and sales.

We have supply agreements with several suppliers including L&P, Foamex, and National Standard Company. However, there is no guarantee that we will be able to renew these agreements. With the exception of certain products of L&P, Foamex and National Standard Company, we believe that we can readily replace our supply, if or when the need arises, within 90 days as we have already identified and use alternative resources.

L&P supplies the majority of certain bedding components (including certain spring components, insulator pads, wire, fiber, quilt backing and flange material) to the U.S. bedding industry. In 2008, we purchased approximately 30% of our raw materials from L&P. To ensure an adequate supply of various components, we have entered into agreements with L&P, generally expiring in the year 2010, for the supply of certain spring components. Among other things, these agreements generally require us to purchase a majority of our requirements of several components from L&P. National Standard Company is our exclusive supplier for the stranded wire used in our Advanced Pocketed Coil™ products. Foamex is our exclusive supplier for NxG™ visco-foam used in all of our Comforpedic® and Beautyrest NxG™ products.

Because we may not be able to find alternative sources for some of these components on terms as favorable to us as we currently receive, or at all, our business, financial condition and results of operations could be impaired if we lose L&P, Foamex or National Standard Company as a supplier. Further, if we do not reach committed levels of purchases, certain sales volume rebates or exclusivity to certain products could be lost.

Additionally, our domestic operations primarily utilize three third-party logistics providers which, in the aggregate, accounted for approximately 62% of our outbound wholesale shipments for the year ended December 27, 2008.

Any bankruptcy filing by or against us or our affiliates could adversely affect our ability to obtain new or maintain existing relationships with suppliers and logistics providers. Any instability of, or change in our relationship with, these providers could materially disrupt our business.

We are subject to fluctuations in the cost and availability of raw materials, which could increase our costs or disrupt our production.

The major raw materials that we purchase for production are foam, wire, spring components, lumber, cotton, insulator pads, innersprings, foundation constructions, fabrics and roll goods consisting of fiber, ticking and non-wovens. The price and availability of these raw materials, as well as the cost of fuel to transport our products to market, are subject to market conditions affecting supply and demand. During 2007 and 2008, the cost of these components remained elevated above historical averages. Further, the price of lumber we obtain from Canada has increased as a result of increased tariffs and may increase due to adverse fluctuations in exchange rates. Additionally, during 2007 and 2008, our distribution costs were negatively impacted by the rapid rise in diesel prices. Our financial condition and results of operations may be impaired by further increases in raw material and diesel costs to the extent we are unable to pass those higher costs on to our customers. In addition, if these materials are not available on a timely basis or at all, we may not be able to produce our products, and our sales may decline.

Because we depend on our significant customers, a decrease or interruption in their business with us could reduce our sales and profits.

Our top five customers collectively accounted for approximately 26% of our bedding shipments for the year ended December 27, 2008. Most of our customer arrangements are by purchase order or are terminable at will. Several of our customer arrangements are governed by long-term supply agreements. A substantial decrease or interruption in business from our significant customers could result in a reduction in net sales, an increase in bad debt expense or the loss of future business, any of which could impair our business, financial condition or results of operations. Additionally, the expiration of a long-term supply agreement could result in the loss of future business, or the payment of additional amounts to secure a contract renewal or an increase in required advertising support, any of which could impair our business, financial condition or results of operations. Further, if our customers seek bankruptcy protection, they could act to terminate all or a portion of their business with us, originate new business with our competitors and terminate or assign our long-term supply agreements, which could impair our results of operations. Any loss of revenue from our major customers, including the non-payment or late payment of our invoices, could materially adversely affect our business, results of operations and financial condition.

Retailers may, and in the past some of our retailers did, consolidate, undergo restructurings or reorganizations, or realign their affiliations. These events may result, and have temporarily resulted, in a decrease in the number of stores that carry or carried our products, an increase in the ownership concentration in the retail industry, and/or our being required to record significant bad debt expense and write-off the unamortized portion of expenditures for customer supply agreements. Retailers may decide to carry only a limited number of brands of mattress products, which could affect our ability to sell our products to them on favorable terms, if at all, and could negatively impact our business, financial condition or results of operations. Any bankruptcy by or against us or our affiliates could adversely affect our relationship with retailers, which could impair our business, financial condition or results of operations.

If our cost cutting measures are not successful, we may become less competitive.

A variety of factors could prevent us from achieving our goal of better aligning our product offerings and cost structure with customer needs in the current business environment through reducing our operating expenses and eliminating redundancies. For example, our efforts to consolidate our plants could cause our other facilities to have to operate above optimal capacity and could increase distribution expenses. If we receive unanticipated orders, these incremental volumes could be unprofitable due to the higher costs of operating above our optimal capacity. In addition, we may not be able to sufficiently increase capacity to meet any increased demand. As a result, we may not achieve our expected cost savings in the time anticipated, or at all. In such case, our results of operations and profitability may be negatively impacted, making us less competitive and potentially causing us to lose market share.

A change or deterioration in labor relations or the inability to renew our collective bargaining agreements could disrupt our business operations and increase our costs, which could negatively impact sales and decrease our profitability.

At eight of our 21 manufacturing facilities our employees (approximately 56% of our workforce at December 27, 2008) are represented by various labor unions with separate collective bargaining agreements. Our collective bargaining agreements are typically negotiated for two- to five-year terms. We

may not be able to renew these contracts on a timely basis or on favorable terms. It is possible that labor union efforts to organize employees at additional non-union facilities may be successful. It is also possible that we may experience labor-related work stoppages in the future. Any of these developments could disrupt our business operations or increase costs, which could negatively impact our sales and profitability.

The loss of the services of any member of our executive leadership team could impair our ability to execute our business strategy and negatively impact our business, financial condition and results of operations.

We depend on the continued services of our executive leadership team, including Stephen Fendrich, our President and Chief Operating Officer; Dominick Azevedo, our Executive Vice President – Sales; William Creekmuir, our Executive Vice President and Chief Financial Officer; Kristen McGuffey, our Executive Vice President and General Counsel; Timothy Oakhill, our Executive Vice President – Marketing and Licensing; and Kimberly Samon, our Executive Vice President – Human Resources. The loss of any of our key officers could impair our ability to execute our business strategy and negatively impact our business, financial condition and results of operations. We have non-compete agreements with our executive leadership team. We do not carry key man insurance for any of our management executives. Any bankruptcy filing by or against us or our affiliates could adversely affect our ability to retain and motivate our executive leadership team or other key employees.

Our international operations are subject to foreign exchange, tariff and tax risks and our ability to expand in certain international markets is limited by the terms of licenses we have granted to manufacture and sell Simmons products.

We currently conduct significant operations in Canada. Our Canadian operations are subject to fluctuations in currency exchange rates, the potential imposition of trade restrictions, and tariff and other tax increases. We have also limited our ability to independently expand in certain international markets where we have granted licenses to manufacture and sell Simmons products. Fluctuations in the currency exchange rate between the U.S. dollar and the Canadian dollar may affect our shareholders equity and our financial condition or results of operations. In addition, as a result of a recent tax treaty between the United States and Canada, the withholding tax on transfers of cash from our Canadian operations to our U.S. operations has increased substantially which could impact our results of operations.

We have substantial funds held at few financial institutions that exceed the insurance coverage offered by the FDIC, the loss of which would have a severe negative affect on our operations and liquidity.

As of June 27, 2009, we had approximately \$67.3 million held in accounts at few financial institutions in the United States, Canada and Puerto Rico. Although the FDIC insures deposits in banks and thrift institutions up to \$250,000 per eligible account, the amount that we have deposited at these banks substantially exceeds the FDIC limit. If any of the financial institutions where we have deposited funds were to fail, we may lose some or all of our deposited funds that exceed the FDIC's \$250,000 insurance coverage limit. Such a loss would have a severe negative effect on our operations and liquidity.

We have retirement plans that are currently under funded and we will be required to make cash payments to the plans, reducing the cash available for our business.

We have a registered combined non-contributory defined benefit and defined contribution pension plan for substantially all of the employees of Simmons Canada and a retirement compensation arrangements ("RCA") for certain senior officials of Simmons Canada. As of December 27, 2008, the projected benefit obligation exceeded the fair value of the plan assets of the defined benefit segment of the pension plan ("Pension Plan") by \$2.9 million. As of December 27, 2008, the fair value of the plan assets exceeded the projected benefit obligation of the RCA by \$0.7 million. We expect to make estimated minimum funding contributions totaling approximately \$1.1 million in 2009 related to the Pension Plan. No contributions are expected for the RCA in 2009. We also have unfunded supplemental executive retirement plans ("SERP") for certain former executives. As of December 27, 2008, we had a liability of \$3.1 million related to the SERP and anticipate making contributions to the SERP of \$0.2 million in 2009. If the performance of the assets in the Pension Plan do not meet our expectations, or if other actuarial assumptions are modified, our future cash payments to the Pension Plan could be higher than we expected.

If we are not able to protect or maintain our trademarks, patents, trade secrets and other intellectual property, we may not be able to prevent competitors from developing similar products or from marketing in a manner that capitalizes on our trademarks, patents and other intellectual property.

Brands and branded products are very important to our business. We have a large number of well-known trademarks and service marks registered in the U.S., Canada and abroad, and we continue to pursue many pending applications to register marks domestically and internationally. We also have a significant portfolio of patents and patent applications that have been issued or are being pursued both domestically and abroad. In addition, certain marks, trade secrets, know-how and other proprietary materials that we use in our business are not registered or subject to patent protection. Our intellectual property is important to the design, manufacture, marketing and distribution of our products and services.

To compete effectively with other companies, we must maintain the proprietary nature of our owned and licensed intellectual property and maintain our trade secrets, know-how and other proprietary materials. Despite our efforts, we cannot eliminate the following risks:

- it may be possible for others to circumvent our trademarks and service marks, patents and other rights;
- our products and promotional materials, including trademarks, service marks, may now or in the future violate the proprietary rights of others;
- we may be prevented from using our own trademarks, service marks, product designs or manufacturing technology, if challenged;
- it may be cost prohibitive to enforce or defend our trademarks, service marks, patents and other rights;
- our pending applications regarding trademarks, service marks and patents may not result in marks being registered or patents being issued;
- we may be unable to protect our technological advantages when our patents expire; and
- our trade secrets, know-how and other proprietary materials may be revealed to the public or our competitors and no longer provide protection for the related intellectual property.

The nature and value of our intellectual property may be affected by a change in law domestically or abroad. In light of the political and economic circumstances in certain foreign jurisdictions, our rights may not be enforced or enforceable in foreign countries even if they are validly issued or

registered.

While we do not believe that our overall success depends upon any particular intellectual property rights, any inability to maintain the proprietary nature of our intellectual property could have a material negative effect on our business. For example, an action to enforce our rights, or an action brought by a third party challenging our rights, could impair our financial condition or results of operations, either as a result of a negative ruling with respect to our use, the validity or enforceability of our intellectual property or through the time consumed and legal costs involved in bringing or defending such an action.

We may face exposure to product liability claims, which could reduce our liquidity and profitability and reduce consumer confidence in our products.

We face an inherent business risk of exposure to product liability claims if the use of any of our products results in personal injury or property damage. In the event that any of our products prove to be defective or if they are determined not to meet state or federal legal requirements, we may be required to recall or redesign those products, which could be costly and impact our profitability. We maintain insurance against product liability claims, but such coverage may not continue to be available on terms acceptable to us and such coverage may not be adequate to cover types of liabilities actually incurred. A successful claim brought against us if not fully covered by available insurance coverage, or any claim or product recall that results in significant adverse publicity against us, could have a material negative effect on our business and/or result in consumers purchasing fewer of our products, which could also reduce our liquidity and profitability.

An increase in our return rates or an inadequacy in our warranty reserves could reduce our liquidity and profitability.

Our return rates may not remain within our historical levels. An increase in return rates could significantly impair our liquidity and profitability. We also generally provide our customers with a limited warranty against manufacturing defects on our conventional innerspring and specialty bedding products of ten and 20 to 25 years, respectively. Our juvenile bedding products generally have warranty periods ranging from five years to a lifetime. The historical costs to us of honoring warranty claims have been within management's expectations. However, as we have released new products in recent years, many new products are fairly early in their product life cycles. Because our products have not been in use by our customers for the full warranty period, we rely on the combination of historical experience and product testing for the development of our estimate for warranty claims. However, our actual level of warranty claims could prove to be greater than the level of warranty claims we estimated based on our products' performance during product testing. We have also experienced non-warranty returns for reasons generally related to order entry errors, shipping damage, and to accommodate customers. If our warranty and non-warranty reserves are not adequate to cover future claims, their inadequacy could reduce our liquidity and profitability.

Additional terrorist attacks in the U.S. or against U.S. targets or actual or threats of war or the escalation of current hostilities involving the U.S. or its allies could negatively impact our business, financial condition or results of operations.

Additional terrorist attacks in the U.S. or against U.S. targets, or threats of war or the escalation of current hostilities involving the U.S. or its allies, or military or trade disruptions impacting our domestic or foreign suppliers of components of our products, may impact our operations, including, but not limited to, causing supply chain disruptions and decreased sales of our products. These events could also cause an increase in oil or other commodity prices, which could adversely affect our raw materials or transportation costs. More generally, any of these events could cause consumer confidence and spending to decrease. These events also could cause or act to prolong an economic recession in the U.S. or abroad. Any of these occurrences could have a significant impact on our business, financial condition or results of operations.

An outbreak of swine flu or a pandemic, or the threat of a pandemic, may adversely impact our ability to produce and deliver our products or may adversely impact consumer demand.

A significant outbreak of swine flu, or a similar pandemic, or even a perceived threat of such an outbreak, could cause significant disruptions to our supply chain, manufacturing capability, corporate support infrastructure or distribution system that could adversely impact our ability to produce and deliver products. Similarly, such events could cause significant adverse impacts on consumer confidence and consumer demand generally. Any of these occurrences could have a significant impact on our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

See Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

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

None

Item 5. Other Information

Amendments to Articles of Incorporation

On August 18, 2009, Simmons Bedding amended its amended and restated certificate of incorporation to provide for three classes of directors, as nearly equal in number as possible. Accordingly, the current members of the Board of Directors of Simmons Bedding will be divided into three classes. The term of office of the first class of directors will expire in 2009, the term of office of the second class of directors will expire in 2010 and the term of the third class of directors will expire in 2011. The amended and restated certificate of incorporation of Simmons Bedding is filed herewith as Exhibit 3.1.

On August 20, 2009, THL-SC Bedding Company filed a certificate of amendment of certificate of incorporation to change its name to Bedding Holdco Incorporated. On August 20, 2009, Simmons Holdco, Inc., Holdings' parent company, also filed a certificate of amendment of certificate of incorporation to change its name to Bedding Superholdco Incorporated. The certificates of amendment of certificate of incorporation are filed herewith as Exhibits 3.2 and 3.3.

Item 6. Exhibits

- 3.1 Third Amended and Restated Certificate of Incorporation of Simmons Bedding.
- 3.2 Certificate of Amendment of Certificate of Incorporation of THL-SC Bedding Company.
- 3.3 Certificate of Amendment of Certificate of Incorporation of Simmons Holdco Inc.
- 10.1 Second Amendment to Second Forbearance Agreement and Fifth Amendment to the Second Amended and Restated Credit and Guaranty Agreement dated as of May 27, 2009, by and among Simmons Bedding, Bedding Holdco and certain subsidiaries of Simmons Bedding, and the senior lenders.
- 10.2 Amendment No. 2 to Forbearance Agreement to Indenture dated May 27, 2009, by and among Simmons Bedding Company, the Guarantors (as defined in the Indenture) and the Amending Holders.
- 31.1 President and Chief Operating Officer Certification of the Type Described in Rule 13a - 14(a) and Rule 15d - 14(a).
- 31.2 Chief Financial Officer Certification of the Type Described in Rule 13a - 14(a) and Rule 15d - 14(a).
- 32.1 Certification of President and Chief Operating Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Simmons Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SIMMONS COMPANY

By: /s/ William S. Creekmuir
William S. Creekmuir
Executive Vice President & Chief Financial Officer

Date: August 21, 2009

THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SIMMONS BEDDING COMPANY

Simmons Bedding Company, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is Simmons Bedding Company. The date of filing of its original Certificate of Incorporation with the Secretary of State was February 15, 1996, under the name Simmons Holdings, Inc. The Certificate of Incorporation was amended and restated pursuant to an Amended and Restated Certificate of Incorporation on March 14, 2005.

2. This Third Amended and Restated Certificate of Incorporation was duly adopted by the written consent of the Board of Directors of the Corporation and by written consent of the sole stockholder in accordance with the applicable provisions of Sections 141, 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL") and written notice of the adoption of this Third Amended and Restated Certificate of Incorporation has been given as provided by Section 228 of the DGCL to every stockholder entitled to such notice.

3. The text of the Amended and Restated Certificate of Incorporation is hereby restated and amended in its entirety as follows:

FIRST: The name of the Corporation is Simmons Bedding Company

SECOND: The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of Newcastle. The name of the Corporation's registered agent for service of process in the State of Delaware at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL, as from time to time amended.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 3,000, all of which shares shall be Common Stock having a par value of \$0.01 per share.

FIFTH: The number of directors constituting the entire Board of the Corporation shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the entire Board of Directors, but shall consist of not more than ten nor less than three directors, one of whom may be selected by the Board of Directors to be its Chairman.

Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot. At each meeting of the Corporation's board of directors (or committee thereof) at which a quorum is present, each director shall be entitled to one vote on each matter to be voted on at such meeting.

Effective upon the filing of this Third Amended and Restated Certificate of Incorporation, the directors shall be divided into three classes, as nearly equal in number as possible. The term of office of the first class of directors shall expire at the annual meeting of the stockholders to be held in 2009, the term of office of the second class shall expire at the annual meeting of stockholders to be held in 2010, and the term of office of the third class shall expire at the annual meeting of stockholders to be held in 2011. Members of each class shall hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation commencing with the 2009 annual meeting, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The Board of Directors is authorized to assign members of the Board of Directors already in office to the three classes of directors.

Vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from an increase in the authorized number of directors, may be filled, unless the Board of Directors otherwise determines, only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or by the sole remaining director, and not by the stockholders; provided, however, that if the Collateral Agent (as such term is defined in that certain Pledge and Security Agreement, dated as of December 19, 2003, by and among each of the grantors party thereto and Deutsche Bank AG, New York Branch as collateral agent (as has been or may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Pledge Agreement")) exercises all or any portion of its rights and remedies under the Pledge Agreement with respect to the Pledged Equity Interests (as defined in the Pledge Agreement), then vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from an increase in the authorized number of directors, may be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining director, or at a special meeting of the stockholders, by the holders of shares entitled to vote for the election of directors. Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Board of Directors shall shorten the term of any incumbent director.

Any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of a majority of the voting power of the then outstanding Common Stock; provided, however that if the Collateral Agent exercises all or any portion of its rights and remedies under the Pledge Agreement with respect to the Pledged Equity Interests, then any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares of stock outstanding and entitled to vote for the election of directors (including the Collateral Agent pursuant to Section 4.4.1(c)(2) of the Pledge Agreement).

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, and in addition to approval by the Board of Directors, the affirmative vote of the holders of a majority of the voting power of the then outstanding Common Stock shall be required to amend, repeal or adopt any provision inconsistent with this Article Fifth.

SIXTH: To the fullest extent permitted by the DGCL, as the same exists or as may hereafter be amended, a person who is or was a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages or breach of fiduciary duty as a director. The Corporation shall, to the fullest extent permitted by applicable law as then in effect, indemnify any person who was or is a party or is threatened to be made a party to, or testifies in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature (a "Proceeding"), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan, trust or other

enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permitted by law, and the Corporation may adopt By-laws or enter into agreements with any such person for the purpose of providing for such indemnification.

Any indemnification under this Article Sixth (unless ordered by a court) shall be made by the Corporation upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment).

Expenses (including attorneys' fees) incurred by a director, officer, employee or agent of the Corporation in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay all amounts so advanced in the event that it shall ultimately be determined that such director, officer, employee or agent is not entitled to be indemnified by the Corporation as authorized in this Article Sixth.

The indemnification and advancement of expenses provided by this Article Sixth shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation. The provisions of this Article Sixth shall be deemed to be a vested contract right between the Corporation and each director, officer, employee or agent who serves or served in any such capacity at any time while this Article Sixth and the relevant provisions of the DGCL or other applicable law are in effect. Such contract right shall vest for each director, officer, employee and agent at the time such person is elected, appointed or contracted to such position, and no repeal or modification of this Article Sixth or any such law shall affect any such vested rights or obligations of any current or former director, officer, employee or agent with respect to any state of facts or proceeding regardless of when occurring.

The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation or any of its subsidiaries, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her or on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article Sixth.

If this Article Sixth or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify or advance expenses to each person entitled to indemnification or advancement of expenses, as the case may be, as to all expense, liability and loss actually and reasonably incurred or suffered by such person and for which indemnification or advancement of expenses, as the case may be, is available to such person pursuant to this Article Sixth to the full extent permitted by any applicable portion of this Article Sixth that shall not have been invalidated and to the full extent permitted by applicable law.

Neither any amendment nor repeal of this Article Sixth, nor the adoption of any provision of this Third Amended and Restated Certificate of Incorporation inconsistent with this Article Sixth, shall eliminate or reduce the effect of this Article Sixth in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article Sixth, would accrue or arise with respect to any matter occurring or arising from the period prior to such amendment, repeal or adoption of an inconsistent provision.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article Sixth shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SEVENTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the board of directors of the Corporation is expressly authorized and empowered to adopt, make, alter, amend or repeal the By-laws in any manner not inconsistent with the laws of the State of Delaware or this Certificate of Incorporation; *provided, however*, that the By-laws adopted by the board of directors under the powers hereby conferred may be amended or repealed by the board of directors or by the stockholders, upon prior approval of the board of directors, having voting power with respect thereto, *provided further* that in the case of amendments by stockholders, the affirmative vote of the holders of a majority of the voting power of the then outstanding Common Stock shall be required to alter, amend or repeal any provision of the By-laws. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, and in addition to approval by the board of directors, the affirmative vote of a majority of the voting power of the then outstanding Common Stock shall be required to amend, repeal or adopt any provision inconsistent with the preceding sentence of this Article Seventh.

EIGHTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree on any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

NINTH: The Corporation is to have perpetual existence.

TENTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-laws may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the By-laws of the Corporation.

ELEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders are granted subject to this reservation.

TWELFTH: To the maximum extent permitted from time to time under the DGCL, the Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to its officers, directors or stockholders, other than those officers, directors or stockholders who are employees of the Corporation. No amendment or repeal of this Article Twelfth shall apply to or have any effect on the liability or alleged liability of any officer, director or stockholder of the Corporation for or with respect to any opportunities of which such officer, director or stockholder becomes aware prior to such amendment or repeal.

IN WITNESS WHEREOF, said Simmons Bedding Company has caused this Third Amended and Restated Certificate of Incorporation to be signed by its President as of the 18th day of August, 2009.

SIMMONS BEDDING COMPANY

By: /s/ Stephen G. Fendrich
Name: Stephen G. Fendrich
Title: President

**STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION**

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Board of Directors of

THL-SC Bedding Company

resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FIRST" so that, as amended, said Article shall be and read as follows:

The name of the Corporation is "Bedding Holdco Incorporated" (the "Corporation").

SECOND: That thereafter, pursuant to resolution of the Board of Directors, the stockholders of said corporation, acting by written consent in lieu of a special meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware, voted the necessary number of shares as required by statute in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this _____ day of August, 2009.

By: /s/ Stephen G. Fendrich
Name: Stephen G. Fendrich
Title: President

**STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION**

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Board of Directors of

Simmons Holdco, Inc.

resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "1" so that, as amended, said Article shall be and read as follows:

The name of the Corporation is "Bedding Superholdco Incorporated" (the "Corporation").

SECOND: That thereafter, pursuant to resolution of the Board of Directors, the stockholders of said corporation, acting by written consent in lieu of a special meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware, voted the necessary number of shares as required by statute in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this _____ day of August, 2009.

By: /s/ Stephen G. Fendrich
Name: Stephen G. Fendrich
Title: President

SECOND AMENDMENT TO SECOND FORBEARANCE AGREEMENT AND FIFTH AMENDMENT TO THE SECOND AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT

This SECOND AMENDMENT TO SECOND FORBEARANCE AGREEMENT AND FIFTH AMENDMENT TO THE SECOND AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT (this "Second Amendment") is entered into as of May 27, 2009, by and among Simmons Bedding Company (the "Company"), THL-SC Bedding Company and certain subsidiaries of the Company party to the Credit Agreement (as hereafter defined) as guarantors (together with the Company, the "Credit Parties"), the financial institutions party hereto as Lenders (as hereinafter defined) under the Credit Agreement (as hereinafter defined) and Deutsche Bank AG, New York Branch, individually as a Lender ("DBNY") and as administrative agent for the Lenders (in such capacities, the "Agent"). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

RECITALS

WHEREAS, the Company, the other Credit Parties and the Lenders are parties to that certain Second Amended and Restated Credit and Guaranty Agreement, dated as of May 25, 2006 (as has been or may be further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), pursuant to which, among other things, the financial institutions from time to time party thereto as lenders (collectively, the "Lenders") have agreed, subject to the terms and conditions set forth in the Credit Agreement, to make certain loans and other financial accommodations to the Company.

WHEREAS, as of the date hereof, one or more of the Defaults or Events of Default listed on Exhibit A to the Second Forbearance Agreement (as modified hereby) have occurred and are continuing, or may occur during the Second Forbearance Period (the Defaults and Events of Default described on Exhibit A hereto being herein collectively called the "Specified Defaults").

WHEREAS, the Company, the other Credit Parties and certain Lenders are parties to that certain Second Forbearance Agreement; Third Amendment to the Second Amended and Restated Credit and Guaranty Agreement and First Amendment to the Pledge and Security Agreement, dated as of December 10, 2008 (the "Original Second Forbearance Agreement"), pursuant to which the Lenders and the Agent agreed, subject to the terms and conditions set forth therein, (i) to forbear from exercising their respective default-related rights, remedies, powers and privileges against the Company and the other Credit Parties with respect to certain Specified Defaults until March 31, 2009, (ii) to amend certain provisions of the Credit Agreement and (iii) to amend certain provisions of the Pledge and Security Agreement.

WHEREAS, the Company, the other Credit Parties and certain Lenders are party to that certain First Amendment to Second Forbearance Agreement; Fourth Amendment to the Second Amended and Restated Credit and Guaranty Agreement and Second Amendment to the Pledge and Security Agreement, dated as of March 25, 2009 (the "First Amendment Forbearance Agreement"), pursuant to which the Lenders and the Agent agreed, subject to the terms and conditions set forth therein, (i) to continue to forbear from exercising their respective default-related rights, remedies, powers and privileges against the Company and the other Credit Parties with respect to the Specified Defaults until May 31, 2009, and, subject to the satisfaction of certain conditions, July 31, 2009, (ii) to amend certain provisions of the Credit Agreement and (iii) to amend certain provisions of the Pledge and Security Agreement.

WHEREAS, upon the Company's request, the Lenders have agreed, subject to the terms and conditions set forth herein, (i) to amend certain provisions of the Original Second Forbearance Agreement, as amended by the First Amendment Forbearance Agreement, to provide for, among other things, an extension of the Second Forbearance Period until June 30, 2009 and, subject to the satisfaction of certain conditions, July 31, 2009 and (ii) to amend certain provisions of the Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Confirmation by the Company of Obligations and Specified Defaults.

(a) The Company and each other Credit Party acknowledge and agree that as of May 26, 2009, the respective aggregate principal balances of the Loans as of such date and aggregate face amount of Letters of Credit were as follows (such amounts, in the aggregate, the "Existing Principal and Letters of Credit"):

Tranche D Term Loans:	\$465,000,000.00
Revolving Loans:	\$64,532,384.22
Letters of Credit:	\$10,427,327.00

The Company and each Credit Party acknowledge and agree that as of May 26, 2009, the aggregate amount of accrued and unpaid interest, less any overpayment, on the Tranche D Term Loans and Revolving Loans is \$3,960,612.08 (the "Existing Interest"), and the accrued and unpaid commitment fees payable pursuant to Section 2.10(a) of the Credit Agreement is \$10.91 (the "Existing Commitment Fees") and the accrued and unpaid letter of credit fees payable pursuant to Section 2.10(b) of the Credit Agreement is \$58,644.71 (the "Existing LC Fees" and together with the Existing Principal and Letters of Credit, the Existing Interest, and the Existing Commitment Fees, the "Outstanding Indebtedness"). The foregoing amounts do not include other fees, expenses and other amounts which are chargeable or otherwise reimbursable under the Credit Agreement and the other Credit Documents. Neither the Company nor the other Credit Parties have any rights of offset, defenses, claims or counterclaims with respect to any of the Obligations and each of the Credit Parties is jointly and severally obligated with respect thereto, in accordance with the terms of the Credit Documents.

(b) The Company and each other Credit Party acknowledge and agree that each of the Specified Defaults constitutes a Default or an Event of Default that has occurred and is continuing as of the Second Amendment Forbearance Effective Date (as hereinafter defined) or that may occur and continue during the Second Forbearance Period, as the case may be.

SECTION 2. Amendments to Second Forbearance Agreement.

Effective as of the Second Amendment Forbearance Effective Date (as hereinafter defined), the following provisions of the Second Forbearance Agreement shall be amended as set forth below.

(a) Section 2(a) is hereby amended by:

(i) amending and restating clause “(iv)” thereof in its entirety to read as follows:

“(iv) if either Parent receives notice with respect to such Parent’s failure to file quarterly financial reports with the SEC on Form 10-Q for the fiscal quarters ended September 27, 2008 or March 28, 2009, or an annual report with the SEC on Form 10-K for the fiscal year ended December 27, 2008 (any such notice, a “Reporting Default Notice”), from the requisite holders of, or the trustee or agent therefor, the 10% Senior Discount Notes due 2014 issued by Simmons Company or the \$300.0 million senior unsecured loans made to Simmons Holdco, Inc., and the applicable Parent does not (x) file, or cause the filing of, the applicable reports with the SEC on Form 10-Q or Form 10-K, as the case may be, or (y) obtain a waiver of or forbearance with respect to (provided that any such waiver or forbearance is in form, substance and scope reasonably satisfactory to the Agent), any default arising under the applicable debt document as a result of any Reporting Default Notice, in either case, within sixty (60) days of receipt of such Reporting Default Notice, such sixtieth (60th) day; or”;

(ii) in clause “(v)” thereof, deleting “May 31, 2009” in each place that it appears and inserting in lieu thereof “June 30, 2009.”; and

(iii) amending and restating clause “(vi)” thereof in its entirety to read as follows:

“(vi) 11:59 p.m. (New York City time) on June 30, 2009, if and only if (x) holders of the Senior Subordinated Notes party to that certain Forbearance Agreement to Indenture, dated as of February 4, 2009, (as has been or may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Indenture Forbearance Agreement”), by and among the Company, the guarantors party thereto and the holders of the Senior Subordinated Notes party thereto do not agree to extend the “Forbearance Period” under, and as defined in, the Forbearance Agreement to Indenture until July 31, 2009 or (y) holders of the Senior Subordinated Notes purporting to collectively own more than 50% of the aggregate principal amount of the outstanding Senior Subordinated Notes do not agree to otherwise forbear from exercising their rights and remedies with respect to the defaults and events of default that have occurred and are continuing under the Senior Subordinated Note Indenture until July 31, 2009 in a manner that is in form, substance and scope reasonably satisfactory to the Agent (the earliest to occur of clauses (i) through (vi) being the “Second Forbearance Termination Date”).”

(b) Section 5 is hereby amended by:

(i) amending and restating clause “(j)” thereof in its entirety to read as follows:

“(j) Fees and Expenses. The Company shall pay, within ten (10) days of receipt of a reasonably detailed invoice therefor (subject to redaction to protect privileges or other confidential communications), all reasonable fees and expenses to be paid to Simpson Thacher & Bartlett LLP and Moelis (collectively, the “Steering Committee Advisors”).”

(c) Exhibit A to the Second Forbearance Agreement is hereby amended by:

(i) amending and restating paragraph 1 set forth thereon in its entirety to read as follows:

“Any Default or Event of Default pursuant to Section 8.1(c) of the Credit Agreement arising from the failure of the Company to comply with Section 6.6 of the Credit Agreement for the four-Fiscal Quarter periods ended on each of September 27, 2008, December 27, 2008 and March 28, 2009 and ending on June 27, 2009.”

(ii) amending and restating paragraph 2 set forth thereon in its entirety to read as follows:

“Any Default or Event of Default pursuant to Section 8.1(b) of the Credit Agreement occurring solely as a result of a “Default” or “Event of Default” under, and as defined in, the Senior Subordinated Note Indenture, which occurred (i) on or after January 15, 2009, as a result of the Company’s failure to make its regular scheduled interest payments with respect to the Senior Subordinated Notes on or after January 15, 2009 and (ii) on or after July 15, 2009, as a result of the Company’s failure to make its regular scheduled interest payments with respect to the Senior Subordinated Notes on or after July 15, 2009.”

SECTION 3. Amendments to Credit Agreement.

Effective as of the Second Amendment Forbearance Effective Date, the following provisions of the Credit Agreement shall be amended as set forth below (which amendments are in addition to those contained in the Forbearance Agreement and the Original Second Forbearance Agreement, as amended by the First Amendment Forbearance Agreement, which shall remain in full force and effect except as expressly modified herein). For the avoidance of doubt, the Credit Agreement shall remain amended as set forth in this section after the Second Forbearance Termination Date, and these amendments shall not operate as a waiver of any Default or Event of Default.

(a) Section 1.1 is hereby amended as follows:

(i) the definition of “**CFO Certification**” is hereby amended and restated in its entirety to read as follows:

““**CFO Certification**” means, with respect to the financial statements for which such certification is required, the certification of the chief financial officer of Company that such financial statements fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to (in the case of unaudited financial statements) changes resulting from audit and normal year-end adjustments and, in the case of monthly financial statements, the absence of footnotes, and with respect to the consolidated balance sheet of the Company and its Subsidiaries for each fiscal month, Fiscal Quarter or Fiscal Year ended or ending, as the case may be, on or after September 27, 2008, such balance sheet shall not be required to reclassify long-term debt as short-term debt solely as a result of the existence of the Specified Defaults.”

(ii) the definition of “**Credit Document**” is hereby amended by deleting “, the Forbearance Agreement, Second Forbearance Agreement and First Amendment Forbearance Agreement” therein and inserting in lieu thereof “, Second Forbearance Agreement, First Amendment Forbearance Agreement and Second Amendment Forbearance Agreement”;

(iii) the following new definitions are hereby added in the appropriate alphabetical order:

“**Second Amendment Forbearance Agreement**” means the Second Amendment to Second Forbearance Agreement and Fifth Amendment to the Second Amended and Restated Credit and Guaranty Agreement, dated as of May 27, 2009, by and among the Company, the other Credit Parties, the Lenders party thereto and the Agent.”

“**Specified Defaults**” has the meaning assigned to that term in the Second Forbearance Agreement.”

(b) Section 1.2 shall be amended by amending and restating the last sentence thereof in its entirety to read as follows:

“Notwithstanding anything herein to the contrary or the requirements of GAAP, with respect to the consolidated balance sheet of the Company and its Subsidiaries for each fiscal month, Fiscal Quarter or Fiscal Year ended or ending, as the case may be, on or after September 27, 2008, the Company shall not be required to reclassify any long-term debt as short-term debt solely as a result of the existence of the Specified Defaults.”

SECTION 5. **Representations, Warranties And Covenants Of Company and Other Credit Parties.**

To induce the Lenders and the Agent to execute and deliver this Second Amendment, each of the Company and the other Credit Parties represents, warrants and covenants that:

(a) **Organization and Powers.** Each Credit Party is a corporation or limited liability company, as applicable, duly organized or formed, as applicable, validly existing and, to the extent such concept applies, in good standing under the laws of its jurisdiction of incorporation or formation, as applicable. Each Credit Party has all requisite corporate or other organizational power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Second Amendment and to carry out the transactions contemplated thereby.

(b) **Authorization of Second Amendment; No Conflict.** The execution, delivery and performance of this Second Amendment have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of each Credit Party that is a party thereto. The execution, delivery and performance by Credit Parties of this Second Amendment and the consummation of the transactions contemplated hereby do not and will not (a) violate any provision of any law or any governmental rule or regulation applicable to Holdings or any of its Subsidiaries, the certificate or articles of incorporation or bylaws (or equivalent constituent documents) of Holdings or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Holdings or any of its Subsidiaries, except to the extent such violation could not be reasonably be expected to have a Material Adverse Effect, (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Holdings or any of its Subsidiaries, (c) result in or require the creation or imposition of any Lien upon any of the properties or assets of Holdings or any of its Subsidiaries (other than any Liens created under any of the Credit Documents in favor of Collateral Agent on behalf of the Secured Parties), or (d) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Holdings or any of its Subsidiaries, except for such approvals or consents which will be obtained on or before the Second Amendment Forbearance Effective Date and disclosed in writing to the Lenders and except for any such consents or approvals the failure of which to obtain would not reasonably be expected to have a Material Adverse Effect.

(c) **Governmental Consents.** The execution, delivery and performance by the Credit Parties of this Second Amendment and the consummation of the transactions contemplated hereby do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body (a) such as have been obtained and are in full force and effect and (b) any such consents or approvals the failure of which to obtain would not reasonably be expected to have a Material Adverse Effect.

(d) **Grantors.** Each Domestic Subsidiary of THL-SC Bedding Company is a Grantor and is a party to the Pledge and Security Agreement.

(e) **Deposit Accounts.** As of the Second Amendment Forbearance Effective Date, no Credit Party has any deposit account containing unrestricted Cash other than the deposit accounts listed in Schedule 4.5 to the Pledge and Security Agreement (as amended pursuant to Section 4 hereof).

(f) **Binding Obligation.** This Second Amendment has been duly executed and delivered by each Credit Party and is the legally valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(g) **Incorporation of Representations and Warranties and Covenants from Credit Documents.** Except with respect to the Specified Defaults and the Permitted Exceptions, the representations and warranties contained in the Credit Agreement and each of the other Credit Documents are and will be true, correct and complete in all material respects on and as of the Second Amendment Forbearance Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date, and each of the agreements and covenants in the Credit Agreement and the other Credit Documents is hereby reaffirmed with the same force and effect as if each were separately stated herein and made as of the date hereof.

(h) **Absence of Default.** As of the date hereof, except for the Specified Defaults, (x) no Default or Event of Default has occurred or is continuing under the Second Forbearance Agreement, the Credit Agreement or any other Credit Document and (y) except as set forth on Exhibit A to the Second Forbearance Agreement (as amended by this Second Amendment), no “Default” or “Event of Default” (as those terms are defined under the Senior Subordinated Note Indenture or the documents evidencing the Holdco Notes) has occurred or is continuing in respect of the Senior Subordinated Notes or the Holdco Notes.

(i) **Collateral.** The Lenders' and the Agent's security interests in the Collateral continue to be valid, binding, and enforceable first-priority security interests which secure the Obligations (subject only to the Permitted Liens).

SECTION 6. **Ratification of Liability.**

(a) Each of the Company and other Credit Parties hereby ratifies and reaffirms all of its payment and performance obligations and obligations to indemnify, contingent or otherwise, under this Second Amendment and each other Credit Document to which such party is a party, and each such party hereby ratifies and reaffirms its grant of Liens on its properties pursuant to such Credit Documents to which it is a party as security for the Obligations under or with respect to the Credit Agreement, and confirms and agrees that such Liens hereafter secure all of the Obligations. Each Guarantor acknowledges the effectiveness and continuing validity of its guarantee in the Credit Agreement and its liability for the Obligations pursuant to the terms of such guarantee and that such obligation is without defense, setoff and counterclaim.

(b) The Company and each other Credit Party (i) acknowledge receipt of a copy of this Second Amendment and all other agreements, documents and instruments executed and/or delivered in connection herewith, (ii) consents to the terms and conditions of same without prejudice to any Credit Party's liability pursuant to any of the Credit Documents, and (iii) agrees and acknowledges that each of the Credit Documents remains in full force and effect, that such Credit Party's obligations thereunder are without defense, setoff and counterclaim and that each of the Credit Documents is hereby ratified and confirmed.

SECTION 7. Reference To And Effect Upon the Credit Agreement, the Pledge and Security Agreement and the Second Forbearance Agreement.

(a) Except as expressly modified hereby, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement, the Second Forbearance Agreement and other Credit Documents, and all rights of Lenders and the Agent and all of the Obligations, shall remain in full force and effect. Each of the Company and the other Credit Parties hereby confirms that no such party has any right of setoff, recoupment or other offset with respect to any of the Obligations.

(b) Except as expressly set forth herein, the effectiveness of this Second Amendment shall not directly or indirectly (i) create any obligation to make any further Loans or issue any Letters of Credit after the Second Amendment Forbearance Effective Date, (ii) create any obligation to make any further Loans or issue any Letters of Credit or to continue to defer any enforcement action after the occurrence of any Forbearance Default (as defined in the Second Forbearance Agreement), (iii) constitute a consent to, or waiver of, any past, present or future violations, including Defaults and Events of Default, of any provisions of the Credit Agreement or any other Credit Documents, (iv) amend, modify, prejudice or operate as a waiver of any provision of the Credit Agreement or any other Credit Documents or any right, remedy, power or privilege of the Lenders and/or the Agent, (v) constitute a consent to any merger or other transaction or to any sale, restructuring or refinancing transaction, or (vi) constitute a course of dealing or other basis for altering any Obligations or any other contract or instrument. Except as expressly set forth herein, each Lender and the Agent reserve all of their respective rights, remedies, powers and privileges under the Credit Agreement, the Second Forbearance Agreement, the other Credit Documents and applicable law and/or equity. All of the provisions of the Credit Agreement, the Second Forbearance Agreement and the other Credit Documents are hereby reiterated, and if ever waived, are hereby reinstated. Notwithstanding any other provision in this Second Amendment, it is understood and agreed that during the Second Forbearance Period, notwithstanding the Company's inability to make the statements required by Section 3.2 of the Credit Agreement (or in any Funding Notice or Request for Issuance required thereby), solely to the extent excused pursuant to the last sentence of Section 2(d) of the Second Forbearance Agreement, but subject to all other terms and conditions contained in the Credit Agreement and Section 2(d) of the Second Forbearance Agreement, any Issuing Bank may issue, renew, extend or replace Letters of Credit and the Company shall be permitted to request Revolving Loans (and Lenders agree to make such Revolving Loans), provided that the Revolving Credit Exposure is not increased or decreased after giving effect to such issuance, renewal, extension or replacement of any such Letter of Credit or the making of any such Revolving Loans.

(c) From and after the Second Amendment Forbearance Effective Date (i) the term "Agreement" in the Second Forbearance Agreement, and all references to the Second Forbearance Agreement in any Credit Document shall mean the Original Second Forbearance Agreement as amended by the First Amendment Forbearance Agreement and this Second Amendment and; (ii) the term "Agreement" in the Credit Agreement, and all references to the Credit Agreement in any Credit Document shall mean the Credit Agreement as amended by the Original Second Forbearance Agreement, the First Amendment Forbearance Agreement and this Second Amendment; and (iii) the term "Credit Document" in the Credit Agreement, the Pledge and Security Agreement, the Second Forbearance Agreement and the other Credit Documents shall include, without limitation, the Original Second Forbearance Agreement, the First Amendment Forbearance Agreement and this Second Amendment and any agreements, instruments and other documents executed and/or delivered in connection therewith.

(d) This Second Amendment shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of the Credit Agreement or any other Credit Document.

SECTION 8. Company's Release and Duty to Indemnify for Assigned Claims.

(a) By its execution hereof and in consideration of the mutual covenants contained herein and other accommodations granted to the Credit Parties hereunder, each Credit Party, on behalf of itself and each of its Subsidiaries, and its or their successors, assigns and agents, hereby expressly forever waives, releases and discharges any and all claims (including, without limitation, cross-claims, counterclaims, and rights of setoff and recoupment), causes of action (whether direct or derivative in nature), demands, suits, costs, expenses and damages (collectively, the "Claims") any of them may have or allege to have as of the Second Amendment Effective Date (and all defenses that may arise out of any of the foregoing) of any nature, description, or kind whatsoever, based in whole or in part on facts, whether actual, contingent or otherwise, now known, unknown, or subsequently discovered, whether arising in law, at equity or otherwise, against the Agent or any Lender, their respective affiliates, agents, principals, managers, managing members, members, stockholders, "controlling persons" (within the meaning of the United States federal securities laws), directors, officers, employees, attorneys, consultants, advisors, agents, trusts, trustees, beneficiaries, heirs, executors and administrators of each of the foregoing (collectively, the "Released Parties"), in each case, involving or otherwise relating to this Second Amendment or any of the other agreements entered into in connection herewith, the Credit Agreement, the Second Forbearance Agreement, the Credit Documents or any or all of the actions and transactions contemplated hereby or thereby, including, without limitation, any actual or alleged performance or nonperformance by any of the Released Parties hereunder or thereunder. Each Credit Party hereby acknowledges that the agreements in this paragraph (a) are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Claims. In entering into this Second Amendment, each Credit Party expressly disclaims any reliance on any representations, acts, or omissions by any of the Released Parties and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above does not depend in any way on any such representation, acts and/or omissions or the accuracy, completeness, or validity thereof. The provisions of this paragraph shall survive the termination or expiration of the Second Forbearance Period and the termination of the Credit Documents and the payment in full of all obligations of the Credit Parties under or in respect of the Credit Agreement and other Credit Documents and all other amounts owing thereunder.

(b) Each Credit Party represents and warrants that it has not assigned to any Person any Claim other than to the Collateral Agent pursuant to the Pledge and Security Agreement. In the event that the foregoing representation and warranty is, or is purported to be, untrue, each Credit Party agrees

to indemnify and hold harmless the Released Parties against, and to pay, any and all actions, demands, obligations, causes of action, decrees, awards, claims, liabilities, losses and costs (including, but not limited to, reasonable expenses of investigation and fees and expenses of counsel) that any of the Released Parties may sustain or incur as a result of the breach or purported breach of the foregoing representation and warranty, in each case, in the manner and to the extent set forth in Section 10.3 of the Credit Agreement. The provisions of this paragraph shall survive the termination or expiration of the Second Forbearance Period and the termination of the Credit Documents and the payment in full of all obligations of the Credit Parties under or in respect of the Credit Agreement and other Credit Documents and all other amounts owing thereunder.

SECTION 9. **Construction.**

This Second Amendment and all other agreements and documents executed and/or delivered in connection herewith have been prepared through the joint efforts of all of the parties hereto. Neither the provisions of this Second Amendment or any such other agreements and documents nor any alleged ambiguity therein shall be interpreted or resolved against any party on the ground that such party or its counsel drafted this Second Amendment or such other agreements and documents, or based on any other rule of strict construction. Each of the parties hereto represents and declares that such party has carefully read this Second Amendment and all other agreements and documents executed in connection therewith, and that such party knows the contents thereof and signs the same freely and voluntarily. The parties hereto acknowledge that they have been represented by legal counsel of their own choosing in negotiations for and preparation of this Second Amendment and all other agreements and documents executed in connection herewith and that each of them has read the same and had their contents fully explained by such counsel and is fully aware of their contents and legal effect.

SECTION 10. **Counterparts.**

This Second Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Second Amendment by delivering by facsimile, portable document format (“.pdf”) or other electronic transmission a signature page of this Second Amendment signed by such party, and any such facsimile or other electronic signature shall be treated in all respects as having the same effect as an original signature.

SECTION 11. **Severability.**

The invalidity, illegality, or unenforceability of any provision in or obligation under this Second Amendment in any jurisdiction shall not affect or impair the validity, legality, or enforceability of the remaining provisions or obligations under this Second Amendment or of such provision or obligation in any other jurisdiction.

SECTION 12. **Further Assurances.**

The Company and each other Credit Party agrees to, and to cause any other Credit Party to, take all further actions and execute all further documents as Agent may from time to time reasonably request to carry out the transactions contemplated by this Second Amendment and all other agreements executed and delivered in connection herewith; provided that any failure to do so shall be an Event of Default if such failure has not been remedied or waived within five (5) Business Days after the Company’s receipt of notice from the Agent.

SECTION 13. **Section Headings.**

Section headings in this Second Amendment are included herein for convenience of reference only and shall not constitute part of this Second Amendment for any other purpose.

SECTION 14. **Governing Law.**

THIS SECOND AMENDMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND ANY CLAIMS OR ACTIONS ARISING HEREUNDER OR IN CONNECTION HERewith (WHETHER SOUNDING IN CONTRACT OR IN TORT) SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. **Acknowledgements.**

Each Credit Party hereby acknowledges that:

- (a) it has carefully read and fully understood all of the terms and conditions of this Second Amendment;
- (b) it has consulted with, or had a full and fair opportunity to consult with, and has been advised by fully competent counsel in the negotiation, execution and delivery of this Second Amendment;
- (c) it has had a full and fair opportunity to participate in the drafting of this Second Amendment and that no provision of this Second Amendment shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of any party hereto having or being deemed to have structured, dictated or drafted such provision;
- (d) it is freely, voluntarily, knowingly and intelligently entering into this Second Amendment;
- (e) none of the Lenders or the Agent has a fiduciary relationship to any Credit Party, and the relationship between the Agent and the Lenders, on the one hand, and the Credit Parties, on the other, is solely that of creditor and debtor; and
- (f) no joint venture exists among the Credit Parties, the Agent and the Lenders.

SECTION 16. **Effectiveness.**

This Second Amendment shall become effective at the time (the “Second Amendment Forbearance Effective Date”) that the following conditions precedent have been satisfied:

(a) Second Amendment. The Agent shall have received duly executed signature pages for this Second Amendment signed by the Company, each other Credit Party and the Requisite Lenders.

(b) Forbearance Agreement to Indenture. The Agent shall have received a duly executed copy of an amendment to the Indenture Forbearance Agreement pursuant to which the references to "May 31, 2009" in Section 2(a) therein are replaced with a reference to "June 30, 2009," which date shall be extended to July 31, 2009, so long as the Company has commenced, by June 30, 2009, a solicitation process to effect the "Selected Transaction" (as defined in the Forbearance Agreement to Indenture (as amended as of or prior to the date hereof)), with no fees or any other economics payable in connection therewith and (i) in the form attached hereto as Exhibit A or (ii) otherwise reasonably satisfactory to the Agent (the "Indenture Forbearance Amendment"), which Indenture Forbearance Amendment shall have become effective in accordance with its terms.

SECTION 17. **Assignments; No Third Party Beneficiaries.**

This Second Amendment shall be binding upon and inure to the benefit of the Company, the other Credit Parties, the Lenders, the Agent and their respective successors and assigns; provided, that neither the Company nor any other Credit Party shall be entitled to delegate any of its duties hereunder and shall not assign any of its rights or remedies set forth in this Second Amendment without the prior written consent of the Agent in its sole discretion. No Person other than the parties hereto and their permitted successors and assigns, shall have any rights hereunder or be entitled to rely on this Second Amendment and all third-party beneficiary rights are hereby expressly disclaimed.

SECTION 18. **Final Agreement.**

This Second Amendment, the Credit Agreement, the Original Second Forbearance Agreement, the First Amendment Forbearance Agreement, the other Credit Documents, and the other written agreements, instruments, and documents entered into in connection herewith and therewith (collectively, the "Company/Lender Documents") set forth in full the terms of agreement between the parties hereto and thereto and are intended as the full, complete, and exclusive contracts governing the relationship between such parties, superseding all other discussions, promises, representations, warranties, agreements, undertakings and understandings between the parties with respect thereto. No term of the Company/Lender Documents may be amended, restated, waived or otherwise modified except in a writing signed by the party against whom enforcement of the modification, amendment, or waiver is sought, unless otherwise provided in the applicable Company/Lender Document. Any waiver of any condition in, or breach of, any of the foregoing in a particular instance shall not operate as a waiver of other or subsequent conditions or breaches of the same or a different kind. The Lenders' and/or the Agent's exercise or failure to exercise any rights or remedies under any of the foregoing in a particular instance shall not operate as a waiver of its right to exercise the same or different rights, remedies, powers and privileges in any other instances. There are no oral agreements among the parties hereto.

[signature pages to follow]

IN WITNESS WHEREOF, this Second Amendment to Second Forbearance Agreement and Fifth Amendment to the Second Amended and Restated Credit and Guaranty Agreement has been executed by the parties hereto as of the date first written above.

SIMMONS BEDDING COMPANY

By: /s/ William S. Creekmuir
Name: William S. Creekmuir
Title: Executive Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary

THL-SC BEDDING COMPANY

By: /s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Executive Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary

**THE SIMMONS MANUFACTURING CO., LLC
WORLD OF SLEEP OUTLETS, LLC
SIMMONS CONTRACT SALES, LLC
WINDSOR BEDDING CO., LLC
SIMMONS EXPORT CO.**

By: /s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Executive Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary

DREAMWELL, LTD.
SIMMONS CAPITAL MANAGEMENT, LLC

By: /s/ William S. Creekmuir
Name: William S. Creekmuir
Title: President and Treasurer

DEUTSCHE BANK AG, NEW YORK BRANCH,
As Agent

Name: Vincent D' Amore
Title: Director

By: /s/ Vincent D' Amore

Name: Keith C. Braun
Title: Managing Director

By: /s/ Keith C. Braun

DEUTSCHE BANK A.G., CAYMAN ISLANDS BRANCH,
Individually as a Lender

Name: Vincent D' Amore
Title: Director

By: /s/ Vincent D' Amore

Name: Keith C. Braun
Title: Managing Director

By: /s/ Keith C. Braun

AMENDMENT NO. 2 TO FORBEARANCE AGREEMENT TO INDENTURE

This AMENDMENT NO. 2 TO FORBEARANCE AGREEMENT TO INDENTURE (this “Second Amendment”) is entered into as of May 27, 2009, by and among Simmons Bedding Company, a Delaware corporation (the “Company”), the Guarantors (as defined in the Indenture (as hereinafter defined)) and the Amending Holders (as hereinafter defined).

RECITALS

WHEREAS, the Company, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (in such capacity, the “Trustee”) are parties to that certain Indenture, dated as of December 19, 2003 (as has been or may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Indenture”), pursuant to which those certain 7.875% Senior Subordinated Notes due 2014 (the “Notes”) were issued;

WHEREAS, as of the date hereof, the Defaults or Events of Default listed on Exhibit A to the Indenture Forbearance Agreement (as hereinafter defined), as amended by this Second Amendment, have either occurred and are continuing or may occur and continue during the Forbearance Period (as hereinafter defined) (collectively, the “Specified Defaults”);

WHEREAS, the Company, the Guarantors and certain Holders (the “Forbearing Holders”) are parties to that certain Forbearance Agreement to Indenture, dated as of February 4, 2009 (the “Original Indenture Forbearance Agreement”), as amended by the First Forbearance Amendment (as hereinafter defined), the “Indenture Forbearance Agreement”), pursuant to which the Forbearing Holders agreed to, among other things, (i) forbear from exercising their default-related rights and remedies against the Company and the Guarantors, (ii) direct the Trustee to refrain from exercising any such rights and remedies on the Holders’ behalf and (iii) rescind and cancel any acceleration of the Notes directed by or on behalf of any Holders, in each case, with respect to the Specified Defaults until March 31, 2009;

WHEREAS, the Company, the Guarantors and certain Forbearing Holders are parties to that certain Amendment No. 1 to Forbearance Agreement to Indenture, dated as of March 20, 2009 and made effective as of March 25, 2009 (the “First Forbearance Amendment”), pursuant to which the Forbearing Holders agreed to, among other things extend the Forbearance Period until May 31, 2009 or, subject to the satisfaction of certain conditions, July 31, 2009; and

WHEREAS, upon the Company’s request, the Amending Holders have agreed, subject to the terms and conditions set forth herein, to amend the Indenture Forbearance Agreement to provide for an extension of the Forbearance Period until June 30, 2009, or, subject to the satisfaction of certain conditions, July 31, 2009.

NOW THEREFORE, in consideration of the mutual execution hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. **Definitions.** Capitalized terms used in this Second Amendment, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture.

SECTION 2. **Amendments to Indenture Forbearance Agreement.** Subject to the satisfaction of the condition precedent set forth in Section 4 hereof, the Indenture Forbearance Agreement is hereby amended as follows:

(a) Section 2(a) of the Indenture Forbearance Agreement shall be amended as follows:

(i) Clause “(i)” of Section 2(a) is hereby amended and restated in its entirety to read as follows:

“(i) 11:59 p.m. (New York City time) on June 30, 2009 (the “Outside Date”); provided, however, that the Outside Date shall be automatically extended to July 31, 2009 so long as the Company has commenced, by June 30, 2009, a solicitation process seeking consent for, or votes to effect, a Proposed Transaction (as hereinafter defined), which Proposed Transaction at the time of extension shall be acceptable to Forbearing Holders collectively holding more than 50% of the aggregate outstanding principal amount of the Notes (any such Holders, the “Extending Holders”) in their sole discretion (such transaction, the “Selected Transaction”); and”.

(ii) Clause “(ii)” of Section 2(a) is hereby amended by deleting “Paul Weiss, as counsel to the Noteholder Group,” therein and inserting in lieu thereof “Paul, Weiss, Rifkind, Wharton & Garrison LLP, as counsel to the Forbearing Holders (“Paul Weiss”),”.

(b) Exhibit A to the Indenture Forbearance Agreement is hereby amended by amending and restating clause “(i)” of paragraph 1 thereon in its entirety to read as follows:

“(i) the failure of the Company to timely furnish a quarterly report on Form 10-Q for the quarters ended September 27, 2008 and March 28, 2009, and ending on June 27, 2009, in each case, as required under Section 4.03(a)(1);”.

(c) Exhibit A to the Indenture Forbearance Agreement is hereby amended by amending and restating clause “(ii)” of paragraph 1 thereon in its entirety to read as follows:

“(ii) the failure of the Company to timely furnish an annual report on Form 10-K for the fiscal year ended December 27, 2008, as required under Section 4.03(a)(1)”.

SECTION 3. **Ratification of Liability.** The Company and each Guarantor hereby ratify and reaffirm (a) that the aggregate outstanding principal amount of the Notes is \$200,000,000 and the accrued and unpaid interest through and including May 26, 2009 is \$13,634,906.25 and (b) all of their respective payment and performance obligations under this Second Amendment, the Indenture Forbearance Agreement and the Indenture, including, without

limitation, the obligation to pay interest at the default rate, in accordance with Sections 2.12 and 4.01 of the Indenture, which commenced on January 15, 2009. The Company and each Guarantor (i) acknowledge receipt of a copy of this Second Amendment and all other agreements, documents, and instruments executed and/or delivered in connection herewith, (ii) consent to the terms and conditions of same and (iii) agree and acknowledge that the Indenture Forbearance Agreement and the Indenture remain in full force and effect and are hereby ratified and confirmed.

SECTION 4. Conditions to Effectiveness. This Second Amendment and the agreement of the Forbearing Holders to continue to forbear under the Indenture Forbearance Agreement shall become effective on such date (the "Second Amendment Effective Date") as the following condition shall have been satisfied in full or waived in writing by the Amending Holders:

(a) **Second Amendment.** The Company, the Guarantors and Forbearing Holders collectively holding more than \$100,000,000 in principal amount of the Notes shall have executed and delivered signature pages to this Second Amendment (such Forbearing Holders, the "Amending Holders"). Paul Weiss, in reliance on Section 6 hereof, will notify the Company upon receipt of signature pages from the Amending Holders.

For the avoidance of doubt, this Second Amendment shall be effective in accordance with this Section 4 regardless of whether the Trustee executes this Second Amendment.

SECTION 5. Representations and Warranties of the Company and Guarantors.

To induce the Amending Holders to execute and deliver this Second Amendment, each of the Company and each Guarantor represents and warrants that:

(a) **Corporate Power and Authority.** It has all requisite corporate or other organizational power and authority to enter into this Second Amendment and to carry out the transactions contemplated by, and perform its obligations under, this Second Amendment.

(b) **Authorization of Second Amendment.** The execution and delivery of this Second Amendment and the performance of this Second Amendment have been duly authorized by all necessary corporate or other organizational action on its part.

(c) **No Conflict.** The execution and delivery of this Second Amendment and the performance of this Second Amendment and the consummation of the transactions contemplated hereby do not and will not (i) contravene its certificate of incorporation or by-laws or or other constituent documents, (ii) violate any (a) applicable material requirement of law or (b) material order or decree of any governmental authority or arbitrator applicable to it, (iii) materially conflict with or result in the breach of, or constitute a default under, or result in or permit the termination or acceleration of, any of its material contractual obligations or (iv) result in the creation or imposition of any material lien or encumbrance upon any of its material property.

(d) **Binding Obligation.** This Second Amendment has been duly executed and delivered by it and constitutes a legal, valid and binding obligation of it to the extent a party hereto enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws limiting creditors' rights generally and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(e) **Absence of Default.** As of the date hereof, except for the Specified Defaults, no Default or Event of Default has occurred or is continuing under the Indenture.

SECTION 6. Representation of the Amending Holders. Each Holder party hereto severally represents that on the date hereof it is the beneficial owner and/or investment advisor or manager of discretionary accounts for the Holders or beneficial owners of not less than the aggregate principal amount of the Notes set forth on a version of its signature page hereof provided by it to Paul Weiss.

SECTION 7. Entire Agreement; Second Amendment. This Second Amendment, the Indenture Forbearance Agreement and the Indenture (the "Note Documents"), constitute the full and final agreement between the parties hereto with respect to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Second Amendment and the other Note Documents.

SECTION 8. Reference to and Effect Upon the Indenture Forbearance Agreement.

(a) Except as expressly modified hereby, all terms, conditions, covenants, representations and warranties contained in the Indenture Forbearance Agreement and the Indenture, and all rights of the Holders and the Trustee and all of the Obligations, shall remain in full force and effect. The Company and each Guarantor hereby confirm that no such party has any right of setoff, recoupment or other offset with respect to any of the Obligations.

(b) From and after the Second Amendment Effective Date, (i) the term "Agreement" in the Indenture Forbearance Agreement and all references to the Indenture Forbearance Agreement in any Note Document shall mean the Indenture Forbearance Agreement as amended by this Second Amendment.

SECTION 9. Release of Holders.

(a) Upon the effectiveness hereof and in consideration of the mutual covenants contained herein and other accommodations granted to the Company and the Guarantors hereunder, the Company and each Guarantor, on behalf of themselves and each of their respective Subsidiaries, and their respective successors, assigns and agents (collectively, the "Releasing Parties"), hereby expressly forever waive, release and discharge any and all claims (including, without limitation, cross-claims, counterclaims, and rights of setoff and recoupment), causes of action (whether direct or derivative in nature), demands, suits, costs, expenses and damages (collectively, the "Claims") any of them may have or allege to have as of the Second Amendment Effective Date (and all defenses that may arise out of any of the foregoing) of any nature, description, or kind whatsoever, based in whole or in part on facts, whether actual, contingent or otherwise, now known, unknown, or subsequently discovered, whether arising in law, at equity or otherwise, against the Amending Holders in any capacity, their respective affiliates, agents, principals, managers, managing members, members, stockholders, "controlling persons" (within the meaning of the United States federal securities laws), directors, officers, employees, attorneys, consultants, advisors, agents, trusts, trustors, beneficiaries, heirs, executors and administrators of each of the foregoing (collectively, the "Released Parties"), in each case, involving or otherwise relating to this Second Amendment, or any of the other agreements entered into in connection herewith, the Indenture Forbearance Agreement, the Indenture or any or all of the actions and transactions contemplated hereby or thereby, including, without limitation, any actual or alleged performance or nonperformance by any of the Released Parties hereunder or thereunder. Each of the Releasing Parties hereby acknowledges that the agreements in this Section 9(a) are

intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Claims. In entering into this Second Amendment, each of the Releasing Parties expressly disclaims any reliance on any representations, acts, or omissions by any of the Released Parties and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above does not depend in any way on any such representation, acts and/or omissions or the accuracy, completeness, or validity thereof. The provisions of this Section 9 shall survive the termination or expiration of the Forbearance Period and the termination of the Indenture and the payment in full of all obligations of any Releasing Party under or in respect of the Indenture and all other amounts owing thereunder.

(b) Each of the Releasing Parties represents and warrants that it has not assigned to any Person any Claim, other than to Deutsche Bank AG, New York Branch, as collateral agent (the "Collateral Agent"), pursuant to that certain Pledge and Security Agreement, dated as of December 19, 2003, by and among the Grantors party thereto and the Collateral Agent. In the event that the foregoing representation and warranty is, or is purported to be, untrue, each of the Releasing Parties agrees to indemnify and hold harmless the Released Parties against, and to pay, any and all actions, demands, obligations, causes of action, decrees, awards, claims, liabilities, losses and costs (including, but not limited to, reasonable expenses of investigation and fees and expenses of counsel) that any of the Released Parties may sustain or incur as a result of the breach or purported breach of the foregoing representation and warranty. The provisions of this paragraph shall survive the termination or expiration of the Forbearance Period and the termination of the Indenture and the payment in full of all obligations under or in respect of the Indenture and all other documents executed in connection therewith and all other amounts owing thereunder.

SECTION 10. **Successors and Assigns; No Third Party Beneficiaries.** This Second Amendment shall be binding upon and inure to the benefit of the Company, the Guarantors, the Forbearing Holders, the Trustee and their respective successors and assigns; provided, that neither the Company nor any Guarantor shall be entitled to delegate any of its duties hereunder and shall not assign any of its rights or remedies set forth in this Second Amendment without the prior written consent of the Forbearing Holders in their sole discretion. No Person other than the parties hereto shall have any rights hereunder or be entitled to rely on this Second Amendment and all third-party beneficiary rights are hereby expressly disclaimed.

SECTION 11. **Governing Law.** This Second Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to its choice of law provisions.

SECTION 12. **Counterparts.** This Second Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Second Amendment by delivering by facsimile, in a .pdf or other electronic transmission a signature page to this Second Amendment signed by such party, and any such facsimile, .pdf or other electronic signature shall be treated in all respects as having the same effect as an original signature.

SECTION 13. **Section Headings.** Section headings in this Second Amendment are included herein for convenience of reference only and shall not constitute part of this Second Amendment for any other purpose.

SECTION 14. **Severability.** The invalidity, illegality or unenforceability of any provision in or obligation under this Second Amendment in any jurisdiction shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations under this Second Amendment or of such provision or obligation in any other jurisdiction.

[signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 2 to Forbearance Agreement to Indenture has been executed by the parties hereto as of the date first written above.

SIMMONS BEDDING COMPANY

By: /s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary

SIMMONS COMPANY

By: /s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary

**THE SIMMONS MANUFACTURING CO., LLC
WORLD OF SLEEP OUTLETS, LLC
SIMMONS CONTRACT SALES, LLC
WINDSOR BEDDING CO., LLC
SIMMONS EXPORT CO.**

By: /s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary

DREAMWELL, LTD.
SIMMONS CAPITAL MANAGEMENT, LLC

By: /s/ William S. Creekmuir
Name: William S. Creekmuir
Title: President and Treasurer

[_____], AS AMENDING HOLDER

By:

Name:

Title:

CERTIFICATIONS

PRESIDENT'S SECTION 302 CERTIFICATION

I, Stephen G. Fendrich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Simmons Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals.
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 21, 2009

/s/ Stephen G. Fendrich

Name: Stephen G. Fendrich

Title: President and Chief Operating Officer

CHIEF FINANCIAL OFFICER'S SECTION 302 CERTIFICATION

I, William S. Creekmuir, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Simmons Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals.
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 21, 2009

/s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Chief Financial Officer

CERTIFICATION REQUIRED BY 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Stephen G. Fendrich, as President and Chief Operating Officer of Simmons Company (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 27, 2009 (the "Report"), being filed with the U.S. Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 21, 2009

/s/ Stephen G. Fendrich

Name: Stephen G. Fendrich

Title: President and Chief Operating Officer

A signed original of this written statement required by Section 906 has been provided to Simmons Company and will be retained by Simmons Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION REQUIRED BY 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, William S. Creekmuir, as Chief Financial Officer of Simmons Company (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 27, 2009 (the "Report"), being filed with the U.S. Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 21, 2009

/s/ William S. Creekmuir

Name: William S. Creekmuir

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Simmons Company and will be retained by Simmons Company and furnished to the Securities and Exchange Commission or its staff upon request.