As filed with the Securities and Exchange Commission on September 23, 2003

Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

Tempur-Pedic, Inc.	**Kentucky**	**2510**	**61-1187378**
Tempur Production USA, Inc.	**Virginia**	**2510**	**61-1368322**
TWI Holdings, Inc.*	**Delaware**	**2510**	**33-1022198**
Tempur World, Inc.*	**Delaware**	**2510**	**61-1364709**
Tempur World Holdings, Inc.*	**Delaware**	**2510**	**61-1394602**
Tempur-Pedic, Direct Response, Inc.*	**Kentucky**	**2510**	**31-1491797**
Tempur-Medical, Inc.*	**Kentucky**	**2510**	**31-1491807**
(Exact name of each registrant as specified in its charter)	(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

* Guarantor

1713 Jaggie Fox Way
Lexington, Kentucky 40511
800-878-8889
(Address, including zip code, and telephone number, including area code, of the registrants' principal executive offices)

Robert B. Trussell, Jr., President and Chief Executive Officer
Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
800-878-8889
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
John R. Utzschneider, Esq.
Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
617-951-8000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10 1/4% Senior Subordinated Notes due 2010	$150,000,000	100% (1)	$150,000,000	$12,135.00
Guarantees of the 10 1/4% Senior Subordinated Notes due 2010	$150,000,000	N/A	N/A	(2)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act.
(2) The guarantees by each of TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc. and Tempur-Medical, Inc. of the principal and interest on the notes are also being registered hereby. No additional registration fee is due for the guarantees, pursuant to Rule 457(n) under the Securities Act.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8 OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8, MAY DETERMINE.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated September 23, 2003

PRELIMINARY PROSPECTUS

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

OFFER TO EXCHANGE

$150,000,000 principal amount of 10 1/4% Senior Subordinated Notes due 2010, which have been registered under the Securities Act of 1933, for any and all of the outstanding 10 1/4% Senior Subordinated Notes due 2010

This is an offering by Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the Issuers) to exchange all of their outstanding 10 1/4% Senior Subordinated Notes due 2010, which are referred to herein as the old notes, for their registered 10 1/4% Senior Subordinated Notes due 2010, which are referred to herein as the exchange notes, and together with the old notes, the notes. The terms of the exchange notes are substantially identical to the terms of the old notes except that the exchange notes have been registered under the Securities Act of 1933 and, therefore, are freely transferable. The exchange notes will represent the same debt as the old notes, and the Issuers will issue the exchange notes under the same indenture.

The principal features of the exchange offer are as follows:

- The exchange offer expires at 5:00 p.m., New York City time, on , 2003, unless extended.
- The Issuers will exchange all old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.
- You may withdraw tendered old notes at any time prior to the expiration of the exchange offer.
- The exchange of old notes for exchange notes pursuant to the exchange offer will not be a taxable event for U.S. federal income tax purposes.
- We will not receive any proceeds from the exchange offer.
- There is no established trading market for the exchange notes, and we do not intend to apply for listing of the exchange notes on any securities exchange or automated quotation system.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 90 days after the expiration date (as defined herein), they will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The exchange notes will be the unsecured senior subordinated obligations of the Issuers and will be guaranteed on an unsecured senior subordinated basis by the Issuers' ultimate parent, TWI Holdings, Inc. and all of TWI Holdings' current and future domestic restricted subsidiaries, other than the Issuers. The exchange notes and guarantees will rank equally in right of payment with all of the Issuers' and the guarantors' existing and future unsecured senior subordinated indebtedness, including the old notes, and will be subordinated in right of payment to all of the Issuers' and the guarantors' existing and future senior indebtedness.

Participating in the exchange offer involves risks. See "Risk Factors" beginning on page 18.

Neither the Securities and Exchange Commission nor any other federal or state agency has approved or disapproved of the securities to be distributed in the exchange offer, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

TABLE OF CONTENTS

We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained in this prospectus. You must not rely upon any information or representation not contained in this prospectus as if we had authorized it. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, and other information that is not historical information. Many of these statements appear, in particular, under the headings "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." When used in this prospectus, the words "estimates," "expects," "anticipates," projects," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but there can be no assurance that we will realize our expectations or that our beliefs will prove correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this prospectus, including under the heading "Risk Factors." As described herein, such risks, uncertainties and other important factors include, among others:

- the level of competition in the mattress and pillow industries;
- our ability to effectively manage and sustain our growth;
- our ability to maintain our return rates and warranty reserves;
- liability relating to our products;
- changes in, or failure to comply with, federal, state and/or local governmental regulations;
- our involvement in a government investigation and associated litigation or proceedings relating to any allegations of the possibility of price fixing in the mattress industry;
- our ability to enhance our existing products and to develop and market new products on a timely basis;
- risks arising from our international operations;
- our dependence on our significant customers;
- our ability to maintain our third party distributor arrangements;
- the efficiency and effectiveness of our advertising campaign and other marketing programs in building product and brand awareness and increasing sales;
- our ability to protect our patents and other intellectual property, as well as successfully defend against claims brought by our competitors under their patents and intellectual property;
- our ability to comply with environmental, health and safety requirements;
- fluctuations in the cost of raw materials, the possible loss of suppliers and disruptions in the supply of our raw materials;
- fluctuations in exchange rates;
- unexpected equipment failures, delays in deliveries or catastrophic loss at our manufacturing facilities;
- potential conflicts of interest between you and our controlling shareholders;
- our ability to maintain our labor relations; and
- our ability to rely on the services of our senior management team.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. 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.

INDUSTRY AND MARKET DATA

This prospectus includes market share and industry data that we obtained from industry publications and surveys and internal company surveys. International Sleep Products Association (ISPA) and *Furniture/Today* were the primary sources for third-party industry data. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most readily available market data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “Risk Factors” in this prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 as set forth in their reports. We’ve included our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP’s reports, given on their authority as experts in accounting and auditing.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of our Predecessor at December 31, 2001 and 2000, and for each of the two years in the period ended December 31, 2001, as set forth in their report. We’ve included these consolidated financial statements of our Predecessor in this prospectus and elsewhere in the registration statement in reliance on Arthur Andersen LLP’s report, given on their authority as experts in accounting and auditing.

In June 2002, Arthur Andersen LLP was convicted of federal obstruction of justice charges. As a result of its conviction, Arthur Andersen has ceased operations and is no longer in a position to reissue its audit reports or to provide consent to include financial statements reported on by it in this prospectus. Because Arthur Andersen has not reissued its reports and because we are not able to obtain a consent from Arthur Andersen, you will be unable to sue Arthur Andersen for material misstatements or omissions, if any, in this prospectus, including the financial statements covered by its previously issued reports. Even if you have a basis for asserting a remedy against, or seeking recovery from, Arthur Andersen, we believe that it is unlikely that you would be able to recover damages from Arthur Andersen.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It does not contain all of the information that may be important to you. We encourage you to read this prospectus in its entirety. The exchange notes offered hereby are being offered by Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers. These companies are referred to in this prospectus as the "Issuers." The Issuers are indirect, wholly-owned subsidiaries of TWI Holdings, Inc. TWI Holdings, Inc. and its domestic restricted subsidiaries (other than the Issuers) will guarantee the exchange notes on a senior subordinated basis. Unless otherwise noted, all of the financial information in this prospectus is consolidated financial information for TWI Holdings, Inc. or its predecessors. As used in this prospectus, the terms "TWI" and "TWI Holdings" refer to TWI Holdings, Inc. only, and the terms "we," "our," "ours" and "us" refer to TWI Holdings and its consolidated subsidiaries. Unless otherwise noted in this prospectus, all references to dollars are to United States dollars.

Tempur®, Tempur-Pedic®, Tempur-Med®, Swedish Sleep System®, Airflow System™ and Dual Airflow System™ are our trademarks, trade names and service marks. All other trademarks, trade names and service marks used in this prospectus are the property of their respective owners.

TWI Holdings

We are a rapidly growing, vertically-integrated manufacturer, marketer and distributor of premium visco-elastic foam mattresses and pillows that we sell globally in 54 countries primarily under the Tempur® and Tempur-Pedic® brands. We believe our premium mattresses and pillows are more comfortable than standard bedding products because our proprietary visco-elastic foam is temperature sensitive, has a high density and conforms to the body to therapeutically align the neck and spine, thus reducing neck and lower back pain, two of the most common complaints about other sleep surfaces. In April 2003, *Consumers Digest* named one of our products among the eight "best buys" of the mattress industry in the applicable price range because of the strong value our products provide to consumers. Consumer surveys commissioned on our behalf over the last several years have indicated that our products achieve satisfaction ratings generally ranging from 80% to 92%. Since 2000, our total net sales and Adjusted EBITDA have grown at compound annual rates of approximately 36% and 27%, respectively, and for the pro forma as adjusted twelve months ended June 30, 2003, we had total net sales of $387.0 million and Adjusted EBITDA of $97.2 million.

We sell our products through four distribution channels: retail (furniture and specialty stores, as well as department stores internationally); direct (direct response and internet); healthcare (chiropractors, medical retailers, hospitals and other healthcare channels); and third party distributors. In the United States, we sell a majority of our mattresses and pillows through furniture and specialty retailers. We also have a direct response business that generates sales of our products. International sales account for approximately 45% of our total net sales, with the United Kingdom, Germany, France, Spain and Japan representing our largest markets. In Asia, our net sales consist primarily of pillows. Internationally, in addition to sales through our retail channel, we sell a significant amount of our products through the healthcare channel and third party distributors.

The International Sleep Products Association (ISPA) estimates that the United States wholesale market for mattresses and foundations in 2002 was approximately $4.8 billion. We believe the international mattress market is generally the same size as the domestic mattress market. The international market consists primarily of sales in Canada and Europe. According to ISPA, 21.5 million mattress units were sold in the United States in 2002, and we believe a similar number of mattress units were sold outside the United States. ISPA further estimates that approximately 20% of those mattress units were sold at retail price points greater than $1,000, which is the premium segment of the market we target. According to ISPA, the premium segment of the market grew in the United States at an annual rate of 32% in 2002, and is the fastest-growing segment of this market.

Most standard mattresses are made using innersprings and most innerspring mattresses are sold for under $1,000, primarily through retail furniture and bedding stores. Alternatives to standard and premium innerspring mattresses include visco-elastic and other foam mattresses, as well as airbeds and waterbeds. Four large manufacturers (Sealy Corporation, Serta, Inc., Simmons Company and The Spring Air Company) dominate the standard innerspring mattress market in the United States, accounting for approximately 60% of wholesale mattress dollar sales in 2001 according to *Furniture/Today*, a trade publication. The balance of the United States wholesale mattress market is fragmented, with a large number of other manufacturers, many of which operate primarily on a regional basis. Standard innerspring mattresses represent approximately 80% of the overall mattress market in the United States.

Based on our market research, we estimate that the United States retail market for pillows is approximately $1.1 billion. The United States pillow market has a traditional and specialty segment. Traditional pillows are generally made of low cost foam or feathers, other than down. Specialty pillows include all alternatives to traditional pillows, including visco-elastic and other foam, sponge rubber and down. We estimate that specialty pillows accounted for approximately 27%, or $300.0 million, of retail sales in the United States in 1999. We believe the international pillow market is generally the same size as the domestic pillow market.

We believe we are the leading global manufacturer, marketer and distributor of visco-elastic foam mattresses and pillows, and we estimate we had an approximate 70% market share in 2002 in both the United States and globally. We believe consumer demand for our premium products in the United States is being driven primarily by increased housing and home furnishing purchases by the baby boom generation; significant growth in our core demographic market as the baby boom generation ages; increased awareness of the health benefits of a better quality mattress; and the shifting consumer preference from firmness to comfort. As our products become more widely available and as our brand gains broader consumer recognition, we expect that our premium products will attract sales away from the standard mattress market.

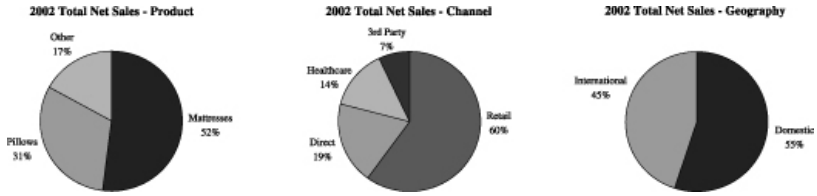
Our principal executive office is located at 1713 Jaggie Fox Way, Lexington, Kentucky 40511 and our telephone number is (800) 878-8889.

Competitive Strengths

We believe we are well-positioned for continued growth in our target markets, and that the following competitive strengths differentiate us from our competitors:

- ***Superior Product Offering.*** Our proprietary visco-elastic foam mattresses and pillows contour to the body more naturally and provide better spinal alignment, reduced pressure points, greater relief of lower back and neck pain and better quality sleep than traditional bedding products. We believe the benefits of our products have become widely recognized, as evidenced by the more than 25,000 healthcare professionals who recommend our products, and the approval of one or more of our products for purchase or reimbursement by the government healthcare agencies in several European countries. Consumer surveys commissioned on our behalf over the last several years indicate that our products achieve satisfaction ratings generally ranging from 80% to 92%. Net sales of our mattresses, including overlays, have increased from $116.8 million in 2001 to $156.0 million in 2002, and net sales of our pillows have increased from $75.3 million in 2001 to $91.2 million in 2002. Further, we continue to leverage our unique and proprietary manufacturing process to develop new products and refine existing products to meet the changing demands and preferences of consumers. Our innovative products distinguish us from the major manufacturers of standard innerspring mattresses and traditional pillows in the United States, which we believe offer generally similar products and must compete primarily on price.

- ***Increasing Global Brand Awareness.*** We believe consumers increasingly associate our brand name with premium quality products that enable better overall sleep. Our significant presence in both the United States and Europe, combined with our sales elsewhere, have also created significant global brand awareness. We sell our products in 54 countries primarily under the Tempur® and Tempur-Pedic® brands. One of our products was recently ranked among the eight "best buys" of the mattress industry in the applicable price range by *Consumers Digest*, a recognition awarded to products that provide strong value to consumers. Our Tempur brand has been in existence since 1991 and its global awareness is reinforced by our high level of customer satisfaction. Furthermore, our direct response business and associated multi-channel advertising continue to increase our brand awareness. We believe that our major competitors in the United States have limited brand awareness outside of the United States and our major international competitors have limited brand awareness outside of their respective regions.
- ***Diversified Product Offerings Sold Globally Through Multiple Distribution Channels.*** We believe we have a highly-diversified, well-balanced business model, which provides us with a competitive advantage over our major competitors, which primarily sell standard innerspring mattresses or traditional pillows in the United States almost exclusively through retail furniture and bedding stores. In contrast, for the combined twelve months ended December 31, 2002, mattress, pillow and other product sales, primarily adjustable beds, represented 52%, 31% and 17%, respectively, of our net sales. For the combined twelve months ended December 31, 2002, our retail channel represented 60% of our net sales, with our direct, healthcare and third party distributor channels representing 19%, 14% and 7%, respectively. Domestic and International operations generated 55% and 45%, respectively, of net sales for the combined twelve months ended December 31, 2002.



- ***Strong Free Cash Flow Characteristics.*** Our business generates significant free cash flow due to the combination of our rapidly growing revenues, strong gross and operating margins, low maintenance capital expenditure and working capital requirements, and limited corporate overhead. Further, our vertically-integrated operations generated an average of approximately $340,000 in net sales per employee in 2002, which is more than 1.5 times the average for three of the major bedding manufacturers in the United States. For the combined twelve months ended December 31, 2002, our gross margin and Adjusted EBITDA margins were 50.3% and 21.1%, respectively, on net sales of $298.0 million. In addition, capital expenditures were $11.1 million for this period, of which approximately $3.0 million was related to the maintenance of our existing assets.
- ***Significant Growth Opportunities.*** We believe our competitors in the standard innerspring mattress market in the United States have penetrated the majority of their addressable channels and, therefore, have limited growth opportunities in their core markets. In contrast, we have penetrated only a small percentage of our addressable market. For example, we currently sell our products in approximately 2,000 furniture retail stores in the United States, out of a total of approximately 9,000 stores we have identified as appropriate targets. Similarly, we currently sell our products in approximately 2,500 furniture retail stores outside the United States, out of a total of approximately 7,000 stores we have identified as appropriate targets. Furthermore, we have recently begun to expand our direct response

business in our European markets, based on our similar, successful initiatives in the United States and in the United Kingdom, to reach a greater number of consumers and increase our brand awareness.

- ***Management Team with Proven Track Record.*** Since launching our United States operations in 1992, Robert Trussell, Jr., has helped grow our company from its early stages into a global business with approximately $387.0 million in total net sales for the twelve months ended June 30, 2003. Furthermore, Mr. Trussell has assembled a highly experienced management team with significant sales, marketing, consumer products, manufacturing, accounting and treasury expertise. From 2000 to 2002, our management team has:
  - further penetrated the United States market, with net sales in our Domestic segment growing from $74.1 million in 2000 to $165.3 million in net sales for 2002;
  - achieved a compound annual sales growth rate of 36% from $162.0 million for our predecessor company for the year ended December 31, 2000 to $298.0 million for the combined twelve months ended December 31, 2002;
  - expanded our market share in the premium segment of the global mattress industry;
  - improved EBITDA margins;
  - successfully developed and constructed a manufacturing facility in the United States; and
  - improved the efficiency of our product distribution network.

The management team and certain key employees currently own approximately 11.9% of our common equity on a fully-diluted as-converted basis, after giving effect to the vesting of all outstanding options.

Business Strategy

Our goal is to become the leading global manufacturer, marketer and distributor of premium mattresses and pillows by pursuing the following key initiatives:

- ***Maintain Focus on Core Products.*** We believe we are the leading provider of visco-elastic foam mattresses and pillows, which we sell at attractive margins. We utilize a vertically-integrated, proprietary process to manufacture a comfortable, durable and high quality visco-elastic foam. Although this foam could be used in a number of different products, we are currently committed to maintaining our focus primarily on premium mattresses and pillows. We also plan to lead the industry in product innovation and sleep expertise by continuing to develop and market mattress and pillow products that enable better overall sleep and personalized comfort. We believe our focused sales, marketing and product strategies will enable us to increase market share in the premium market, while maintaining our margins and our ability to generate free cash flow.
- ***Continue to Build Global Brand Awareness.*** We plan to continue to invest in increasing our global brand awareness through targeted marketing and advertising campaigns that further associate our brand name with better overall sleep and premium quality products. We estimate that our current advertising campaign drives 2.7 billion consumer "impressions" per month via television, radio, magazines and newspapers. Our high level of customer satisfaction further drives brand awareness through "word-of-mouth" marketing. Consumer surveys commissioned on our behalf over the last several years indicate that our products achieve satisfaction ratings generally ranging from 80% to 92%.
- ***Further Penetrate Existing Channels.*** We expect future sales growth to be partly driven by further penetration of our existing distribution channels. For example, we are actively seeking to expand the number of retailers whose stores offer our products. In 2002, our retail channel, which includes furniture

and specialty stores, as well as department stores internationally, generated approximately 60% of our net sales. Our products are currently sold in approximately 4,500 furniture stores worldwide, out of a total of approximately 16,000 furniture stores we have identified as appropriate targets. In addition, our direct response business has increased both sales and brand awareness. We have successfully expanded this program to the United Kingdom, and we intend to expand this successful program to our operations elsewhere in Europe and in Asia. In addition, we intend to further enhance sales growth within our existing customers' retail stores through the introduction of new mattress and pillow products, continued investment in our brand and ongoing sales and product training and education.

- ***Increase Growth Capacity.*** We intend to continue to invest in our operating infrastructure to meet the requirements of our rapidly growing business. Currently, we manufacture our products in two highly automated, vertically-integrated facilities located in Aarup, Denmark and Duffield, Virginia. Over the past three years, we have invested more than $50.0 million to upgrade and expand these facilities. To accommodate our anticipated growth, we plan to invest an additional $50.0 to $75.0 million to increase productivity and expand manufacturing capacity during the next several years, including the development and construction of an additional manufacturing facility in North America. We believe these investments will enhance the productivity and capacity of our plants and will allow us to meet our growth needs. We also plan to continue to enhance our internal information technology systems and our product distribution network, as well as augment our personnel in management, sales, marketing and customer service.

TA Associates, Inc. and Friedman Fleischer & Lowe

Founded in 1968, TA Associates, Inc. (TA) is one of the largest and most experienced private equity firms in the world. Equipped with a $5.0 billion capital base and over 40 investment professionals in Boston, MA, Menlo Park, CA and London, England, TA has invested in more than 330 companies throughout its 35 year history. TA focuses its investments in growth companies in the consumer, technology, financial services, business services and healthcare industries.

Friedman Fleischer & Lowe, LLC (FFL) is a San Francisco-based private equity firm specializing in value-added investing. FFL's principals have invested approximately $2.0 billion in more than 50 companies over the past 20 years across many industry sectors. The principals have over 90 years of experience as investors, senior operating executives and advisors.

The Acquisition of Our Business

In November 2002, TA and FFL formed TWI Holdings to purchase Tempur World, Inc. for approximately $350 million plus a deferred earn-out payment of approximately $40.0 million. TWI Holdings funded that purchase and related transaction fees and expenses using $150.0 million of senior bank financing, $50.0 million in mezzanine debt financing and a cash and non-cash equity contribution from our owners of approximately $161.0 million. TA and FFL, together, currently own 80.7% of our fully diluted common stock, after giving effect to the vesting of all outstanding options, and our management and employees and certain third party investors own the balance. We refer to this acquisition of Tempur World as the "Tempur acquisition."

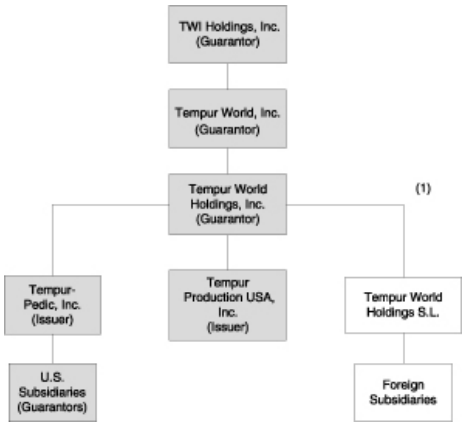
The Recapitalization

We used the proceeds of the offering of 10 1/4% Senior Subordinated Notes due 2010 on August 15, 2003, together with borrowings under our amended senior credit facilities and available cash on hand, to finance our recapitalization and pay related fees and expenses. The recapitalization consisted of the following transactions:

- TWI, the Issuers and certain of our foreign subsidiaries entered into amended and restated senior credit facilities providing for borrowings in an aggregate principal amount of up to $270.0 million, including term loan A facilities of $95.0 million, a term loan B facility of $135.0 million and revolving credit facilities providing for borrowings of up to $40.0 million. We refer to these facilities in this prospectus as the amended senior credit facilities.
- The Issuers issued $150.0 million in aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2010.
- We repaid all of the outstanding borrowings under our then existing mezzanine debt facility and terminated that facility.
- We paid approximately $40.0 million in satisfaction in full of the earn-out payment payable in connection with the Tempur acquisition.
- TWI Holdings distributed approximately $160.0 million to its equityholders.

The Issuers and Guarantors

Tempur-Pedic, Inc. and Tempur Production USA, Inc., the Issuers, are indirect wholly-owned subsidiaries of TWI Holdings that, directly or through subsidiaries, operate all of our business in the United States and certain portions of our business in Canada and Mexico. All of our business operations in the rest of the world are conducted by foreign subsidiaries owned by Tempur World Holdings S.L., an indirect wholly-owned subsidiary of TWI Holdings. TWI Holdings, two intermediate United States holding companies and United States subsidiaries of Tempur-Pedic, Inc. will guarantee the notes. Tempur World Holdings S.L. and our other foreign subsidiaries will not guarantee the notes. Set forth below is a chart showing our structure:



(1) TWI Holdings owns a 1% interest in one foreign subsidiary and a 10% interest in another foreign subsidiary. Tempur World Holdings, Inc. owns directly or indirectly all other capital stock in the foreign subsidiaries.

The Exchange Offer

The following is a brief summary of the terms of the exchange offer. For a more complete description, see "The Exchange Offer."

On August 15, 2003, Tempur-Pedic, Inc. and Tempur Production USA, Inc. completed an offering of $150,000,000 in aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2010, which was exempt from registration under the Securities Act.

Lehman Brothers Inc., UBS Securities LLC and Credit Suisse First Boston LLC, the initial purchasers, subsequently resold the old notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act, to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act and to institutional accredited investors in reliance on Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

In connection with the sale of the old notes, we entered into a registration rights agreement with the initial purchasers. We are obligated to file a registration statement with respect to an offer to exchange the old notes for a new issue of equivalent notes registered under the Securities Act within 90 days after the date on which the old notes were purchased by the initial purchasers. We are also obligated to use our reasonable best efforts to cause the registration statement to be declared effective on or prior to 180 days after the date on which the old notes were purchased by the initial purchasers. We may be required to provide a shelf registration statement to cover resales of the notes under certain circumstances.

If we and the guarantors fail to meet any of these requirements, we and the guarantors must pay additional interest on the notes of up to 0.05% per week per $1,000 principal amount of notes for the first 90-day period after any such default. This interest rate will increase by an additional 0.05% per week per $1,000 principal amount of notes with respect to each subsequent 90-day period until all such defaults have been cured, up to a maximum additional interest rate of 0.50% per week per $1,000 principal amount of notes. The exchange offer is being made pursuant to the registration rights agreement and is intended to satisfy the rights granted under the registration rights agreement, which rights terminate upon completion of the exchange offer.

Securities Offered	$150,000,000 in aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2010.
Exchange Offer	The exchange notes are being offered in exchange for a like amount of old notes. $1,000 principal amount of exchange notes will be issued in exchange for each $1,000 principal amount of old notes validly tendered. The form and terms of the exchange notes are the same as the form and terms of the outstanding notes except that: • the exchange notes have been registered under the federal securities laws and will not bear any legend restricting their transfer; • the exchange notes bear a different CUSIP number than the old notes; and • the holders of the exchange notes will not be entitled to certain rights under the registration rights agreement, including the provisions for an increase in the interest rate on the old notes in some circumstances relating to the timing of the exchange offer.

Resale	Based upon interpretations by the staff of the SEC set forth in no-action letters issued to unrelated third parties, we believe that the exchange notes may be offered for resale, resold or otherwise transferred to you without compliance with the registration and prospectus delivery requirements of the Securities Act of 1933, unless you: • are an "affiliate" of ours within the meaning of Rule 405 under the Securities Act; • are a broker-dealer who purchased the old notes directly from us for resale under Rule 144A or any other available exemption under the Securities Act of 1933; • acquired the exchange notes other than in the ordinary course of your business; or • have an arrangement with any person to engage in the distribution of exchange notes. However, we have not submitted a no-action letter and there can be no assurance that the SEC will make a similar determination with respect to the exchange offer. Furthermore, in order to participate in the exchange offer, you must make the representations set forth in the letter of transmittal that we are sending you with this prospectus.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2003, which we refer to as the expiration date, unless we, in our sole discretion, extend it. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holders promptly after the expiration or termination of the exchange offer.
Conditions to Exchange Offer	The exchange offer is subject to certain customary conditions, some of which may be waived by us. See "The Exchange Offer—Conditions to the Exchange Offer."
Procedure for Tendering Old Notes	The exchange offer will expire at 5:00 p.m., New York City time, on , 2003. If you wish to accept the exchange offer, you must complete, sign and date the letter of transmittal, or a copy of the letter of transmittal, in accordance with the instructions contained in this prospectus and in the letter of transmittal, and mail or otherwise deliver the letter of transmittal, or the copy, together with the old notes and any other required documentation, to the exchange agent at the address set forth in this prospectus and in the letter of transmittal. We will accept for exchange any and all old notes that are properly tendered in the exchange offer prior to the expiration date. The exchange notes issued in the exchange offer will be delivered promptly following the expiration date. See "The Exchange Offer—Terms of the Exchange Offer."

Special Procedures for Beneficial Owners	If you are the beneficial owner of old notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender in the exchange offer, you should contact the person in whose name your notes are registered and promptly instruct the person to tender on your behalf.
Guaranteed Delivery Procedures	If you wish to tender your old notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedure for book-entry transfer cannot be completed on time, you may tender your notes according to the guaranteed delivery procedures. For additional information, you should read the discussion under "The Exchange Offer—Guaranteed Delivery Procedures."
Withdrawal Rights	The tender of the old notes pursuant to the exchange offer may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.
Acceptance of Old Notes and Delivery of Exchange Notes	Subject to customary conditions, we will accept old notes which are properly tendered in the exchange offer and not withdrawn prior to the expiration date. The exchange notes will be delivered promptly following the expiration date.
Effect of Not Tendering	Any old notes that are not tendered or that are tendered but not accepted will remain subject to the restrictions on transfer. Since the old notes have not been registered under the federal securities laws, they bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. Upon the completion of the exchange offer, we will have no further obligations, except under limited circumstances, to provide for registration of the old notes under the federal securities laws.
Interest on the Exchange Notes and the Old Notes	The exchange notes will bear interest from the most recent interest payment date to which interest has been paid on the old notes. Interest on the old notes accepted for exchange will cease to accrue upon the issuance of the exchange notes.
Certain U.S. Federal Income Tax Considerations	The exchange of old notes for exchange notes by tendering holders will not be a taxable exchange for federal income tax purposes, and such holders will not recognize any taxable gain or loss or any interest income for federal income tax purposes as a result of such exchange. See "Certain U.S. Federal Income Tax Considerations."
Exchange Agent	Wells Fargo Bank Minnesota, National Association, the trustee under the indenture, is serving as exchange agent in connection with the

exchange offer. Contact details for the exchange agent are set forth under "The Exchange Offer—Exchange Agent."

Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer.

Terms of the Exchange Notes

The following is a summary of the terms of the exchange notes. For a more complete description, see "Description of the Notes."

Issuers	Tempur-Pedic, Inc. and Tempur Production USA, Inc.
Notes Offered	$150,000,000 aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2010.
Maturity Date	August 15, 2010.
Interest	10 1/4% per annum, payable semiannually in arrears on February 15 and August 15, commencing February 15, 2004.
Ranking	The exchange notes and the guarantees will be unsecured and: • subordinate in right of payment to all existing and future senior indebtedness of the Issuers and the guarantors, including TWI; • equal in right of payment to existing and future senior subordinated indebtedness of the Issuers and the guarantors, including TWI, including the old notes; • senior in right of payment to future subordinated indebtedness of the Issuers and guarantors, including TWI; and • effectively junior to the liabilities of our non-guarantor subsidiaries.
Optional Redemption	Before August 15, 2006, the Issuers may redeem up to 35% of the aggregate principal amount of the exchange notes with the net proceeds of certain equity offerings. The Issuers may make that redemption only if, after the redemption, at least 65% of the aggregate principal amount of the exchange notes remains outstanding. On or after August 15, 2007, the Issuers may redeem some or all of the exchange notes at any time at the redemption prices described in the section "Description of the Notes—Optional Redemption." The Issuers may redeem some or all of the exchange notes at any time prior to August 15, 2007, at a redemption price equal to the make-whole amount set forth in this prospectus.

Mandatory Offer to Repurchase	If the Issuers, TWI or any of TWI's other restricted subsidiaries sell certain assets or experience specific kinds of changes of control, the Issuers must offer to repurchase the exchange notes at the prices, plus accrued and unpaid interest, and additional interest, if any, to the date of redemption listed in the section "Description of the Notes—Repurchase at the Option of Holders."
Covenants	The indenture governing the exchange notes contains covenants that, among other things, limit the ability of the Issuers, TWI and the restricted subsidiaries to: • incur additional indebtedness and issue preferred stock; • pay dividends or make other distributions; • make other restricted payments and investments; • create liens; • incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments; • sell assets, including capital stock of our restricted subsidiaries; • merge or consolidate with other entities; and • enter into transactions with affiliates. Each of these covenants is subject to a number of important exceptions and qualifications. See "Description of the Notes—Certain Covenants."
Absence of Public Market	The exchange notes generally will be freely transferable but will also be new securities for which there will not initially be a market. Accordingly, we cannot assure you that a market for the exchange notes will develop or as to the liquidity of any market that does develop. We do not intend to apply for the listing of the exchange notes on any securities exchange or automated dealer quotation system. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market in the exchange notes. However, they are not obligated to do so, and any market making with respect to the exchange notes may be discontinued at any time without notice. See "Plan of Distribution."

Before deciding to tender your old notes in exchange for exchange notes pursuant to the exchange offer, you should carefully consider the information included in the "Risk Factors" section, as well as all other information included in this prospectus.

Unaudited Summary and Historical and Pro Forma Condensed Consolidated Financial and Operating Data

Our predecessor company for the period from January 1, 2000 to October 31, 2002 is Tempur World, Inc. We completed the Tempur acquisition (which was accounted for using the purchase method of accounting) as of November 1, 2002. As a result of adjustments to the carrying value of assets and liabilities pursuant to the Tempur acquisition, the financial position and results of operations for periods subsequent to the Tempur acquisition are not comparable to those of our predecessor company.

The following table sets forth our summary historical and unaudited pro forma condensed consolidated financial and operating data for the periods indicated. We have derived the statement of operations and balance sheet data for our predecessor company as of and for the years ended December 31, 2000 and 2001 and the ten months ended October 31, 2002 from our predecessor company's audited financial statements. We have derived our statements of operations and balance sheet data as of and for the two months ended December 31, 2002 from our audited financial statements. We have derived the statement of operations data for the six months ended June 30, 2002 from our predecessor company's unaudited condensed consolidated interim financial statements. We have derived the statement of operations and balance sheet data as of and for the six month period ended June 30, 2003 from our unaudited condensed consolidated interim financial statements. In the opinion of management, such unaudited condensed consolidated interim financial statements have been prepared on a basis consistent with our audited financial statements for the two months ended December 31, 2002 and include all adjustments, which are normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the interim period. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any future period. Our predecessor company's financial statements as of and for the years ended December 31, 2000 and 2001 and the ten months ended October 31, 2002, its unaudited condensed consolidated interim statements of operations and cash flows for the six months ended June 30, 2002 and our financial statements for the two months ended December 31, 2002 and our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2003 are included elsewhere in this prospectus.

The summary unaudited pro forma financial data for the twelve months ended June 30, 2003 has been prepared to give pro forma effect to the Tempur acquisition and to the recapitalization as if they had occurred on July 1, 2002. The unaudited pro forma balance sheet data as of June 30, 2003 has been adjusted to give effect to the recapitalization as if it occurred on June 30, 2003. The summary unaudited pro forma financial data is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Tempur acquisition or the recapitalization actually been consummated on the date indicated and do not purport to indicate balance sheet data or results of operations for any future period. The following data should be read in conjunction with "Unaudited Pro Forma Financial Data," "Selected Historical Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our predecessor company's financial statements and related notes thereto included elsewhere in this prospectus.

($ in thousands)	Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings	
	Year ended December 31,		Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months ended December 31, 2002	Six Months ended June 30, 2002	Six Months ended June 30, 2003	Pro forma As Adjusted Twelve Months ended June 30, 2003
	2000	2001			(unaudited)	(unaudited)	(unaudited)	(unaudited)
Statement of Operations Data:								
Net sales	$ 161,969	$ 221,514	$ 237,314	$ 60,644	$ 297,958	$ 129,809	$ 218,804	$ 386,954
Cost of sales	89,450	107,569	110,228	37,811	148,039	61,894	98,635	185,776
Gross profit	72,519	113,945	127,086	22,833	149,919	67,915	120,169	201,178
Operating expenses	50,081	83,574	86,693	23,174	109,867	48,828	69,017	130,771
Operating income/(loss)	22,438	30,371	40,393	(341)	40,052	19,087	51,152	70,407
Net interest expense	2,225	6,555	6,292	2,955	9,247	3,680	8,161	29,361
Other (income)/expense	947	316	1,724	(1,331)	393	183	505	714
Income/(loss) before income taxes	19,266	23,500	32,377	(1,965)	30,412	15,224	42,486	40,332
Income taxes	6,688	11,643	12,436	889	13,325	7,274	15,739	15,027
Net income/(loss)	$ 12,578	$ 11,857	$ 19,941	$ (2,854)	$ 17,087	$ 7,950	$ 26,747	$ 25,305
Balance Sheet Data (at end of period):								
Cash and cash equivalents	$ 10,572	$ 7,538	$ 6,380	$ 12,654		$ 3,155	$ 7,984	$ 7,984
Total assets	144,305	176,841	199,641	448,494		189,195	510,598	511,859
Total senior debt	64,866	104,352	88,817	148,121		90,186	127,418	238,676
Total debt	71,164	106,023	89,050	198,352		90,826	178,102	389,360
Redeemable preferred stock	—	11,715	15,331	—		14,809	—	—
Total stockholders' equity	$ 38,237	$ 16,694	$ 39,895	$ 151,999		$ 30,673	$ 180,576	$ 10,859
Other Financial and Operating Data:								
EBITDA(1)	$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385	$ 86,427
EBITDA margin(2)	17.6%	18.3%	21.4%	3.8%	17.8%	19.3%	27.1%	22.3%
Adjusted EBITDA(3)	$ 38,948	$ 40,422	$ 50,776	$ 12,103	$ 62,879	$ 25,063	$ 59,385	$ 97,202
Adjusted EBITDA margin(4)	24.1%	18.3%	21.4%	20.0%	21.1%	19.3%	27.1%	25.1%
Depreciation and amortization	$ 6,002	$ 10,051	$ 10,383	$ 2,664	$ 13,047	$ 5,976	$ 8,233	$ 16,020
Net cash provided by operating activities	$ 1,125	$ 19,716	$ 22,706	$ 12,385	$ 35,091	$ 10,024	$ 22,959	$ 38,163
Capital expenditures	$ 27,418	$ 35,241	$ 9,175	$ 1,961	$ 11,136	$ 4,835	$ 6,744	$ 13,045
Number of pillows sold	1,717,476	1,819,993	1,528,608	407,476	1,936,084	860,918	1,455,435	2,530,601
Number of mattresses sold	173,338	212,695	218,656	50,564	269,220	124,104	180,125	325,241
Total senior debt/adjusted EBITDA								2.5x
Total debt/adjusted EBITDA								4.0x
Adjusted EBITDA/interest expense								3.3x

(1) EBITDA is defined as operating income plus depreciation and amortization. We consider EBITDA a measure of our liquidity. Management uses this measure as an indicator of cash generated from operating activities. Further, it provides management with a consistent measurement tool for evaluating the operating

financial performance under GAAP and may not be comparable to similarly captioned information reported by other companies. In addition, it does not replace net income, operating income or cash flow provided by operating activities as indicators of operating performance. Management believes the most directly comparable GAAP financial measure is "net cash provided by operating activities" presented in the Consolidated Statement of Cash Flows. EBITDA is reconciled directly to net cash provided by operating activities as follows:

	Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings	
	Year ended December 31,		Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months ended December 31, 2002	Six Months ended June 30, 2002	Six Months ended June 30, 2003	Pro forma As Adjusted Twelve Months ended June 30, 2003
($ in thousands)	2000	2001			(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA	$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385	$ 86,427
Depreciation and amortization	(6,002)	(10,051)	(10,383)	(2,664)	(13,047)	(5,976)	(8,233)	(16,020)
Net interest expense	(2,225)	(6,555)	(6,292)	(2,955)	(9,247)	(3,680)	(8,161)	(29,361)
Provision for income taxes	(6,688)	(11,643)	(12,436)	(889)	(13,325)	(7,274)	(15,739)	(15,027)
Other income/(expense), net	(947)	(316)	(1,724)	1,331	(393)	(183)	(505)	(714)
Net income/(loss)	12,578	11,857	19,941	(2,854)	17,087	7,950	26,747	25,305
Depreciation and amortization	6,002	10,051	10,383	2,664	13,047	5,976	8,233	16,020
(Gain)/loss on sale or disposal of property, plant and equipment	203	(53)	268	233	501	533	(206)	(238)
Change in working capital and other, net	(17,658)	(2,139)	(7,886)	12,342	4,456	(4,435)	(11,815)	(2,924)
Net cash provided by operating activities	$ 1,125	$ 19,716	$ 22,706	$ 12,385	$ 35,091	$ 10,024	$ 22,959	$ 38,163

(2) EBITDA margin is the ratio of EBITDA to total net sales.

(3) Adjusted EBITDA is defined as EBITDA plus certain items that we believe are not indicative of our future operating performance. Adjusted EBITDA is not a measurement of financial performance under GAAP or a measure of our liquidity and may not be comparable to similarly captioned information reported by other companies. In addition, it does not replace net income, operating income or cash flow provided by operating activities as indicators of operating performance. We believe Adjusted EBITDA provides a useful indicator of levels of our financial performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Moreover, the amended senior credit facilities and indenture contain covenants in which Adjusted EBITDA is used as a measure of financial performance and, accordingly, we believe this information will be useful to investors. Adjusted EBITDA for the twelve months ended December 31, 2000 excludes $10.5 million in charges related to the termination of our license agreement on December 31, 2000. Adjusted EBITDA for the combined twelve months ended December 31, 2002 excludes $9.8 million in charges related to a purchase accounting adjustment to our inventory. Pro forma Adjusted EBITDA for the twelve months ended June 30, 2003 excludes $10.8 million in charges related to a purchase accounting adjustment to our inventory, calculated as if the Tempur acquisition had occurred as of July 1, 2002. Adjusted EBITDA is reconciled directly to EBITDA as follows:

	Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings	
	Year ended December 31,							
	2000	2001	Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months ended December 31, 2002	Six Months ended June 30, 2002	Six Months ended June 30, 2003	Pro forma As Adjusted Twelve Months ended June 30, 2003
($ in thousands)					(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA	$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385	$ 86,427
License agreement terminated on December 31, 2000	10,508	—	—	—	—	—	—	—
Purchase accounting adjustment to inventory	—	—	—	9,780	9,780	—	—	10,775
Adjusted EBITDA	$ 38,948	$ 40,422	$ 50,776	$ 12,103	$ 62,879	$ 25,063	$ 59,385	$ 97,202

(4) Adjusted EBITDA margin is the ratio of Adjusted EBITDA to total net sales.

RISK FACTORS

You should carefully consider the risks described below, as well as other information and data included in this prospectus, before deciding whether to participate in the exchange offer. The risks described below may not be the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations, which may result in your loss of all or part of your original investment.

Risks Related to Our Business

The mattress and pillow industries are highly competitive.

Participants in the mattress and pillow industries compete primarily on price, quality, brand name recognition, product availability and product performance. Our premium mattresses compete with a number of different types of mattress alternatives, including standard innerspring mattresses, other foam mattresses, waterbeds, futons, air beds and other air-supported mattresses. These alternative products are sold through a variety of channels, including furniture stores, specialty bedding stores, department stores, mass merchants, wholesale clubs, telemarketing programs, television infomercials and catalogs.

Many of our competitors have greater financial, marketing and manufacturing resources and better brand name recognition than our brand, and sell their products through broader and more established distribution channels. In addition, we believe that a number of companies now offer foam mattress products similar to our visco-elastic foam mattresses and pillows. There can be no assurance that these competitors or any other mattress manufacturers will not aggressively pursue the visco-elastic foam mattress market. Any such competition by established manufacturers or new entrants into the market could have a material adverse effect on our business, financial condition and operating results. In addition, should any of our competitors reduce prices on premium mattress products, we may be required to implement price reductions in order to remain competitive, which could have a material adverse effect on our sales, financial condition and operating results. The pillow industry is characterized by a large number of competitors, none of which is dominant, but many of which have greater resources than us and greater brand name recognition for their products than us.

We may be unable to effectively manage our growth.

We have grown rapidly, with our net sales increasing from approximately $162.0 million in 2000 to approximately $298.0 million for the combined twelve months ended December 31, 2002. Our growth has placed, and will continue to place, a strain on our management, production, product distribution network, information systems and other resources. To manage growth effectively, we must:

- significantly increase the volume of products manufactured at our manufacturing facilities;
- continue to enhance our operational, financial and management systems, including our database management, tracking of inquiries, inventory control and product distribution network; and
- expand, train and manage our employee base.

We may not be able to effectively manage this expansion in any one or more of these areas, and any failure to do so could significantly harm our business, financial condition and operating results. In addition, several members of our senior management team have been hired since 2001, and, as a result, our management team has not worked together as a group for a significant amount of time.

We may be unable to sustain growth or profitability.

Our ability to service our increased level of indebtedness depends to a significant extent, on our ability to grow our business while maintaining profitability. We may not be able to sustain growth or profitability on a quarterly or annual basis in future periods. There is a limit to the extent to which we can effectively grow in our current business model and we do not know whether we are at or near that limit. Further, our future growth and profitability will depend upon a number of factors, including without limitation:

- the level of competition in the mattress and pillow industry;
- our ability to continue to successfully execute our strategic initiatives and growth strategy;
- our ability to effectively sell our products through our distribution channels in volumes sufficient to drive growth and leverage our cost structure and advertising spending;
- our ability to continuously improve our products to offer new and enhanced consumer benefits, better quality and reduced costs;
- our ability to maintain efficient, timely and cost-effective production and delivery of our products;
- the efficiency and effectiveness of our advertising campaign and other marketing programs in building product and brand awareness, driving traffic to our distribution channels and increasing sales;
- our ability to successfully identify and respond to emerging trends in the mattress and pillow industry;
- the level of consumer acceptance of our products; and
- general economic conditions and consumer confidence.

We may not be successful in executing our growth strategy and even if we achieve our strategic plan, we may not be able to sustain profitability. Failure to successfully execute any material part of our strategic plan or growth strategy could significantly harm our business, financial condition and operating results.

An increase in our return rates or an inadequacy in our warranty reserves could have a material adverse effect on our business, financial condition and operating results.

Part of our domestic marketing and advertising strategy in certain domestic channels focuses on providing a 90-day money back guarantee under which customers may return their mattress and obtain a refund of the purchase price. For the six months ended June 30, 2003, in the United States, we had approximately $13.7 million in returns for a return rate of approximately 11.0%. As we expand our sales, there can be no assurance that our return rates will remain within our historical levels. An increase in return rates could have a material adverse effect on our business, financial condition and operating results. We also currently provide our customers with a limited 20-year warranty on mattresses sold in the United States and a limited 15-year warranty on mattresses sold outside of the United States. However, as we have only been selling mattresses in significant quantities since 1992, and have released new products in recent years, many are fairly early in their product life cycles. We have performed testing to enable us to project our warranty claims over the respective 20- or 15-year period. However, we cannot predict with certainty what our warranty experience will be with respect to these products. In addition, there can be no assurance that our warranty reserves will be adequate to cover future warranty claims, and such failure could have a material adverse effect on our business, financial condition and operating results.

We may face exposure to product liability.

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, we may be required to recall or redesign those products. We maintain insurance against product liability claims, but there can be no assurance that such coverage will continue to be available on terms acceptable to us or that such coverage will be adequate for liabilities actually incurred. A successful claim brought against us in excess of available insurance coverage, or any claim or product recall that results in significant adverse publicity against us, may have a material adverse effect on our business.

Regulatory requirements may have a material adverse effect on our business, financial condition or operating results.

Our products and our marketing and advertising programs are and will continue to be subject to regulation in the United States by various federal, state and local regulatory authorities, including the Federal Trade Commission and the U.S. Food and Drug Administration. In addition, other governments and agencies in other jurisdictions regulate the sale and distribution of our products. Compliance with these regulations may have an adverse effect on our business. For example, compliance with anticipated changes in fire resistance laws may be costly and could have an adverse impact on the performance of our products. The U.S. Consumer Product Safety Commission and various state regulatory agencies are considering new rules relating to fire retardancy standards for the mattress and pillow industry. The State of California plans to adopt, proposed to be effective in 2005, new fire retardancy standards that have yet to be fully defined. If adopted, such new rules may adversely affect our costs, manufacturing processes and materials. We are developing product solutions that are intended to enable us to meet the new standards. Because the new standards have not been finally determined, however, no assurance can be given that our solutions will enable us to meet the new standards. We expect that any required product modifications will add cost to our product. Many foreign jurisdictions also regulate fire retardancy standards, and changes to these standards and changes in our products that require compliance with additional standards would raise similar risks.

There can be no assurance that our marketing and advertising practices will not be the subject of proceedings before regulatory authorities or the subject of claims by other parties. In addition, we are subject to federal, state and local laws and regulations relating to pollution, environmental protection and occupational health and safety. There can be no assurance that we are at all times in complete compliance with all such requirements. We have made and will continue to make capital and other expenditures to comply with environmental and health and safety requirements. If a release of hazardous substances occurs on or from our properties or any associated offsite disposal location, or if contamination from prior activities is discovered at any of our properties, we may be held liable and the amount of such liability could be material.

Our involvement in a government investigation and associated litigation or proceedings relating to any allegations of the possibility of price fixing in the mattress industry could increase our costs or otherwise adversely affect our operations.

On July 29, 2003, we were served with a Civil Investigative Demand from the office of the Attorney General of the State of Texas in connection with that office's investigation into "the possibility of price fixing in the mattress industry." In connection with the investigation, we have been asked to produce certain documents that may be relevant to the investigation and to respond to written interrogatories. The demand seeks, among other things, documents relating to the retail pricing of our products, including retail pricing policies and correspondence with retail accounts. We are unable to predict the scope or possible outcome of the investigation or to quantify its potential impact on our business or operations. If the investigation were to become protracted or wide-ranging with respect to us, our efforts to respond could force us to divert management resources and incur significant unanticipated costs. If the investigation resulted in a charge that our pricing practices or policies were in violation of applicable antitrust regulations, we could be subject to significant additional costs of defending such charges in a variety of venues and, ultimately, if there were an adjudication that we were in violation of Texas or other antitrust laws, there could be an imposition of damages for persons injured, as well as injunctive relief. Any of the foregoing could disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

Our product development and enhancements may not be successful.

Our growth and future success will depend, in part, upon our ability to enhance our existing products and to develop and market new products on a timely basis that respond to customer needs and achieve market acceptance. There can be no assurance that we will be successful in developing or marketing enhanced or new products, or that any such products will be accepted by the market.

We are subject to risks arising from our international operations.

We currently conduct international operations in 15 countries directly and in 39 additional countries through distributors, and we may pursue additional international opportunities. We generated approximately 43.2% of our net sales from non-U.S. operations during the first six months of 2003, and international suppliers provided a significant portion of our manufacturing material during this period. Our international operations are subject to the customary risks of operating in an international environment, including the potential imposition of trade or foreign exchange restrictions, tariff and other tax increases, fluctuations in exchange rates, inflation and unstable political situations, the potential unavailability of intellectual property protection and labor issues.

We are dependent on our significant customers.

Our top five customers, collectively, accounted for 24.4% of our net sales for the combined twelve months ended December 31, 2002. During this period, our largest customer, Brookstone Company, Inc., accounted for 10.1% of our net sales. Many of our customer arrangements, including the one with Brookstone, are by purchase order or are terminable at will at the option of either party. A substantial decrease or interruption in business from our significant customers could result in write-offs or in the loss of future business and could have a material adverse effect on our business, financial condition or results of operations.

In the future, retailers may consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry our products or increase the ownership concentration in the retail industry. Some of these 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 have a material adverse effect on our business, financial condition or results of operations.

We are subject to the possible loss of our third party distributor arrangements and disruption in product distribution in markets outside the range of our wholly-owned subsidiaries.

We have third party distributor arrangements in the Asia/Pacific, Middle East, Eastern Europe, Central and South America, Canada and Mexico markets that are currently outside the range of our wholly-owned subsidiaries. Most of these arrangements provide for exclusive rights for such distributors in a designated territory. If our third party distributors cease distributing our products, sales of our products will be adversely affected. We cannot assure you that we would be able to find replacement third party distributors or that if we did, the terms of our arrangements would be as favorable to us. In addition, under the laws of the applicable countries, we may have difficulty terminating these third party distributor arrangements if we choose to do so.

Our advertising expenditures may not result in increased sales or generate the levels of product and brand name awareness we desire and we may not be able to manage our advertising expenditures on a cost-effective basis.

A significant component of our marketing strategy involves the use of direct marketing to generate sales. Future growth and profitability will depend in part on the effectiveness and efficiency of our advertising expenditures, including our ability to:

- create greater awareness of our products and brand name;
- determine the appropriate creative message and media mix for future advertising expenditures;
- effectively manage advertising costs, including creative and media, to maintain acceptable costs per inquiry, costs per order and operating margins; and
- convert inquiries into actual orders.

No assurance can be given that our advertising expenditures will result in increased sales or will generate sufficient levels of product and brand name awareness or that we will be able to manage such advertising expenditures on a cost effective basis.

Our ability to compete effectively depends on our ability to protect our trade secrets and maintain our trademarks, patents and other intellectual property.

We rely on trade secrets to protect the design, technology and function of our visco-elastic foam and our products. To date, we have not sought United States or international patent protection for our principal product formula and manufacturing processes. Accordingly, no assurance can be given that we will be able to prevent others from developing visco-elastic foam and products that are similar to or competitive with our products. Our ability to compete effectively with other companies also depends, to a significant extent, on our ability to maintain the proprietary nature of our owned and licensed intellectual property. We own several patents on aspects of our products and have patent applications pending on aspects of our manufacturing processes. However, the principal product formula and manufacturing processes for our visco-elastic foam and our products are not patented. We own eight United States patents, and we have nine United States patent applications pending. Further, we own approximately thirty-two foreign patents, and we have approximately fifteen foreign patent applications pending. In addition, we hold approximately 85 trademark registrations worldwide. We own United States and foreign registered trade names and service marks and have applications for the registration of trade names and service marks pending domestically and abroad. We also license certain intellectual property rights from third parties.

Although our trademarks are currently registered in the United States and registered or pending in thirty foreign countries, there can be no assurance that our trademarks cannot and will not be circumvented, or do not or will not violate the proprietary rights of others, or that we would not be prevented from using our trademarks if challenged. A challenge to our use of our trademarks could result in a negative ruling regarding our use of our trademarks, their validity or their enforceability, or could prove expensive and time consuming in terms of legal costs and time spent defending against it. Either situation could have a material adverse effect on our financial condition or results of operations. In addition, there can be no assurance that we will have the financial resources necessary to enforce or defend our trademarks. Furthermore, there can be no assurance as to the degree of protection offered by our patents or the likelihood that patents will be issued for pending patent applications. It is also possible that others could bring claims of infringement against us, as our principal product formula and manufacturing processes are not patented, and that any licenses protecting our intellectual property could be terminated. If we were unable to maintain the proprietary nature of our intellectual property and our significant current or proposed products, our financial condition or results of operations could be materially adversely affected.

In addition, the laws of certain foreign countries may not protect our intellectual property rights and confidential information to the same extent as the laws of the United States or the European Union. There can be no assurance that third parties, including competitors, will not assert intellectual property infringement or invalidity claims against us or that, if asserted, such claims will not be upheld. Intellectual property litigation, which could result in substantial cost to and diversion of effort by us, may be necessary to protect our trade secrets or proprietary technology or for us to defend against claimed infringement of the rights of others and to determine the scope and validity of others' proprietary rights. There can be no assurance that we would prevail in any such litigation or that, if we are unsuccessful, we would be able to obtain any necessary licenses on reasonable terms or at all.

We are subject to fluctuations in the cost of raw materials, the possible loss of suppliers and disruptions in the supply of our raw materials.

The major raw materials that we purchase for production are polyol, an industrial commodity based on petroleum, and proprietary additives. The price and availability of these raw materials are subject to market conditions affecting supply and demand. Our financial condition or results of operations may be materially and adversely affected by increases in raw material costs to the extent we are unable to pass those higher costs to our customers.

We currently obtain all of the materials used to produce our visco-elastic foam from outside sources. We currently acquire almost all of our polyol from one supplier. If we were unable to obtain polyol from this supplier, we would have to obtain polyol from another supplier. We cannot assure you that any substitute arrangements for

polyol would be on terms as favorable to us. We purchase proprietary additives from a number of vendors, including one from whom we are obligated to purchase minimum quantities. We cannot assure you that we would be able to prevent an interruption of production if any supplier were to discontinue supplying us for any reason. We maintain relatively small supplies of our raw materials on-site, and any disruption in the on-going shipment of supplies to us could interrupt production of our products and have a material adverse effect on our business, financial condition or results of operations. In addition, we outsource much of the sewing and cutting of our mattress and pillow covers to Poland and the Ukraine. If we were no longer able to outsource this labor, we could source it elsewhere at a higher cost. To the extent we are unable to pass those higher costs to our customers, those costs could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by fluctuations in exchange rates.

Approximately 43.2% of our net sales were received or denominated in foreign currency for the six months ended June 30, 2003. As a result, we are exposed to foreign currency exchange rate risk, primarily with respect to changes in value of certain foreign currency denominated assets and liabilities of our Denmark manufacturing operations. Although we have in the past entered into hedging transactions to manage this risk and expect that we will continue to do so in the future, the hedging transactions may not succeed in managing our foreign currency exchange rate risk. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Foreign Currency Exposures."

For the purposes of financial reporting, any change in the value of foreign currency against the United States Dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any United States Dollar-denominated debt into such foreign currency. We do not enter into hedging transactions to hedge this risk. Consequently, our reported earnings and financial position debt could fluctuate materially as a result of foreign exchange gains or losses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Foreign Currency Exposures."

We produce all of our products in two manufacturing facilities, and unexpected equipment failures, delays in deliveries or catastrophic loss may lead to production curtailments or shutdowns.

We manufacture all of our products at our two facilities in Aarup, Denmark and Duffield, Virginia. An interruption in production capabilities at these plants as a result of equipment failure could result in our inability to produce our products, which would reduce our sales and earnings for the affected period. In addition, we generally deliver our products only after receiving the order from the customer or the retailer and thus do not hold large inventories. In the event of a stoppage in production at either of our manufacturing facilities, even if only temporary, or if we experience delays as a result of events that are beyond our control, delivery times could be severely affected. For example, our third party carrier could potentially be unable to deliver our products within acceptable time periods due to a labor strike or other disturbance in its business. Any significant delay in deliveries to our customers could lead to increased returns or cancellations and cause us to lose future sales. Any increase in freight charges could increase our costs of doing business and harm our profitability. Although we have introduced new distribution programs to increase our ability to deliver products on a timely basis, there can be no assurance that our efforts will be successful. Our manufacturing facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. We may in the future experience material plant shutdowns or periods of reduced production as a result of equipment failure, delays in deliveries or catastrophic loss.

Our controlling shareholders may have interests that conflict with yours.

TWI is privately owned by TA and FFL, which together own 80.7% of TWI's voting securities on a fully diluted as-converted basis, after giving effect to the vesting of all unvested options, and by certain other third party investors and members of management. TA and FFL together control TWI's affairs and policies.

Circumstances may occur in which the interests of these shareholders could be in conflict with the noteholders' interests. In addition, these shareholders may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to the holders of the notes. TA, FFL and TWI's other equityholders received a dividend of approximately $160.0 million as part of our recapitalization.

A deterioration in labor relations could have a material effect on our business.

As of April 30, 2003, we had approximately 1,000 full-time employees, with approximately 400 in the United States, 300 in Denmark and 300 in the rest of the world. The employees in Denmark are under a government labor union contract but those in the United States are not. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition and results of operation.

The loss of the services of any members of our senior management team could adversely affect our business.

We depend on the continued services of our senior management team. The loss of such key personnel could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Notes and the Exchange Offer

Our level of indebtedness could adversely affect our financial position and prevent us from fulfilling our obligations under the notes.

We have a substantial amount of indebtedness. On a pro forma basis as if the recapitalization had occurred at June 30, 2003, the Issuers would have on a consolidated basis outstanding indebtedness of approximately $321.6 million, including approximately $100,000 in outstanding letters of credit, all of which would be guaranteed by TWI and our domestic restricted subsidiaries, other than the Issuers. In addition, our foreign subsidiaries would have had $73.0 million in outstanding indebtedness on a pro forma basis as if the recapitalization had occurred at June 30, 2003, including approximately $5.1 million in outstanding letters of credit, substantially all of which would also have been guaranteed by TWI, the Issuers and our domestic restricted subsidiaries. This substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to meet all our obligations to creditors, who could then require us to do such things as restructure our indebtedness, sell assets or raise additional debt or equity capital;
- require us to dedicate a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of our growth strategy, research and development costs or other purposes;
- limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate, which could make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and
- place us at a disadvantage compared to our competitors that have less debt.

Any of the above listed factors could materially adversely affect our business and results of operations.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that sales growth will be realized on schedule or at all, or that future borrowings will be available to us under our amended senior credit facilities in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs.

If our cash flow and capital resources are insufficient to allow us to make scheduled payments on your notes or our other debt, we may have to sell assets, seek additional capital or restructure or refinance our debt. We cannot assure you that the terms of our debt will allow for these alternative measures or that such measures would satisfy our scheduled debt service obligations.

Our amended senior credit facilities restrict our management's discretion in operating our business, and an event of default under the indenture would result in an event of default under our amended senior credit facilities.

Our agreements with senior creditors require TWI, the Issuers and our other subsidiaries to maintain specified financial ratios and meet or exceed certain financial tests, among other obligations. In addition, our amended senior credit facilities restrict, among other things:

- our ability to incur additional indebtedness;
- our ability to make capital expenditures in excess of specified levels;
- our ability to make acquisitions; and
- our ability to make capital expenditures.

A failure to comply with the restrictions contained in our amended senior credit facilities could lead to an event of default, which could result in an acceleration of such indebtedness. Such an acceleration would also constitute an event of default under the indenture governing the notes. The indenture for the notes also restricts, among other things, our ability to incur additional indebtedness, sell assets, make certain payments and dividends or to merge or consolidate our company. A failure to comply with the restrictions in the indenture could result in an event of default under the indenture, which in turn would result in an event of default under our senior debt.

Your right to receive payment on the notes and the guarantees is junior to all our existing and future senior debt.

The notes are unsecured and junior in right of payment to all existing and future senior debt, including obligations of the Issuers and guarantors under our amended senior credit facilities. The notes are not secured by any of our assets and, therefore they will be subordinated to any secured debt or unsecured senior debt that we or our subsidiaries may have now or may incur in the future. Subject to certain limitations, our amended senior credit facilities permit us to incur additional senior debt in the future. The indebtedness under our amended senior credit facilities will also become due prior to the time the principal obligations under the notes become due. In addition, the notes are effectively subordinated to all indebtedness and other obligations of our foreign subsidiaries.

In the event that the Issuers are declared bankrupt, become insolvent or are liquidated or reorganized, the Issuers' assets and the assets of the guarantors will be available to pay obligations on the notes only after all senior debt of TWI, the Issuers and our other subsidiaries has been paid in full and there may not be sufficient assets remaining to pay amounts due on any or all of the notes. The holders of any indebtedness of the guarantors

that is senior to the guarantees will be entitled to payment of their indebtedness from the guarantors' assets prior to the holders of any of our general unsecured obligations, including the notes. In addition, substantially all of TWI's assets and the assets of our other guarantors will be pledged to secure the indebtedness under our amended senior credit facilities.

In addition, all payments on the notes will be blocked in the event of a payment default on certain of our senior debt and may be blocked for up to 179 consecutive days in the event of certain non-payment defaults on certain of our senior debt.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to the Issuers or the guarantors, holders of the notes will participate with trade creditors and all other holders of subordinated indebtedness of the Issuers or the guarantors in the assets remaining after the Issuers and guarantors have paid all of the senior debt of the Issuers and guarantors. We may not have sufficient funds to pay all of our creditors and holders of notes may receive less, ratably, than the holders of our senior debt. Further, because the indenture requires that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the notes may receive less, ratably, than holders of trade payables in any such proceeding, if anything at all.

On a pro forma basis as if the recapitalization had occurred on June 30, 2003:

- the Issuers' outstanding senior debt would have been approximately $171.6 million, which would have consisted exclusively of borrowings and approximately $100,000 in outstanding letters of credit under the amended senior credit facilities, and approximately $13.4 million would have been available for borrowing by the Issuers under the amended senior credit facilities, all of which would have been guaranteed on a senior basis by the guarantors, including TWI, and all of which would have been secured;
- our foreign subsidiaries, which are not guarantors of the notes, would have had outstanding indebtedness of approximately $73.0 million, which would have consisted primarily of borrowings and approximately $5.1 million in outstanding letters of credit under the amended senior credit facilities, and approximately $14.9 million would have been available for borrowing by our foreign subsidiaries under the amended senior credit facilities, substantially all of which would be guaranteed on a senior basis by TWI, the Issuers and our domestic restricted subsidiaries, and all of which would have been secured; and
- we would have had approximately $68.1 million in current liabilities, excluding debt.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries, including the Issuers, may be able to incur substantial additional indebtedness in the future. The terms of the indenture limit, but do not prohibit, the Issuers, TWI or its other restricted subsidiaries from doing so. On a pro forma basis as if the recapitalization had occurred on June 30, 2003, our amended senior credit facilities would permit additional borrowings of up to $28.3 million. All of those borrowings would rank senior to the notes and the guarantees. In addition, we may need to refinance all or a portion of our indebtedness, including the notes and guarantees, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness, including our amended senior credit facilities and the notes, on commercially reasonable terms or at all. If new debt is added to the current debt levels of the Issuers, TWI or its other subsidiaries or if we are unable to refinance our indebtedness on commercially reasonable terms or at all, the related risks that we now face could intensify.

Federal and state statutes allow courts, under specific circumstances, to void the notes, certain transactions and subsidiary guarantees, subordinate claims in respect of the notes and require our noteholders to return payments received from subsidiary guarantors.

Our consummation of the transactions comprising the recapitalization (including the issuance of the notes by the Issuers and the related guarantees and any future guarantee of the notes by TWI and its other domestic

subsidiaries and the use of all or part of the proceeds thereof to pay dividends to TWI's shareholders) may be subject to review under federal or state fraudulent transfer laws. While the relevant laws may vary, under such laws, the incurrence of indebtedness, the issuance of a guarantee or the payment of the dividend to TWI's shareholders will be a fraudulent conveyance if (1) the Issuers incur the indebtedness represented by the notes or TWI or any of our subsidiaries issue guarantees, with the intent of hindering, delaying or defrauding creditors, or (2) the Issuers, TWI or any of the guarantors received less than reasonably equivalent value or fair consideration in return for incurring the indebtedness represented by the notes or issuing their respective guarantees, and, in the case of (2) only, one of the following is also true:

- the Issuers or any of the guarantors, including TWI, were insolvent, or became insolvent, when the Issuers or they incur the indebtedness represented by the notes or issued the guarantees, respectively;
- incurring the indebtedness or issuing the guarantees left the Issuers or the applicable guarantor, respectively, with an unreasonably small amount of capital; or
- the Issuers or the applicable guarantor, including TWI, as the case may be, intended to, or believed that the Issuers, or it would, be unable to pay debts as they matured.

If incurring the indebtedness represented by the notes or issuing of any guarantee were a fraudulent conveyance, a court could, among other things, void the Issuers' obligations regarding the notes or void any of the guarantors' obligations under their respective guarantees, as the case may be, and require the repayment of any amounts paid thereunder.

Generally, an entity will be considered insolvent if:

- the sum of its debts is greater than the fair value of its property;
- the present fair value of its assets is less than the amount that it will be required to pay on its existing debts as they become due; or
- it cannot pay its debts as they become due.

We believe that immediately after the issuance of the exchange notes, we and our subsidiaries, including the Issuers, will be solvent, will have sufficient capital to carry on our respective businesses and will be able to pay our respective debts as they mature. We cannot be sure, however, what standard a court would apply in making this determination or that a court would reach the same conclusions with regard to these issues.

Additionally, under federal bankruptcy or applicable state solvency law, if a bankruptcy or insolvency were initiated by or against the Issuers within 90 days after any payment by the Issuers with respect to the notes or by any guarantor with respect to a guarantee, or within one year after any payment to any insider of ours (which will include the dividend paid by TWI to certain of our equityholders), or if the Issuers or such guarantor, including TWI, anticipated becoming insolvent at the time of any such payment, all or a portion of the payment could be voided as a preferential transfer and the recipient of such payment could be required to return such payment. In rendering its opinion on the validity of the notes, no counsel will express any opinion as to federal or state laws relating to fraudulent transfers, which means that the holders of the notes have no independent legal verification that the notes or the guarantees or payments on the notes or guarantees will not be treated as a fraudulent conveyance or preferential transfer, respectively, by a court if we were to become insolvent. The obligations of each guarantor under its guarantee, however, will be limited in a manner intended to avoid it being deemed a fraudulent conveyance under applicable law. See "Description of the Notes."

Your right to receive payments on the notes could be adversely affected if any of our non-guarantor subsidiaries declare bankruptcy, liquidate, or reorganize.

TWI and some, but not all, of its subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

On a pro forma basis as if the recapitalization had occurred on June 30, 2003, the notes would have been effectively junior to $73.0 million of indebtedness of our non-guarantor subsidiaries (all of which are foreign) and approximately $14.9 million would have been available to those subsidiaries for future borrowing under our amended senior credit facilities. Our non-guarantor subsidiaries, other than the Issuers, generated 43.2% of our consolidated net sales in the six months ended June 30, 2003 and held 45.8% of our consolidated assets as of June 30, 2003.

We may not be able to repurchase the notes upon a change of control.

The Issuers are required to make an offer to purchase all or a portion of your notes in the event of a change of control, as defined in the indenture for the notes, at a price equal to 101% of the principal amount thereof, together with any interest the Issuers owe you. As a result of such offer, you may require the Issuers to repurchase any of your notes. We cannot assure you that there will be sufficient funds to pay the repurchase price in the event of a change of control. In addition, our amended senior credit facilities restrict the Issuers from repurchasing the notes upon a change of control. Any future debt agreements may also restrict or prohibit the Issuers from repurchasing the notes upon a change of control. If the Issuers are prohibited from repurchasing the notes, the Issuers could seek the consents of the lenders to permit the repurchase or the Issuers could seek to refinance the debt. We cannot assure you that the Issuers will be able to obtain any necessary consents or refinance the debt. In addition, even if we were able to refinance the debt, the financing may be on terms unfavorable to the Issuers and us. The Issuers' failure to repurchase the notes would be a default under the indenture for the notes. An event of default under the indenture for the notes would in turn be a default under the amended senior credit facilities as well as certain of other debt of us and our subsidiaries. In addition, the change of control covenant does not cover all corporate reorganizations, mergers or similar transactions and may not provide you with protection in a highly leveraged transaction.

Your ability to sell the notes may be limited by the absence of an active trading market.

The old notes and the exchange notes are each a new issue of securities for which there currently is no established trading market. Consequently, the notes will be relatively illiquid and you may be unable to sell your notes. The Issuers do not intend to apply for the notes to be listed on any securities exchange or to arrange for quotation on any automated dealer quotation system. The initial purchasers of the old notes advised the Issuers that they intended to make a market in the old notes and, if issued, the exchange notes, but they are not obligated to do so. Each initial purchaser may discontinue any market making in the notes at any time, in its sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the notes. We also cannot assure you that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

Future trading prices of the notes will depend on many factors, including:

- our operating performance and financial condition;
- the Issuers' ability to complete the offer to exchange the old notes for the exchange notes;
- the interest of securities dealers in making a market; and
- the market for similar securities.

You may be unable to pursue claims against Arthur Andersen, the independent auditors who audited financial statements of our predecessor company.

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 as set forth in their

reports. We've included our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of our Predecessor at December 31, 2001 and 2000, and for each of the two years in the period ended December 31, 2001, as set forth in their report. We've included these consolidated financial statements of our Predecessor in this prospectus and elsewhere in the registration statement in reliance on Arthur Andersen LLP's report, given on their authority as experts in accounting and auditing.

In June 2002, Arthur Andersen LLP was convicted of federal obstruction of justice charge. As a result of its conviction, Arthur Andersen has ceased operations and is no longer in a position to reissue its audit reports or to provide consent to include financial statements reported on by it in this prospectus. Because Arthur Andersen has not reissued its reports and because we are not able to obtain a consent from Arthur Andersen, you will be unable to sue Arthur Andersen for material misstatements or omissions, if any, in this prospectus, including the financial statements covered by its previously issued reports. Even if you have a basis for asserting a remedy against, or seeking recovery from, Arthur Andersen, we believe that it is unlikely that you would be able to recover damages from Arthur Andersen.

If you do not properly tender your old notes, your ability to transfer your old notes will be adversely affected.

We will only issue exchange notes in exchange for old notes that are timely received by the exchange agent, together with all required documents, including a properly completed and signed letter of transmittal. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes. Neither we nor the exchange agent are required to tell you of any defects or irregularities with respect to your tender of the old notes. If you do not tender your old notes or if we do not accept your old notes because you did not tender your old notes properly, then, after we consummate the exchange offer, you may continue to hold old notes that are subject to the existing transfer restrictions.

In addition, if you tender your old notes for the purpose of participating in a distribution of the exchange notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes. If you are a broker-dealer that receives exchange notes for your own account in exchange for old notes that you acquired as a result of market-making activities or any other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of such exchange notes. After the exchange offer is consummated, if you continue to hold any old notes, you may have difficulty selling them because there will be fewer old notes outstanding. In addition, if a large amount of old notes are not tendered or are tendered improperly, the limited amount of exchange notes that would be issued and outstanding after we consummate the exchange offer could lower the market price of such exchange notes.

USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement, dated August 15, 2003 by and among Tempur-Pedic, Inc. and Tempur Production USA, Inc., the guarantors party thereto, and the initial purchasers of the old notes. We will not receive any proceeds from the issuance of the exchange notes in the exchange offer. We will receive in exchange old notes in like principal amount. We will retire or cancel all of the old notes tendered in the exchange offer. Accordingly, the issuance of the exchange notes will not result in any change in our capitalization.

On August 15, 2003, we issued and sold the old notes. We used the proceeds from the offering of the old notes, together with borrowings under our amended senior credit facilities and available cash on hand, to finance our recapitalization and pay related fees and expenses. See "Prospectus Summary—The Recapitalization."

CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2003, on an actual basis and on a pro forma basis to give effect to the recapitalization.

	As of June 30, 2003	
	Actual	Pro Forma as Adjusted
	(in millions)	
Cash and cash equivalents(1)	$ 8.0	$ 8.0
Long-term debt (including current portion):		
Existing senior credit facilities	$ 125.2	$ —
Amended senior credit facilities(1)	—	236.5
Senior Subordinated Notes due 2010	—	150.0
Existing mezzanine debt facility	50.0	—
Mortgage payable	2.2	2.2
Capital leases and other	0.7	0.7
Total long-term debt	178.1	389.4
Total stockholders' equity(1)	180.6	10.9
Total capitalization	$ 358.7	$ 400.3

(1) In connection with the recapitalization, we made a distribution of approximately $160.0 million to TWI's equityholders subsequent to June 30, 2003.
(2) Does not include available borrowings of up to approximately $28.3 million under our amended senior credit facilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial data as of and for the six months ended June 30, 2003, the twelve months ended June 30, 2003 and the twelve months ended December 31, 2002 are based on the historical financial statements included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2003 is adjusted to give effect to the recapitalization as if it occurred on June 30, 2003. The pro forma condensed consolidated statements of operations for the six months ended June 30, 2003, the twelve months ended June 30, 2003 and the twelve months ended December 31, 2002 are adjusted to give effect to the Tempur acquisition and the recapitalization as if they had occurred at the beginning of the periods presented. The pro forma adjustments are described in the accompanying notes and are based upon available information and certain assumptions that management believes are reasonable.

The unaudited condensed consolidated pro forma financial data do not purport to represent what our results of operations or financial condition would actually have been had these transactions occurred on the dates indicated or to project our results of operations or financial condition for any future period or date. The unaudited pro forma condensed consolidated financial data should be read in conjunction with our and our predecessor company's historical financial statements and related notes thereto included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Unaudited Pro Forma Condensed Consolidated Statement of Income
for the Twelve Months ended December 31, 2002

($ in thousands)	Historical Period from January 1, 2002 to October 31, 2002	Historical Period from November 1, 2002 to December 31, 2002	Pro Forma Tempur Acquisition Adjustments	Pro Forma Recapitalization Adjustments	Pro Forma as Adjusted
Net sales	$ 237,314	$ 60,644	$ —	$ —	$ 297,958
Cost of sales	110,228	37,811	(2,011)(a)	—	146,028
Operating expenses	86,693	23,174	1,578(b)	—	111,445
Operating income/(loss)	40,393	(341)	433	—	40,485
Net interest expense	6,292	2,955	5,888(c)	14,383(d)	29,518
Other (income)/expense	1,724	(1,331)	—	—	393
Income/(loss) before income taxes	32,377	(1,965)	(5,455)	(14,383)	10,574
Income taxes	12,436	889	(2,128)(e)	(5,609)(e)	5,588
Net income/(loss)	$ 19,941	$ (2,854)	$ (3,327)	$ (8,774)	$ 4,986

See accompanying Notes to Unaudited Pro Forma Financial Data

Unaudited Pro Forma Condensed Consolidated Statement of Income
for the Twelve Months ended June 30, 2003

($ in thousands)	Historical Period from July 1, 2002 to October 31, 2002	Historical Period from November 1, 2002 to June 30, 2003	Pro Forma Tempur Acquisition Adjustments	Pro Forma Recapitalization Adjustments	Pro Forma as Adjusted
Net sales	$ 107,506	$ 279,448	$ —	$ —	$ 386,954
Cost of goods sold	48,334	136,447	995(a)	—	185,776
Operating expenses	37,866	92,190	715(b)	—	130,771
Operating income/(loss)	21,306	50,811	(1,710)	—	70,407
Net interest expense, net	2,612	11,116	1,250(c)	14,383(d)	29,361
Other (income)/expense	1,540	(826)	—	—	714
Income/loss before income taxes	17,154	40,521	(2,960)	(14,383)	40,332
Income taxes	5,162	16,628	(1,154)(e)	(5,609)(e)	15,027
Net income/loss	$ 11,992	$ 23,893	$ (1,806)	$ (8,774)	$ 25,305

See accompanying Notes to Unaudited Pro Forma Financial Data

Unaudited Pro Forma Condensed Consolidated Statement of Income
for the Six Months Ended June 30, 2003

($ in thousands)	Historical Period from January 1, 2003 to June 30, 2003	Pro Forma Recapitalization Adjustments	Pro Forma as Adjusted
Net sales	$ 218,804	$ —	$ 218,804
Cost of sales	98,635	—	98,635
Operating expenses	69,017	—	69,017
Operating income (loss)	51,152	—	51,152
Net interest (income) expense	8,161	7,213(d)	15,374
Other (income) expense	505	—	505
Income (loss) before income taxes	42,486	(7,213)	35,273
Income taxes	15,739	(2,813)(e)	12,926
Net income (loss)	$ 26,747	$ (4,400)	$ 22,347

See accompanying Notes to Unaudited Pro Forma Financial Data

Unaudited Pro Forma Condensed Consolidated Balance Sheet
as of June 30, 2003

($ in thousands)	Historical As of June 30, 2003	Pro Forma Recapitalization Adjustments	Pro Forma as Adjusted
Assets:			
Cash and cash equivalents	$ 7,984	$ — (f)	$ 7,984
Accounts receivable, net of allowance for doubtful accounts of ($3,076)	49,039		49,039
Inventories	54,449		54,449
Prepaid and other current assets	5,062		5,062
Deferred tax assets	5,182		5,182
Total current assets	121,716	—	121,716
Property, plant and equipment, net	92,047		92,047
Goodwill	205,076		205,076
Other intangible assets, net of amortization of $1,595	82,790		82,790
Other assets non current	8,969	1,261(g)	10,230
Total assets	$ 510,598	$ 1,261	$ 511,859
Liabilities and stockholders' equity:			
Accounts payable	23,458		23,458
Accrued expenses	32,753		32,753
Income taxes payable	12,927	(2,302)(e)	10,625
Value added taxes taxable	1,250		1,250
Current portion of long-term debt	13,710	5,654(h)	19,364
Current portion of capital lease obligation and other	671		671
Accrued earn-out payable	40,000	(40,000)(i)	—
Current liabilities	124,769	(36,648)	88,121
Deferred taxes	41,668		41,668
Senior long-term debt	113,708	105,604(j)	219,312
Subordinated-long term debt	47,978	102,022(k)	150,000
Other long-term debt	13		13
Other long-term liabilities	1,886		1,886
Total liabilities	330,022	170,978	501,000
Stockholders' equity:			
Series A convertible preferred stock, $.01 par value, 180,000 shares authorized, 146,463.65 shares issued and outstanding	154,232		154,232
Class A common stock, $.01 par value, 25,000 shares authorized, 14,006 shares issued and outstanding	—		—
Class B-1 common stock, $.01 par value, 300,000 shares authorized, 878.64 shares issued and outstanding	—		—
Additional paid in capital	4,865		4,865
Class B-1 common stock warrants	2,348		2,348
Notes receivable	(100)		(100)
Deferred stock compensation, net of amortization of $14,339	(129)		(129)
Retained earnings	16,124	(169,717)(l)	(153,593)
Accumulated other comprehensive income	3,236		3,236
Total stockholders' equity	180,576	(169,717)	10,859
Total liabilities and stockholders' equity	$ 510,598	$ 1,261	$ 511,859

See accompanying Notes to Unaudited Pro Forma Financial Data

Notes to Unaudited Pro Forma Financial Data
(dollars in thousands)

(a) Represents the step-up in the value of inventories acquired in the Tempur acquisition to fair market value.

	Twelve months Ended December 31, 2002	Twelve months Ended June 30, 2003
Estimated inventory step-up adjustment as if the Tempur acquisition occurred at the beginning of the respective period	$ 7,769	$ 10,775
Actual Tempur acquisition step-up adjustment recorded as of November 1, 2002	9,780	9,780
	$ (2,011)	$ 995

(b) Represents additional depreciation expense on step-up in the value of property, plant and equipment acquired in the Tempur acquisition to fair market value and additional amortization of the intangibles resulting from the Tempur acquisition.

	Twelve months Ended December 31, 2002	Twelve months Ended June 30, 2003
Additional depreciation expense on the step-up in the value of property, plant and equipment as if the Tempur acquisition occurred as of the beginning of the respective period	$ 304	$ 121
Additional amortization expense of intangible assets resulting from the Tempur acquisition as if the Tempur acquisition occurred at the beginning of the respective period	1,274	594
	$ 1,578	$ 715

(c) Represents additional interest expense and amortization of debt issuance costs associated with Tempur acquisition borrowings for the Tempur pre-acquisition period.

	Twelve months Ended December 31, 2002	Twelve months Ended June 30, 2003
Additional interest expense as if the Tempur acquisition occurred at the beginning of the respective period, net of the elimination of Tempur pre-acquisition interest expense	$ 4,855	$ 882
Additional debt issuance costs amortization as if the Tempur acquisition occurred at the beginning of the respective period	1,033	368
	$ 5,888	$ 1,250

Interest expense was calculated using an assumed variable interest rate of 4.6% (three-month LIBOR plus applicable margin of 375 points) on the amended senior credit facilities and 12.5% on the mezzanine debt facility entered into in conjunction with Tempur acquisition. The actual interest rates on the variable rate indebtedness incurred to consummate the Tempur acquisition could vary from those used to compute the above adjustment of interest expense. A one-half percent increase in these rates would increase interest expense for the the twelve months ended June 30, 2003 and December 31, 2002 by approximately $0.7 million and $0.7 million, respectively.

(d) Represents additional interest expense and amortization of debt issuance costs associated with the recapitalization.

	Twelve months Ended December 31, 2002	Six months Ended June 30, 2003	Twelve months Ended June 30, 2003
Additional interest expense as if the recapitalization occurred at the beginning of the respective period	$ 12,942	$ 6,471	$ 12,942
Additional debt issuance costs amortization as if the recapitalization occurred at the beginning of the perspective period, net of the elimination of amortization with respect to the mezzanine debt facility	1,441	742	1,441
	$ 14,383	$ 7,213	$ 14,383

Interest expense on the notes was calculated using the actual interest rate on the notes. The assumed weighted average variable interest rate of 4.5% (three-month LIBOR plus applicable margin of 325 to 350 points) on the variable rate indebtedness incurred to consummate the recapitalization could vary from those used to compute the above adjustment of interest expense. A one-half percent increase in these variable rates would increase interest expense for the six months ended June 30, 2003, twelve months ended June 30, 2003 and December 31, 2002 by approximately $0.6 million, $1.2 million and $1.2 million, respectively.

(e) Reflects the tax effects of the recapitalization and Tempur acquisition pro forma adjustments based upon an effective tax rate of 39%.

(f) Represents net change in cash, as follows:

	As of June 30, 2003
Proceeds from amended senior credit facilities	$ 236,500
Proceeds from Senior Subordinated Notes due 2010	150,000
Payment of existing senior credit facility outstanding as of June 30, 2003	(125,242)
Payment of existing mezzanine debt facility	(50,000)
Payment of prepayment penalty on existing mezzanine debt facility	(3,000)
Payment of interest on existing mezzanine debt facility	(758)
Earn-out payment related to Tempur acquisition	(40,000)
Payment of equityholder dividend	(158,000)
Payment of estimated fees and expenses	(9,500)
	$ —

(g) Represents the capitalization of deferred financing costs related to the recapitalization, net of the write-off of deferred financing costs.

	As of June 30, 2003
Deferral of estimated fees and expenses related to the recapitalization	$ 9,500
Write-off of historical deferred financing costs associated with the senior debt and revolver	(6,980)
Write-off of historical deferred financing costs associated with the mezzanine debt facility	(1,259)
	$ 1,261

(h) Represents the recapitalization adjustments to current portion of long term debt.

	As of June 30, 2003
Current portion of new debt incurred as part of the recapitalization	$ 19,364
Elimination of a current portion of Term Loan A	(13,710)
	$ 5,654

(i) Represents the earn-out payment related to the Tempur acquisition.

(j) Represents indebtedness incurred as part of the recapitalization net of the repayment of existing indebtedness, as follows:

	As of June 30, 2003
Term Loan B	135,000
Reclassification of current portion of Term Loan B	(1,364)
Term Loan A	95,000
Reclassification of current portion of Term Loan A	(18,000)
Revolver	6,500
Reduction in Term Loan A and Revolver	(111,532)
	$ 105,604

(k) Represents net change in senior subordinated debt.

	As of June 30, 2003
Senior Subordinated Notes due 2010	$ 150,000
Elimination of existing subordinated notes	(50,000)
Elimination of original issue discount related to extinguishment of mezzanine debt facility	2,022
	$ 102,022

(l) Represents the reduction in retained earnings to reflect the dividend to equityholders as part of the recapitalization, write-off of debt issuance costs, original issue discount, prepayment penalty on mezzanine debt facility, interest payment on mezzanine debt facility, and income tax effect on recapitalization, as follows:

	As of June 30, 2003
Elimination of historical debt issuance costs related to extinguishment of mezzanine debt facility	$ (1,259)
Prepayment penalty on mezzanine debt facility	(3,000)
Elimination of original issue discount related to extinguishment of mezzanine debt facility	(2,022)
Write-off of historical deferred financing costs associated with existing senior credit facility	(6,980)
Dividend payment to equityholders	(158,000)
Payment of interest on mezzanine debt facility	(758)
Income tax effect on recapitalization pro forma adjustments	2,302
	$ (169,717)

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth our selected historical consolidated financial and operating data for the periods indicated. Our predecessor company for periods prior to January 1, 2000 is a combination of our Danish manufacturing operations and the U.S. distribution entity and is sometimes referred to as the pre-predecessor company. Tempur World, Inc. was formed on January 1, 2000 to combine the manufacturing facilities and the worldwide distribution capabilities of all Tempur products, and our predecessor company for the period from January 1, 2000 to October 31, 2002 is Tempur World, Inc. We completed the Tempur acquisition (which we accounted for using the purchase method of accounting) as of November 1, 2002. As a result of preliminary adjustments to the carrying value of assets and liabilities pursuant to the acquisition, the financial position and results of operations for periods subsequent to the Tempur acquisition are not comparable to those of our predecessor or pre-predecessor companies.

We have derived the statement of operations and balance sheet data for our predecessor company and pre-predecessor company as of and for the years ended April 30, 1998 and 1999, the eight months ended December 31, 1999, the years ended December 31, 2000 and 2001 and the ten months ended October 31, 2002 from the audited financial statements of our pre-predecessor company and our predecessor company. We have derived our statements of operations and balance sheet data as of and for the two months ended December 31, 2002 from our audited financial statements. We have derived the statement of operations data and balance sheet data as of and for the six month period ended June 30, 2002 from our predecessor company's unaudited condensed consolidated interim financial statements. We have derived the statement of operations and balance sheet data as of and for the six month period ended June 30, 2003 from our unaudited condensed consolidated interim financial statements. In the opinion of management, our unaudited condensed consolidated interim financial statements have been prepared on a basis consistent with our audited financial statements for the two months ended December 31, 2002 and include all adjustments, which are normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the interim period. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any future period. Our predecessor company's financial statements as of and for the years ended December 31, 2000 and 2001 and the ten months ended October 31, 2002, its unaudited condensed consolidated interim financial statements for the six months ended June 30, 2002 and our financial statements for the two months ended December 31, 2002 and our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2003 are included elsewhere in this prospectus.

($ in thousands)	Pre-Predecessor			Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings
	Year ended April 30,		8 Months ended December 31,	Year ended December 31,		Period from January 1, 2002 to October 31,	Period from November 1, 2002 to December 31,	Twelve Months ended December 31,	Six Months ended June 30,	Six Months ended June 30,
	1998	1999	1999	2000	2001	2002	2002	2002	2002	2003
								(unaudited)	(unaudited)	(unaudited)
Statement of Operations Data:										
Net sales	$ 58,800	$ 85,245	$ 73,635	$ 161,969	$ 221,514	$ 237,314	$ 60,644	$ 297,958	$ 129,809	$ 218,804
Cost of sales	37,932	55,500	45,755	89,450	107,569	110,228	37,811	148,039	61,894	98,635
Gross profit	20,868	29,745	27,880	72,519	113,945	127,086	22,833	149,919	67,915	120,169
Operating expenses	10,795	21,678	16,410	50,081	83,574	86,693	23,174	109,867	48,828	69,017
Operating income/(loss)	10,073	8,067	11,470	22,438	30,371	40,393	(341)	40,052	19,087	51,152
Net interest expense	482	976	997	2,225	6,555	6,292	2,955	9,247	3,680	8,161
Other (income)/expense	(1,337)	(10)	793	947	316	1,724	(1,331)	393	183	505
Income/(loss) before income taxes	10,928	7,101	9,680	19,266	23,500	32,377	(1,965)	30,412	15,224	42,486
Income taxes	4,821	2,821	3,851	6,688	11,643	12,436	889	13,325	7,274	15,739
Net income /(loss)	$ 6,107	$ 4,280	$ 5,829	$ 12,578	$ 11,857	$ 19,941	$ (2,854)	$ 17,087	$ 7,950	$ 26,747
Balance Sheet Data (at end of period):										
Cash and cash equivalents	$ 2,412	$ 2,877	$ 1,984	$ 10,572	$ 7,538	$ 6,380	$ 12,654		$ 3,155	$ 7,984
Total assets	34,520	49,276	66,404	144,305	176,841	199,641	448,494		189,195	510,598
Total senior debt	6,496	8,637	19,508	64,866	104,352	88,817	148,121		90,186	127,418
Total debt	6,496	8,637	19,508	71,164	106,023	89,050	198,352		90,826	178,102
Redeemable preferred stock	—	—	—	—	11,715	15,331	—		14,809	—
Total stockholders' equity	$ 9,495	$ 12,862	$ 14,424	$ 38,237	$ 16,694	$ 39,895	$ 151,999		$ 30,693	$ 180,576
Other Financial and Operating Data:										
EBITDA(1)				$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385
EBITDA margin(2)				17.6%	18.3%	21.4%	3.8%	17.8%	19.3%	27.1%
Adjusted EBITDA(3)				$ 38,948	$ 40,422	$ 50,776	$ 12,103	$ 62,879	$ 25,063	$ 59,385
Adjusted EBITDA margin(4)				24.1%	18.3%	21.4%	20.0%	21.1%	19.3%	27.1%
Depreciation and amortization				$ 6,002	$ 10,051	$ 10,383	$ 2,664	$ 13,047	$ 5,976	$ 8,233
Net cash provided by operating activities				$ 1,125	$ 19,716	$ 22,706	$ 12,385	$ 35,091	$ 10,024	$ 22,959
Capital expenditures				$ 27,418	$ 35,241	$ 9,175	$ 1,961	$ 11,136	$ 4,835	$ 6,744
Ratio of earnings to fixed charges (unaudited)				5.1x	4.3x	5.1x	0.4x	3.7x	4.3x	5.3x
Number of pillows sold				1,717,476	1,819,993	1,528,608	407,476	1,936,084	860,918	1,455,435
Number of mattresses sold				173,338	212,695	218,656	50,564	269,220	124,104	180,125

(1) EBITDA is defined as operating income plus depreciation and amortization. We consider EBITDA a measure of our liquidity. Management uses this measure as an indicator of cash generated from operating activities. Further, it provides management with a consistent measurement tool for evaluating the operating activities of a business unit before investing activities, interest and taxes. EBITDA is not an indicator of financial performance under generally accepted accounting principles and may not be comparable to similarly captioned information reported by other companies. In addition, it does not replace net income, operating income, or cash flow provided by operating activities as indicators of operating performance. Management believes the most directly comparable GAAP financial measure is "net cash provided by operating activities" presented in our Consolidated Statement of Cash Flows. EBITDA is reconciled directly to net cash provided by operating activities as follows:

($ in thousands)	Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings
	Year ended December 31,		Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months ended December 31, 2002	Six Months ended June 30, 2002	Six Months ended June 30, 2003
	2000	2001			(unaudited)	(unaudited)	(unaudited)
EBITDA	$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385
Depreciation and amortization	(6,002)	(10,051)	(10,383)	(2,664)	(13,047)	(5,976)	(8,233)
Net interest expense	(2,225)	(6,555)	(6,292)	(2,955)	(9,247)	(3,680)	(8,161)
Provision for income taxes	(6,688)	(11,643)	(12,436)	(889)	(13,325)	(7,274)	(15,739)
Other income/(expense), net	(947)	(316)	(1,724)	1,331	(393)	(183)	(505)
Net income/(loss)	12,578	11,857	19,941	(2,854)	17,087	7,950	26,747
Depreciation and amortization	6,002	10,051	10,383	2,664	13,047	5,976	8,233
(Gain)/loss on sale or disposal of property, plant and equipment	203	(53)	268	233	501	533	(206)
Change in working capital and other, net	(17,658)	(2,139)	(7,886)	12,342	4,456	(4,435)	(11,815)
Net cash provided by operating activities	$ 1,125	$ 19,716	$ 22,706	$ 12,385	$ 35,091	$ 10,024	$ 22,959

(2) EBITDA margin is the ratio of EBITDA to total net sales.

(3) Adjusted EBITDA is defined as EBITDA plus certain items that we believe are not indicative of our future operating performance. Adjusted EBITDA is not a measurement of financial performance under generally accepted accounting principles or a measure of our liquidity and may not be comparable to similarly captioned information reported by other companies. In addition, it does not replace net income, operating income or cash flow provided by operating activities as indicators of operating performance. We believe Adjusted EBITDA provides a useful indicator of levels of our financial performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Moreover, the amended senior credit facilities and indenture contain covenants in which Adjusted EBITDA is used as a measure of financial performance and, accordingly, we believe this information will be useful to investors. Adjusted EBITDA for the twelve months ended December 31, 2000 excludes $10.5 million in charges related to the termination of our license agreement on December 31, 2000. Adjusted EBITDA for the combined twelve months ended December 31, 2002 excludes $9.8 million in charges related to a purchase accounting adjustment to our inventory. Adjusted EBITDA is reconciled directly to EBITDA as follows:

($ in thousands)	Predecessor			TWI Holdings	Combined	Predecessor	TWI Holdings
	Year ended December 31,		Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months ended December 31, 2002	Six Months ended June 30, 2002	Six Months ended June 30, 2003
	2000	2001			(unaudited)	(unaudited)	(unaudited)
EBITDA	$ 28,440	$ 40,422	$ 50,776	$ 2,323	$ 53,099	$ 25,063	$ 59,385
License agreement terminated on December 31, 2000	10,508	—	—	—	—	—	—
Purchase accounting adjustment to inventory	—	—	—	9,780	9,780	—	—
Adjusted EBITDA	$ 38,948	$ 40,422	$ 50,776	$ 12,103	$ 62,879	$ 25,063	$ 59,385

(4) Adjusted EBITDA margin is the ratio of Adjusted EBITDA to total net sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the section "Selected Historical Consolidated Financial and Operating Data," the audited consolidated financial statements and accompanying notes thereto and the unaudited consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus. The exchange notes offered hereby are being offered by Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers. These companies are referred to in this prospectus as the "Issuers." The Issuers are indirect, wholly-owned subsidiaries of TWI Holdings, Inc. TWI Holdings, Inc. and its domestic restricted subsidiaries (other than the Issuers) have guaranteed the old notes, and will guarantee the exchange notes, on a senior subordinated basis. Unless otherwise noted, all of the financial information in this prospectus is consolidated financial information for TWI Holdings, Inc. or its predecessors. The forward-looking statements in this discussion regarding the mattress and pillow industries, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion include numerous risks and uncertainties, as described under "Risk Factors" and elsewhere in this prospectus. Our actual results may differ materially from those contained in any forward-looking statements.

General

We are a rapidly growing, vertically-integrated manufacturer, marketer and distributor of premium visco-elastic foam mattresses and pillows that we sell globally in 54 countries primarily under the Tempur® and Tempur-Pedic® brands. We believe our premium mattresses and pillows are more comfortable than standard bedding products because our proprietary visco-elastic foam is temperature sensitive, has a high density and conforms to the body to therapeutically align the neck and spine, thus reducing neck and lower back pain, two of the most common complaints about other sleep surfaces. Since 2000, our total net sales and EBITDA have grown at compound annual rates of approximately 36% and 27%, respectively, and for the combined pro forma as adjusted twelve months ended June 30, 2003, we had total net sales of $387.0 million and Adjusted EBITDA of $97.2 million.

TWI Holdings, Inc. was formed in 2002 by TA and FFL to acquire Tempur World, Inc., or Tempur World. This acquisition occurred effective November 1, 2002. The financial information for the periods prior to November 1, 2002 are based on the financial information for Tempur World and its consolidated subsidiaries, which we sometimes collectively refer to as the "Predecessor." For purposes of this Management's Discussion and Analysis of Financial Condition and Results of Operations, "we," "our," "ours" and "us" refer to TWI Holdings, Inc. and its consolidated subsidiaries for the period from and after November 1, 2002 and refer to the Predecessor for periods prior to November 1, 2002.

Business Segment Information

We operate in two business segments: Domestic and International. These reportable segments are strategic business units that are managed separately.

Beginning in 2002, following the opening of our United States manufacturing facility, we changed our reporting structure from a single segment to Domestic and International reporting segments. This change was consistent with our ability to monitor and report operating results in each of these segments. The Domestic segment consists of our United States manufacturing facility, which commenced operations in July 2001 and whose customers include our United States distribution subsidiary and certain North American third party distributors. The International segment consists of our manufacturing facility in Denmark, whose customers include all of our distribution subsidiaries and third party distributors outside the Domestic segment. Our International segment includes our sales and distribution companies operating in Europe, Japan, South Africa and Singapore. In addition, we have third party distributor arrangements in the Asia/Pacific, Middle East, Eastern Europe, Central and South America, Canada and Mexico markets. We evaluate segment performance based on sales and operating income.

As we operated in one segment prior to the start up of our United States manufacturing operations, we have not restated prior year segment information to reflect our new reporting structure.

Critical Accounting Policies

Our management is responsible for our financial statements and has evaluated the accounting policies to be used in their preparation. Our management believes these policies are reasonable and appropriate. The following discussion identifies those accounting policies that we believe will be critical in the preparation of our financial statements, the judgments and uncertainties affecting the application of those policies and the possibility that materially different amounts will be reported under different conditions or using different assumptions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that the management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Our estimates of sales returns are a critical component of our revenue recognition. We recognize sales, net of estimated returns, when we ship our products to customers and the risks and rewards of ownership are transferred to them. Estimated sales returns are provided at the time of sale, based on our level of historical sales returns. We allow returns for up to 120 days following a sale, depending on the channel and promotion. Our level of sales returns differs by channel, with our direct channel typically experiencing the highest rate of returns. Our level of returns has been generally stable over the last five years and consistent with our estimates.

Warranties

Cost of sales includes estimated costs to service warranty claims of our customers. Our estimate is based on our historical claims experience and extensive product testing that we perform from time to time. We provide a 20-year warranty for United States sales and a 15-year warranty for non-United States sales on mattresses, each prorated for the last 10 years. 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. Our estimate of warranty claims could be adversely affected if our historical experience ultimately proves to be greater than the performance of the product in our product testing. We also provide 2-year to 3-year warranties on pillows. Estimated future obligations related to these products are provided by charges to operations in the period in which the related revenue is recognized. Our estimated obligation for warranty claims as of June 30, 2003 was $3.3 million.

Impairment of Goodwill, Intangibles and Long-Lived Assets

Goodwill reflected in our consolidated balance sheet consists of the purchase price from the Tempur acquisition in excess of the estimated fair values of identifiable net assets as of the date of the Tempur acquisition. Intangibles consist of tradenames for various brands under which our products are sold. Other intangibles include our customer database for our direct channel, process technology and the formulation of our visco-elastic foam.

As of January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), “Goodwill and Other Intangible Assets.” Pursuant to the provisions of SFAS 142, we stopped amortizing goodwill and indefinite-lived intangible assets and perform an impairment test on goodwill and indefinite-lived intangibles at least annually. The impairment test requires the identification of potential impairment by comparing the fair value of our reporting units to their carrying values, including the applicable goodwill and indefinite-lived intangibles. These fair values are determined by calculating the discounted cash flow expected to be generated by each reporting unit taking into account what we consider to be the appropriate industry and market rate assumptions. If the carrying value exceeds the fair value, then a second step is performed which

compares the implied fair value of the applicable reporting unit's goodwill and indefinite-lived intangibles with the carrying amount of that goodwill and indefinite-lived intangible to measure the amount of impairment, if any. In addition to performing the required impairment test, SFAS 142 requires us to reassess the expected useful lives of existing intangible assets including those for which the useful life is determinable.

Estimates of fair value for our reporting units involve highly subjective judgments on the part of management, including the amounts of cash flows to be received, their estimated duration, and perceived risk as reflected in selected discount rates. In some cases, cash flows may be required to be estimated without the benefit of historical data, although historical data will be used where available. Although we believe our estimates and judgments are reasonable, different assumptions and judgments could result in different impairment, if any, of some or all of our recorded goodwill and indefinite-lived intangibles of $287.9 million as of June 30, 2003.

Long-lived assets reflected in our consolidated balance sheet consists of property, plant and equipment. Accounting for the impairment of long-lived assets is governed by Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets."

SFAS 144 requires that whenever events or circumstances indicate that we may not be able to recover the net book value of our productive assets through future cash flows, an assessment must be performed of expected future cash flows, and undiscounted estimated future cash flows must be compared to the net book value of these productive assets to determine if impairment is indicated. Impaired assets are written down to their estimated fair value by recording an impairment charge to earnings. SFAS 144 provides that fair values may be estimated using discounted cash flow analysis or quoted market prices, together with other available information, to estimate fair values. We primarily use discounted cash flow analysis to estimate the fair value of productive assets when events or circumstances indicate that we may not be able to recover our net book values.

The application of SFAS 144 requires the exercise of significant judgment and the preparation of numerous significant estimates. Although we believe that our estimates of cash flows in our application of SFAS 144 are reasonable, and based upon all available information, including historical cash flow data about the prior use of our assets, such estimates nevertheless require substantial judgments and are based upon material assumptions about future events.

Income Tax Accounting

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities. These deferred taxes are measured by applying the provisions of tax laws in effect at the balance sheet date.

We recognize deferred tax assets in our balance sheet, and these deferred tax assets typically represent items deducted currently in the financial statements that will be deducted in future periods in tax returns. In accordance with SFAS 109, a valuation allowance is recorded against these deferred tax assets to reduce the total deferred tax assets to an amount that will, more likely than not, be realized in future periods. The valuation allowance is based, in part, on our estimate of future taxable income, the expected utilization of tax loss carryforwards, both domestic and foreign, and the expiration dates of tax loss carryforwards. Significant assumptions are used in developing the analysis of future taxable income for purposes of determining the valuation allowance for deferred tax assets which, in our opinion, are reasonable under the circumstances.

In conjunction with the acquisition of Tempur World on November 1, 2002, TWI Holdings repatriated approximately $44.2 million from one of its foreign subsidiaries in the form of a loan that under applicable US

tax principles is treated as a taxable dividend. In addition, TWI Holdings has provided for the remaining undistributed earnings as of November 1, 2002 of $10.1 million. Provisions have not been made for United States income taxes or foreign withholding taxes on undistributed earnings of foreign subsidiaries since the Tempur acquisition, as these earnings are considered indefinitely reinvested.

Undistributed foreign earnings as of ended June 30, 2003 was approximately $49.1 million. These earnings could become subject to United States income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, were loaned to TWI Holdings or a United States subsidiary, or if TWI Holdings should sell its stock in the subsidiaries.

Results of Operations

The financial statements for TWI Holdings, Inc. for the period ended December 31, 2002 represent only two months of activity because TWI Holdings, Inc. commenced operations in 2002 concurrently with the completion of the Tempur acquisition. Accordingly, while it is generally considered not appropriate to combine pre- and post-acquisition periods when analyzing results of operations and it is not in accordance with accounting principles generally accepted in the United States, for purposes of comparison only and to facilitate discussion and analysis of results of operations, the following information combines the consolidated results of operations of the Predecessor from January 1, 2002 through October 31, 2002 with the consolidated operations of TWI Holdings, Inc. from November 1, 2002 through December 31, 2002 and the combined period is referred to as combined 2002.

The results of operations include the effect of the preliminary allocation of the purchase price based on the fair value of assets acquired and liabilities assumed for the period from November 1, 2002 through December 31, 2002. These adjustments include, among other items, a write up to fair value of the inventory acquired of $9.8 million and is reflected in Cost of sales for the two months ended December 31, 2002. We expect to finalize the allocation of the purchase price during the fourth quarter of 2003, and changes from the preliminary purchase price allocation may result in changes to the applicable items in our balance sheet.

The following table sets forth the various components of our consolidated statements of operations, expressed as a percentage of net revenue, for the periods indicated:

	Year ended December 31,			Six Months ended June 30,	
	2000	2001	2002	2002	2003
			(combined)		
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	55.2	48.6	49.7	47.7	45.1
Gross profit	44.8	51.4	50.3	52.3	54.9
Selling expenses	18.3	23.5	25.1	25.6	22.5
General and administrative and other	12.6	14.2	11.8	12.0	9.0
Operating income	13.9	13.7	13.4	14.7	23.4
Interest expense, net	1.4	3.0	3.1	2.8	3.7
Other expense (income), net	0.6	0.1	0.1	0.2	0.3
Income before income taxes	11.9	10.6	10.2	11.7	19.4
Income tax provision	4.1	5.2	4.5	5.6	7.2
Net income	7.8%	5.4%	5.7%	6.1%	12.2%

We generate sales, net of returns, by selling our products through four distribution channels: direct, retail, healthcare and third party. The direct channel sells directly to consumers. Our retail channel sells primarily to furniture and specialty stores, as well as department stores internationally. Our healthcare channel sells our

products primarily to hospitals, nursing homes, healthcare professionals and medical retailers. The following table sets forth net sales information, by channel and by segment, for the periods indicated:

	Year ended December 31,			Six Months ended June 30,	
	2000	2001	2002	2002	2003
($ in millions)			(combined)		
Retail	$ 77.8	$ 116.9	$ 177.7	$ 73.5	$ 135.4
Direct	31.1	47.6	58.8	27.0	43.0
Healthcare	33.1	33.5	41.2	19.0	21.1
Third Party	20.0	23.5	20.3	10.3	19.3
Domestic	$ 74.1	$ 113.2	$ 165.3	$ 71.8	$ 124.2
International	87.9	108.3	132.7	58.0	94.6

Six Months Ended June 30, 2003 Compared With Six Months Ended June 30, 2002

Net Sales. Net sales for the six months ended June 30, 2003 were $218.8 million as compared to $129.8 million for the six months ended June 30, 2002, an increase of $89.0 million, or 68.6%. The increase in net sales was attributable to growth in our Domestic net sales to $124.2 million for the six months ended June 30, 2003 as compared to $71.8 million for the six months ended June 30, 2002, an increase of $52.4 million, or 73.0%, and an increase in our International net sales to $94.6 million for the six months ended June 30, 2003 as compared to $58.0 million for the six months ended June 30, 2002, an increase of $36.5 million, or 62.9%. The growth in our Domestic net sales was attributable primarily to an increase in net sales in our retail channel of $37.8 million and in the direct channel of $14.7 million, and the growth in our International net sales was attributable primarily to growth in the retail channel of $24.1 million. During the second quarter 2002, we introduced a new mattress called the Deluxe Mattress, which represented $14.4 million, or 6.6%, of net sales for the six months ended June 30, 2003 and a new pillow product, the Comfort Pillow, which represented $4.8 million, or 2.2%, of total net sales for the six months ended June 30, 2003.

Cost of Sales. Cost of sales includes the cost of raw material purchases, manufacturing costs and distribution costs associated with the production and sale of products to our customers. The cost of delivering our products to customers is also included in cost of sales. Cost of sales increased to $98.6 million for the six months ended June 30, 2003 as compared to $61.9 million for the six months ended June 30, 2002, an increase of $36.7 million, or 59.3%, although cost of sales decreased as a percentage of net sales from 47.7% in the six months ended June 30, 2002 to 45.1% in the six months ended June 30, 2003. This decrease in cost of sales as a percentage of net sales was due to improved manufacturing utilization and an increase in pillow net sales as a percentage of our total net sales. We generally experience higher margins on our pillows than on our mattresses and, accordingly, our cost of sales as a percentage of our net sales is affected by changes in our product sales mix. Our Domestic cost of sales increased to $64.7 million for the six months ended June 30, 2003 as compared to $35.1 million for the six months ended June 30, 2002, an increase of $29.6 million, or 84.3%. Our International cost of sales increased to $33.9 million for the six months ended June 30, 2003 as compared to $26.8 million for the six months ended June 30, 2002, an increase of $7.1 million, or 26.5%, excluding eliminations for sales from the International segment to the Domestic segment.

Selling Expenses. Selling expenses include advertising and media production associated with our direct channel, other marketing materials such as catalogs, brochures, videos, product samples, direct customer mailings and point of purchase materials, and sales force compensation and customer service. We also include in selling expenses our new product development costs associated with market research and testing for new products. Selling expenses increased to $49.4 million for the six months ended June 30, 2003 as compared to $33.3 million for the six months ended June 30, 2002, an increase of $16.1 million, or 48.3%, but decreased as a percentage of net sales to 22.6% during the six months ended June 30, 2003 from 25.7% for the six months ended June 30, 2002. The increase in the dollar amount of selling expenses was due to additional spending on advertising, sales compensation and point of purchase materials. The decrease as a percentage of net sales was

primarily due to an increase in the net sales of our retail channel to $135.4 million for the six months ended June 30, 2003 as compared to $73.5 million for the six months ended June 30, 2002, an increase of $61.9 million or 84.2%. This increase was due primarily to an increase in net sales in our retail channel, as a percentage of total net sales, to 61.9% of total net sales for the six months ended June 30, 2003 as compared to 56.6% of total net sales for the six months ended June 30, 2002. Our retail channel has lower selling expenses than our other channels on a combined basis and, accordingly, our selling expenses as a percentage of our net sales will be affected by the level of our retail sales as a percentage of our total sales.

General and Administrative and Other. General and administrative and other expenses include management salaries; information technology; professional fees; depreciation of furniture and fixtures, leasehold improvements and computer equipment; expenses for finance, accounting, human resources and other administrative functions; and research and development costs associated with our new product developments. General and administrative and other expenses increased to $19.7 million for the six months ended June 30, 2003 as compared to $15.5 million for the six months ended June 30, 2002, an increase of $4.2 million, or 27.1%, but decreased as a percentage of net sales to 9.0% during the six months ended June 30, 2003 from 12.0% for the six months ended June 30, 2002. The increase was due to additional spending on corporate overhead expenses, including information technology and professional services. The decrease as a percentage of sales was due to increased operating leverage from fixed administrative and research and development costs.

Interest Expense, Net. Interest expense, net includes the interest costs associated with our senior and mezzanine debt facilities and the amortization of deferred financing costs related to those facilities. Interest expense, net increased to $8.2 million for the six months ended June 30, 2003 as compared to $3.7 million for the six months ended June 30, 2002, an increase of $4.5 million. This increase was due to higher average debt levels. In 2003, we entered into an interest rate cap agreement that effectively capped $60.0 million of our floating-rate debt at an interest rate of 5% plus applicable margin through March 2006. We are required under our existing credit agreements to hedge at least $60.0 million of our floating rate senior term debt.

Income Tax Provision. Our income tax provision includes income taxes associated with taxes currently payable and deferred taxes and includes the impact of the utilization of foreign tax credits associated with our foreign earnings and profits and net operating losses for certain of our foreign operations. Our effective income tax rates in 2003 and 2002 differed from the federal statutory rate principally because of the effect of certain foreign tax rate differentials, state and local income taxes, valuation allowances on foreign net operating losses and foreign tax credits. Our effective tax rate for the six months ended June 30, 2003 and June 30, 2002 was approximately 37.0% and 47.8%, respectively. Our effective tax rate between the six month periods has decreased principally as a result of decreasing foreign net operating losses, which are fully reserved and a decrease in Subpart F income.

Combined 2002 Compared With Year Ended December 31, 2001

Net Sales. Net sales were $298.0 million for combined 2002 as compared to $221.5 million for the year ended December 31, 2001, an increase of $76.5 million, or 34.5%. The increase in net sales was attributable to growth in Domestic net sales to $165.3 million for combined 2002, as compared to $113.2 million for the year ended December 31, 2001, an increase of $52.1 million, or 46.0%, and an increase in International net sales to $132.7 million for combined 2002, as compared to $108.3 million for the year ended December 31, 2001, an increase of $24.4 million, or 22.5%. Growth in Domestic net sales was due primarily to an increase in net sales in our retail channel of $40.6 million and an increase in net sales in our direct channel of $8.2 million. Growth in International net sales was affected by the general economic slowdown in Europe. However, net sales in Japan, consisting primarily of pillows, continued to be strong with an increase in net sales of 51.2% for combined 2002 over the year ended December 31, 2001.

Cost of Sales. Cost of sales increased to $148.0 million for combined 2002 as compared to $107.6 million for the year ended December 31, 2001, an increase of $40.4 million, or 37.6%. The increase is primarily due to

increased plant capacity with the addition of our United States manufacturing facility in July 2001. Our cost of sales as a percentage of total net sales increased to 49.7% for combined 2002 as compared to 48.6% for the year ended December 31, 2001, due primarily to fixed capacity costs in our United States manufacturing facility, partially offset by a reduction in importation duties to the United States as a result of the commencement of operations at our United States manufacturing facility.

Selling Expenses. Selling expenses increased to $74.9 million for combined 2002 as compared to $52.1 million for the year ended December 31, 2001, an increase of $22.8 million or 43.8%, and increased as a percentage of net sales to 25.1% for combined 2002 as compared to 23.5% for the year ended December 31, 2001. The increase was due to additional spending on direct sales advertising, sales compensation, point of purchase materials provided to the indirect channel and market research related to new product development. The increase as a percentage of net sales was primarily due to an increase in use of television advertising.

General and Administrative and Other. General and administrative and other expenses increased to $35.0 million for combined 2002 as compared to $31.5 million for the year ended December 31, 2001, an increase of $3.5 million, or 11.1%, but decreased as a percentage of net sales to 11.8% for combined 2002 as compared to 14.2% for the year ended December 31, 2001. The increase was due to additional spending on corporate overhead expenses of $0.2 million, including information technology and professional services, and was partially offset by a decrease of $0.7 million due to the adoption of FAS 142 during the first quarter 2002, as we no longer record amortization expense for goodwill and indefinite-lived intangibles.

Interest Expense, Net. Interest expense, net increased to $9.2 million for combined 2002 as compared to $6.6 million for the year ended December 31, 2001, an increase of $2.6 million, or 39.4%. This increase was due to higher average debt levels. During the fourth quarter of 2002, we completed the Tempur acquisition, which included $220.0 million of new senior and mezzanine debt facilities to fund the Tempur acquisition and to fund the continued growth of Tempur World's operations.

Income Tax Provision. Our effective income tax rates in 2003 and combined 2002 differed from the federal statutory rate principally because of the effect of certain foreign tax rate differentials, state and local income taxes and foreign tax credits. Our effective tax rate for combined 2002 was approximately 43.8% compared to approximately 49.5% in 2001. This lower effective tax rate for combined 2002 compared to 2001 was primarily due to the utilization of foreign tax credits and to the fact that we no longer amortize goodwill which was previously a non-deductible item for tax purposes.

Year Ended December 31, 2001 Compared With Year Ended December 31, 2000

Net Sales. Net sales for the year ended December 31, 2001 were $221.5 million, as compared to $162.0 million for the year ended December 31, 2000, an increase of $59.5 million, or 36.7%. The increase in net sales was attributable to growth in Domestic net sales to $113.2 million for the year ended December 31, 2001 as compared to $74.1 million for the year ended December 31, 2000, an increase of $39.1 million, or 53.0%, and an increase in International net sales to $108.3 million for the year ended December 31, 2001 as compared to $87.9 million for the year ended December 31, 2000, an increase of $20.4 million, or 23.2%. The increase in Domestic net sales was attributable primarily to an increase in net sales in our retail channel of $17.7 million and an increase in net sales in our direct channel of $18.3 million, and the increase in International net sales was attributable to an increase in net sales in our retail channel of $21.4 million.

Cost of Sales. Cost of sales increased to $107.6 million for the year ended December 31, 2001 as compared to $89.4 million for the year ended December 31, 2000, an increase of $18.2 million, or 20.4%, but decreased as a percentage of net sales to 48.6% for the year ended December 31, 2001 from 55.2% for the year ended December 31, 2000. This decrease as a percentage of net sales was primarily due to payments made during 2000 under a license agreement with Tempur World's former parent company, Fagerdala Industri, AB, of $10.5 million, which was terminated at the end of 2000. Additionally, cost of sales was affected by increased plant capacity with the addition of our United States manufacturing facility in July 2001, because our new United States facility did not become operational until fourth quarter 2001.

Selling Expenses. Selling expenses increased to $52.1 million for the year ended December 31, 2001 as compared to $29.6 million for the year ended December 31, 2000, an increase of $22.5 million or 76.0%, and increased as a percentage of net sales to 23.5% for the year ended December 31, 2001 from 18.3% for the year ended December 31, 2000. The increase was due to additional spending on direct sales advertising, increased direct customer mailings, sales compensation and market research related to new product development. The increase as a percentage of net sales was primarily due to an increase in the number of direct customer mailings.

General and Administrative and Other. General and administrative and other expenses increased to $31.5 million for the year ended December 31, 2001 as compared to $20.5 million for the year ended December 31, 2000, an increase of $11.0 million, or 53.7%, and increased as a percentage of net sales to 14.2% for the year ended December 31, 2001 from 12.6% for the year ended December 31, 2000. The increase was due to spending on the formation and operation of our corporate headquarters in the United States and overhead expenses including information technology investments and professional services, and was partially offset by a decrease of $0.5 million due to certain identifiable intangibles being fully amortized during 2001.

Interest Expense, Net. Interest expense, net increased to $6.6 million for the year ended December 31, 2001 as compared to $2.2 million for the year ended December 31, 2000, an increase of $4.4 million, primarily due to increased average debt levels. During the third quarter of 2001, Tempur World completed a financing transaction of $115.0 million of a new senior credit facility to provide long-term financing for the new United States manufacturing operations and the repurchase of stock from certain shareholders. Included in interest expense, net was $0.2 million of amortization related to deferred financing costs for the year ended December 31, 2001 that was being amortized over the life of our outstanding senior credit facility.

Income Tax Provision. Our effective income tax rates in 2001 and 2000 differed from the federal statutory rate principally because of the effect of certain foreign tax rate differentials, state and local income taxes and foreign tax credits. Our effective tax rate for 2001 was approximately 49.5% compared to approximately 34.7% in 2000. This higher effective tax rate for 2001 compared to 2000 was primarily due to an increase in deferred tax asset valuation allowances for certain foreign net operating losses, limitations on the deductibility of charitable contributions and Subpart F income from foreign operations.

Liquidity and Capital Resources

After the Recapitalization. Following the recapitalization, our primary sources of liquidity are cash flow from operations and borrowings under our revolving credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources. We incurred substantial indebtedness in connection with the recapitalization, including as a result of the issuance of the notes. Upon completion of the recapitalization, on a pro forma basis as of June 30, 2003, we had approximately $389.4 million of indebtedness outstanding, excluding letters of credit, as compared to $178.1 million of indebtedness outstanding as of June 30, 2003. In addition, upon completion of the recapitalization, on a pro forma basis as of June 30, 2003, we had stockholders' equity of approximately $10.9 million as compared to stockholders' equity of $180.6 million as of June 30, 2003. Our significant debt service obligations following the recapitalization could, under certain circumstances, have material consequences to our security holders, including holders of the notes. Total cash interest payments related to our amended senior credit facilities and the notes is expected to be in excess of approximately $25.9 million annually. The principal payment schedules for our amended senior credit facilities are expected to total to the following: $5.9 million in 2003, $11.9 million in 2004, $15.4 million in 2005, $15.4 million in 2006, $22.4 million in 2007 and $165.5 million thereafter.

Concurrently with the recapitalization, the Issuers issued the old notes. In addition, we entered into amended senior credit facilities on the terms described below.

Our amended senior credit facilities provide a total of $270.0 million in financing, consisting of:

- a $20.0 million United States revolving credit facility;
- a $30.0 million United States term loan A facility;

- a $135.0 million United States term loan B facility (the United States revolving credit facility and the United States term loans are collectively referred to herein as the "United States Facility");
- a $20.0 million European revolving credit facility; and
- a $65.0 million European term loan A facility (the European revolving credit and the European term loan are collectively referred to herein as the "European Facility").

The incremental proceeds of our amended senior credit facilities were used along with the proceeds from the offering of the old notes and cash on hand to fund the recapitalization and provide working capital.

Our revolving credit facilities and our term loan A facilities will mature in 2008 and our new term loan B facility will mature in 2009.

Borrowing availability under the United States revolving credit facility is subject to a borrowing base, as defined in the loan agreement. Borrowing availability under the European revolving credit facility is subject to a borrowing base, as defined in the loan agreement. Each of the United States and European revolving facilities also provide for the issuance of letters of credit to support local operations. Allocations of the United States and European revolving facilities to such letters of credit will reduce the amounts available to be borrowed under their respective facilities.

Subject to exceptions for reinvestment of proceeds, we are required to prepay outstanding loans under our amended senior credit facilities with the net proceeds of certain asset dispositions, condemnation settlements and insurance settlements from casualty losses, issuances of certain equity and a portion of excess cash flow.

We may voluntarily prepay loans or reduce commitments under our amended senior credit facilities, in whole or in part, subject to minimum amounts. If we prepay Eurodollar rate loans other than at the end of an applicable interest period, we will be required to reimburse lenders for their redeployment costs.

These amended senior credit facilities contain negative and affirmative covenants and requirements affecting us and our domestic and foreign subsidiaries that we create or acquire, with certain exceptions set forth in our amended credit agreement. Our amended senior credit facilities contain the following negative covenants and restrictions, among others: restrictions on liens, real estate purchases, sale-leaseback transactions, indebtedness, dividends and other restricted payments, guarantees, redemptions, liquidations, consolidations and mergers, acquisitions, asset dispositions, investments, loans, advances, changes in line of business, formation of new subsidiaries, changes in fiscal year, transactions with affiliates, amendments to charter, by-laws and other material documents, hedging agreements and intercompany indebtedness.

These amended senior credit facilities contain the following affirmative covenants, among others: delivery of financial and other information to the administrative agent, compliance with laws, maintenance of properties, licenses and insurance, access to books and records by the lenders, notice to the administrative agent upon the occurrence of events of default, material litigation and other events, conduct of business and existence, payment of obligations, maintenance of collateral and maintenance of interest rate protection agreements.

Based upon the current level of operations and anticipated growth, we believe that cash generated from operations and amounts available under the revolving credit facilities will be adequate to meet our anticipated debt services requirements, capital expenditures and working capital needs for the next several years. There can be no assurance, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available under the senior credit facilities or otherwise to enable us to service our indebtedness, including the senior credit facilities and the notes, to redeem or refinance our Series A Convertible Preferred Stock if and when required or to make anticipated capital expenditures. Our future operating performance and our ability to service or refinance the notes, to service, extend or refinance the senior credit facilities and to redeem or refinance our Series A Convertible Preferred Stock if and when required will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Planned Capital Expenditures. Due to the continued growth in our business, in March 2003, we began construction on a $20.0 million addition to our United States manufacturing facility to support the continuing growth in mattress sales and to provide needed capacity to meet future demand for our products. Total expected capital expenditures related to this expansion will be $18.0 million for 2003, of which we spent $4.1 million through June 30, 2003. The additional production capacity at our United States manufacturing facility will allow us to significantly increase our mattress manufacturing capacity. Additionally, we plan to begin expanding mattress production capacity in our Denmark manufacturing facility in the fourth quarter of 2004 to meet the demands for our international operations. We expect our total capital expenditures related to that expansion to be $20.0 million in 2004.

In May 2003, we engaged a site selection firm to assist us in selecting a location for our third manufacturing facility, which we expect to be located in North America. This facility is currently expected to require capital expenditures of approximately $27.0 million and to be completed by the fourth quarter of 2005. This facility will provide additional capacity to meet anticipated future demand.

Historical. At June 30, 2003, we had working capital of $(3.1) million including cash and cash equivalents of $8.0 million as compared to working capital of $31.3 million including $12.7 million in cash and cash equivalents as of December 31, 2002. The $4.7 million decrease in cash and cash equivalents was primarily related to continuing investments in working capital. The $34.4 million decrease in working capital was driven primarily by the accrual of the payment of the deferred purchase price in accordance with the terms of the Tempur acquisition.

Our principal sources of funds are cash flows from operations and borrowings under our United States and European revolving credit facilities. Our principal use of funds consists of payments of principal, capital expenditures and interest payments on our outstanding senior debt facilities. Capital expenditures totaled $11.1 million for combined 2002 and $6.7 million for the six months ended June 30, 2003. We expect 2003 capital expenditures to be approximately $25.0 million, including the $18.0 million associated with the expansion of our United States manufacturing facility and approximately $5.0 million related to maintenance of our existing assets. In November 2002, in connection with the Tempur acquisition, we obtained from a syndicate of lenders a $170.0 million senior secured credit facility under United States and European term loans and long-term revolving credit facilities. Additionally, we obtained a total of $50.0 million of 12.5% senior subordinated unsecured debt financing under United States and European term loans, all of which was drawn upon at the inception of this facility to fund a portion of the various payments required in connection with the Tempur acquisition. At June 30, 2003, we had approximately $38.2 million available under our United States and European revolving credit facilities. Our net weighted-average borrowing cost was 5.9% for combined twelve months 2002 and 6.2% for the year ended December 31, 2001, and 7.2% and 5.7% for the six months ended June 30, 2003 and June 30, 2002, respectively.

Our cash flow from operations increased to $35.1 million for combined 2002 as compared to $19.7 million for the year ended December 31, 2001, an increase of $15.4 million, or 78.2%. This increase is primarily the result of improved net income and working capital management. Our cash flow from operations increased to $23.0 million for the six months ended June 30, 2003 as compared to $10.0 million for the six months ended June 30, 2002, an increase of $13.0 million, or 130%. This increase in operating cash flows was primarily the result of increased net income, partially offset by increased investment in inventory as we continue to build up inventories until our expanded capacity at our United States manufacturing facility is operational, which we expect will occur in the first quarter of 2004.

Net cash used in investing activities for combined 2002 and the years ended December 31, 2001 and 2000 was $6.5 million, $34.9 million and $27.0 million, respectively. Investing activities consisted primarily of purchases of property and equipment related to investment in information technology and ongoing plant expenditures in all periods. The net cash used in investing activities was significantly higher in 2000 and 2001 than for combined 2002 because of the timing of the costs associated with the expansion of our Danish

manufacturing facility and the construction of our new United States manufacturing facility. In May 2000, we began construction of our United States manufacturing facility. Capital expenditures in 2001 and 2000 include the cost to construct this facility, the equipment used in the facility and new equipment in our manufacturing facility in Denmark. Total capital expenditures in combined 2002 were $11.1 million, and proceeds from the sale of our United Kingdom distribution facility was $5.3 million.

Cash flow provided by financing activities decreased to $12.6 million for the year ended December 31, 2001 as compared to cash flow provided by financing activities of $34.3 million for the year ended December 31, 2000, a decrease of $21.7, or 63.3%. This decrease was caused by repayment of long-term debt. Cash flow used in financing activities increased to $23.9 million for combined 2002 as compared to cash flow provided by financing activities of $12.6 million for the year ended December 31, 2001, an increase of $36.5 million or 289.7%. This increase is due to the repayment of our long-term credit facilities. On November 1, 2002, in connection with the Tempur acquisition, we refinanced all of Tempur World's existing credit facilities and issued new debt totaling $200.0 million to fund the Tempur acquisition. Cash flow used by financing activities increased to $21.9 million for the six months ended June 30, 2003 as compared to $13.7 million for the six months ended June 30, 2002, an increase of $8.2 million or 59.8%. This increase is due primarily to the repayment of our long-term credit facilities.

Our long-term obligations contain various financial tests and covenants. We were out of compliance with certain of such covenants as of the year ended December 31, 2002, but obtained waivers from our lenders, and we were in compliance with these covenants as of June 30, 2003. The most restrictive covenants relate to certain financial covenants including minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; maximum senior leverage ratio; and a limitation on capital expenditures, in each case as defined. We are also subject to certain additional covenants customary for transactions of this type. There can be no assurance that our business will generate sufficient cash flow from operations, that anticipated revenue growth and operating improvements will be realized or that future borrowings will be available under the senior credit facilities in an amount sufficient to enable us to service our indebtedness, including our amended senior credit facilities and the notes, or to fund our other liquidity needs. In addition, there can be no assurance that we will be able to effect any such refinancing on commercially reasonable terms or at all.

Our contractual obligations and other commercial commitments as of December 31, 2002 are summarized below:

Contractual Obligations	2003	2004	2005	2006	2007	After 2007	Total Obligations
				($ in millions)			
Long-term Debt	$ 13.5	$ 13.6	$ 17.9	$ 17.9	$ 26.6	$ 108.6	$ 198.1
Operating Leases	2.4	1.9	1.6	1.2	1.2	1.6	9.9
Total	$ 15.9	$ 15.5	$ 19.5	$ 19.1	$ 27.8	$ 110.2	$ 208.0

Impact of Recently Issued Accounting Pronouncements

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 was effective January 1, 2003. SFAS 145 eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board Opinion No. 30, "Reporting Results of Operations" (APB 30). SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This statement nullifies Emerging Issues Task Force Issue 94-3 (Issue 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain

Costs Incurred in a Restructuring).” SFAS 146 requires that a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity’s commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of SFAS 146 to have a material impact on our consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation No. (“FIN”) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34” (FIN 45). FIN 45 elaborates on the disclosures to be made regarding obligations under certain issued guarantees by a guarantor in interim and annual financial statements. It also clarifies the requirement of a guarantor to recognize a liability at the inception of the guarantee at the fair value of the obligation. FIN 45 does not provide specific guidance for subsequently measuring the guarantor’s recognized liability over the term of the guarantee. The provisions relating to the initial recognition and measurement of a liability are applicable on a prospective basis for guarantees issued or modified subsequent to December 31, 2002. The disclosure requirements of FIN 45 are effective for interim and annual financial statements for periods ending after December 15, 2002. This did not have a significant impact on our consolidated financial statements.

In November 2002, the EITF reached a consensus on Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (EITF 00-21). EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We do not expect the adoption of EITF No. 00-21 to have a material impact on our consolidated financial statements.

In December 2002, the FASB issued SFAS 148, “Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement 123” (SFAS 148), which was effective on December 31, 2002. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, it amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based compensation and the effect of the method on reported results. The provisions regarding alternative methods of transition do not apply to us, which accounts for stock-based compensation using the intrinsic value method. The disclosure provisions have been adopted. We do not believe that the adoption of this Statement will have a significant impact on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (“ARB”) No. 51” (FIN 46). FIN 46 requires a variable interest entity (“VIE”) to be consolidated by the primary beneficiary of the entity under certain circumstances. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. As we do not have variable interest entities, it is not expected that the adoption of FIN 46 will have a material impact on our financial position or results of operations.

In April 2003, the FASB issued SFAS 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other FASB projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an “underlying” and the characteristics of a derivative that contains financing components. The amendments set forth in SFAS 149 improve financial

reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 (with a few exceptions) and for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. We do not believe that the adoption of this Statement will have a significant impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new guidance requires that those instruments be classified as liabilities in statements of financial position. We are still evaluating the impact of this statement on our consolidated financial statements. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003.

Foreign Currency Exposures

Our earnings, as a result of our global operating and financing activities, are exposed to changes in foreign currency exchange rates, which may adversely affect our results of operations and financial position. A sensitivity analysis indicates that if United States Dollar to foreign currency exchange rates at June 30, 2003 increased 10%, we would incur losses of approximately $2.3 million on foreign currency forward contracts outstanding at June 30, 2003. Such losses would be largely offset by gains from the revaluation or settlement of the underlying positions economically hedged. This calculation assumes that each exchange rate would change in the same direction relative to the United States Dollar.

Within the normal course of business, we use derivative financial instruments principally to manage the exposure to changes in the value of certain foreign currency denominated assets and liabilities of our Denmark manufacturing operations. Gains and losses are recognized currently in the results of operations and are generally offset by losses and gains on the underlying assets and liabilities being hedged. Gains and losses on these contracts generally offset losses and gains on our foreign currency receivables and foreign currency debt. We do not hedge the effects of foreign exchange rates fluctuations on the translation of its foreign results of operations or financial position, nor do we hedge exposure related to anticipated transactions.

We do not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency denominated assets and liabilities. These contracts are marked-to-market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings. Our currency forward contracts are denominated in United States Dollars, British Pound Sterling and Japanese Yen, each against the Danish Krone.

Interest Rate Risk

We are exposed to changes in interest rates. All of our indebtedness under our amended senior credit facilities is variable rate debt. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and therefore, our future earnings and cash flows, assuming other factors are held constant. Assuming we had completed the recapitalization, and applied the proceeds as intended as of June 30, 2003, we would have variable rate debt of approximately $236.5 million. Holding other variables constant including levels of indebtedness, a one hundred basis point increase in interest rates on our variable rate debt would have an estimated impact on income before income taxes for the next year of approximately $2.4 million. We are required under the terms of our existing senior credit facilities, and we are required under the terms of our amended senior credit facilities, to have at least $60.0 million of our total indebtedness subject to either a fixed interest rate or interest rate protection for a period of not less than three years within 60 days from the date of the closing of the recapitalization.

In January 2003, we paid a premium to purchase two three-year interest rate caps for the purpose of protecting $60.0 million of the existing variable interest rate debt outstanding, at any given time, against LIBOR rates rising above 5%. Under the terms of the interest rate caps, we have paid a premium to receive payments based on the difference between 3-month LIBOR and 5% during any period in which the 3-month LIBOR rate exceeds 5%. The interest rate caps settle on the last day of March, June, September and December until expiration.

As a result of entering into the interest rate caps, we have mitigated our exposure to interest rate fluctuations above the predetermined level. As the interest payments on long-term debt are based on 3-month LIBOR and we receive a payment based on the difference between the set ceiling (5%) and 3-month LIBOR from the interest rate cap counter-party, we have eliminated any impact to rising interest rates above the stated ceiling, for an amount equal to $60.0 million of our total debt outstanding.

The fair value carrying amount of these instruments was $0.1 million at December 31, 2001, $(2.0) million at December 31, 2002 and $0.5 million at June 30, 2003, which is recorded as follows:

	December 31, 2001	December 31, 2002	June 30, 2003
		($ in millions)	
Foreign exchange receivable	$ 0.1	$ —	$ 0.4
Foreign exchange payable	—	(2.0)	—
Interest rate caps	—	—	0.1
Total	$ 0.1	$ (2.0)	$ 0.5

BUSINESS

General

We are a rapidly growing, vertically-integrated manufacturer, marketer and distributor of premium visco-elastic foam mattresses and pillows that we sell globally in 54 countries primarily under the Tempur® and Tempur-Pedic® brands. We believe our premium mattresses and pillows are more comfortable than standard bedding products because our proprietary visco-elastic foam is temperature sensitive, has a high density and conforms to the body to therapeutically align the neck and spine, thus reducing neck and lower back pain, two of the most common complaints about other sleep surfaces. In April 2003, *Consumers Digest* named one of our products among the eight "best buys" of the mattress industry in the applicable price range in recognition of the strong value it provides to consumers. Consumer surveys commissioned on our behalf over the last several years have indicated that our products achieve satisfaction ratings generally ranging from 80% to 92%. Since 2000, our total net sales and Adjusted EBITDA have grown at compound annual rates of approximately 36% and 27%, respectively, and for the twelve months ended June 30, 2003, we had total net sales of $387.0 million and Adjusted EBITDA of $97.2 million.

While most standard mattress companies offer pricing discounts through a single channel, we sell our premium mattresses and pillows through multiple channels at full prices. We sell our products through four distribution channels: retail (furniture and specialty stores, as well as department stores internationally); direct (direct response and internet); healthcare (chiropractors, medical retailers, hospitals and other healthcare channels); and third party distributors. In the United States, we sell a majority of our mattresses and pillows through furniture and specialty retailers. We also have a direct response business that generates sales of our products. International sales account for approximately 45% of our total net sales, with the United Kingdom, Germany, France, Spain and Japan representing our largest markets. In Asia, our net sales consist primarily of pillows. Internationally, in addition to sales through our retail channel, we sell a significant amount of our products through the healthcare channel and third party distributors.

Market Opportunity

Global Mattress Market

The International Sleep Products Association (ISPA) estimates that the United States wholesale market for mattresses and foundations in 2002 was approximately $4.8 billion. We believe the international mattress market is generally the same size as the domestic mattress market. The international market consists primarily of sales in Canada and Europe. According to ISPA, 21.5 million mattress units were sold in the United States in 2002, and we believe a similar number of mattress units were sold outside the United States. ISPA further estimates that approximately 20% of those mattress units were sold at retail price points greater than $1,000, which is the premium segment of the market we target. According to ISPA, the premium segment of the market grew in the United States at an annual rate of 32% in 2002, and is the fastest-growing segment of this market.

Most standard mattresses are made using innersprings and most innerspring mattresses are sold for under $1,000, primarily through retail furniture and bedding stores. Alternatives to standard and premium innerspring mattresses include visco-elastic and other foam mattresses, airbeds and waterbeds. Four large manufacturers (Sealy Corporation, Serta, Inc., Simmons Company and The Spring Air Company) dominate the standard innerspring mattress market in the United States, accounting for approximately 60% of wholesale mattress dollar sales in 2001 according to *Furniture/Today*, a trade publication. The balance of the United States wholesale mattress market is fragmented, with a large number of other manufacturers, many of which operate primarily on a regional basis. Standard innerspring mattresses represent approximately 80% of the overall mattress market in the United States.

Global Pillow Market

Based on our market research, we estimate that the United States retail market for pillows is approximately $1.1 billion. The United States pillow market has a traditional and specialty segment. Traditional pillows are generally made of low cost foam or feathers, other than down. Specialty pillows include all alternatives to

traditional pillows, including visco-elastic and other foam, sponge rubber and down. We estimate that specialty pillows accounted for approximately 27%, or $300.0 million, of retail sales in the United States in 1999. We believe the international pillow market is generally the same size as the domestic pillow market.

Our Market Position

We believe we are the leading global manufacturer, marketer and distributor of visco-elastic foam mattresses and pillows, and we estimate we had an approximate 70% market share in 2002 in both the United States and globally. We believe consumer demand for our premium products in the United States is being driven primarily by increased housing and home furnishing purchases by the baby boom generation; significant growth in our core demographic market as the baby boom generation ages; increased awareness of the health benefits of a better quality mattress; and the shifting consumer preference from firmness to comfort. As our products become more widely available and as our brand gains broader consumer recognition, we expect that our premium products will attract sales away from the standard mattress market.

Competitive Strengths

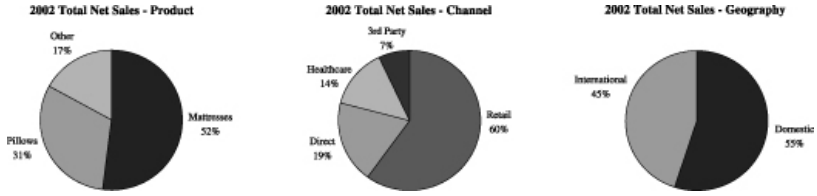
We believe we are well-positioned for continued growth in our target markets, and that the following competitive strengths differentiate us from our competitors:

Superior Product Offering. Our proprietary visco-elastic foam mattresses and pillows contour to the body more naturally and provide better spinal alignment, reduced pressure points, greater relief of lower back and neck pain and better quality sleep than traditional bedding products. We believe the benefits of our products have become widely recognized, as evidenced by the more than 25,000 healthcare professionals who recommend our products, and the approval of one or more of our products for purchase or reimbursement by the government healthcare agencies in several European countries. Consumer surveys commissioned on our behalf over the last several years indicate that our products achieve satisfaction ratings generally ranging from 80% to 92%. Net sales of our mattresses, including overlays, have increased from $116.8 million in 2001 to $156.0 million in 2002, and net sales of our pillows have increased from $75.3 million in 2001 to $91.2 million in 2002. Further, we continue to leverage our unique and proprietary manufacturing process to develop new products and refine existing products to meet the changing demands and preferences of consumers. Our innovative products distinguish us from the major manufacturers of standard innerspring mattresses and traditional pillows in the United States, which we believe offer generally similar products and must compete primarily on price.

Increasing Global Brand Awareness. We believe consumers increasingly associate our brand name with premium quality products that enable better overall sleep. Our significant presence in both the United States and Europe, combined with our sales elsewhere, have also created significant global brand awareness. We sell our products in 54 countries primarily under the Tempur® and Tempur-Pedic® brands. One of our products was recently ranked among the eight “best buys” of the mattress industry in the applicable price range by *Consumers Digest*, a recognition awarded to products that provide strong value to consumers. Our Tempur brand has been in existence since 1991 and its global awareness is reinforced by our high level of customer satisfaction. Furthermore, our multi-channel advertising continues to increase our brand awareness. We believe that our major competitors in the United States have limited brand awareness outside of the United States and our major international competitors have limited brand awareness outside of their respective regions.

Diversified Product Offerings Sold Globally Through Multiple Distribution Channels. We believe we have a highly-diversified, well-balanced business model, which provides us with a competitive advantage over our major competitors, which primarily sell standard innerspring mattresses or traditional pillows in the United States almost exclusively through retail furniture and bedding stores. In contrast, for the combined twelve months ended December 31, 2002, mattress, pillow and other product sales, primarily adjustable beds, represented 52%, 31% and 17%, respectively, of our total net sales. For the combined twelve months ended December 31, 2002, our retail channel represented 60% of total net sales, with our direct, healthcare and third party distributor

channels representing 19%, 14% and 7%, respectively. Domestic and International operations generated 55% and 45%, respectively, of net sales for the combined twelve months ended December 31, 2002.



Strong Free Cash Flow Characteristics. Our business generates significant free cash flow due to the combination of our rapidly growing revenues, strong gross and operating margins, low maintenance capital expenditure and working capital requirements, and limited corporate overhead. Further, our vertically- integrated operations generated an average of approximately $340,000 in net sales per employee in 2002, which is more than 1.5 times the average for three of the major bedding manufacturers in the United States. For the year ended December 31, 2002, our gross margin and Adjusted EBITDA margins exceeded 50% and 21%, respectively, on net sales of $298.0 million. In addition, capital expenditures were $11.1 million for this period, of which approximately $3.0 million was related to the maintenance of our existing assets.

Significant Growth Opportunities. We believe our competitors in the standard innerspring mattress market in the United States have penetrated the majority of their addressable channels and, therefore, have limited growth opportunities in their core markets. In contrast, we have penetrated only a small percentage of our addressable market. For example, we currently sell our products in approximately 2,000 furniture retail stores in the United States, out of a total of approximately 9,000 stores we have identified as appropriate targets. Similarly, we currently sell our products in approximately 2,500 furniture retail stores outside the United States, out of a total of approximately 7,000 stores we have identified as appropriate targets. Furthermore, we have recently begun to expand our direct response business in our European markets, based on our similar, successful initiatives in the United States and in the United Kingdom, to reach a greater number of consumers and increase our brand awareness.

Management Team with Proven Track Record. Since launching our United States operations in 1992, Robert Trussell, Jr., has helped grow our company from its early stages into a global business with approximately $387.0 million in total net sales for the twelve months ended June 30, 2003. Furthermore, Mr. Trussell has assembled a highly experienced management team with significant sales, marketing, consumer products, manufacturing, accounting and treasury expertise. From 2000 to 2002, our management team has:

- further penetrated the United States market, with net sales in our Domestic segment growing from $74.1 million in 2000 to $165.3 million in net sales for the combined twelve months ended December 31, 2002;
- achieved a compound annual sales growth rate of 36% from $162.0 million for our predecessor company for the year ended December 31, 2000 to $298.0 million in 2002;
- expanded our market share in the premium segment of the global mattress industry;
- improved EBITDA margins;
- successfully developed and constructed a manufacturing facility in the United States; and
- improved the efficiency of our product distribution network.

The management team and certain key employees currently own approximately 11.9% of our common equity on a fully-diluted as-converted basis, after giving effect to the vesting of all outstanding options.

Our Strategy

Our goal is to become the leading global manufacturer, marketer and distributor of premium mattresses and pillows by pursuing the following key initiatives:

Maintain Focus on Core Products. We believe we are the leading provider of visco-elastic foam mattresses and pillows, which we sell at attractive margins. We utilize a vertically-integrated, proprietary process to manufacture a comfortable, durable and high quality visco-elastic foam. Although this foam could be used in a number of different products, we are currently committed to maintaining our focus primarily on premium mattresses and pillows. We also plan to lead the industry in product innovation and sleep expertise by continuing to develop and market mattress and pillow products that enable better overall sleep and personalized comfort. We believe our focused sales, marketing and product strategies will enable us to increase market share in the premium market, while maintaining our margins and our ability to generate free cash flow.

Continue to Build Global Brand Awareness. We plan to continue to invest in increasing our global brand awareness through targeted marketing and advertising campaigns that further associate our brand name with better overall sleep and premium quality products. We estimate that our current advertising campaign drives 2.7 billion consumer "impressions" per month via television, radio, magazines and newspapers. Our high level of customer satisfaction further drives brand awareness through "word-of-mouth" marketing. Consumer surveys commissioned on our behalf over the last several years indicate that our products achieve satisfaction ratings generally ranging from 80% to 92%.

Further Penetrate Existing Channels. We expect future sales growth to be partly driven by further penetration of our existing distribution channels. For example, we are actively seeking to expand the number of retailers whose stores offer our products. For the combined twelve months 2002, our retail channel, which includes furniture and specialty stores, as well as department stores internationally, generated approximately 60% of our total net sales. Our products are currently sold in approximately 4,500 furniture stores worldwide, out of a total of approximately 16,000 furniture stores we have identified as appropriate targets. In addition, our direct response business has increased both sales and brand awareness. We have successfully expanded this program to the United Kingdom, and we intend to expand this successful program to our operations elsewhere in Europe and in Asia. In addition, we intend to further enhance sales growth within our existing customers' retail stores through the introduction of new mattress and pillow products, continued investment in our brand and ongoing sales and product training and education.

Increase Growth Capacity. We intend to continue to invest in our operating infrastructure to meet the requirements of our rapidly growing business. Currently, we manufacture our products in two highly automated, vertically-integrated facilities located in Aarup, Denmark and Duffield, Virginia. Over the past three years, we have invested more than $50.0 million to upgrade and expand these facilities. To accommodate our anticipated growth, we plan to invest an additional $50.0 to $75.0 million to increase productivity and expand manufacturing capacity during the next several years, including the development and construction of an additional manufacturing facility in North America. We believe these investments will enhance the productivity and capacity of our plants and will allow us to meet our growth needs. We also plan to continue to enhance our internal information technology systems and our product distribution network, as well as augment our personnel in management sales, marketing and customer service.

Our Products

Our proprietary visco-elastic foam mattresses and pillows contour to the body more naturally and enable better spinal alignment, reduced pressure points, greater relief of lower back and neck pain and better quality sleep compared to standard innerspring products and traditional pillows. Net sales of our mattresses, including overlays, increased from $116.8 million in 2001 to $156.0 million in 2002, and net sales of our pillows increased from $75.3 million in 2001 to $91.2 million in 2002.

Our high-quality, high-density, temperature-sensitive visco-elastic foam distinguishes our products from other products in the marketplace. Visco-elastic foam was originally developed by NASA in 1971 in an effort to relieve astronauts of the g-forces experienced during lift-off, and NASA subsequently made this formula publicly available. The NASA foam originally proved unstable for commercial use. However, after several years of research and development, we succeeded in developing a proprietary formulation and proprietary process to manufacture a stable, durable and commercially viable product. The key feature of our visco-elastic foam is its temperature sensitivity. It conforms to the body, becoming softer in warmer areas where the body is making the most contact with the foam and remaining firmer in cooler areas where less body contact is being made. As the material molds to the body's shape, the body is supported in the correct anatomical position with the neck and spine in complete therapeutic alignment. The visco-elastic foam also has higher density than other foam, resulting in improved durability and enhanced comfort. In addition, clinical evidence indicates that our products are both effective and cost efficient for the prevention and treatment of decubitis, or bed sores, a major problem for elderly and bed-ridden patients.

Our core product offerings are:

Mattresses	Summary Description	Suggested Retail Price
Classic	• Composed of a patented multi-layered, heat sensitive, visco-elastic foam on top of a 4.5" high resiliency foam base (Airflow System™) • Molds to the exact body shape of the user to evenly distribute weight and eliminate pressure points • Recommended by over 25,000 healthcare professionals	$999-$1,699
Deluxe	• Composed of a patented multi-layered, heat sensitive, visco-elastic foam on top of two 3" high resiliency foam layers (Dual Airflow System™) • Molds to the exact body shape of the user to evenly distribute weight and eliminate pressure points • Specially designed to fit on platform frames	$1,249-$2,099
Medical	• Designed to provide high level therapeutic pressure management for institutional and homecare providers • Proven to help prevent and treat pressure ulcers (bed sores) • Features waterproof cover	$999
Overlays	• Provides therapeutic, pressure-relieving support • Ideally suited for camping, recreational vehicles and overnight guests • Available in most standard sizes	$500-$950
Pillows		
Comfort	• "Micro-cushions" fill a specially designed cover • Provides plush and pressure-relieving comfort in a luxurious, traditional pillow style	$125
Cervical	• Therapeutic, dual-lobed design provides proper neck/ spine alignment • Available in a variety of sizes	$70-$165
Millennium	• Patented design provides proper neck alignment and therapeutic support for sleeping on back or side	$99-$125
Other		
Adjustable Beds	• Highest quality and most advanced adjustable bed available • Mattress easily molds to shape of base to stay in place and perform better than other mattresses	$1,300-$2,800

Marketing and Sales

We are the leading worldwide manufacturer, marketer and distributor of premium visco-elastic foam mattresses and pillows. While primarily a wholesaler, we market directly to consumers in the United States and the United Kingdom and have recently begun to expand similar programs in Europe. Our marketing strategy is to increase consumer awareness of the benefits of our visco-elastic foam products and to further associate our brand name with better overall sleep and premium quality products. We position our products as high-end, high-tech, functional and unique products, which we sell at full retail prices.

We have four distribution channels: Retail, Direct, Healthcare and Third Party.

Channel	Summary Description	2002 Net Sales % Mix	
		U.S.	Non-U.S.
Retail	• This channel is our fastest growing sales channel and is driven by a sales team dedicated to introducing our products to traditional furniture and bedding retailers. We work with and target furniture retailers, sleep shops, specialty back and gift stores, home stores and international department stores.	63%	55%
	• Retail furniture customers include Art Van, El Corte Ingles, Furniture Village and Haverty's. Specialty retail customers include Brookstone, Bed, Bath & Beyond, Linens'n Things and Relax the Back.		
Direct	• Advertising channels include television, magazines, radio and newspapers.	29%	8%
Healthcare	• We sell to chiropractors, physical therapists, massage therapists, sleep clinics, other medical professionals and medical retailers that could utilize our products to treat patients or recommend and/or sell them to their clients. In addition, we work closely with hospitals, nursing homes, and medical equipment providers to place our products in facilities where they will receive general public use.	6%	24%
	• Customers include Veterans Administration Hospitals, Marriott Senior Living Centers, Delta Health Group, Inc. and the National Institute of Health.		
Third Party Distributors	• We have successfully expanded distribution into smaller international markets by utilizing third party distributors. Our approach to these developing markets has allowed us to build sales, marketing and brand awareness with minimal capital risk.	2%	13%

Retail

We are currently positioned in approximately 4,500 furniture stores worldwide. In the United States, the largest sales division is the retail sales division, which currently sells to approximately 1,180 specialty retail and approximately 2,000 furniture stores. We plan to build and maintain our base of specialty retail stores. In addition, since 2000, we have prioritized expanding our products into more traditional furniture stores in both the United States and Europe. We now sell our products in approximately 2,500 such stores in Europe and 2,000 in the United States.

As of April 30, 2003, we had 198 employees in our worldwide retail sales force, including regional sales managers, trainers, sales representatives and regional vice presidents. Our sales force develops this channel through identifying and contacting potential targets, trade publication advertising, presentations at trade shows and referrals. Our sales force seeks to convince potential accounts to stock our products based on our superior product offerings, strong brand awareness and attractive margins. As part of our marketing and sales effort in the United States, our trainers train in-store personnel in our products and their benefits in order to make the in-store personnel more effective sellers of our products, and we often provide mattresses and pillows to these in-store personnel so that they become personally familiar with the benefits of our superior products.

Direct

Our direct response marketing in the United States and United Kingdom targets customers through television, radio, magazine and newspaper product offering advertisements. Sales from this division in the United States has grown from $7.0 million of sales in 1997 to $48.8 million of sales in 2002. During the same period in the United Kingdom, direct sales increased from $970,000 to $10.1 million. Growth in direct response is primarily a function of advertising, which we intend to increase over the next three years. We have recently begun to expand a direct response program in our European markets to try and replicate the success achieved in the United States and the United Kingdom. Most direct response sales orders are taken through responding to in-bound telephone calls, although some orders are also accepted through the internet. We will seek to increase the portion of direct sales orders taken over the internet in order to make our direct sales process more efficient.

As of April 30, 2003, we had 42 employees in our worldwide direct response sales force.

Healthcare

Our healthcare sales division offers medical mattresses, pillows and wheelchair cushions to the worldwide medical market. The structure of our healthcare business varies according to the local market. Within our healthcare channel, approximately 25,000 healthcare professionals recommend and/or sell our products to their patients; medical retailers, including pharmacists; and hospitals and nursing homes. Our principal markets in this channel are in the United States and in Europe, in Germany, Sweden, Norway and Spain. In each of our local markets, we operate our healthcare business on a local basis with direct sales forces and telemarketing programs. As of April 30, 2003, we had 45 employees in our healthcare channel worldwide.

Our healthcare sales division in the United States, which we refer to as Tempur Medical, began primarily through indirect sales of our mattresses and pillows through a network of medical professionals, and has grown to include direct sales to hospitals, nursing homes and medical retailers. In 2001, we developed a joint initiative with Swiss-American Products, Inc., a wound care management company, in the nursing home market to address the use of our products to help prevent and treat pressure ulcers (or bed sores). We believe that this is a large potential market for our products, including approximately 15,400 nursing homes in the United States with a total bed count in excess of 1.7 million beds, and that this market should expand over time as the baby boom generation ages. We now sell products to five major nursing home chains, which operate a total of more than 85 facilities. We believe this program can be expanded to aid nursing homes across the United States, which currently face sizeable lawsuits regarding damages resulting from bed sores. Our products can help prevent these injuries and the subsequent lawsuits against nursing homes, thus helping both the patient and caregiver.

As part of our marketing to the healthcare channel, we offer the Tempur Ultimate Skin Management Program, under which we provide a $250,000 indemnity reimbursement for pressure ulcer claims for nursing home facilities in compliance with the program. If a facility is in complete compliance with the program, but nevertheless becomes liable for a pressure sore claim, we will pay up to $250,000. To date, we have never had a claim, and we have insurance to mitigate our risk with respect to this indemnity.

Third Party

We have entered into written and verbal arrangements with third party distributors located in Eastern Europe, Asia/Pacific, the Middle East, Central and South America and Canada and Mexico. We utilize third party distributors to serve markets that are currently outside the range of our wholly-owned subsidiaries, which has enabled us to reach new markets with minimal capital investment. We have recently made an additional investment in personnel to manage and grow this important form of product distribution, and have restructured our organization to better track and manage our third party distribution arrangements.

Operations

Manufacturing and Related Technology

Our products are manufactured at plants in Aarup, Denmark and Duffield, Virginia, both of which we own. Much of the sewing and production of mattress and pillow covers is outsourced to third party suppliers.

The Danish plant has undergone several major plant extensions in the past four years, including an $11.5 million facility expansion in 1999. The Danish plant is about 440,000 square feet and we plan to expand this plant to double its mattress production capacity. This plant is currently running close to capacity for mattresses and at approximately 75% of capacity for pillows. Our current mattress production at this plant is near capacity in part to support inventory build-up in the United States in anticipation of additional growth until we complete the expansion of our manufacturing capacity in the United States.

The opening of the Virginia plant in 2001 has provided needed capacity while reducing working capital. The Virginia plant is about 327,000 square feet and we are in the process of expanding the manufacturing capacity. This plant is currently running close to capacity for mattresses and at approximately 55% of capacity for pillows.

In order to increase productivity and expand our manufacturing capacity, we plan to develop and construct a third manufacturing facility and are currently in the process of selecting a site in North America.

Our foam is a polyurethane product manufactured from polyol and proprietary additives. We limit the number of individuals who know or have access to the exact formula and manufacturing processes to make the foam. Our manufacturing process begins with the material used to make the foam being mixed and poured into molds for pillows or formed into slabs for mattresses. For mattresses, the foam is then cut into appropriate sizes which are laminated before covering and shipping.

Suppliers

We currently obtain all of the materials used to produce our visco-elastic foam from outside sources. We currently acquire almost all our polyol, an industrial commodity based on petroleum, from one supplier with a number of manufacturing locations around the world. We purchase proprietary additives from a number of vendors, including one from whom we are obligated to purchase minimum quantities. We expect to continue these supplier relationships for the foreseeable future. We do not consider ourselves dependent upon any single outside vendor as a source of raw materials and believe that sufficient alternative sources of supply for the same or similar raw materials are available.

Distribution

We recently launched two key supply chain initiatives developed to improve the overall efficiency of our product distribution network. We believe these initiatives will optimize management of our inventories throughout our network, enable us to meet or exceed our targeted delivery goals and enhance our customer service levels.

The first initiative is the design and implementation of a $1.6 million warehouse management system. This system provides network-wide scan, bar code and electronic processing capabilities for receipt, movement and shipment transactions for all distribution center activities. Additionally, we redesigned our distribution network by implementing a two-tier network structure. The first tier consists of two regional distribution centers, with a third scheduled to open in the third quarter of 2003. These regional centers provide inventories that service both our high volume retail customers and replenish our second tier distribution centers. The second tier consists of 16 home delivery service centers located throughout the United States, which are replenished as required with custom assembled truckloads of product that meet location-specific demand requirements. We use third party delivery services to transport our products from our distribution centers to our customers.

Research and Development

We continuously seek to improve our products' performance and benefits. Through consumer surveys and consumer focus groups, we seek feedback on a regular basis to help enhance our products. Since the introduction of our first product in 1991, we have continued to improve and expand our product line, including new mattresses and pillows for all channels. In addition to our research and development efforts, we also devote significant efforts to product development as part of our sales and marketing operations. We intend to increase our spending on research and development efforts in order to continue providing superior and innovative mattress and pillow products to our target markets, as well as develop new consumer products using our proprietary visco-elastic foam.

Competition

The mattress and pillow industries are highly competitive. Participants in the mattress and pillow industries have traditionally competed primarily based on price. Our premium mattresses compete with a number of different types of premium and standard mattress alternatives, including innerspring mattresses, foam mattresses, waterbeds, futons, air beds and other air-supported mattresses that are sold through a variety of channels, including furniture stores, specialty bedding stores, department stores, mass merchants, wholesale clubs, telemarketing programs, television infomercials and catalogs. The pillow industry is characterized by an extremely large number of competitors, none of which is dominant.

The standard mattress market is dominated by four large manufacturers of innerspring mattresses with nationally recognized brand names, Sealy, Serta, Simmons and Spring Air. These four competitors also offer premium innerspring mattresses and collectively have a significant share of the premium mattress market in the United States. The balance of the mattress market is served by a large number of other manufacturers, primarily operating on a regional basis. Many of these competitors and, in particular, the four largest manufacturers named above, have greater financial, marketing and manufacturing resources and better brand name recognition than our products and sell their products through broader and more established distribution channels. We also believe that a number of companies have begun to offer foam mattress products similar to our products.

Intellectual Property

We hold various United States and foreign patents and patent applications regarding certain elements of the design and function of our products, including our Combi and Deluxe mattress products, and our Millennium, Comfort and Leg-Spacer pillow products, among others. We have eight issued United States patents, expiring at various points between 2013 and 2021, and nine United States patent applications pending. We also hold approximately thirty-two foreign patents and have approximately fifteen foreign patent applications pending. Notwithstanding these patents and patent applications, we cannot assure you that these patent rights will provide substantial protection or that others will not be able to develop products that are similar to or competitive with our products. In addition, the principal product formula and manufacturing processes for our visco-elastic foam products are not patented. To our knowledge, no third party has asserted a claim against us alleging that any element of our product infringes or otherwise violates any intellectual property rights of any third party.

We hold approximately 85 trademark registrations worldwide, which we believe have significant value and are important to the marketing of our products to retailers. Tempur® and Tempur-Pedic® are trademarks registered with the United States Patent and Trademark Office. We have a number of other registered marks, including Swedish Sleep System® and Tempur-Med®, and our Tempur-Pedic logo is registered. In addition, we have U.S. applications pending for additional marks. Several of our trademarks have been registered, or are the subject of pending applications, in various foreign countries. Each United States trademark registration is renewable indefinitely as long as the mark remains in use. We periodically review our portfolio of patents, patent applications, trademarks, trademark registrations and trademark registration applications, as well as our business plans, to determine whether our intellectual property portfolio is appropriately aligned with our business.

Accordingly, we sometimes permit certain intellectual property to lapse or go abandoned under appropriate circumstances. In addition, due to the uncertainties inherent in prosecuting patent applications and trademark registration applications, sometimes patent applications and trademark applications are rejected and we subsequently abandon them. In other circumstances, applications are allowed and either issue as patents or are registered. We are not aware of any material claims of infringement or other challenges asserted against our right to use these marks.

Governmental Regulation

Our operations are subject to state, local and foreign consumer protection and other regulations relating to the mattress and pillow industry. These regulations vary among the states and countries in which we do business. The regulations generally impose requirements as to the proper labeling of bedding merchandise, restrictions regarding the identification of merchandise as "new" or otherwise, controls as to hygiene and other aspects of product handling and sale and penalties for violations.

The U.S. Consumer Product Safety Commission and various state regulatory agencies are considering new rules relating to fire retardancy standards for the mattress and pillow industry. The State of California plans to adopt, proposed to be effective in 2005, new fire retardancy standards that have yet to be fully defined. If adopted, such new rules may adversely affect our costs, manufacturing processes and materials. We are developing product solutions that are intended to enable us to meet the new standards. Because the new standards have not been finally determined, however, no assurance can be given that our solutions will enable us to meet the new standards. We expect that any required product modifications will add cost to our product. Many foreign jurisdictions also regulate fire retardancy standards, and changes to these standards and changes in our products that require compliance with additional standards would raise similar risks.

Information Systems

We use technology to support our business and reduce operating costs, enhance our customer service and provide real-time information to manage our business. We use technology platforms from market leaders such as Microsoft, Oracle and Hyperion to run both packaged applications and internally developed systems. We have purchased upgraded replacements for the majority of our technology infrastructure over the past several years as equipment has come off of lease. Our major systems include manufacturing resource planning, direct marketing and customer service in-bound/out-bound telemarketing systems, e-commerce systems, retail partners support systems, Oracle ERP and Hyperion financial reporting systems.

The retail, direct marketing, customer service, and e-commerce applications are interfaced together to provide a fully integrated view of our customers and their activities across sales channels. Our Oracle based ERP applications include modules in support of our finance and distribution operations. We are currently upgrading our Oracle applications to the 11i version to provide significantly more flexibility, functionality and productivity cost savings. Our Microsoft-based manufacturing systems provide integrated resource planning and cost accounting applications to provide support for our manufacturing operations.

We use our own employees, supplemented by consultants and contractors, to deliver and maintain our technology systems and assets. Outsourcing is occasionally used for cost effectiveness or strategic reasons. We have a disaster recovery plan in place.

Facilities

We operate in 54 countries and have wholly-owned subsidiaries in fifteen countries, including our wholly-owned subsidiaries that own our manufacturing facilities in Denmark and Virginia. The following table sets forth certain information regarding our principal facilities at May 31, 2003.

Name/Location	Approximate Square Footage	Title	Type of Facility
Tempur Production USA, Inc. Duffield, Virginia	327,000	Owned	Manufacturing
Tempur World Holding Company ApS Aarup, Denmark	440,000	Owned	Manufacturing
Tempur-Pedic, Inc. Lexington, Kentucky	72,000	Leased (until 2009)	Office and Warehouse
Tempur UK Ltd. Tempur House Middlesex, UB3 1BE, United Kingdom	56,650	Leased (until 2010 with a cancellation option in 2007)	Office and Warehouse
Tempur Deutschland GmbH Steinhagen, Germany	121,277	Owned	Office and Warehouse

We have additional facilities in 14 locations in 12 countries under leases with one to ten year terms.

Employees

As of April 30, 2003, we have approximately 1,000 employees, with approximately 400 in the United States, 300 in Denmark and 300 in the rest of the world. As of April 30, 2003, we have approximately 320 employees in sales and marketing, 450 employees in manufacturing, 180 employees in general and administrative, 45 employees in warehouse operations, and 5 employees in research and development, and a number of part-time employees. Our employees in Denmark are under a government labor union contract. None of our United States employees are covered by a collective bargaining agreement. We believe our relations with our employees are generally good.

Legal Proceedings

On July 29, 2003, we were served with a Civil Investigative Demand from the office of the Attorney General of the State of Texas in connection with that office's investigation into "the possibility of price fixing in the mattress industry." In connection with the investigation, we have been asked to produce certain documents that may be relevant to the investigation and to respond to written interrogatories. The demand seeks, among other things, documents relating to the retail pricing of our products, including retail pricing policies and correspondence with retail accounts. We are unable to predict the scope or possible outcome of the investigation or to quantify its potential impact on our business or operations. We are cooperating with the Attorney General's office in connection with the demand.

We are involved in various other legal proceedings incident to the ordinary course of our business. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our business, financial condition or operating results.

MANAGEMENT

TWI Holdings' executive officers and directors and their ages as of September 15, 2003 are as follows:

Name	Age	Position
Robert B. Trussell, Jr.	51	President, Chief Executive Officer and Director
H. Thomas Bryant	56	Executive Vice President and President of North American Operations
David Montgomery	42	Executive Vice President and President of International Operations
Dale E. Williams	40	Senior Vice President and Chief Financial Officer
David C. Fogg	44	Senior Vice President of TWI Holdings and President of Tempur-Pedic, Inc. Retail Division.
Jeffrey B. Johnson	38	Vice President, Corporate Controller and Chief Accounting Officer
P. Andrews McLane	55	Chairman and Director
Jeffrey S. Barber	30	Director
Tully M. Friedman	61	Director
Christopher A. Masto	36	Director
Francis A. Doyle	55	Director

The present principal occupations and recent employment history of each of our executive officers and directors listed above is as follows:

Executive Officers

Robert B. Trussell, Jr. is the President and Chief Executive Officer of TWI Holdings and a member of TWI Holdings' board of directors. He has served in these capacities at TWI or its predecessor since 2000. From 1992 to 2000, Mr. Trussell served as President of Tempur-Pedic, Inc., one of the predecessors to TWI Holdings. Prior to joining TWI Holdings, Mr. Trussell was general partner of several racing limited partnerships that owned racehorses in England, France and the United States. He was also the owner of several start-up businesses in the equine lending and insurance business. Mr. Trussell received his B.S. degree from Marquette University.

H. Thomas Bryant joined TWI Holdings in July 2001 and serves as Executive Vice President and President of North American Operations. From 1998 to 2001, Mr. Bryant was the President and Chief Executive Officer of Stairmaster Sports & Medical Products, Inc. From 1989 to 1997, Mr. Bryant served in various senior management positions at Dunlop Maxfli Sports Corporation, most recently as President. Prior to that, Mr. Bryant spent 15 years in various management positions at Johnson & Johnson. Mr. Bryant received his B.S. degree from Georgia Southern University.

David Montgomery joined TWI Holdings in February 2003 and serves as Executive Vice President and President of International Operations. From 2001 to 2002, Mr. Montgomery was employed by Rubbermaid, Inc., where he served as President of Rubbermaid Europe. From 1988 to 2001, Mr. Montgomery held various management positions at Black & Decker Corporation, most recently as Vice President of Black & Decker Europe, Middle East and Africa. Mr. Montgomery received his B.A. degree, with honors, from L' Ecole Superieure de Commerce de Reims, France and Middlesex Polytechnic, London.

Dale E. Williams joined TWI Holdings in July 2003 and serves as Senior Vice President and Chief Financial Officer. From 2001 to 2002, Mr. Williams served as Vice President and Chief Financial Officer of Honeywell Control Products, a division of Honeywell International, Inc., and from 2000 to 2001, as a Vice President and Chief Financial Officer of Saga Systems, Inc./Software AG, Inc. Prior to that, Mr. Williams spent 15 years in various management positions at General Electric Company, most recently as Vice President and Chief Financial Officer of GE Information Services, Inc. Mr. Williams received his B.A. degree in finance from Indiana University.

David C. Fogg has served as a Senior Vice President and President of our North American Retail Division since 2001, and has been employed with TWI or its predecessor, since 1995. Prior to that, Mr. Fogg was Vice President of International Sales at Occidental Petroleum's Island Creek Coal Company. Mr. Fogg's professional activities include participation in the International Sleep Products Association (ISPA) Board of Trustees, Better Sleep Council Board and Strategic Planning Committee. Mr. Fogg received his B.A. degree from Pomona College.

Jeffrey B. Johnson joined us in November 1999 and serves as Vice President, Corporate Controller and Chief Accounting Officer. From 1993 to 1999, Mr. Johnson was an experienced manager at Arthur Andersen in the audit and business advisory services division. Mr. Johnson is a certified public accountant and a certified management accountant and holds a B.S. degree, with honors, from the University of Kentucky and an M.B.A. degree, with honors, from the University of Chicago.

Directors

P. Andrews McLane has served as chairman of TWI Holdings' board of directors since November 2002. Mr. McLane joined TA Associates, Inc., a private equity firm, which is one of our controlling shareholders, in 1979, where he is Senior Managing Director and a member of the firm's Executive Committee. Mr. McLane's activity at TA Associates centers on leveraged buyouts and minority recapitalizations of companies in the consumer, financial services and business services sectors. Mr. McLane is a director of IXION Technologies and United Pet Group and also serves on the boards of the United States Ski and Snowboard Team, St. Paul's School and the Appalachian Mountain Club. Mr. McLane graduated from Dartmouth College in 1969 with an A.B. degree and from the Amos Tuck School at Dartmouth in 1973 with an M.B.A. degree.

Jeffrey S. Barber has served as a member of TWI Holdings' board of directors since November 2002. Mr. Barber is Vice President of TA Associates, Inc., a private equity firm, which is one of our controlling shareholders, where he has been employed since 2001. Mr. Barber's activity at TA Associates centers on leveraged buyouts and minority recapitalizations of companies in the consumer, financial services and business services sectors. Prior to joining TA Associates, Mr. Barber was employed as an Associate both in the Private Equity Group of Weiss, Peck & Greer, LLC and at Vestar Capital Partners. Prior to that, Mr. Barber was employed at Morgan Stanley & Co., where he worked in the investment banking department. Mr. Barber received his B.A. degree, with University and Departmental honors, from Johns Hopkins University and his M.B.A. degree, as a Beta Gamma Scholar, from Columbia University.

Tully M. Friedman has served as a member of TWI Holdings' board of directors since November 2002. Mr. Friedman is Chief Executive Officer of Friedman Fleischer & Lowe, LLC, a private equity firm he co-founded in 1997, which is one of our controlling shareholders. Prior to forming Friedman Fleischer & Lowe, Mr. Friedman co-founded and served as one of two managing general partners of private equity firm Hellman & Friedman. He is currently on the board of directors of Advanced Career Technologies, Inc., Archimedes Technology Group, CapitalSource, LLC, The Clorox Company, Mattel, Inc. and McKesson Corporation. He received his B.A. degree, with great distinction, from Stanford University and received a J.D. degree from Harvard Law School.

Christopher A. Masto has served as a member of TWI Holdings' board of directors since November 2002. Mr. Masto is a Managing Director of Friedman Fleischer & Lowe, LLC, a private equity firm he co-founded in 1997, which is one of our controlling shareholders. Prior to 1997, he worked as a management consultant with Bain & Company. Prior to that, Mr. Masto was employed at Morgan Stanley & Co., where he worked in the investment banking department. He currently serves on the board of Archimedes Technology Group. Mr. Masto received his B.A. degree, *magna cum laude*, from Brown University with an Sc.B. in Electrical Engineering and received his M.B.A. degree from Harvard Business School.

Francis A. Doyle has served as a member of TWI Holdings' board of directors since March 2003. Mr. Doyle has served as President and Chief Executive Officer of Connell Limited Partnership since 2001. From 1972 to

2001, he was a partner at PricewaterhouseCoopers LLP, where he was Global Technology and E-Business Leader and a member of the firm's Global Leadership Team. He currently serves on the board of directors of Liberty Mutual Holding Company, Inc. and Citizens Financial Group. He is a trustee of the Joslin Diabetes Center and Boston College. Mr. Doyle is a certified public accountant and holds a B.S. degree and an M.B.A. degree from Boston College.

Compensation of Executive Officers

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to TWI Holdings or Tempur World, Inc. for each year in the three-year period ended December 31, 2002 of those persons who served as (i) the chief executive officer during each year in the three-year period ended December 31, 2002 and (ii) our other four most highly compensated executive officers for the year ended December 31, 2002, whom together with the chief executive officer we refer to collectively as the "Named Executive Officers":

SUMMARY COMPENSATION TABLE

Annual Compensation Long-Term Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation (a)	All Other Compensation (b)
Robert B. Trussell, Jr.	2002	$ 310,000	$ 84,893	$ 7,200	$ 10,270
President and Chief Executive Officer	2001	276,975	40,425	6,000	9,691
	2000	269,500	73,500	—	1,440
Jeffrey P. Heath(c)	2002	$ 180,000	$ 49,455	$ 7,200	$ 46,568
	2001	164,000	47,100	6,000	24,475
	2000	157,000	—	—	1,308
H. Thomas Bryant(d)	2002	$ 214,600	$ 45,833	$ 7,200	$ 5,140
Executive Vice President	2001	206,000	—	90,864	—
	2000	n/a	n/a	n/a	n/a
David C. Fogg	2002	$ 260,000	$ 71,190	$ 7,200	$ 10,451
Senior Vice President	2001	237,300	33,000	6,000	9,265
	2000	220,000	—	—	1,440
Jeffrey B. Johnson	2002	$ 115,000	$ —	$ —	$ 5,576
Vice President, Corporate Controller and Chief Accounting Officer	2001	100,000	—	—	4,627
	2000	95,000	5,000	—	781

(a) Represents amounts paid on behalf of each of the Named Executive Officers for the following four respective categories of other annual compensation: (i) compensation recorded associated with the exercise of stock options, (ii) compensation associated with the pay out of previously deferred compensation, (iii) relocation expenses incurred and (iv) car and financial planning allowances paid on behalf of the Named Executive Officers. Amounts for each of the Named Executive Officers for each of the four respective preceding categories is as follows: Mr. Trussell: (2002-$0, $0, $0, $7,200; 2001-$0, $0, $0, $6,000; 2000-$0, $0, $0, $0); Mr. Heath: (2002-$0, $0, $0, $7,200; 2001-$0, $0, $39,411, $6,000; 2000-$0, $0, $17,554, $0); Mr. Bryant: (2002-$0, $0, $216, $7,200; 2001-$0, $0, $90,384, $0; 2000-$0, $0, $0, $0); Mr. Fogg: (2002-$0, $0, $0, $7,200; 2001-$0, $0, $0, $6,000; 2000-$0, $0, $0, $0); Mr. Johnson (2002-$0, $0, $0, $0; 2001-$0, $0, $7,186; 2000-$0, $0, $27,930).

(b) Represents amounts paid on behalf of each of the Named Executive Officers for the following three respective categories of compensation: (i) premiums for life and accidental death and dismemberment insurance, (ii) premiums for long-term disability benefits and (iii) contributions to our defined contribution plans. Amounts for each of the Named Executive Officers for each of the three respective preceding

categories is as follows: Mr. Trussell: (2002-$1,020, $420, $8,830; 2001-$1,020, $420, $8,251; 2000-$1,020, $420, $0); Mr. Bryant: (2002-$1,020, $420, $3,484; 2001-$340, $140, $0; 2000-$0, $0, $0); Mr. Fogg: (2002-$1,020, $420, $9,011; 2001-$1,020, $420, $7,825; 2000-$1,020, $420, $0); Mr. Johnson: (2002-$612, $210, $4,754; 2001-$581, $199, $3,846; 2000-$581, $199, $0).

(c) Mr. Heath served as Executive Vice President and Chief Financial Officer until July 2003.

(d) Data for 2000 is not available for Mr. Bryant as he joined our company in July 2001.

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

	Individual Grants				Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation For Option Term(a)	
Name	Number of Securities Underlying Options/SARS Granted(#)	% of Total Options/SARS Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5%($)	10%($)
Robert B. Trussell, Jr.	3,300	25.3%	800	11/01/2012	$ 1,662,007	$ 6,842,419
Jeffrey P. Heath	1,180	9.0%	800	11/01/2012	594,293	2,446,702
H. Thomas Bryant	1,700	13.0%	800	11/01/2012	856,185	3,524,896
David C. Fogg	1,604	12.3%	800	11/01/2012	807,836	3,325,829
Jeffrey B. Johnson	160	1.2%	800	11/01/2012	80,582	331,765

(a) Potential Realizable Value is based on certain assumed rates of appreciation from the option exercise price since our board of directors determined that the stock's then current value was equal to or less than such option exercise price. These values are not intended to be a forecast of our stock price. Actual gains, if any, on stock option exercises are dependent on the future performance of the stock. There can be no assurance that the amounts reflected in this table will be achieved. In accordance with the rules promulgated by the Securities and Exchange Commission, Potential Realizable Value is based upon the exercise price of the options.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Number of Securities Underlying Unexercised Options/SARS at FY-End(#) Exercisable/Unexercisable(a)
Robert B. Trussell, Jr.	0/3,300
Jeffrey P. Heath	0/1,180
H. Thomas Bryant	0/1,700
David C. Fogg	0/1,604
Jeffrey B. Johnson	0/160

(a) Includes options exercisable within 60 days after December 31, 2002.

Employee Benefit Plans

2002 Stock Option Plan. In November 2002, our board of directors and shareholders approved a stock option plan, effective for a ten-year term, to encourage ownership of stock by our employees, directors and consultants and to provide them with additional financial incentives. Under the plan, the number of outstanding shares of our class B common stock attributable to the exercise of options, together with the number of shares issuable upon the exercise of outstanding options, shall not exceed 18,871.14 shares except in the event of a stock dividend, split, reclassification or other similar corporate transaction. No individual may be granted options for more than 66 2/3% of this total number of shares.

Employees, directors and consultants are eligible to receive options under the plan. However, directors who are not also employees are not eligible to receive incentive options. In the case of incentive options, the option price shall be not less than 100% of the fair market value of our class B common stock on the date the option is granted, or not less than 110% of that fair market value for a holder of 10% of our voting stock. Incentive options expire ten years after the date on which they are granted, or five years after the grant date for holders of 10% of our voting stock. Other options under the plan are not subject to such limitation.

Director Compensation

Francis A. Doyle has been granted options to purchase 400 shares of Class B-1 common stock for service as a director and as chairman of the audit committee. Other members of our board of directors do not receive compensation for their service on our board of directors or any committee of our board, but are reimbursed for their out-of-pocket expenses.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as members of our board of directors or compensation committee.

Employment Arrangements, Termination of Employment Arrangements and Change in Control Arrangements

In October 2002, we entered into several executive employment agreements, which became effective upon the closing of the Tempur acquisition on November 1, 2002. We entered into an amended and restated employment agreement with Robert B. Trussell, Jr., providing for his employment as Chief Executive Officer. The agreement has an initial term of two years and will be automatically renewed for successive one-year periods. Either party may terminate the agreement, upon written notice, 90 days prior to the expiration of the initial or renewal term. The agreement provides for an annual base salary of $310,000, subject to annual adjustment by TWI Holdings' board of directors beginning January 1, 2004, plus a variable performance bonus set to target 30% of Mr. Trussell's base salary if certain criteria are met, plus options to purchase shares of our voting common stock.

We entered into an amended and restated employment agreement with David C. Fogg, providing for his employment as Executive Vice President, or such other executive position as may be assigned from time to time by our Chief Executive Officer. The agreement has an initial term of one-year and a perpetual one-year renewal term. Either party may terminate the agreement, upon written notice, 90 days prior to the expiration of the initial or renewal term. The agreement provides for an annual base salary of $260,000, subject to annual adjustment by TWI Holdings' board of directors beginning January 1, 2004, a variable performance bonus set to target 30% of Mr. Fogg's base salary if certain criteria are met, and options to purchase shares of our voting common stock.

We entered into an amended and restated employment agreement with H. Thomas Bryant for his employment as Executive Vice President, or such other executive position as may be assigned from time to time by our Chief Executive Officer. The agreement has an initial term of one-year and a perpetual one-year renewal term. Either party may terminate the agreement, upon written notice, 90 days prior to the expiration of the initial or renewal term. Mr. Bryant's agreement provides for an annual base salary of $250,000, subject to annual adjustment by TWI Holdings' board of directors beginning January 1, 2004, a variable performance bonus set to target 30% of Mr. Bryant's base salary if certain criteria are met, and options to purchase shares of our voting common stock.

We entered into an amended and restated employment agreement with Jeffrey P. Heath for his employment as Chief Financial Officer. The agreement had an initial term of one year and a perpetual one-year renewal term. Mr. Heath's agreement provided for an annual base salary of $180,000, subject to annual adjustment by our board of directors beginning January 1, 2004, a variable performance bonus set to target 30% of Mr. Heath's base salary if certain criteria were met, and options to purchase shares of our voting common stock. In July 2003, we entered into a separation agreement with Mr. Heath containing customary terms and conditions, including provisions related to severance, option acceleration, note forgiveness and non-competition.

On July 11, 2003, we entered into an executive employment agreement with Dale E. Williams, providing for his employment as Senior Vice President and Chief Financial Officer, or such other executive position as may be assigned from time to time by our Chief Executive Officer. The agreement has an initial term of one-year and a perpetual one-year renewal term. Either party may terminate the agreement, upon written notice, 90 days prior to the expiration of the initial or renewal term. The agreement provides for an annual base salary of $225,000, subject to annual adjustment by TWI Holdings' board of directors beginning January 1, 2004, a variable performance bonus set to target 30% of Mr. Williams' base salary if certain criteria are met, and options to purchase shares of our voting common stock.

By the terms of their employment agreements, Mr. Trussell, Mr. Fogg, Mr. Bryant, Mr. Heath and Mr. Williams are prohibited from disclosing certain confidential information and trade secrets, soliciting any employee for two years following their employment and working with or for any competing companies during their employment and for two years thereafter.

PRINCIPAL SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of September 15, 2003 regarding the beneficial ownership of our outstanding equity securities by:

- each person known to beneficially own more than 5% of TWI Holdings' outstanding voting securities of each class;
- each of TWI Holdings' directors and Named Executive Officers; and
- all of TWI Holdings' directors and executive officers as a group.

Except as otherwise indicated, the persons named in the table below have sole voting and investment power with respect to all shares of capital stock held by them. Unless otherwise indicated, the address of each officer, director and 5% stockholder listed below is c/o TWI Holdings, Inc., 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

	Shares Beneficially Owned						
	Class A Common(1)		Class B-1 Common		Series A Preferred(2)		Percentage of Total Outstanding Voting Securities
Name of Beneficial Owner:	Number Shares	Percentage of Class	Number Shares	Percentage of Class	Number Shares	Percentage of Class	
5% Stockholders:							
TA Associates Funds(3)	—	—	5,944.41	57.5%	93,513.60	63.9%	58.2%
Friedman Fleischer & Lowe Funds(4)	—	—	—	—	48,705.05	33.3%	29.5%
Gleacher Mezzanine Funds(5)	—	—	2,547.60	36.7%	3,000.00	2.1%	3.3%
Jeffrey P. Heath	—	—	556.23	12.6%	75.00	*	*
James H. Wheeler III, M.D.(6)	1,484.65	10.6%	—	—	—	—	*
Robert Hoeller(7)	1,026.05	7.3%	—	—	—	—	*
Alain Falourd	780.84	5.6%	—	—	—	—	*
Executive Officers and Directors:							
Robert B. Trussell, Jr.(8)	5,254.42	37.5%	1,178.86	26.8%	—	—	3.9%
H. Thomas Bryant	—	—	528.47	12.0%	20.00	*	*
David C. Fogg	1,953.56	14.0%	620.08	14.1%	—	—	1.6%
David Montgomery	—	—	375.00	8.5%	—	—	*
Jeffrey B. Johnson	—	—	40.00	*	—	—	*
P. Andrews McLane(9)	—	—	5,944.41	57.5%	93,513.60	63.9%	58.2%
Jeffrey S. Barber(10)	—	—	5,944.41	57.5%	93,513.60	63.9%	58.2%
Tully M. Friedman(11)	—	—	—	—	48,705.05	33.3%	29.5%
Christopher A. Masto(12)	—	—	—	—	48,705.05	33.3%	29.5%
Francis A. Doyle(13)	—	—	100.00	2.3%	—	—	*
All Executive Officers and Directors as a group(10 persons)(14):	7,207.98	51.5%	8,786.82	84.9%	142,238.65	97.1%	92.6%

* Represents ownership of less than one percent

(1) Class A common stock is convertible into Class B-1 common stock at the option of the holder and upon certain events. Holders of Class A common stock vote on an as-converted basis, at the current rate of one vote per share.

(2) Series A preferred stock is convertible into Class B-1 common stock at the option of the holder and upon certain events. Holders of Series A preferred stock vote on an as-converted basis, at the current rate of one vote per share.

(3) Amounts shown reflect the aggregate number of shares of Class B-1 common stock and Series A preferred stock held by TA IX L.P., TA/Atlantic and Pacific IV L.P., TA/Advent VIII L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA Investors LLC and TA Subordinated Debt Fund, L.P. (collectively, the "TA Associates Funds"). Includes 5,944.41 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable warrants. The address of the TA Associates Funds is c/o TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, MA 02110.

(4) Amounts shown reflect the aggregate number of shares of Series A preferred stock held by Friedman Fleischer & Lowe Capital Partners, LP and FFL Executive Partners, LP (collectively, the "Friedman Fleischer & Lowe Funds"). The address of the Friedman Fleischer & Lowe Funds is c/o Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10th Floor, San Francisco, CA 94111.

(5) Amounts shown reflect the aggregate number of shares of Class B-1 common stock and Series A preferred stock held by Gleacher Mezzanine Fund I, L.P. and Gleacher Mezzanine Fund P, L.P. (collectively, the "Gleacher Mezzanine Funds"). Includes 2,547.60 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable warrants. The address of the Gleacher Mezzanine Funds is c/o Gleacher Partners, 660 Madison Avenue, New York, NY 10021.

(6) The address for Dr. Wheeler is c/o Stephen R. Little, Little Sheffer & Golsan, P.A., 20 North Main Street, Marion, NC 28752.

(7) The address for Mr. Hoeller is 543 Laketower Drive #139, Lexington, Kentucky 40502.

(8) Includes 5,254.42 shares of Class A common stock held by Mr. Trussell's wife.

(9) Includes 5,944.41 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable warrants. Mr. McLane is Senior Managing Director of TA Associates, Inc., the manager of the general partner of TA IX L.P., TA Advent VIII L.P. and TA Subordinated Debt Fund, L.P.; the manager of TA Investors LLC; and the general partner of TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P. and TA Strategic Partners Fund B L.P. Accordingly, Mr. McLane may be deemed to beneficially own shares owned by TA IX L.P., TA Advent VIII L.P., TA Subordinated Debt Fund, L.P., TA Investors LLC, TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P. and TA Strategic Partners Fund B L.P. Mr. McLane disclaims beneficial ownership of any such shares in which he does not have a pecuniary interest. The address for Mr. McLane is c/o TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, MA 02110.

(10) Includes 5,944.41 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable warrants. Mr. Barber is Vice President of TA Associates, Inc., the manager of the general partner of TA IX L.P., TA Advent VIII L.P. and TA Subordinated Debt Fund, L.P.; the manager of TA Investors LLC; and the general partner of TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P. and TA Strategic Partners Fund B L.P. Accordingly, Mr. Barber may be deemed to beneficially own shares owned by TA IX L.P., TA Advent VIII L.P., TA Subordinated Debt Fund, L.P., TA Investors LLC, TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P. and TA Strategic Partners Fund B L.P. Mr. Barber disclaims beneficial ownership of any such shares in which he does not have a pecuniary interest. The address for Mr. Barber is c/o TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, MA 02110.

(11) Mr. Friedman is Senior Managing Member of Friedman Fleischer & Lowe GP, LLC, which is the general partner of Friedman Fleischer & Lowe Capital Partners, LP and FFL Executive Partners, LP. Accordingly, Mr. Friedman may be deemed to beneficially own shares owned by the Friedman Fleischer & Lowe Funds. Mr. Friedman disclaims beneficial ownership of any such shares in which he does not have a pecuniary interest. The address for Mr. Friedman is c/o Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10th Floor, San Francisco, CA 94111.

(12) Mr. Masto is Managing Member of Friedman Fleischer & Lowe GP, LLC, which is the general partner of Friedman Fleischer & Lowe Capital Partners, LP and FFL Executive Partners, LP. Accordingly, Mr. Masto may be deemed to beneficially own shares owned by the Friedman Fleischer & Lowe Funds. Mr. Masto disclaims beneficial ownership of any such shares in which he does not have a pecuniary interest. The address for Mr. Masto is c/o Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10th Floor, San Francisco, CA 94111.

(13) The address for Mr. Doyle is c/o Connell Limited Partnership, One International Place, Fort Hill Square, Boston, MA 02110.

(14) Includes 5,944.41 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable warrants and 2,166.00 shares of Class B-1 common stock issuable upon exercise of outstanding and currently exercisable options.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Contribution Agreement

In October 2002, TWI Holdings entered into a contribution agreement with a number of parties, including the TA Associates Funds and the Friedman Fleischer & Lowe Funds. In exchange for shares of our Class A common stock, Series A preferred stock or Class B-1 common stock, these parties pledged to deliver to TWI Holdings Tempur World common stock, cash or promissory notes, respectively. The agreement also allowed for additional investments to be made by certain accredited investors in our Class A common stock or Series A preferred stock.

In November 2002, stockholder notes were executed pursuant to the contribution agreement by four investors in exchange for shares of Class B-1 voting common stock. Robert B. Trussell, Jr. executed a note in the principal amount of $40,273.49; David C. Fogg executed a note in the principal amount of $24,933.10; H. Thomas Bryant executed a note in the principal amount of $11,776.20; and Jeffrey P. Heath executed a note in the principal amount of $23,017.21. Each note matures on November 1, 2012 and accrues interest at 5% per annum. We had been granted a security interest in all shares issued under the notes, and any other shares of capital stock of our company acquired by these investors due to a stock dividend, distribution or recapitalization with respect to the pledged shares were to be delivered and pledged to us. Shares pledged under the notes were not to be sold, assigned or transferred, but holders thereof had voting rights and were to retain any issued dividends with respect thereto while the notes were not in default. As part of his separation agreement, Mr. Heath's note was forgiven and his pledge was released. Messrs. Trussell and Fogg repaid their notes in full on September 3, 2003. Mr. Bryant repaid his note in full on September 4, 2003.

Stockholder Agreements

In November 2002, TWI Holdings and certain of our stockholders, including the TA Associates Funds and the Friedman Fleischer & Lowe Funds, entered into a stockholder agreement. The stockholder agreement, among other things, (i) grants tag-along rights (rights to participate on a pro rata basis in sales of stock by other stockholders) on certain transfers of shares of our capital stock; (ii) grants TWI Holdings a first right of purchase on any proposed transfer of shares of TWI Holdings' capital stock held by stockholders other than the management investors and the TA Associates Funds and Friedman Fleischer & Lowe Funds; (iii) grants TWI Holdings a first right of purchase on any proposed transfer of warrant securities held by mezzanine stockholders, including certain of the TA Associates Funds; (iv) requires stockholders to consent to a sale of TWI Holdings to an independent third party if such sale is approved by TWI Holdings' board of directors and holders of more than 50% of the number of then issued and outstanding shares of Class B common stock included in the securities issued to our sponsor investors including certain of the TA Associates Funds and the Friedman Fleischer & Lowe Funds; (v) requires each stockholder to vote all of TWI Holdings' voting securities held by them and to cause to be elected to TWI Holdings' board of directors (x) four designees, one of whom will serve as chairman, of the holders of a majority of TWI Holdings' outstanding Class B common stock issued to TWI Holdings' sponsor investors, the Friedman Fleischer & Lowe Funds and certain of the TA Associates Funds, and (y) one management employee, who shall be Robert B. Trussell, Jr. as long as he is an employee; (vi) grants an irrevocable proxy to TWI Holdings' board of directors in the event of a breach of such voting requirements; and (vii) grants all sponsor and mezzanine investors, and all stockholders owning more than 1% of TWI Holdings' outstanding Class B common stock, pre-emptive rights to purchase a pro-rata portion of additional shares in certain cases when additional shares are issued.

In November 2002, TWI Holdings also entered into a Series A preferred stock stockholder agreement with the TA Associates Funds and the Friedman Fleischer & Lowe Funds, which together own a majority of TWI Holdings' outstanding Series A preferred stock and would own a majority of our outstanding Class B-1 common stock if all shares of Series A preferred stock were converted. This agreement, among other things, (i) restricts

both the TA Associates Funds and the Friedman Fleischer & Lowe Funds from transfers of securities that would result in their respective set of funds' loss of majority ownership of the Class B common stock either issued to them or which would be issued to them upon conversion of their Series A preferred stock, unless they receive prior written consent from the majority holders of the other set of funds; (ii) requires that each of the parties vote all of TWI Holdings' voting securities held by them and to cause to be elected to TWI Holdings' board of directors two designees of the majority holders of the TA Associates Funds, one of whom will serve as chairman, two designees of the majority holders of the Friedman Fleischer & Lowe Funds and one management employee who shall be Robert B. Trussell, Jr. as long as he is an employee of our company; and (iii) grants an irrevocable proxy from each Friedman Fleischer & Lowe stockholder to the majority holders of the TA Associates Funds and an irrevocable proxy from each TA Associates stockholder to the majority holders of the Friedman Fleischer & Lowe Funds in the event of a breach of such voting requirements.

Registration Rights Agreement

On November 1, 2002, TWI Holdings and certain of its stockholders, including the TA Associates Funds and the Friedman Fleischer & Lowe Funds, entered into a registration rights agreement. Under this agreement, holders of 10% of TWI Holdings' registrable securities, as defined in the registration rights agreement, and certain stockholders who hold notes with an aggregate unpaid principal balance of $15.0 million have the right, subject to certain conditions, to require TWI Holdings to register any or all of their shares under the Securities Act at TWI Holdings' expense. In addition, all holders of registrable securities are entitled to request the inclusion of any of their shares in any registration statement at TWI Holdings' expense whenever we propose to register any of our securities under the Securities Act. In connection with all such registrations, TWI Holdings has agreed to indemnify all holders of registrable securities against certain liabilities, including liabilities under the Securities Act. All holders requesting or joining in a registration have agreed to indemnify TWI Holdings against certain liabilities.

Special Bonuses

In August 2003, the board of directors of TWI Holdings authorized the payment of special bonuses to Robert B. Trussell, Jr., David C. Fogg and H. Thomas Bryant of $41,900, $25,900 and $12,300, respectively.

THE EXCHANGE OFFER

Purpose and Effect

In connection with the sale of the old notes on August 15, 2003, the Issuers and the Guarantors entered into a registration rights agreement with the initial purchasers of the old notes. The registration rights agreement requires us to file the registration statement under the Securities Act with respect to the exchange notes. Once the SEC declares the registration statement effective, we will offer the holders of the old notes the opportunity to exchange their old notes for a like principal amount of exchange notes. The exchange notes will be issued without a restrictive legend and generally may be reoffered and resold without registration under the Securities Act.

The registration rights agreement provides that we must use our reasonable best efforts to cause the registration statement to be declared effective within 180 days of the issue date of the old notes and that we must use our reasonable best efforts to consummate the exchange offer within 30 business days after the effective date of our registration statement.

Except as described below, upon the completion of the exchange offer, our obligations with respect to the registration of the old notes and the exchange notes will terminate. We also refer you to "Description of the Notes—Registration Rights; Additional Interest." A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part. The summary of the material provisions of the registration rights agreement is not complete. We urge you to read the registration rights agreement in its entirety.

As a result of the timely filing and the effectiveness of the registration statement, we will not have to pay additional interest on the old notes as provided in the registration rights agreement. Following the completion of the exchange offer, holders of old notes not tendered will not have any further registration rights other than as set forth in the paragraphs below, and the old notes will continue to be subject to certain restrictions on transfer. Additionally, the liquidity of the market for the old notes could be adversely affected upon consummation of the exchange offer. See "Risk Factors—If you do not properly tender your old notes, your ability to transfer your old notes will be adversely affected."

In order to participate in the exchange offer, a holder must represent to us, among other things, that:

- the exchange notes acquired pursuant to the exchange offer are being obtained in the ordinary course of business of the holder;
- the holder is not engaging in and does not intend to engage in a distribution of the exchange notes;
- the holder does not have an arrangement or understanding with any person to participate in the distribution of the exchange notes;
- the holder is not an "affiliate," as defined under Rule 405 under the Securities Act, of Tempur-Pedic, Inc., Tempur Production USA, Inc. or any guarantor; and
- if the holder is a broker-dealer that will receive exchange notes for its own account in exchange for old notes that were acquired as a result of market-making or other trading activities, then the holder will deliver a prospectus in connection with any resale of such exchange notes.

Under certain circumstances specified in the registration rights agreement, we may be required to file a "shelf" registration statement for a continuous offer in connection with the old notes pursuant to Rule 415 under the Securities Act.

Based on an interpretation by the SEC's staff set forth in no-action letters issued to third parties unrelated to us, we believe that, with the exceptions set forth below, exchange notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by the holder of exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act, unless the holder:

- is an "affiliate" of Tempur-Pedic, Inc., Tempur Production USA, Inc. or any guarantor within the meaning of Rule 405 under the Securities Act;
- is a broker-dealer who purchased old notes directly from us for resale under Rule 144A or Regulation S or any other available exemption under the Securities Act;
- acquired the exchange notes other than in the ordinary course of the holder's business; or
- has an arrangement with any person to engage in the distribution of the exchange notes.

Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes cannot rely on this interpretation by the SEC's staff and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See "Plan of Distribution." Broker-dealers who acquired old notes directly from us and not as a result of market making activities or other trading activities may not rely on the staff's interpretations discussed above or participate in the exchange offer, and must comply with the prospectus delivery requirements of the Securities Act in order to sell the old notes.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all old notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on , 2003, or such date and time to which we extend the offer.

We will issue $1,000 in principal amount of exchange notes in exchange for each $1,000 principal amount of old notes accepted in the exchange offer. Holders may tender some or all of their old notes pursuant to the exchange offer. However, old notes may be tendered only in integral multiples of $1,000 in principal amount.

The exchange notes will evidence the same debt as the old notes and will be issued under the terms of, and entitled to the benefits of, the indenture relating to the old notes.

As of the date of this prospectus, $150.0 million in aggregate principal amount of 10¼% Senior Subordinated Notes due 2010 were outstanding, and there were two registered holders, a nominee of the Depository Trust Company and High Street Partners L.P. This prospectus, together with the letter of transmittal, is being sent to each registered holder and to others believed to have beneficial interests in the old notes. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC promulgated under the Exchange Act.

We will be deemed to have accepted validly tendered old notes when, as and if we have given oral or written notice thereof to Wells Fargo Bank Minnesota, National Association, the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us. If any tendered old notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth under the heading "—Conditions to the Exchange Offer" or otherwise, certificates for any such unaccepted old notes will be returned, without expense, to the tendering holder of those old notes promptly after the expiration date unless the exchange offer is extended.

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes in the exchange offer. We will pay all charges and expenses, other than certain applicable taxes, applicable to the exchange offer. See "—Fees and Expenses."

Expiration Date; Extensions; Amendments

The expiration date shall be 5:00 p.m., New York City time, on , 2003, unless we, in our sole discretion, extend the exchange offer, in which case the expiration date shall be the latest date and time to which the exchange offer is extended. In order to extend the exchange offer, we will notify the exchange agent and each registered holder of any extension by oral or written notice prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date and will also disseminate notice of any extension by press release or other public announcement prior to 9:00 a.m., New York City time. We reserve the right, in our sole discretion:

- to delay accepting any old notes, to extend the exchange offer or, if any of the conditions set forth under "—Conditions to the Exchange Offer" shall not have been satisfied, to terminate the exchange offer, by giving oral or written notice of that delay, extension or termination to the exchange agent; or
- to amend the terms of the exchange offer in any manner.

In the event that we make a fundamental change to the terms of the exchange offer, we will file a post-effective amendment to the registration statement.

Procedures for Tendering

Only a holder of old notes may tender the old notes in the exchange offer. Except as set forth under "—Book-Entry Transfer," to tender in the exchange offer a holder must complete, sign and date the letter of transmittal, or a copy of the letter of transmittal, have the signatures on the letter of transmittal guaranteed if required by the letter of transmittal and mail or otherwise deliver the letter of transmittal or copy to the exchange agent prior to the expiration date. In addition:

- certificates for the old notes must be received by the exchange agent along with the letter of transmittal prior to the expiration date; or
- a timely confirmation of a book-entry transfer, or a book-entry confirmation, of the old notes, if that procedure is available, into the exchange agent's account at The Depository Trust Company, which we refer to as the book-entry transfer facility, following the procedure for book-entry transfer described below, must be received by the exchange agent prior to the expiration date, or you must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the letter of transmittal and other required documents must be received by the exchange agent at the address set forth under "—Exchange Agent" prior to the expiration date.

Your tender, if not withdrawn prior to 5:00 p.m., New York City time, on the expiration date, will constitute an agreement between you and us in accordance with the terms and subject to the conditions set forth herein and in the letter of transmittal.

The method of delivery of old notes and the letter of transmittal and all other required documents to the exchange agent is at your election and risk. Instead of delivery by mail, it is recommended that you use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or old notes should be sent to us. You may request your broker, dealer, commercial bank, trust company or nominee to effect these transactions for you.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. If the beneficial owner wishes to tender on its own behalf, the beneficial owner must, prior to completing and executing the letter of transmittal and delivering the owner's old notes, either make appropriate arrangements to register ownership of the old notes in the beneficial owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act unless old notes tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled "Special Registration Instruction" or "Special Delivery Instructions" on the letter of transmittal; or
- for the account of an eligible guarantor institution.

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantee must be by any eligible guarantor institution that is a member of or participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or an eligible guarantor institution.

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed in the letter of transmittal, the old notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as that registered holder's name appears on the old notes.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal unless waived by us.

All questions as to the validity, form, eligibility, including time of receipt, acceptance, and withdrawal of tendered old notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent, nor any other person shall incur any liability for failure to give that notification. Tenders of old notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date, unless the exchange offer is extended.

In addition, we reserve the right in our sole discretion to purchase or make offers for any old notes that remain outstanding after the expiration date or, as set forth under "— Conditions to the Exchange Offer," to terminate the exchange offer and, to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions, or otherwise. The terms of any such purchases or offers could differ from the terms of the exchange offer.

By tendering, you will be representing to us that, among other things:

- the exchange notes acquired in the exchange offer are being obtained in the ordinary course of business of the person receiving such exchange notes, whether or not such person is the registered holder;

- you are not engaging in and do not intend to engage in a distribution of the exchange notes;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for old notes that were acquired as a result of market-making or other trading activities, then you will deliver a prospectus in connection with any resale of such exchange notes;
- you do not have an arrangement or understanding with any person to participate in the distribution of such exchange notes; and
- you are not an "affiliate," as defined under Rule 405 of the Securities Act, of ours.

In all cases, issuance of exchange notes for old notes that are accepted for exchange in the exchange offer will be made only after timely receipt by the exchange agent of certificates for such old notes or a timely book-entry confirmation of such old notes into the exchange agent's account at the book-entry transfer facility, a properly completed and duly executed letter of transmittal or, with respect to DTC and its participants, electronic instructions in which the tendering holder acknowledges its receipt of and agreement to be bound by the letter of transmittal, and all other required documents. If any tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if old notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged old notes will be returned without expense to the tendering holder or, in the case of old notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility according to the book-entry transfer procedures described below, those non-exchanged old notes will be credited to an account maintained with that book-entry transfer facility, in each case, as promptly as practicable after the expiration or termination of the exchange offer.

Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where those old notes were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. See "Plan of Distribution."

Book-Entry Transfer

We understand that the exchange agent will make a request to establish an account with respect to the old notes at the book-entry transfer facility for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in the book-entry transfer facility's systems may make book-entry delivery of old notes being tendered by causing the book-entry transfer facility to transfer such old notes into the exchange agent's account at the book-entry transfer facility in accordance with that book-entry transfer facility's procedures for transfer. However, although delivery of old notes may be effected through book-entry transfer at the book-entry transfer facility, the letter of transmittal or copy of the letter of transmittal, with any required signature guarantees and any other required documents, must, in any case other than as set forth in the following paragraph, be transmitted to and received by the exchange agent at the address set forth under "—Exchange Agent" on or prior to the expiration date or the guaranteed delivery procedures described below must be complied with.

The Automated Tender Offer Program of the Depository Trust Company (DTC) is the only method of processing exchange offers through DTC. To accept the exchange offer through the Automated Tender Offer Program, participants in DTC must send electronic instructions to DTC through DTC's communication system instead of sending a signed, hard copy letter of transmittal. DTC is obligated to communicate those electronic instructions to the exchange agent. To tender old notes through the Automated Tender Offer Program, the electronic instructions sent to DTC and transmitted by DTC to the exchange agent must contain the character by which the participant acknowledges its receipt of and agrees to be bound by the letter of transmittal.

Guaranteed Delivery Procedures

If a registered holder of the old notes desires to tender old notes and the old notes are not immediately available, or time will not permit that holder's old notes or other required documents to reach the exchange agent prior to 5:00 p.m., New York City time, on the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if:

- the tender is made through an eligible guarantor institution;
- prior to 5:00 p.m., New York City time, on the expiration date, the exchange agent receives from that eligible guarantor institution a properly completed and duly executed letter of transmittal or a facsimile of a duly executed letter of transmittal and notice of guaranteed delivery, substantially in the form provided by us, by telegram, telex, fax transmission, mail or hand delivery, setting forth the name and address of the holder of old notes and the amount of the old notes tendered and stating that the tender is being made by guaranteed delivery and guaranteeing that within three business days from the expiration date, the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, will be deposited by the eligible guarantor institution with the exchange agent; and
- the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, are received by the exchange agent within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery.

Withdrawal Rights

Tenders of old notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal of a tender of old notes to be effective, a written or, DTC participants, electronic Automated Tender Offer Program transmission, notice of withdrawal, must be received by the exchange agent at its address set forth under "—Exchange Agent" prior to 5:00 p.m., New York City time, on the expiration date. Any such notice of withdrawal must:

- specify the name of the person having deposited the old notes to be withdrawn, whom we refer to as the depositor;
- identify the old notes to be withdrawn, including the certificate number or numbers and principal amount of such old notes;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which such old notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee register the transfer of such old notes into the name of the person withdrawing the tender; and
- specify the name in which any such old notes are to be registered, if different from that of the depositor.

All questions as to the validity, form, eligibility and time of receipt of such notices will be determined by us, whose determination shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes which have been tendered for exchange, but which are not exchanged for any reason, will be returned to the holder of those old notes without cost to that holder as soon as practicable after withdrawal, rejection of tender, or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures under "—Procedures for Tendering" at any time on or prior to the expiration date.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any old notes and may terminate or amend the exchange offer if at any time before the acceptance of those old notes for exchange or the exchange of the exchange notes for those old notes, we determine that the exchange offer violates applicable law, any applicable interpretation of the staff of the SEC or any order of any governmental agency or court of competent jurisdiction.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any such condition or may be waived by us in whole or in part at any time and from time to time in our sole discretion. The failure by us at any time to exercise any of the foregoing rights shall not be deemed a waiver of any of those rights and each of those rights shall be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, we will not accept for exchange any old notes tendered, and no exchange notes will be issued in exchange for those old notes, if at such time any stop order shall be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part. We are required to use every reasonable effort to obtain the withdrawal of any stop order at the earliest possible time.

Exchange Agent

All executed letters of transmittal should be directed to the exchange agent. Wells Fargo Bank Minnesota, National Association has been appointed as exchange agent for the exchange offer. Questions, requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

By Hand, Regular, Registered or Certified Mail or Overnight Courier:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
213 Court Street, Suite 703
Middletown, CT 06457
Attention: Joseph P. O'Donnell

By Facsimile:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
Attention: Joseph P. O'Donnell
Fax No. 860-704-6219

For more information or confirmation by telephone please call 860-704-6217.

Originals of all documents sent by facsimile should be sent promptly by registered or certified mail, by hand or by overnight delivery service.

Fees And Expenses

We will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. The principal solicitation is being made by mail; however, additional solicitations may be made in person or by telephone by our officers and employees. The estimated cash expenses to be incurred in connection with the exchange offer will be paid by us and will include fees and expenses of the exchange agent, accounting, legal, printing and related fees and expenses.

Transfer Taxes

Holders who tender their old notes for exchange will not be obligated to pay any transfer taxes in connection with that tender or exchange, except that holders who instruct us to register exchange notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax on those old notes.

Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may from time to time in the future seek to acquire untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered outstanding notes.

DESCRIPTION OF OTHER INDEBTEDNESS

General

In connection with the recapitalization, TWI and its subsidiaries entered into amended senior credit facilities on the terms described below.

The amended senior credit facilities provide a total of $270.0 million in financing, consisting of:

- a $20.0 million United States revolving credit facility;
- a $30.0 million United States term loan A facility;
- a $135.0 million United States term loan B facility (the United States revolving credit and the United States term loans are collectively referred to herein as the "United States Facility");
- a $20.0 million European revolving credit facility; and
- a $65.0 million European term loan A facility (the European revolving credit and the European term loan are collectively referred to herein as the "European Facility").

The incremental proceeds of our amended senior credit facilities were used, along with the proceeds from the offering of the old notes and cash on hand, to fund the recapitalization and provide working capital.

Our revolving credit facilities and our term loan A facilities will mature in 2008 and our new term loan B facility will mature in 2009.

Borrowers

Borrowers under our United States Facility are the Issuers and borrowers under our European facility are certain of our European subsidiaries.

Guarantees

The United States Facility and the European Facility are guaranteed by certain of TWI's direct and indirect foreign subsidiaries and each of our direct and indirect United States subsidiaries that are not borrowers under these facilities. The European Facility is guaranteed by TWI and certain of its direct and indirect foreign subsidiaries that are not borrowers under these facilities.

Security Interests

The United States Facility is secured by (i) a first priority lien on substantially all of the United States assets of TWI and each of our direct and indirect United States subsidiaries and (ii) a pledge of all of the capital stock of each of our direct and indirect United States subsidiaries and a pledge of 65% of the capital stock of TWI's first tier foreign subsidiaries. The European Facility is secured by (i) a lien on certain of the assets of our foreign subsidiaries and (ii) a pledge of substantially all of the capital stock of certain of the foreign subsidiaries.

Revolver Availability

Borrowing availability under the United States revolving credit facility is subject to a borrowing base, as defined in the loan agreement. Borrowing availability under the European revolving credit facility is subject to a borrowing base, as defined in the loan agreement. Each of the United States and European revolving facilities also provide for the issuance of letters of credit to support local operations. Allocations of the United States and European revolving facilities to such letters of credit will reduce the amounts available to be borrowed under their respective facilities.

Interest Rates and Fees

Borrowings under our amended senior credit facilities bear interest, at the option of the borrower subsidiaries, at either:

- a base rate, plus an applicable margin for the term loan facility and revolving facility, respectively; or
- a Eurodollar rate on deposits for one, two, three or six-month periods, plus an applicable margin for the term loan facility and revolving credit facility, respectively.

The borrower subsidiaries will also pay the lenders a commitment fee on the unused commitments under our amended revolving credit facility, which will be payable quarterly in arrears.

Mandatory and Optional Repayment

Subject to exceptions for reinvestment of proceeds, the borrower subsidiaries are required to prepay outstanding loans under our amended senior credit facilities with the net proceeds of certain asset dispositions, condemnation settlements and insurance settlements from casualty losses, issuances of certain equity and a portion of excess cash flow.

The borrower subsidiaries may voluntarily prepay loans or reduce commitments under our amended senior credit facilities, in whole or in part, subject to minimum amounts. If the borrower subsidiaries prepay Eurodollar rate loans other than at the end of an applicable interest period, we will be required to reimburse lenders for their redeployment costs.

Covenants

The amended senior credit facilities contain negative and affirmative covenants and requirements affecting us and our subsidiaries that we create or acquire, with certain exceptions set forth in our amended credit agreement. Our amended senior credit facilities contain the following negative covenants and restrictions, among others: restrictions on liens, real estate purchases, sale-leaseback transactions, indebtedness, dividends and other restricted payments, guarantees, redemptions, liquidations, consolidations and mergers, acquisitions, asset dispositions, investments, loans, advances, changes in line of business, formation of new subsidiaries, changes in fiscal year, transactions with affiliates, amendments to charter, by-laws and other material documents, hedging agreements, and intercompany indebtedness.

The amended senior credit facilities contain the following affirmative covenants, among others: delivery of financial and other information to the administrative agent, compliance with laws, maintenance of properties, licenses and insurance, access to books and records by the lenders, notice to the administrative agent upon the occurrence of events of default, material litigation and other events, conduct of business and existence, payment of obligations, further assurances, maintenance of collateral and maintenance of interest rate protection agreements.

Events of Default

The amended senior credit facilities specify certain events of default, including, among others: failure to pay principal, interest or fees; material inaccuracy of representations and warranties; violation of covenants; cross-defaults and cross-accelerations in other material agreements; certain bankruptcy and insolvency events; certain ERISA events; certain undischarged judgments; invalidity of guarantees or security documents; and change of control.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the words "the Issuers", "we", "us" and "our" refer only to Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-obligors and co-issuers of the notes, and not to any of their parents or Subsidiaries. References in this description to "the Parent Guarantors" refers to our direct and indirect parent companies, TWI Holdings Inc., Tempur World, Inc. and Tempur World Holdings, Inc., collectively; references to "TWI" refer to TWI Holdings, Inc. only and not to any of its Subsidiaries; references to the "First Tier Parent Guarantor" refer only to our direct parent company, Tempur World Holdings, Inc. and not to any of its Subsidiaries; and references to a "Restricted Subsidiary" of TWI includes the First Tier Parent Guarantor, the Issuers and their respective Restricted Subsidiaries, including the Foreign Restricted Subsidiaries. All of TWI's Foreign Subsidiaries are currently Subsidiaries of the First Tier Parent Guarantor but are not Subsidiaries of the Issuers.

The Issuers issued the old notes and will issue the exchange notes (collectively, the "notes") under an indenture dated August 15, 2003 among themselves, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee. The old notes and the exchange notes will be identical in all material respects, except that the exchange notes have been registered under the Securities Act. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939.

The following description is a summary of the provisions of the indenture and the registration rights agreement that we consider material. It does not restate those agreements in their entirety. We urge you to read the indenture and the registration rights agreement because they, and not this description, define your rights as holders of the notes. We have filed copies of the indenture and the registration rights agreement as exhibits to the registration statement. You may also request copies of these agreements at our address set forth under the heading "Where You Can Find More Information."

Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the indenture.

Brief Description of the Notes and the Guarantees

The Notes

The notes will be:

- general unsecured obligations of the Issuers;
- senior in right of payment to all existing and future Subordinated Obligations of the Issuers;
- subordinated in right of payment to all existing and future Senior Debt of the Issuers;
- equal in right of payment with any future senior subordinated Indebtedness of the Issuers; and
- fully and unconditionally guaranteed on a senior subordinated basis by the Guarantors.

The Guarantees

The notes are guaranteed, on a joint and several basis, by the Guarantors. The term "Guarantors" refers to the Parent Guarantors and the Subsidiary Guarantors, collectively. The terms "Parent Guarantors" and "Subsidiary Guarantors" are defined below under "—Certain Definitions."

Each Guarantee of the notes:

- will be a general unsecured obligation of that Guarantor;
- will be senior in right of payment to all existing and future Subordinated Obligations of that Guarantor;
- will be subordinated in right of payment to all existing and future Senior Debt of that Guarantor; and
- will be equal in right of payment with any future senior subordinated Indebtedness of that Guarantor.

Assuming we had applied the net proceeds of the offering of the old notes as intended, including the completion of the transactions contemplated by the recapitalization, as of June 30, 2003, the Issuers and the Subsidiary Guarantors would have had total Senior Debt of approximately $171.6 million, and the Parent Guarantors would have had outstanding guarantees with respect to an aggregate of approximately $244.6 million of Senior Debt, in addition to their Guarantees of the notes. As indicated above and as discussed below under the caption "—Subordination," payments on the notes and under these Guarantees will be subordinated to the payment of Senior Debt. The indenture will permit the Issuers and the Guarantors to incur additional Senior Debt.

Initially, all of the Issuers' Restricted Subsidiaries will guarantee the notes. However, none of the Foreign Restricted Subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of the Foreign Restricted Subsidiaries, those Foreign Restricted Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the First Tier Parent Guarantor. The Foreign Restricted Subsidiaries of the First Tier Parent Guarantor generated approximately 45% of the pro forma consolidated revenues of TWI for the year ended December 31, 2002 and held approximately 46% of TWI's consolidated assets as of June 30, 2003. See note 16 to the Consolidated Financial Statements for the year ended December 31, 2002 and note 13 to the Consolidated Condensed Interim Financial Statements of TWI Holdings Inc. included elsewhere in this prospectus for more information about the division of consolidated revenues and assets among the Issuers, the Subsidiary Guarantors, the Parent Guarantors and the Foreign Restricted Subsidiaries.

As of the closing date of the offering of the old notes, all of the Issuers' Subsidiaries were Restricted Subsidiaries and Subsidiary Guarantors, and all of the Foreign Subsidiaries of the First Tier Parent Guarantor were Foreign Restricted Subsidiaries. However, under the circumstances described below under the subheading "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," TWI and its Restricted Subsidiaries will be permitted to designate certain Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to most of the restrictive covenants in the indenture. None of TWI's Unrestricted Subsidiaries, if any, will guarantee the notes.

Principal, Maturity and Interest

We initially issued notes in the aggregate principal amount of $150.0 million (the "initial notes"). We may issue additional notes under the indenture from time to time after this offering in an unlimited principal amount without the consent of any of the holders of the initial notes. Any offering of additional notes will be subject to the covenant described below under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock." The initial notes and any additional notes will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. We will issue notes in denominations of $1,000 principal amount and integral multiples of $1,000.

The notes will mature on August 15, 2010.

Interest on the notes accrues at the rate of 10.25% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2004. The Issuers will make each interest payment to the holders of record on the immediately preceding February 1 and August 1.

Interest on the notes accrues from the date of issuance of the initial notes, or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

As described under the caption "—Registration Rights; Additional Interest" below, the Issuers are required to pay Additional Interest on interest payment dates in the event the Issuers and the Guarantors do not comply with certain provisions of the registration rights agreement.

Methods of Receiving Payments on the Notes

If a holder has given wire transfer instructions to the Issuers, the Issuers will pay all principal, interest and premium and Additional Interest, if any, on that holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Issuers elect to make interest payments by check mailed to the holders at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

The trustee will initially act as paying agent and registrar. The Issuers may change the paying agent or registrar without prior notice to the holders of the notes, and any Issuer or any Subsidiary of such Issuer may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. The Issuers are not required to transfer or exchange any note selected for redemption. Also, the Issuers are not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

Guarantees

The notes are guaranteed by TWI and each of its current and future Domestic Subsidiaries. These Guarantees are joint and several obligations of the Guarantors. Each Guarantee will be subordinated to the prior payment in full of all Senior Debt of that Guarantor. The obligations of each Guarantor under its Guarantee will be limited as necessary to prevent that Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law. See "Risk Factors—Federal and state statutes allow courts, under specific circumstances, to void the notes, certain transactions and subsidiary guarantees, subordinate claims in respect of the notes and require our noteholders to return payments received from subsidiary guarantors."

No Subsidiary Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than an Issuer or another Subsidiary Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the indenture, its Guarantee and the registration rights agreement pursuant to a supplemental indenture satisfactory to the trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture.

The Guarantee of a Subsidiary Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of TWI, if the sale or other disposition complies with the "Asset Sale" provisions of the indenture;

(2) in connection with any sale of all of the Capital Stock of a Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of TWI, if the sale complies with the "Asset Sale" provisions of the indenture;

(3) if TWI designates any Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture; or

(4) to the extent provided under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

See "—Repurchase at the Option of Holders—Asset Sales."

The Guarantees of the Parent Guarantors shall remain in full force and effect for so long as any notes remain outstanding, subject to any merger of a Parent Guarantor into another Parent Guarantor permitted under the indenture.

Subordination

The payment of principal, interest and premium and Additional Interest, if any, on the notes will be subordinated to the prior payment in full of all Senior Debt of the Issuers and the Guarantors, including Senior Debt incurred after the issue date.

The holders of such Senior Debt will be entitled to receive payment in full of all Obligations due in respect of Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Debt, regardless of whether such interest is allowed as a claim in a Proceeding) before the holders of notes will be entitled to receive any payment with respect to the notes or the Guarantees (except that holders of notes may receive and retain Permitted Junior Securities and payments made from the trust described under "—Legal Defeasance and Covenant Defeasance"), in the event of any distribution to creditors of any Issuer or any Guarantor:

(1) in a total or partial liquidation or dissolution of any Issuer or any Guarantor;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to any Issuer or any Guarantor or their respective properties (a "Proceeding");

(3) in an assignment for the benefit of creditors by any Issuer or any Guarantor; or

(4) in any marshaling of any Issuer's or any Guarantor's assets and liabilities.

Neither any Issuer nor any Guarantor may make any payment in respect of the notes or their Guarantees (except in Permitted Junior Securities or from the trust described under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge") if:

(1) a payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the trustee receives a notice of such default (a "Payment Blockage Notice") from the holders of that series of Designated Senior Debt or any agent or representative thereof.

Payments on the notes or any Guarantee may and will be resumed:

(1) in the case of a payment default on Designated Senior Debt, upon the date on which such default is cured or waived; and

(2) in the case of a default (other than a payment default) on Designated Senior Debt, upon the earlier of the date on which such default (other than a payment default) is cured or waived, or such Designated Senior Debt is defeased or retired, or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice.

No default (other than a payment default) that existed or was continuing on the date of delivery of any Payment Blockage Notice to the trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90 days.

If the trustee or any holder of the notes receives a payment in respect of the notes or a Guarantee of a Guarantor (except in Permitted Junior Securities or from the trust described under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge") when:

(1) the payment is prohibited by these subordination provisions; and

(2) either the trustee or such holder has actual knowledge that the payment is prohibited;

the trustee or such holder will hold the payment in trust for the benefit of the holders of Senior Debt. Upon the proper written request of the holders of Senior Debt, the trustee or the holder, as the case may be, will deliver the amounts in trust to the holders of Senior Debt or their proper representative.

The Issuers must promptly notify the agent or any representatives of the holders of Senior Debt if payment of the notes is accelerated.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of the Issuers or the Guarantors, holders of notes and Guarantees may recover less ratably than creditors of the Issuers or the Guarantors who are holders of Senior Debt. See "Risk Factors—Your right to receive payments on the notes and the guarantees is junior to all our existing and future senior debt."

Optional Redemption

At any time before August 15, 2006, the Issuers may on one or more occasions redeem up to 35% of the aggregate principal amount of the notes (including additional notes) issued under the indenture at a redemption price of 110.25% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to the redemption date, with the net cash proceeds of any Equity Offering that are contributed to the common equity capital of the Issuers; *provided*, *however*, that:

(1) at least 65% of the original aggregate principal amount of notes issued under the indenture remains outstanding immediately after the occurrence of such redemption (excluding notes held by the Parent Guarantors, any Issuer or any of their respective Subsidiaries); and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

Notwithstanding the foregoing, at any time prior to August 15, 2007, the Issuers may redeem all or any portion of the notes, at once or over time, after giving the required notice under the indenture, at a redemption price in cash equal to the greater of:

(a) 100% of the principal amount of the notes to be redeemed, and

(b) the sum of the present values of (x) the redemption price of the notes at August 15, 2007 (as set forth in the next succeeding paragraph) and (y) the remaining scheduled payments of interest from the redemption date through August 15, 2007, but excluding accrued and unpaid interest through the redemption date, discounted to the redemption date (assuming a 360-day year consisting of twelve 30-day months), at the Treasury Rate plus 50 basis points,

plus, in either case, accrued and unpaid interest, including Additional Interest, if any, to but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest date).

On or after August 15, 2007, the Issuers may redeem all or a part of the notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest, if any, on the notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 15 of the years indicated below:

Year	Percentage
2007	105.125%
2008	102.563%
2009 and thereafter	100.000%

Selection and Notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption as follows:

(1) if the notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the notes are listed; or

(2) if the notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate.

No notes of $1,000 or less may be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

Mandatory Redemption

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to or otherwise repurchase the notes prior to their stated maturity, other than as set forth below under "—Repurchase at the Option of Holders."

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that holder's notes pursuant to a Change of Control offer on the terms set forth in the indenture. In the Change of Control Offer, the Issuers will offer a Change of Control payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and Additional Interest, if any, on the notes repurchased, to the date of purchase. Within ten days following any Change of Control, the Issuers will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date of such Change of Control, pursuant to the procedures required by the indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes pursuant to a Change of Control offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Change of Control provisions of the indenture by virtue of such conflict.

On the Change of Control payment date, the Issuers will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered and not withdrawn pursuant to the Change of Control offer;

(2) deposit with the paying agent an amount equal to the Change of Control payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased by the Issuers.

The paying agent will promptly mail to each holder of notes properly tendered the Change of Control payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each new note will be in a principal amount of $1,000 or an integral multiple of $1,000.

Prior to complying with any of the provisions of this "Change of Control" covenant, but in any event within 90 days following a Change of Control, the Issuers will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of notes required by this covenant. The Issuers will publicly announce the results of the Change of Control offer on or as soon as practicable after the Change of Control payment date.

The provisions described above that require the Issuers to make a Change of Control offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that the Issuers repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Issuers will not be required to make a Change of Control offer upon a Change of Control if (i) a third party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control offer made by the Issuers and purchases all notes properly tendered and not withdrawn under the Change of Control offer, or (ii) notice of redemption in respect of all outstanding notes has been given pursuant to the indenture as described above under the heading

"—Optional Redemption," unless and until there is a default in payment of the applicable redemption price. A Change in Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer. Notes repurchased pursuant to a Change of Control Offer will be retired and cancelled.

The Change of Control purchase feature of the notes may in certain circumstances make more difficult or discourage a sale or takeover of the Issuers or TWI and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the initial purchasers and us. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock." Such restrictions can only be waived with the consent of the holders of a majority in the principal amount of the notes then outstanding. Except for the limitations contained in such covenant, however, the indenture will not contain any covenants or provisions that may afford holders of the notes protection in the event of a highly leveraged transaction.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of either TWI and its Restricted Subsidiaries, taken as a whole, or the Issuers and their Restricted Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require the Issuers to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of either TWI and its Restricted Subsidiaries, taken as a whole, or the Issuers and their Restricted Subsidiaries, taken as a whole to another Person or group may be uncertain.

Asset Sales

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries (each a "seller") to, consummate an Asset Sale unless:

(1) TWI, the Issuers or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets sold, leased, transferred, conveyed or otherwise disposed of or Equity Interests issued or sold or otherwise disposed of;

(2) the fair market value is determined by TWI's Board of Directors and evidenced by a resolution of such Board of Directors set forth in an officer's certificate delivered to the trustee; and

(3) at least 75% of the consideration received in the Asset Sale by TWI, the Issuers or such Restricted Subsidiary is in the form of cash.

For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the seller's most recent balance sheet (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a written instrument that releases the seller from further liability; and

(b) any securities, notes or other obligations received by any such seller from such transferee that are converted into cash within 90 days after the receipt thereof, to the extent of the cash received in that conversion.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, TWI, the Issuers or such Restricted Subsidiary may apply those Net Proceeds (subject, in all respects, to the other covenants set forth in the indenture) at its option:

(1) to repay Senior Debt (or, in the case of a Foreign Restricted Subsidiary, to repay Indebtedness or other liabilities) of TWI, the Issuers or any of their Restricted Subsidiaries and, if the Senior Debt (or, in the case of a Foreign Restricted Subsidiary, the Indebtedness or other liabilities) repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire (or enter into a binding agreement to acquire; *provided* that the commitment to acquire under such agreement shall be subject only to customary conditions and such acquisition shall be consummated within 60 days after the end of such 365-day period) either all or substantially all of the assets of, or a majority of the Voting Stock of, another Person engaged in a Permitted Business or the minority interest in any Restricted Subsidiary; or

(3) to make a capital expenditure, or to otherwise acquire long-term assets or property that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, TWI, the Issuers or such Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers will make an Asset Sale Offer to all holders of notes to purchase the maximum principal amount of notes and, if the Issuers are required to do so under the terms of any other Indebtedness that is *pari passu* with the notes, such other Indebtedness on a pro rata basis with the notes, that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of the purchase of all properly tendered and not withdrawn notes pursuant to an Asset Sale Offer, TWI, the Issuers and/or their respective Restricted Subsidiaries may use such remaining Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Asset Sale provisions of the indenture by virtue of such conflict.

The agreements governing the Issuers' outstanding Senior Debt currently prohibit them from purchasing any notes, and also provide that certain change of control or asset sale events with respect to the Issuers would constitute a default under these agreements. Any future credit agreements or other agreements relating to Senior Debt to which the Issuers become a party may contain similar restrictions and provisions. In the event a Change of Control or an Asset Sale resulting in Excess Proceeds occurs at a time when the Issuers are prohibited from purchasing notes, the Issuers could seek the consent of its senior lenders to the purchase of notes or could attempt to refinance the borrowings that contain such prohibition. If Issuers do not obtain such a consent or repay such borrowings, the Issuers will remain prohibited from purchasing notes. In such case, the Issuers' failure to purchase tendered notes would constitute an Event of Default under the indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the indenture would likely restrict payments to the holders of notes. See "Risk Factors—We may not be able to repurchase the notes upon a change of control."

Certain Covenants

Restricted Payments

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of its or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Parent Guarantors or any Restricted Subsidiary) or to the direct or indirect holders of the Equity Interests of TWI, the Issuers or any of their respective Restricted Subsidiaries in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of TWI or to TWI or a Restricted Subsidiary of TWI);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving TWI) any Equity Interests of the Parent Guarantors;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Obligation of TWI, the Issuers or any of their Restricted Subsidiaries (other than Subordinated Obligations owed to the Issuers, TWI or any of their respective Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing;

(2) the Issuers, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, would have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TWI, the Issuers and their respective Restricted Subsidiaries after the issue date (excluding Restricted Payments permitted by clauses (2), (3), (4) and (6) of the next succeeding paragraph), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of TWI for the period (taken as one accounting period) from July 1, 2003 to the end of TWI's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds received by TWI since the issue date (x) as a contribution to its common equity capital or from the issuance or sale of its Equity Interests (excluding Disqualified Stock and other than an issuance or sale of Equity Interests to a Subsidiary of TWI) or (y) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of TWI that have been converted into or exchanged for its Equity Interests (excluding Disqualified Stock and other than Disqualified Stock or debt securities sold to a Subsidiary of TWI); *provided, however,* that there shall be excluded from this paragraph (b) any net cash proceeds to the extent applied as permitted by clause (9) of the definition of "Permitted Investments"); *plus*

(c) to the extent that any Restricted Investment that was made after the issue date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(d) any dividends received by TWI, the Issuers or any of their respective Restricted Subsidiaries after the issue date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in TWI's Consolidated Net Income for such period; *plus*

(e) in case, after the issue date, any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary under the terms of the indenture or has been merged, consolidated or amalgamated with or into, or transfers or conveys assets to, or is liquidated into, TWI, the Issuers or any of their respective Restricted Subsidiaries, an amount equal to the lesser of (1) the net book value at the date of redesignation, combination or transfer of the aggregate Investments made in such Unrestricted Subsidiary (or of the assets transferred or conveyed, as applicable), and (2) the fair market value of the Investments owned by TWI or its Restricted Subsidiaries in such Unrestricted Subsidiary at the time of the redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable).

The preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any Equity Interests or Subordinated Obligations of TWI, any Issuer or any Subsidiary Guarantor in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary) of, Equity Interests (or a contribution to the common equity capital) of TWI (other than Disqualified Stock); *provided*, *however*, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of Subordinated Obligations of TWI, any Issuer or any other Guarantor with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the payment of (x) any dividend by a Restricted Subsidiary to the holders of its Equity Interests on a pro rata basis and (y) the payment of any dividend by the Parent Guarantors or the Issuers on Disqualified Stock that was permitted to be incurred in accordance with the indenture;

(5) the (x) repurchase, redemption or other acquisition or retirement for value of any Equity Interests of TWI, the Issuers or any of their respective Restricted Subsidiaries held by current or former officers, employees or members of the Board of Directors of TWI, the Issuers or any of their respective Restricted Subsidiaries, other than any of the Principals or their Affiliates or Related Parties, pursuant to any management equity subscription agreement, stock option agreement, employment agreement or similar agreement ("Management Equity Repurchases") and (y) cash payments with respect to subordinated promissory notes issued to fund Management Equity Repurchases to the extent the Indebtedness represented by such subordinated promissory notes is permitted to be incurred pursuant to the first paragraph of the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock;" *provided* that the aggregate amount paid for all Management Equity Repurchases pursuant to this clause (5) may not exceed $750,000 in any calendar year; and *provided further* that in the event the aggregate price paid during any calendar year, including cash payments made pursuant to such subordinated promissory notes is less than $750,000, the unused amount may be carried forward to the next succeeding calendar year; *provided* that the aggregate amount paid for all Management Equity Repurchases, including cash payments made pursuant to such subordinated promissory notes pursuant to this clause (5) in any twelve-month period shall not exceed $2.0 million;

(6) any Restricted Payment pursuant to the transactions contemplated by the recapitalization as described under the caption "Use of Proceeds" in the Offering Memorandum; and

(7) other Restricted Payments in an aggregate amount since the issue date not to exceed $25.0 million;

provided, *however*, that in the case of clauses (5) and (7) above, no Default or Event of Default has occurred and is continuing.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s), property or securities proposed to be transferred or issued pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of TWI whose resolution with respect thereto will be delivered to the trustee. The determination by the Board of Directors of TWI shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, the Issuers will deliver to the trustee an officers' certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the indenture.

Incurrence of Indebtedness and Issuance of Preferred Stock

TWI and the Issuers will not, and they will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and TWI and the Issuers will not issue any Disqualified Stock and will not permit any of its or their respective other Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Parent Guarantors and the Issuers may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any Subsidiary Guarantor may incur Indebtedness or issue preferred stock, if the Fixed Charge Coverage Ratio of TWI for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the preferred stock or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by TWI, the Issuers and their respective Restricted Subsidiaries that are Subsidiary Guarantors, as applicable, of additional Indebtedness and letters of credit under one or more Credit Facilities; *provided* that (A) the aggregate principal amount of all Indebtedness of the Issuers and the Subsidiary Guarantors (excluding Indebtedness in the form of guarantees of Indebtedness incurred under clause (B) below) incurred pursuant to this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuers and the Subsidiary Guarantors thereunder) does not exceed an amount equal to $215.0 million less the aggregate amount of all repayments of any term Indebtedness under such Credit Facility or repayments of any revolving credit Indebtedness under such Credit Facility together with a corresponding commitment reduction that have been made by the Issuers or the Subsidiary Guarantors since the issue date with the proceeds of Asset Sales pursuant to the provisions described above under the caption "—Asset Sales;" and (B) the aggregate principal amount of all Indebtedness of the Foreign Restricted Subsidiaries incurred pursuant to this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Foreign Restricted Subsidiaries thereunder) does not exceed an amount equal to the greater of (i) $100.0 million less the aggregate amount of all repayments of any term Indebtedness under one or more Credit Facilities or repayments of revolving credit Indebtedness under one or more Credit Facilities together with a corresponding commitment reduction that have been made by the Parent Guarantors, the Issuers or any Subsidiary Guarantor that have been made by the Foreign Restricted Subsidiaries since the issue date with the proceeds of Asset Sales pursuant to the provisions described above under the caption "—Asset Sales" and (ii) the Borrowing Base;

(2) the incurrence by TWI, the Issuers and their respective Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by the Issuers of Indebtedness represented by the notes to be issued on the issue date (and the related Exchange Notes to be issued pursuant to the Registration Rights Agreement, and any Exchange Notes issued in respect of additional notes incurred in compliance with the indenture) and the incurrence by the Guarantors of the guarantees of those notes;

(4) the incurrence by TWI, the Issuers or any of their respective Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Person incurring such Indebtedness, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (4), not to exceed $20.0 million at any time outstanding;

(5) the incurrence of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was incurred under the first paragraph of this covenant or clauses (2), (3) or (5) of this paragraph;

(6) the incurrence by TWI, the Issuers or any of their respective Restricted Subsidiaries of intercompany Indebtedness between or among any of them, *provided*, *however*, that Foreign Restricted Subsidiaries shall not incur intercompany Indebtedness owed to any Issuer or a Subsidiary Guarantor pursuant to this clause (6) except to the extent the incurrence thereof constitutes a Permitted Investment or a Restricted Payment not prohibited by the covenant described under "—Limitations on Restricted Payments;" *provided further, however*, that:

(a) if the Issuers are the obligors on such Indebtedness, such Indebtedness shall be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the notes;

(b) if a Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to such Subsidiary Guarantor's guarantee of the notes;

(c) if a Foreign Restricted Subsidiary is an obligor on such Indebtedness owed to the Issuers or any Subsidiary Guarantor such Indebtedness shall be senior to, or pari passu with, all other Indebtedness (other than Senior Debt) of such obligor;

(d) if the First Tier Parent Guarantor is an obligor on such Indebtedness owed to any Foreign Restricted Subsidiary, such Indebtedness shall be junior to, or pari passu with, the Guarantee of the First Tier Parent Guarantor; and

(e) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than TWI, the Issuer or one of their respective Restricted Subsidiaries and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either TWI, an Issuer or one of their respective Restricted Subsidiaries shall be deemed, in each case, to constitute an incurrence of Indebtedness by the respective obligor that was not permitted by this clause (6);

(7) the incurrence by TWI, the Issuers, or any of their respective Restricted Subsidiaries of Hedging Obligations that are incurred in the normal course of business for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding) in connection with the conduct of their respective businesses and not for speculative purposes;

(8) the guarantee by (i) TWI, the Issuers or any their respective Restricted Subsidiaries (other than Foreign Restricted Subsidiaries) of Indebtedness of the Parent Guarantors, the Issuers or any Subsidiary Guarantor, (ii) any Foreign Restricted Subsidiary of Indebtedness of any other Foreign Restricted Subsidiary, in each case to the extent such Indebtedness was permitted to be incurred by another provision of this "—Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, and (iii) TWI or any

Restricted Subsidiary (other than a Foreign Restricted Subsidiary) of TWI or the Issuers of Indebtedness of a Foreign Restricted Subsidiary incurred pursuant to clause (1)(B) of this "—Incurrence of Indebtedness and Issuance of Preferred Stock" covenant;

(9) the incurrence by Unrestricted Subsidiaries of Non-recourse Debt; *provided, however*, that if any such Indebtedness ceases to be Non-recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to be an incurrence of Indebtedness that was not permitted by this clause (9);

(10) Indebtedness incurred by TWI, the Issuers or any of their respective Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including without limitation to letters of credit in respect to workers' compensation claims or self-insurance, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; *provided*, *however*, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligation are reimbursed within 30 days following such drawing or incurrence;

(11) obligations in respect of performance and surety bonds and completion guarantees provided by TWI, the Issuers or any of their respective Restricted Subsidiaries in the ordinary course of business;

(12) the incurrence by TWI, the Issuers or any of their respective Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within three business days of incurrence;

(13) Indebtedness consisting of repurchase or other recourse obligations incurred in the ordinary course of business owed to third party providers of credit to consumers purchasing products from TWI and its Restricted Subsidiaries; *provided* that the such Indebtedness shall not exceed $10.0 million in the aggregate outstanding at any time; and

(14) the incurrence by TWI, the Issuers or any of their respective Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (14), not to exceed $30.0 million.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (14) above or is entitled to be incurred pursuant to the first paragraph of this covenant, in each case, as of the date of incurrence thereof, the Issuers may, in their sole discretion, classify (or later reclassify in whole or in part, in their sole discretion) such item of Indebtedness in any manner that complies with this covenant and such Indebtedness will be treated as having been incurred pursuant to such clauses or the first paragraph hereof, as the case may be, designated by the Issuers. Indebtedness under any Credit Facility (including the Credit Agreement, as amended and restated in connection with the recapitalization) outstanding on the date on which the notes are first issued under the indenture will be deemed to have been incurred on such date in reliance on the exception provided by clause (1) above.

Notwithstanding anything to the contrary contained in this "—Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, any increase in the amount of Indebtedness solely by reason of currency fluctuation shall not be considered an incurrence of Indebtedness for purposes of this covenant. For purposes of determining compliance with this covenant, the U.S. dollar-equivalent principal amount of Indebtedness denominated in any currency other than U.S. dollars shall be calculated based on the relevant currency exchange rate in effect as of the date such Indebtedness is incurred; provided, that the amount of any Permitted Refinancing Indebtedness denominated in the same currency as the Indebtedness being refinanced thereby shall be calculated based on the relevant exchange rate in effect as of the date of the incurrence of the Indebtedness being so refinanced.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of addition Indebtedness with the same terms, the accumulation of dividends on Disqualified Stock or preferred stock of Subsidiary Guarantors (to the extent not paid) and the payment of dividends on Disqualified Stock or preferred stock of Subsidiary Guarantors in the form of additional shares of the same class of Disqualified Stock or preferred stock of Subsidiary Guarantors will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock of Subsidiary Guarantors for purposes of this covenant; *provided* that, in each case, the amount thereof shall be included in the calculation of Fixed Charges as accrued.

Liens

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (other than Permitted Liens) on any asset now owned or hereafter acquired by any of them unless all payments due under the notes or the applicable Subsidiary Guarantees are secured on an equal and ratable basis if such secured Indebtedness is *pari passu* with the notes or the applicable Guarantee, as the case may be, and otherwise, on a senior basis to the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien; *provided, however,* that in the case of TWI, the Issuers and the Subsidiary Guarantors, the foregoing shall only prohibit Liens (other than Permitted Liens) securing Indebtedness ranking *pari passu* with, or junior to, the notes or the applicable Guarantees.

No Senior Subordinated Debt

The Issuers will not incur any Indebtedness (other than the Existing Indebtedness) that is subordinate or junior in right of payment to any Senior Debt of the Issuers and senior in any respect in right of payment to the notes. No Guarantor will incur any Indebtedness (other than the Existing Indebtedness) that is subordinate or junior in right of payment to the Senior Debt of such Guarantor and senior in any respect in right of payment to such Guarantor's Guarantee.

You should note that unsecured Indebtedness is not deemed to be subordinated to secured Indebtedness merely because it is unsecured, nor is any Indebtedness deemed to be subordinate or junior to other Indebtedness merely because it matures after such other Indebtedness.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, create, assume or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the First Tier Parent Guarantor (in the case of its Foreign Restricted Subsidiaries) or to TWI, the Issuers or any of the Issuers' Restricted Subsidiaries (other than any such dividends, distributions or payments by a Foreign Restricted Subsidiary to a Domestic Subsidiary);

(2) make loans or advances to the First Tier Parent Guarantor (in the case of its Restricted Foreign Subsidiaries) or to TWI, the Issuer or any of the Issuers' Restricted Subsidiaries (other than loans or advances by a Foreign Restricted Subsidiary to a Domestic Subsidiary); or

(3) transfer any of its properties or assets to any Parent Guarantor or any of such Parent Guarantor's Restricted Subsidiaries (other than transfers by a Foreign Restricted Subsidiary to a Domestic Subsidiary).

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and Credit Facilities as in effect on the issue date (including the Credit Agreement as amended and restated in connection with the recapitalization) and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or

refinancings of those agreements, *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the issue date (or the Credit Agreement as amended and restated in connection with the recapitalization);

(2) the indenture, the notes and the Guarantees;

(3) applicable law;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by TWI, the Issuers or any their respective Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, *provided* that such Indebtedness or Capital Stock (if constituting preferred stock) was permitted by the terms of the indenture to be incurred, determined at the time of such acquisition;

(5) customary non-assignment provisions in leases and contracts entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (c) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary or its assets that restricts distributions by that Restricted Subsidiary pending such sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided*, *however*, that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens; and

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business.

Issuances and Sales of Capital Stock of Restricted Subsidiaries

TWI and the Issuers:

(1) will not, and will not permit any of their respective Restricted Subsidiaries to, transfer, convey, sell, lease or otherwise dispose of any Capital Stock of any Restricted Subsidiary to any Person (other than to TWI, the Issuers or any of their respective Restricted Subsidiaries), unless:

(a) such transfer, conveyance, sale, lease or other disposition is of all the Capital Stock of such Restricted Subsidiary, and

(b) the Net Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with the provisions described under "—Repurchase at the Option of Holders—Asset Sales" above;

provided, however, that this clause (a) will not apply to any pledge of Capital Stock of any Restricted Subsidiary securing Indebtedness under Credit Facilities, including the Credit Agreement, or any exercise of remedies in connection therewith; and

(2) will not permit any Restricted Subsidiary to issue any of its Equity Interests (other than, if necessary, shares of its Capital Stock constituting directors' qualifying shares and shares of Capital Stock of foreign Subsidiaries issued to foreign nationals to the extent required under applicable law) to any Person other than TWI, the Issuers or any of their respective Restricted Subsidiaries.

Merger, Consolidation or Sale of Assets

TWI, the other Parent Guarantors and the Issuers may not, directly or indirectly, consolidate or merge with or into another Person (whether or not TWI, such other Parent Guarantor or such Issuer is the surviving corporation) or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of TWI, such other Parent Guarantor or such Issuer taken as a whole, in one or more related transactions, to another Person; unless:

(1) either: (a) TWI, such other Parent Guarantor or such Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than TWI, such other Parent Guarantor or such Issuer, as the case may be) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than TWI, such other Parent Guarantor or such Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of TWI, such other Parent Guarantor or such Issuer under the notes, the Guarantee, if applicable, and the indenture pursuant to agreements reasonably satisfactory to the trustee;

(3) immediately after such transaction no Default or Event of Default exists; and

(4) TWI, such other Parent Guarantor or such Issuer, or the Person formed by or surviving any such consolidation or merger (if other than TWI or such Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock."

In addition, TWI, the other Parent Guarantors and the Issuers may not, directly or indirectly, lease all or substantially all of their respective properties or assets, in one or more related transactions, to any other Person.

The Person formed by or surviving any consolidation or merger (if other than TWI, such other Parent Guarantor or such Issuer) will succeed to, and be substituted for, and may exercise every right and power of TWI, such other Parent Guarantor and such Issuer under the indenture.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of TWI may designate any Restricted Subsidiary of TWI (other than the Issuers) or of the Issuers as an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by TWI, the Issuers and their respective Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under clause (3)(c) of the first paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments" or will reduce the amount available for certain Permitted Investments, as determined by TWI. That designation will only be permitted if such Investment would

be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of TWI may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary only if the redesignation would not cause a Default or Event of Default and to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with TWI, the Issuers or any of their respective Restricted Subsidiaries unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to TWI, the Issuers or their respective Restricted Subsidiaries than those that might be obtained at the time from Persons who are not their Affiliates;

(3) is a Person with respect to which none of TWI, the Issuers or any of their respective Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of TWI, the Issuers or any their respective Restricted Subsidiaries.

Any designation of a Subsidiary as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of the Board Resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," there will be a Default in respect of such covenant. The Board of Directors of TWI may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

Transactions with Affiliates

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to TWI, the Issuers or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by TWI, the Issuers or such Restricted Subsidiary with an unrelated Person; and

(2) the Issuers deliver to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $3.0 million, a resolution of the Board of Directors of TWI set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of TWI's Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to TWI, the Issuers or such Restricted Subsidiary, as applicable, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreements or arrangements and benefits plans or arrangements, and any transactions contemplated by any of the foregoing relating to the compensation and employee benefits matters, in each case in respect of employees, officers or directors entered into by TWI, the Issuers or any of their respective Restricted Subsidiaries in the ordinary course of business;

(2) transactions between or among TWI, the Issuers and any Restricted Subsidiary that is a Guarantor;

(3) commercial transactions in the ordinary course of business between or among TWI, the Issuers and their respective Restricted Subsidiaries that are Guarantors and Foreign Restricted Subsidiaries;

(4) transactions with a Person that is an Affiliate of TWI or of an Issuer or any of their respective Restricted Subsidiaries solely because TWI or such Issuer or such Restricted Subsidiary owns an Equity Interest in such Person (and such Person is not otherwise a Subsidiary of TWI or of the Issuers or any of their respective Restricted Subsidiaries);

(5) payment of reasonable directors fees and indemnitees to Persons who are not otherwise Affiliates of TWI or the Issuers or any of their respective Restricted Subsidiaries;

(6) loans or advances to employees in the ordinary course of business, but in any event, not to exceed $500,000 in the aggregate outstanding at any one time;

(7) the pledge of Equity Interests of Unrestricted Subsidiaries to support the Indebtedness thereof;

(8) any Affiliate Transaction between or among TWI, the Issuers and their respective Restricted Subsidiaries existing and as in effect on the issue date and, in each case, any amendment thereto so long as any such amendment is no less favorable to TWI, the Issuers and their respective Restricted Subsidiaries, as the case may be, in any material respect than the original agreement as in effect on the issue date; and

(9) Permitted Investments and Restricted Payments that are permitted by the provisions of the indenture described above under the caption "—Restricted Payments."

Additional Subsidiary Guarantees

If TWI, the Issuers or any of their respective Restricted Subsidiaries acquires or creates another Domestic Subsidiary after the issue date, then that newly acquired or created Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the trustee within 20 Business Days of the date on which it was acquired or created; *provided, however,* that the foregoing shall not apply to Subsidiaries that have properly been designated as Unrestricted Subsidiaries in accordance with the indenture for so long as they continue to constitute Unrestricted Subsidiaries.

Sale and Leaseback Transactions

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that TWI, the Issuers or any of the Subsidiary Guarantors may enter into a sale and leaseback transaction if:

(1) TWI, such Issuer or such Subsidiary Guarantor could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors of TWI and set forth in an officers' certificate delivered to the trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the proceeds of such transaction are applied in compliance with, the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales."

The foregoing provisions will not prohibit the leasing back for a period not to exceed twelve consecutive months of any portion of real property in connection with the disposition of such real property.

Business Activities

TWI and the Issuers will not, and will not permit any Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to TWI, the Issuers and their Subsidiaries taken as a whole. The Parent Guarantors shall engage in no material business activities other than those incident to the respective status of each as a holding company whose principal assets consist of all the Capital Stock of its direct, wholly owned Subsidiaries.

Payments for Consent

TWI and the Issuers will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

Whether or not required by the Commission, so long as any notes are outstanding, the Issuers will furnish to the trustee and registered holders of notes, within 15 days of the dates on which the Issuers would be required to file such information with the Commission, if the Issuers were subject to Sections 13 or 15(d) of the Exchange Act:

(1) all quarterly and annual financial and other information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Issuers were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Issuers' certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Issuers were required to file such reports;

provided, *however*, that the first quarterly report to be furnished pursuant to this paragraph shall be furnished as soon as is reasonably practicable following the end of such quarterly period but in no event later than November 15, 2003; *provided*, *further*, that the Issuers will not be required to furnish such information to the trustee or the registered holders of the notes to the extent such information is electronically filed with the Commission and is electronically available to the public free of cost.

If TWI or the Issuers have designated any of their respective Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of TWI and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TWI.

In addition, following the consummation of the exchange offer, whether or not required by the Commission, the Issuers will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Issuers and the Guarantors have agreed that, for so long as any notes remain outstanding, they will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to the extent such information is not electronically filed with the Commission and is not electronically available to the public free of cost.

For so long as Rule 3-10 of Regulation S-X under the Exchange Act (or any successor rule or regulation) permits TWI to provide the financial statements and other information referred to above in lieu of separate financial statements and other information of the Issuers, the Issuers will be deemed to have satisfied their obligations under this covenant by providing TWI financial statements and other information, so long as such financial statements and other information otherwise comply in all respects with the requirements set forth above with respect to the Issuers.

Events of Default and Remedies

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Additional Interest with respect to, the notes (whether or not prohibited by the subordination provisions of the indenture);

(2) default in payment when due of the principal of or premium, if any, on the notes (whether or not prohibited by the subordination provisions of the indenture);

(3) failure by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries to comply with the provisions described under the caption "—Merger, Consolidation or Sale of Assets;"

(4) failure by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries for 30 days after notice to comply with the provisions described under the captions "Certain Covenants—Restricted Payments," "Repurchase at the Option of Holders—Asset Sales" or "Repurchase at the Option of Holders—Change of Control;"

(5) failure by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries for 60 days after notice to comply with any of their other agreements in the indenture or the notes;

(6) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries (or the payment of which is guaranteed by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the issue date, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the outstanding principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(7) failure by a Guarantor, the Issuers or any of their respective Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(8) except as permitted by the indenture, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Guarantee; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to a Guarantor, the Issuers or any of their respective Restricted Subsidiaries that would constitute a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to TWI, the Issuers or any of their Restricted Subsidiaries that is a Significant Subsidiary of TWI or any group of their Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary of TWI, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the then outstanding notes may declare all the notes to be due and payable immediately.

Holders of the notes may not enforce the indenture or the notes except as provided in the indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal or interest or Additional Interest.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may on behalf of the holders of all of the notes waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or Additional Interest on, or the principal of, the notes.

The Issuers are required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, the Issuers are required to deliver to the trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the notes, the indenture, the Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuers may, at their option and at any time, elect to have all of their obligations discharged with respect to the outstanding notes and all obligations of the Guarantors discharged with respect to their Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, or interest or premium and Additional Interest, if any, on such notes when such payments are due from the trust referred to below;

(2) The Issuers' obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and the Issuers' and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the indenture.

In addition, the Issuers may, at their option and at any time, elect to have the obligations of the Issuers and the Guarantors released with respect to certain covenants that are described in the indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment on the notes, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) The Issuers must irrevocably deposit or cause to be deposited with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Additional Interest, if any, on the outstanding notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuers must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuers have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the issue date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuers have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the indenture) to which the Issuers or any of the Guarantors is a party or by which the Issuers or any of the Guarantors is bound;

(6) the Issuers must deliver to the trustee an officers' certificate stating that the deposit was not made by the Issuers with the intent of preferring the holders of notes over the creditors of the Issuers or others with the intent of defeating, hindering, delaying or defrauding creditors of the Issuers or others; and

(7) the Issuers must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture and/or the notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing Default or compliance with any provision of the indenture or the notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption of the notes (other than provisions (and applicable definitions) relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest on any note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Interest, if any, on the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture (including applicable definitions) relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of, or interest or premium or Additional Interest, if any, on the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders");

(8) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the indenture, except in accordance with the terms of the indenture;

(9) make any change to the subordination provisions of the indenture (including applicable definitions) that would adversely affect the holders of the notes; or

(10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, the Issuers, the Guarantors and the trustee may amend or supplement the indenture or the notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of the obligations of TWI, the other Parent Guarantors and the Issuers to holders of notes in the case of a merger or consolidation or sale of all or substantially all of the assets of TWI, the other Parent Guarantors or the Issuers;

(4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(6) to comply with the rules of any applicable securities depositary;

(7) to add Guarantees with respect to notes or to secure the notes;

(8) to add to the covenants of us or any Guarantor for the benefit of the holders of the notes or surrender any right or power conferred upon us or any Guarantor;

(9) to evidence and provide for the acceptance and appointment under the indenture of a successor trustee pursuant to the requirements thereof; or

(10) to conform the text of the indenture or the note to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the indenture, the Guarantees or the notes.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the indenture becomes effective, we are required to mail to holders of the notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validly of the amendment.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Issuers, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Issuers have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the notes not delivered to the trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which any Issuer or any Guarantor is a party or by which any Issuer or any Guarantor is bound;

(3) any Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(4) the Issuers have delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, the Issuers must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the trustee becomes a creditor of any Issuer or any Guarantor, the indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; *however*, if it acquires any conflicting interest, it must (i) eliminate such conflict within 90 days, (ii) apply to the Commission for permission to continue or (iii) resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Registration Rights; Additional Interest

The following description is a summary of the material provisions of the registration rights agreement. It does not restate that agreement in its entirety. We urge you to read the registration rights agreement in its entirety because it, and not this description, defines your registration rights as holders of these notes. We have filed a copy of the registration rights agreement as an exhibit to the registration statement. You may also request a copy of the registration rights agreement at our address set forth under the heading "Where You Can Find More Information."

The Issuers, the Guarantors and the initial purchasers entered into the registration rights agreement on August 15, 2003. Pursuant to the registration rights agreement, the Issuers and the Guarantors agreed to file with the Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the Exchange Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuers and the Guarantors will offer to the holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for Exchange Notes.

If:

(1) the Issuers and the Guarantors are not

(a) required to file the Exchange Offer Registration Statement; or

(b) permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy; or

(2) any holder of Transfer Restricted Securities notifies the Issuers prior to the 20th day following consummation of the Exchange Offer that:

(a) it is prohibited by law or Commission policy from participating in the Exchange Offer; or

(b) that it may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales; or

(c) that it is a broker-dealer and owns notes acquired directly from the Issuers or an affiliate of the Issuers,

The Issuers and the Guarantors will file with the Commission a Shelf Registration Statement to cover resales of the notes by the holders of the notes who satisfy certain conditions relating to the provision of information in connection with the Shelf Registration Statement.

The Issuers and the Guarantors will use their reasonable best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Commission.

For purposes of the preceding, "Transfer Restricted Securities" means each note until:

(1) the date on which such note has been exchanged by a Person other than a broker-dealer for an Exchange Note in the Exchange Offer;

(2) following the exchange by a broker-dealer in the Exchange Offer of a note for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement;

(3) the date on which such note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement; or

(4) the date on which such note is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

The registration rights agreement will provide that:

(1) the Issuers and the Guarantors will file an Exchange Offer Registration Statement with the Commission on or prior to 90 days after the closing of this offering;

(2) the Issuers and the Guarantors will use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the Commission on or prior to 180 days after the closing of this offering;

(3) unless the Exchange Offer would not be permitted by applicable law or Commission policy, the Issuers and the Guarantors will

(a) commence the Exchange Offer; and

(b) use their reasonable best efforts to issue on or prior to 30 business days, or longer, if required by the federal securities laws, after the date on which the Exchange Offer Registration Statement was declared effective by the Commission, Exchange Notes in exchange for all notes tendered prior thereto in the Exchange Offer; and

(4) if obligated to file the Shelf Registration Statement, the Issuers and the Guarantors will use their reasonable best efforts to file the Shelf Registration Statement with the Commission on or prior to 30 days after such filing obligation arises and to cause the Shelf Registration to be declared effective by the Commission on or prior to 90 days after the filing of such Shelf Registration Statement.

If:

(1) the Issuers fail to file any of the registration statements required by the registration rights agreement on or before the date specified for such filing; or

(2) any of such registration statements is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"); or

(3) the Issuers fail to consummate the Exchange Offer within 30 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement; or

(4) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the registration rights agreement (each such event referred to in clauses (1) through (4) above, a "Registration Default"),

then the Issuers and the Guarantors will pay Additional Interest to each holder of notes, with respect to the first 90-day period immediately following the occurrence of the first Registration Default in an amount equal to $.05 per week per $1,000 principal amount of notes held by such holder.

The amount of the Additional Interest will increase by an additional $.05 per week per $1,000 principal amount of notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Additional Interest for all Registration Defaults of $.50 per week per $1,000 principal amount of notes.

All accrued Additional Interest will be paid by the Issuers and the Guarantors on each Damages Payment Date to the Global Note Holder by wire transfer of immediately available funds or by federal funds check and to holders of Certificated Notes by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified.

Following the cure of all Registration Defaults, the accrual of Additional Interest will cease.

Holders of notes will be required to make certain representations to the Issuers (as described in the registration rights agreement) in order to participate in the Exchange Offer and will be required to deliver certain information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the registration rights agreement in order to have their notes included in the Shelf Registration Statement and benefit from the provisions regarding Additional Interest set forth above. By acquiring Transfer Restricted Securities, a holder will be deemed to have agreed to indemnify the Issuers and the Guarantors against certain losses arising out of information furnished by such holder in writing for inclusion in any Shelf Registration Statement. Holders of notes will also be required to suspend their use of the prospectus included in the Shelf Registration Statement under certain circumstances upon receipt of written notice to that effect from the Issuers.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Interest*" means the Additional Interest, if any, to be paid on the notes as described under "Registration Rights; Additional Interest."

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Asset Acquisition*" means:

(1) an Investment by TWI, the Issuers or any of their respective Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with TWI or any of its Restricted Subsidiaries but only if such Person's primary business is a Permitted Business, or

(2) an acquisition by TWI, the Issuers or any of their respective Restricted Subsidiaries of the property and assets of any Person other than TWI, the Issuers or any of their respective Restricted Subsidiaries that constitute all or substantially all of a division, operating unit or line of business of such Person but only if the property and assets acquired are a Permitted Business.

"*Asset Disposition*" means the sale or other disposition by TWI, the Issuers or any of their respective Restricted Subsidiaries other than to TWI, the Issuers or another Restricted Subsidiary of all or substantially all of the Capital Stock of any Restricted Subsidiary, or all or substantially all of the assets that constitute a division, operating unit or line of business of TWI, the Issuers or any of their respective Restricted Subsidiaries.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of TWI or the Issuers and their respective Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions described under the caption "—Repurchase at the Option of the Holders—Asset Sales"; and

(2) the issuance and sale of Equity Interests in any Restricted Subsidiaries of TWI.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than $2.0 million;

(2) a sale, lease, conveyance or other disposition of assets between or among TWI, the Issuers and their respective Restricted Subsidiaries,

(3) an issuance of Equity Interests by a Restricted Subsidiary of TWI to the Issuers, TWI or to another Restricted Subsidiary of TWI;

(4) a Restricted Payment or Permitted Investment that is permitted by the covenant described above under the caption "—Certain Covenants—Restricted Payments;"

(5) a sale, lease, transfer, conveyance or other disposition of inventory or accounts receivable in the ordinary course of business;

(6) the sale or other disposition of cash or Cash Equivalents in the ordinary course of business;

(7) any sale of Equity Interests in or Indebtedness of or other securities of an Unrestricted Subsidiary;

(8) sales of property or equipment that has become worn out, obsolete or damaged or otherwise unsuitable for use in connection with the business of TWI, the Issuers or any of their respective Restricted Subsidiaries;

(9) the license of patents, trademarks, copyrights and know-how to third persons in the ordinary course of business;

(10) a Restricted Payment that is permitted by the covenant described above under the caption "—Certain Covenants—Restricted Payments" or any Permitted Investment; and

(11) a Permitted Asset Swap.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Borrowing Base*" means, as of any date, an amount equal to:

(1) 85% of the face amount of all accounts receivable owned by the Foreign Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date that were not more than 90 days past due; *plus*

(2) 60% of the book value of all inventory owned by the Foreign Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Cash Equivalents*" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition;

(3) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having the highest rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Rating Services and in each case maturing within six months after the date of acquisition;

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) in the case of any Foreign Restricted Subsidiary:

(a) direct obligations of the sovereign nation (or agency thereof) in which such Foreign Restricted Subsidiary is organized and is conducting business or obligations fully and unconditionally guaranteed by such sovereign nation (or any agency thereof); and

(b) investments of the type and maturity described in clause (1) through (5) above of foreign obligors, which investments or obligors have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of (x) TWI and its Restricted Subsidiaries, taken as a whole, or (y) the Issuers' and their Restricted Subsidiaries, taken as whole, in either case to any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act) other than one or more Principals and/or its or their respective Affiliates or Related Parties;

(2) the adoption of a plan relating to the liquidation or dissolution of TWI or the Issuers, provided that if the adoption of such plan is required to be approved by TWI's stockholders, a Change of Control will only occur upon the adoption of such plan by TWI's stockholders;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) (i) prior to the consummation of a Qualified IPO, the result of which is that (A) any "person" or "group" (as defined above), other than one or more of the Principals and/or its or their respective Affiliates or Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 35% of the Voting Stock of TWI, measured by voting power rather than number of shares and (B) the Principals and their Affiliates and Related Parties cease to be the Beneficial Owners, directly or indirectly, of at least 35% of the Voting Stock of TWI, measured by voting power rather than number of shares, or (ii) following the consummation of a Qualified IPO, the result of which is that any "person" (as defined above), other than the Principals or their Affiliates or Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of TWI, measured by voting power rather than number of shares;

(4) the first day on which a majority of the members of the Board of Directors of TWI are not Continuing Directors**;**

(5) TWI consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, TWI, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of TWI or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of TWI outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance); or

(6) the Issuers shall cease to be direct or indirect Wholly Owned Subsidiaries of the First Tier Parent Guarantor, the First Tier Parent Guarantor shall cease to be a Wholly Owned Subsidiary of Tempur World, Inc, or Tempur World, Inc. shall cease to be a Wholly Owned Subsidiary of TWI, except that Tempur World, Inc. or the First Tier Parent Guarantor may be merged with or into TWI.

"*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Investment Bank maturing in 2007 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities maturing in 2007.

"*Comparable Treasury Price*" means, with respect to any redemption date:

(1) the average of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the most recently published statistical release designated "H.15(519)" (or any successor release) published by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities;" or

(2) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer Quotations for such redemption date.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Subsidiaries in connection with a sale or other disposition of assets or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *minus*

(5) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Leverage Ratio*" means with respect to any specified Person as of the date of determination, the ratio of (A) the aggregate amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis outstanding on such date, determined in accordance with GAAP, to (B) the aggregate amount of Consolidated Cash Flow of such Person and its Restricted Subsidiaries for the then most recent four fiscal quarters for which internal financial statements of such Person are available.

In determining the Consolidated Leverage Ratio, pro forma effect shall be given to:

(1) any Indebtedness that is to be incurred or repaid on the applicable date of determination as if such incurrence or repayment had occurred on the first day of the applicable four quarter reference period;

(2) Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during the period beginning on the first day of the applicable four quarter reference period and ending on the date of determination as if they had occurred and such proceeds had been applied on the first day of such reference period; and

(3) asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the specified Person or any Restricted Subsidiary during such reference period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such reference period.

To the extent that pro forma effect is given to an Asset Acquisition or Asset Disposition, such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the date of determination of the Person, or division, operating unit or line of business of the Person, that is acquired or disposed of for which financial information is available.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and

(3) the cumulative effect of a change in accounting principles will be excluded.

"*Consolidated Net Tangible Assets*" means as to any Person, as of any date of determination, the sum of the amounts that would appear on a consolidated balance sheet of such Person and any of its consolidated Restricted Subsidiaries as the total assets (less accumulated depreciation and amortization, allowances for doubtful receivables, other applicable reserves and other properly deductible items) of such Person and its Restricted Subsidiaries, after giving effect to purchase accounting, and after deducting therefrom consolidated current liabilities and, to the extent otherwise included, the amounts of (without duplication):

(1) the excess of cost over fair market value of assets or businesses acquired;

(2) any revaluation or other write-up in book value of assets subsequent to the last day of the fiscal quarter of the Issuers immediately preceding the date of issuance of the notes as a result of a change in the method of valuation in accordance with GAAP;

(3) unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights licenses, organization or developmental expenses and other tangible items;

(4) minority interests in consolidated subsidiaries held by Persons other than any Parent Guarantor, the Issuers or any of their respective Restricted Subsidiaries;

(5) treasury stock;

(6) cash or securities set aside and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of Capital Stock to the extent such obligation is not reflected in consolidated current liabilities; and

(7) Investments in and assets of Unrestricted Subsidiaries.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the referent Person who:

(1) was a member of such Board of Directors on the issue date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"*Credit Agreement*" means that certain Amended and Restated Credit Agreement, dated as of November 1, 2002 by and among TWI and Tempur World, Inc., Tempur World Holdings, S.L., Tempur-Pedic, Inc., Tempur Production USA, Inc., Tempur World Holding Company ApS and Dan-Foam ApS as Borrowers, the other Credit Parties signatory thereto, as Credit Parties, the Lenders signatory thereto from time to time, Nordea Bank Danmark, as European Loan Agent, and General Electric Capital Corporation, as Administrative Agent, providing for up to $170,000,000 of term loan borrowings and revolving credit borrowings, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, restated, refunded, replaced or refinanced from time to time, whether by the same or any other lender or group of lenders (including pursuant to Indebtedness issued pursuant to an indenture).

"*Credit Facilities*" means one or more debt facilities (including, without limitation, the Credit Agreement) or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, bank guaranties or bankers' acceptances, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time and any agreement, instrument or document governing Indebtedness under such debt facilities, including any agreement, instrument or facility governing Indebtedness incurred to refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under any Credit Facility or any successor Credit Facility, whether by the same or any other lender or group of lenders (including pursuant to indebtedness issued pursuant to an indenture).

"*Currency Exchange Protection Agreement*" means, for any Person, any foreign exchange contract, currency swap agreement, currency option, forward contract or other similar agreement or arrangement, in each case, including any guarantee and collateral documents referred to therein designed to protect such Person against fluctuations in currency exchange rates.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Senior Debt*" means (i) any Indebtedness outstanding from time to time under the Credit Agreement and (ii) any other Senior Debt permitted to be incurred under the indenture the principal amount of which is $25.0 million or more and that has been designated by TWI as "Designated Senior Debt;" provided, however, that only an agent or representative of Designated Senior Debt from time to time outstanding under the Credit Facilities may issue a Payment Blockage Notice.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the

date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer of such Capital Stock to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that neither TWI nor the Issuers nor their respective Restricted Subsidiaries may repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Restricted Payments."

"*Domestic Subsidiary*" means any Restricted Subsidiary of TWI that was formed under the laws of the United States or any state of the United States or the District of Columbia.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any private or public sale of common stock of TWI Holdings Inc.

"*Existing Indebtedness*" means Indebtedness of any Parent Guarantor, the Issuers and their respective Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the issue date, until such amounts are repaid.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations; *plus*

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person (other than preferred stock of the Parent Guarantors or the Issuers that is not Disqualified Stock) or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests (other than Disqualified Stock) of the issuer of such preferred stock or payable to the Issuers, TWI or any of their respective Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to

the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (calculated in accordance with Regulation S-X) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date; and

(4) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the interest rate in effect for such floating rate of interest on the date of determination had been a fixed rate of interest for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of twelve months).

"*Foreign Restricted Subsidiary*" means any Restricted Subsidiary that is not a Domestic Subsidiary.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the issue date.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness. The capitalized term, "Guarantee" shall refer only to the guarantees of the notes provided by the Guarantors.

"*Guarantors*" means each of the Parent Guarantors and the Subsidiary Guarantors, collectively.

"*Hedging Obligation*" of any Person means any obligation or liability, direct of indirect, contingent or otherwise, of such Person in respect of any Interest Rate Agreement, Currency Exchange Protection Agreement or any other similar agreement or arrangement.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"*Independent Investment Bank*" means an investment banking firm or national standing or any third party appraiser that is determined by a majority of the independent directors of the First Tier Parent Guarantor to be competent to issue or valuation with respect to the matters for it is proposed to be engaged; *provided* that such firm or appraiser is not an Affiliate of TWI.

"*Interest Rate Agreement*" means, for any Person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement, in each case, including any guarantee and collateral documents referred to therein designed to protect such Person against fluctuations in interest rates.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If TWI, the Issuers or any of their respective Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of TWI, the Issuers or such Restricted Subsidiary, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of TWI, the Issuers or any of their Restricted Subsidiaries, TWI will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." The acquisition by TWI, the Issuers or any of their respective Restricted Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by TWI in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments."

"*issue date*" means the date on which notes are initially issued under the indenture.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any sale or other disposition of assets; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

"*Net Proceeds*" means the aggregate cash proceeds received by TWI, the Issuers or any of their respective Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, recording fees, title transfer fees, costs of preparation of assets for sale, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale, all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of the Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-recourse Debt*" means Indebtedness:

(1) as to which none of TWI, the Issuers or any of their respective Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time of both any holder of any other Indebtedness (other than the notes) of TWI, the Issuers or any of their respective Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of TWI, the Issuers or any of their respective Restricted Subsidiaries.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering Memorandum" means the offering memorandum, dated August 8, 2003, relating to the notes.

"*Parent Guarantors*" means TWI Holdings, Inc., Tempur World, Inc. and Tempur World Holdings, Inc., collectively, and their respective successors and assigns.

"*Permitted Asset Swap*" means sales, transfers or other dispositions of assets, including all of the outstanding Capital Stock of a Restricted Subsidiary (other than the Issuers), for consideration at least equal to the fair market value of the assets sold or disposed of, but only if the consideration received consists of Capital Stock of a Person that becomes a Restricted Subsidiary engaged in, or property or assets (other than cash, except to the extent used as a bona fide means of equalizing the value of the property or assets involved in the swap transaction) of a nature or type or that are used in, a business having property or assets of a nature or type, or engaged in a business similar or related to the nature or type of the property and assets of, or business of, the Restricted Subsidiaries of TWI, including the Issuers, existing on the date of such sale or other disposition.

"*Permitted Business*" means the lines of business conducted by the Issuers and the Foreign Restricted Subsidiaries of TWI on the issue date and businesses reasonably related thereto.

"Permitted Investments" means:

(1) any Investment in TWI, the Issuers or any Guarantor;

(2) any Investment by the Parent Guarantors, the Issuers or a Subsidiary Guarantor in a Foreign Restricted Subsidiary of TWI; *provided* that for so long as any of the notes are outstanding, the aggregate amount of all Investments made pursuant to this clause (2) shall not exceed the greater of (A) 20% of the Consolidated Net Tangible Assets of TWI as of the last day of the most recently ended fiscal quarter which internal financial statements are available and (B) $20.0 million.

(3) any Investment in Cash Equivalents;

(4) any Investment by TWI, the Issuers or any of their respective Restricted Subsidiaries in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Person making such Investment; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, TWI, any Issuer or any of their Restricted Subsidiaries; *provided* that in no event shall any Subsidiary Guarantor be merged with or into, or transfer or convey all or substantially all its assets, or be liquidated into a Foreign Restricted Subsidiary in reliance on this clause (4)(b);

(5) any Investment by any Foreign Restricted Subsidiary in any other Foreign Restricted Subsidiary;

(6) any Investment funded with cash proceeds from an indemnity claim under the merger agreement relating to the acquisition of Tempur World, Inc. in the Foreign Restricted Subsidiary (either directly or through one or more capital contributions) that incurred the obligation or liability with respect to which such indemnity payment is being made;

(7) any capital contribution by the First Tier Parent Guarantor to one or more of its Foreign Restricted Subsidiaries, so long as the proceeds are applied within two weeks after the date of such capital contribution to repay intercompany payables owed by a Foreign Restricted Subsidiary to the Issuers or a Guarantor;

(8) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales;"

(9) any acquisition of assets or Investment solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of TWI or the Issuers or made with the proceeds of a substantially concurrent sale of such Equity Interests (other than Disqualified Stock) made for such purpose;

(10) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(11) Hedging Obligations;

(12) guarantees that constitute Permitted Indebtedness;

(13) advances, loans or extensions of credit to suppliers in the ordinary course of business by any Parent Guarantor or any Restricted Subsidiary; and

(14) other Investments in any Person having an aggregate fair market value (measured on the date each such investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (11) that are at the time outstanding, not to exceed $20.0 million.

"*Permitted Junior Securities*" means:

(1) Equity Interests in any Issuer or any Guarantor; or

(2) debt securities that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the notes and the Guarantees are subordinated to Senior Debt under the indenture.

"*Permitted Liens*" means:

(1) Liens on assets (including Capital Stock) of TWI, the Issuers and their respective Subsidiaries securing Senior Debt or Indebtedness under Credit Facilities that was permitted by the terms of the indenture to be incurred;

(2) Liens in favor of TWI or the Issuers or any Guarantor;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with TWI, the Issuers or any their respective Restricted Subsidiaries; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with TWI, the Issuers or any of their respective Restricted Subsidiaries;

(4) Liens on property existing at the time of acquisition of the property by TWI, the Issuers or any their respective Restricted Subsidiaries, *provided* that such Liens were in existence prior to the contemplation of such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA);

(7) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which TWI, the Issuers or any of their Restricted Subsidiaries is a party as lessee, made in the ordinary course of business;

(8) inchoate and unperfected workers', mechanics' or similar Liens arising in the ordinary course of business, so long as such Liens attach only to equipment, fixtures and/or real estate;

(9) carriers', warehousemen's, suppliers' or other similar possessory Liens arising in the ordinary course of business and securing past due liabilities in an outstanding aggregate amount not in excess of $50,000 at any time, so long as such Liens attach only to inventory;

(10) any attachment or judgment Lien in respect of a judgment being contested by the Company and not constituting an Event of Default;

(11) zoning restrictions, easements, licenses, or other restrictions on the use of any real property or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value or marketability of such real property;

(12) Liens arising from precautionary UCC-1 financing statement filings regarding operating leases entered into by TWI, the Issuers or any of their Restricted Subsidiaries in the ordinary course of business;

(13) Liens arising from subleases or leases entered into the ordinary course of business by TWI, the Issuers or their respective Restricted Subsidiaries as lessor with respect to excess or unused real property owned or leased by TWI, the Issuers or their respective Restricted Subsidiaries;

(14) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness;

(15) Liens existing on the issue date;

(16) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor; and

(17) Liens incurred in the ordinary course of business TWI, the Issuers or any their respective Restricted Subsidiaries with respect to obligations that do not exceed $15.0 million at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of TWI, the Issuers or any of their respective Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness (other than intercompany Indebtedness) of TWI, the Issuers or any of their respective Restricted Subsidiaries; *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(2) in the case of Indebtedness other than Senior Debt, such Permitted Refinancing Indebtedness has a final maturity date the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by TWI or by the Issuer or Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Principals*" means each of TA Associates, Inc. and Friedman Fleischer & Lowe and their respective Affiliates.

"*Qualified IPO*" means a bona fide, firm commitment underwritten public offering of the common stock of TWI Holdings Inc. (or any other indirect ultimate Parent Guarantor) pursuant to an effective registration statement under the Securities Act generating gross proceeds to such issuer in an amount equal to at least $75.0 million (based upon the price to the public in the public offering).

"*Reference Treasury Dealer*" means Lehman Brothers Inc. or any other investment banking firm of national reputation and their respective successors; *provided, however,* that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), TWI will substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"*Related Party*" means:

(1) any controlling equityholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*SEC*" means the Securities and Exchange Commission.

"*Senior Debt*" means:

(1) all Indebtedness of the Guarantors or the Issuers outstanding from time to time under Credit Facilities and all Hedging Obligations with respect thereto;

(2) any other Indebtedness of TWI, the Issuers or any Subsidiary Guarantor to the extent permitted to be incurred under indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the notes or any Guarantee thereof; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding sentence, Senior Debt will not include:

(4) any liability for federal, state, local or other taxes owed or owing by TWI, the Issuers or their respective Restricted Subsidiaries;

(5) any Indebtedness owed by a Person to any Subsidiary or other Affiliate of such Person other than senior subordinated notes in an amount not to exceed $35.0 million issued or guaranteed by the Guarantors or the Issuers pursuant to that certain Subordinated Note Purchase Agreement, dated as of November 1, 2002;

(6) any trade payables; or

(7) the portion of any Indebtedness that is incurred in violation of the indenture.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligation*" means, with respect to any Person, any Indebtedness of such Person, whether outstanding on the issue date or thereafter incurred, that is subordinate or junior in right of payment to the notes or a Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Subsidiary Guarantee*" means the Guarantee of the notes by each of the Subsidiary Guarantors pursuant to the indenture and in the form of the Guarantee endorsed on the form of note attached to the indenture and any additional Guarantee of the notes to be executed by any Subsidiary of the Company pursuant to the covenant described above under the caption "—Additional Subsidiary Guarantees."

"*Subsidiary Guarantors*" means, collectively, all Subsidiaries that execute a Subsidiary Guarantee in accordance with the provisions of the indenture and their respective successors and assigns; each such Subsidiary being a "Subsidiary Guarantor."

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the yield to maturity of the Comparable Treasury Issue, compounded semi-annually, assuming a price for such Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price.

"*Unrestricted Subsidiary*" means any Subsidiary of TWI (other than the Issuers), or any successor to any of them, that is designated by the Board of Directors of TWI as an Unrestricted Subsidiary pursuant to a Board Resolution in accordance with the covenant described under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries."

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Wholly Owned Subsidiary"* means, as to any Person, a Subsidiary of such Person of which 100% of the Voting Stock is owned beneficially by the referent Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

BOOK-ENTRY; DELIVERY AND FORM

The exchange notes will be issued in the form of one or more fully registered notes in global form. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a global note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC or its nominee is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the exchange notes. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the indenture.

Payments of the principal of, and interest on, a global note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuers, the Guarantors, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in such global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We expect that DTC will take any action permitted to be taken by a holder of exchange notes (including the presentation of exchange notes for exchange as described below) only at the direction of one or more participants to whose account DTC interests in a global note is credited and only in respect of such portion of the aggregate principal amount of exchange notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the notes, DTC will exchange the applicable global note for certificated notes, which it will distribute to its participants.

We understand that DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Indirect access to the DTC system is

available to others such as banks, brokers, dealers and trust companies and certain other organizations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global note among participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantors or the Trustee will have any responsibility for the performance by DTC or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the global notes and a successor depositary is not appointed by us within 90 days, we will issue certificated notes in exchange for the global notes. Holders of an interest in a global note may receive certificated notes in accordance with DTC's rules and procedures in addition to those provided for under the indenture.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes by U.S. and non-U.S. noteholders (as defined below). This discussion is based on current provisions of the Internal Revenue Code of 1986 (which we refer to as the Code), currently applicable Treasury regulations, and judicial and administrative rulings and decisions. Legislative, judicial or administrative changes could alter or modify the statements and conclusions in this discussion. Any legislative, judicial or administrative changes or new interpretations may be retroactive and could affect tax consequences to noteholders. In addition, we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to any tax consequences of purchasing, owning or disposing of the notes. Thus, we cannot assure you that the IRS would not successfully challenge one or more of the tax consequences or matters described here.

This discussion applies to noteholders who acquire the notes for cash at original issue for their "issue price" and hold the notes as capital assets. For this purpose, issue price is the first price at which a substantial amount of the notes are sold to the public for money, excluding sales to bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. This discussion does not address all of the tax consequences relevant to a particular noteholder in light of that noteholder's circumstances, and some noteholders may be subject to special tax rules and limitations not discussed below (e.g., insurance companies, tax exempt organizations, private foundations, financial institutions, dealers in securities, regulated investment companies, S corporations, taxpayers subject to the alternative minimum tax provisions of the Code, nonresident aliens subject to tax on expatriates under Section 877 of the Code, broker-dealers, persons that have a "functional currency" other than the U.S. dollar, and persons who hold the notes as part of a hedge, straddle, "synthetic security," or other integrated investment, risk reduction or constructive sale transaction). This discussion also does not address the tax consequences to nonresident aliens, foreign corporations, foreign partnerships or foreign trusts that are subject to U.S. federal income tax on a net basis on income with respect to a note because that income is effectively connected with the conduct of a U.S. trade or business. Those holders generally are taxed in a manner similar to U.S. noteholders; however, special rules (including additional taxes) not applicable to U.S. noteholders may apply. In addition, this discussion does not address any tax consequences under state, local or foreign tax laws, or under U.S. estate and gift tax law. **Consequently, prospective investors are urged to consult their tax advisers to determine the federal, state, local and foreign income and any other tax consequences of the purchase, ownership and disposition of the notes, including the consequences of any applicable tax treaties.**

The tax consequences to a partner in a partnership that owns the notes depend in part on the status of the partner and the activities of the partnership. Such persons should consult their tax advisers regarding the consequences of the purchase, ownership and disposition of the notes.

We use the term "U.S. noteholder" to mean a "U.S. Person" that is the beneficial owner of a note. All noteholders that are beneficial owners of notes and that are not "U.S. noteholders" are herein referred to as "non-U.S. noteholders." A "U.S. Person" is:

- a citizen or resident of the United States, as determined for U.S. federal income tax purposes;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States, or under the laws of the United States or of any state (including the District of Columbia);
- an estate the income of which is includable in gross income for U.S. federal income tax purposes, regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust.

Taxation of U.S. Noteholders

Payments of Interest. Stated interest on the notes will be taxable as ordinary interest income when received or accrued by U.S. noteholders under their method of accounting. In certain circumstances (see "Description of the Notes—Optional Redemption," "Description of the Notes—Repurchase at the Option of Holders—Change of Control" and "Description of the Notes—Registration Rights; Additional Interest"), the Issuers may be obligated to pay amounts in excess of stated interest or principal on the notes. According to Treasury regulations, the possibility that any such payments in excess of stated interest or principal will be made will not affect the amount or timing of interest income a U.S. noteholder recognizes if there is only a remote chance as of the date the notes were issued that such payments will be made. The Issuers believe that the likelihood that they will be obligated to make any such payments is remote. Therefore, the Issuers do not intend to treat the potential payment of these amounts as part of the yield to maturity of the notes (for purposes of the original issue discount provisions of the Code). The Issuers' determination that these contingencies are remote is binding on a U.S. noteholder unless such holder discloses its contrary position in the manner required by applicable Treasury regulations. The Issuers' determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, a U.S. noteholder might be required to accrue income on its notes in excess of stated interest, and might be required to treat any income realized on the taxable disposition of a note before the resolution of the contingencies as ordinary income rather than capital gain. In the event a contingency occurs, it would affect the amount and timing of the income recognized by a U.S. noteholder. If any Additional Interest is in fact paid, U.S. noteholders will be required to recognize such amounts as interest income.

Original Issue Discount. It is expected that, and this discussion assumes that, any original issue discount on the notes (i.e., any excess of the stated redemption price at maturity of the note over its issue price) will be less than a statutory *de minimis* amount (equal to 0.25% of its stated redemption price at maturity multiplied by the number of complete years to maturity) as provided in the Treasury's original issue discount regulations. Accordingly, the noteholders will not be subject to the original issue discount rules under the Code and the Treasury regulations.

Sale or Other Taxable Disposition of Notes. Unless a non-recognition provision applies, if there is a sale, exchange (other than an exchange of your notes in connection with our registration of the notes, as discussed below), redemption, retirement or other taxable disposition of a note, a U.S. noteholder generally will recognize gain or loss equal to the difference between (a) the amount of cash and the fair market value of any other property received (other than amounts attributable to accrued stated interest, which will be taxable as ordinary interest income) and (b) the U.S. noteholder's adjusted tax basis in the note. The adjusted tax basis in a note generally will equal its cost (net of accrued interest). Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. noteholder has held the note for more than one year. The deductibility of capital losses is subject to limitations.

Exchange Offer. The exchange of the notes for otherwise identical debt securities registered under the Securities Act pursuant to the exchange offer will not constitute a taxable exchange for U.S. federal income tax purposes. See "Description of the Notes—Registration Rights; Additional Interest." As a result, (1) a U.S. noteholder will not recognize a taxable gain or loss as a result of exchanging such holder's notes; (2) the holding period of the exchange notes will include the holding period of the notes exchanged therefor; (3) the adjusted tax basis of the exchange notes will be the same as the adjusted tax basis of the notes exchanged therefor immediately before the exchange; and (4) a U.S. noteholder will continue to take into account income in respect of an exchange note in the same manner as before the exchange.

Additional Matters Relating to Taxation of Non-U.S. Noteholders

Payments of Interest. Subject to the discussion below concerning backup withholding, a non-U.S. noteholder will not be subject to U.S. federal income or withholding tax on interest (including Additional

Interest, if any) on a note if such interest qualifies as portfolio interest. Generally, interest on a note will qualify for portfolio interest if the interest is not effectively connected with the conduct of a trade or business in the U.S. by the non-U.S. noteholder, the certification described below is given by the non-U.S. noteholder and the non-U.S. noteholder is not:

- a controlled foreign corporation that is related to us through stock ownership or is otherwise related as determined by Internal Revenue Code Section 864(d) of the Code;
- a bank that receives interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; or
- an owner, actually or constructively, of 10% or more of the voting power of our stock.

In order for interest payments to qualify for the exemption from U.S. taxation described above, the last person or entity in the United States in the chain of interest payments to the non-U.S. noteholder (the "Withholding Agent") must have received (prior to a payment of interest or principal) a certification that complies with IRS informational requirements and:

- is signed by the non-U.S. noteholder under penalty of perjury;
- certifies that the non-U.S. noteholder is not a U.S. Person; and
- provides the name and address of the non-U.S. noteholder.

The certification may be made on an IRS Form W-8BEN, and the non-U.S. noteholder must inform the Withholding Agent of any change in the information on the certification within 30 days of the change. If a note is held through a securities clearing organization or other financial institution, the organization or institution may provide a signed statement to the Withholding Agent certifying under penalty of perjury that the IRS Form W-8BEN has been received by it from the noteholder or from another qualifying financial institution. However, in that case, the signed statement must be accompanied by a copy of the IRS Form W-8BEN provided to the organization or institution holding the note on behalf of the non-U.S. noteholder. Also, special procedures are provided under applicable Treasury regulations for payments through qualified intermediaries.

The gross amount of payments of interest that do not qualify for the exemption from U.S. taxation described above will be subject to U.S. withholding tax at a rate of 30% unless a tax treaty applies to reduce or eliminate the U.S. withholding. To claim a reduction in or an exemption from U.S. withholding tax on interest under a tax treaty between the United States and the non-U.S. noteholder's country of residence, a non-U.S. noteholder must generally complete an IRS Form W-8BEN and certify to its right to a reduction or exemption on the form. If interest on the notes is effectively connected to a U.S. trade or business of a non-U.S. noteholder, the 30% withholding tax will not apply to interest paid on the notes if the non-U.S. noteholder furnishes a properly completed IRS Form W-8ECI prior to payment.

The IRS Forms described above must be periodically updated. In addition, a non-U.S. noteholder who is claiming the benefits of a treaty will be required to obtain and to provide a U.S. taxpayer identification number unless, in certain circumstances, the non-U.S. noteholder provides certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

Sale, Exchange or Disposition of the Notes. Subject to the discussion below concerning backup withholding, generally, any gain realized by a non-U.S. noteholder from the sale, exchange (other than the exchange of your notes in connection with our registration of the notes, as discussed above), redemption, retirement or other disposition of a note (other than gain attributable to accrued interest) will not result in U.S. federal income tax or withholding tax liability, unless (i) the noteholder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met or (ii) such gain is treated as effectively connected with a U.S. trade or business of the non-U.S. noteholder.

Backup Withholding and Information Reporting

Certain noteholders may be subject to backup withholding and information reporting on payments of principal and interest on a note and proceeds received from the disposition of a note. The backup withholding rate is 28%. Generally, in the case of a U.S. noteholder, backup withholding will apply only if (i) the U.S. noteholder fails to furnish its Taxpayer Identification Number (TIN) to the payor, (ii) the IRS notifies the payor that the U.S. noteholder has furnished an incorrect TIN, (iii) the IRS notifies the payor that the U.S. noteholder has failed to properly report payments of interest or dividends, or (iv) under certain circumstances, the U.S. noteholder fails to certify, under penalty of perjury, that it has both furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest or dividend payments.

Some U.S. noteholders (including, among others, corporations, financial institutions and some tax exempt organizations) generally are not subject to backup withholding or information reporting.

Backup withholding tax will not apply to payments of principal and interest to non-U.S. noteholders if the statement described above in "Non-U.S. Noteholders—Payments of Interest" is provided to the Withholding Agent, or the non-U.S. noteholder otherwise establishes an exemption, *provided* that the Withholding Agent does not have actual knowledge or reason to know that the payee is a U.S. Person or that the conditions of any other exemption are not, in fact, satisfied. The Withholding Agent will be required to report annually to the IRS and to each non-U.S. noteholder the amount of interest paid to, and the tax withheld, if any, for each non-U.S. noteholder. Copies of these information returns also may be made available under the provisions of a specific treaty or other agreement to the tax authorities of the country in which the non-U.S. noteholder resides.

If a sale of notes is effected at an office of a broker outside the United States through an offshore account, the proceeds of that sale will not be subject to backup withholding (absent the broker's actual knowledge that the payee is a U.S. Person). Information reporting (but not backup withholding) will apply, however, to a sale of notes effected at an office of a broker outside the United States if that broker:

- is a U.S. Person;
- is a controlled foreign corporation for U.S. federal income tax purposes;
- is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, the foreign partnership is engaged in a U.S. trade or business; or
- derives 50% or more of its gross income from the conduct of a U.S. trade or business for a specified three-year period,

unless the broker has in its records documentary evidence that the noteholder is a non-U.S. noteholder and other conditions are met (including that the broker has no actual knowledge that the noteholder is a U.S. noteholder) or the noteholder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a noteholder would be allowed as a refund or a credit against that noteholder's U.S. federal income tax, *provided* that the required information is timely furnished to the IRS.

THE FOREGOING SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES TO HIM, HER OR IT OF PURCHASING, OWNING AND DISPOSING OF NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAW.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for old notes where such old notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 90 days after the expiration date, we will make this prospectus, as amended or supplemented, available to any broker-dealer which requests it in the letter of transmittal, for use in any such resale. In addition, until , 2003, all dealers effecting transactions in the exchange notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such exchange notes.

Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of exchange notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver, and by delivering, a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The Issuers have agreed to pay expenses incident to the exchange offer other than commissions or concessions of any brokers or dealers. The Issuers and each Guarantor will, jointly and severally, indemnify the holders of the old notes (including any broker-dealers) against certain types of liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Bingham McCutchen LLP, Boston, Massachusetts.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 as set forth in their reports. We've included our consolidated financial statements and schedules as of and for the two-month period ended December 31, 2002 and the consolidated financial statements and schedules of our Predecessor as of and for the ten-month period ended October 31, 2002 in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of our Predecessor at December 31, 2001 and 2000, and for each of the two years in the period ended December 31, 2001, as set forth in their report. We've included these consolidated financial statements of our Predecessor in this prospectus and elsewhere in the registration statement in reliance on Arthur Andersen LLP's report, given on their authority as experts in accounting and auditing.

In June 2002, Arthur Andersen LLP was convicted of federal obstruction of justice charges. As a result of its conviction, Arthur Andersen has ceased operations and is no longer in a position to reissue its audit reports or to provide consent to include financial statements reported on by it in this prospectus. Because Arthur Andersen has not reissued its reports and because we are not able to obtain a consent from Arthur Andersen, you will be unable to sue Arthur Andersen for material misstatements or omissions, if any, in this prospectus, including the financial statements covered by its previously issued reports. Even if you have a basis for asserting a remedy against, or seeking recovery from, Arthur Andersen, we believe that it is unlikely that you would be able to recover damages from Arthur Andersen.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-4 with respect to the securities we are offering. This prospectus does not contain all the information contained in the registration statement, including its exhibits and schedules. You should refer to the registration statement, including the exhibits and schedules, for further information about us and the securities we are offering. Statements we make in this prospectus about certain contracts or other documents are not necessarily complete. When we make such statements, we refer you to the copies of the contracts or documents that are filed as exhibits to the registration statement because those statements are qualified in all respects by reference to those exhibits. The registration statement, including exhibits and schedules, is on file at the offices of the SEC and may be inspected without charge.

Under the terms of the indenture that governs the notes, we have agreed that, whether or not required by the rules and regulations of the SEC, so long as any old notes or exchange notes are outstanding, the Issuers will furnish to the trustee or the holders of the old notes or exchange notes (i) all quarterly and annual financial and other information that would be required to be filed with the SEC on Forms 10-Q and 10-K, if we were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Companies' certified independent accountants; and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if we were required to file such reports. In addition, whether or not required by the rules and regulations of the SEC, we will file a copy of all such information and reports with the SEC for public availability (unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, we have agreed that, for so long as any old notes or exchange notes remain outstanding, we will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Upon effectiveness of the registration statement of which this prospectus is a part, we will become subject to the periodic reporting and to the informational requirements of the Exchange Act and will file information with the SEC, including annual, quarterly and special reports. You may read and copy any document we file with the SEC at the public reference room maintained by the SEC at 450 Fifth Street NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our SEC filings are also available at the SEC's web site at *http://www.sec.gov*.

You can obtain a copy of any of our filings, at no cost, by writing to or telephoning us at:

Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
Attention: Robert B. Trussell, Jr.
800-878-8889

INDEX TO HISTORICAL FINANCIAL STATEMENTS

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
As of June 30, 2003

	Successor June 30, 2003 (Unaudited)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 7,983,531
Accounts receivable, net of allowance for doubtful accounts of $3,075,633	49,038,913
Inventories	54,449,320
Prepaid expenses and other current assets	5,062,328
Deferred income taxes	5,182,068
Total current assets	121,716,160
Property, plant and equipment, net	92,047,191
Goodwill	205,075,941
Other intangible assets, net of amortization of $1,595,315 as of June 30, 2003	82,789,568
Deferred financing costs and other non-current assets, net	8,969,568
Total Assets	$ 510,598,428
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 23,457,588
Accrued expenses	32,752,825
Income taxes payable	12,927,181
Value added taxes payable	1,250,500
Accrued earn-out payable	40,000,000
Current portion—long-term debt	13,709,778
Current portion—capital lease obligations and other	671,426
Total current liabilities	124,769,298
Long-term debt	161,685,971
Capital lease obligations	12,875
Deferred income taxes	41,668,303
Other long-term liabilities	1,885,945
Total liabilities	330,022,392
Commitments and contingencies	
Stockholders' Equity:	
Series A Convertible Preferred Stock, $.01 par value, 180,000 shares authorized, 146,463.65 shares issued and outstanding	154,232,245
Class A Common Stock, $.01 par value, 25,000 shares authorized, 14,006 shares issued and outstanding	140
Class B-1 Common Stock, $.01 par value, 300,000 shares authorized, 878.64 shares issued and outstanding	9
Additional paid in capital	4,864,496
Class B-1 Common Stock Warrants	2,347,788
Notes receivable	(100,000)
Deferred stock compensation, net of amortization of $14,339	(129,044)
Retained earnings	16,124,256
Accumulated other comprehensive income	3,236,146
Total stockholders' equity	180,576,036
Total liabilities and stockholders' equity	$ 510,598,428

The accompanying notes to consolidated condensed interim financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2002

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2003

	Predecessor	Successor
	Six Months Ended	
	June 30, 2002	June 30, 2003
	(Unaudited)	(Unaudited)
Net sales	$ 129,808,671	$ 218,803,941
Cost of sales	61,893,654	98,635,412
Gross profit	67,915,017	120,168,529
Selling expenses	33,300,054	49,350,947
General and administrative expenses	14,923,374	19,252,160
Research and development expenses	604,241	413,503
Operating income	19,087,348	51,151,919
Other income (expense), net:		
Interest income	187,266	291,495
Interest expense	(3,866,990)	(8,452,766)
Foreign currency exchange losses	(325,551)	(1,936,177)
Other income, net	141,938	1,431,558
Total other expense	(3,863,337)	(8,665,890)
Income before income taxes	15,224,011	42,486,029
Income tax provision	7,273,958	15,738,963
Net income	7,950,053	26,747,066
Preferred stock dividends	718,219	5,810,394
Net income available to common shareholders	$ 7,231,834	$ 20,936,672

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

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2002

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2003

	Six Months Ended	
	June 30, 2002	June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,950,053	$ 26,747,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,975,598	8,233,333
Amortization of deferred financing costs	663,005	1,197,625
Amortization of original issue discount	—	326,039
Allowance for doubtful accounts	1,422,453	1,465,963
Deferred income taxes	(2,007,453)	(521,665)
Foreign currency adjustments	(2,996,026)	(3,321,604)
(Gain)/Loss on sale of equipment	532,979	(205,545)
Changes in operating assets and liabilities:		
Accounts receivable—trade	(4,141,268)	(5,519,907)
Inventories	(5,530,999)	(16,207,700)
Prepaid expenses and other current assets	862,499	(1,382,703)
Accounts payable	1,989,986	4,233,667
Accrued expenses and other	1,905,291	2,786,709
Value added taxes payable and other	(1,229,039)	(3,176,599)
Income taxes payable	4,626,833	8,304,607
Net cash provided by operating activities	10,023,912	22,959,286
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses, net of cash acquired	(647,407)	—
Purchases of property, plant and equipment	(4,835,277)	(6,744,067)
Proceeds from sales of property, plant and equipment	5,143,789	656,372
Net cash used by investing activities	(338,895)	(6,087,695)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	5,330,006	6,847,718
Proceeds from issuance of long-term debt—related party	18,798	—
Proceeds from issuance of notes payable-line of credit	2,903,421	477,550
Repayments of long-term debt	(19,926,444)	(29,259,028)
Repayments of long-term debt—related party	(945,921)	—
Repayments of notes payable—line of credit	(2,799,242)	—
Repayments of capital lease obligations	(135,920)	(15,148)
Payments of deferred financing costs	(122,195)	—
Proceeds from issuance of preferred stock	2,500,000	—
Purchases of treasury stock	(546,040)	—
Net cash used by financing activities	(13,723,537)	(21,948,908)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH:	(344,347)	406,673
Decrease in cash and cash equivalents	(4,382,867)	(4,670,644)
CASH AND CASH EQUIVALENTS, beginning of period	7,538,178	12,654,175
CASH AND CASH EQUIVALENTS, end of period	$ 3,155,311	$ 7,983,531

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

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

(1) The Company

On November 1, 2002, TWI Holdings, Inc. (the Successor to Tempur World, Inc.) acquired (the Tempur Acquisition) Tempur World, Inc. (the Predecessor to TWI Holdings, Inc.). The total acquisition price of Tempur World, Inc. (collectively with its subsidiaries, Tempur World) was approximately $268,483,800. The Tempur Acquisition was financed with approximately $146,638,700 in cash proceeds of newly issued Series A Convertible Preferred Stock and Class A Common Stock and $107,679,400 of incremental senior and mezzanine debt borrowings, net of approximately $5,751,900 of Tempur World's cash.

The Tempur Acquisition was accounted for using the purchase method of accounting (see Note 2, Business Combinations). As a result of purchase accounting adjustments to the carrying value of the assets and liabilities, the financial position and results of operations for periods subsequent to the Tempur Acquisition are not comparable to those of Tempur World (the Predecessor of TWI Holdings). The accompanying financial statements present financial information for TWI Holdings (the Successor to Tempur World) and Tempur World (the Predecessor to TWI Holdings) and throughout these Consolidated Condensed Interim Financial Statements a distinction is made between Successor and Predecessor financial information.

Consistent with the terms and conditions of the Tempur Acquisition, TWI Holdings, Inc. (collectively with its subsidiaries, TWI Holdings or the Company) is required to pay a maximum of $40,000,000 to the former shareholders of Tempur World as a deferred payment if TWI Holdings meets certain EBITDA and revenue targets for the fiscal year ending December 31, 2003. The Company has accrued this amount in the accompanying Consolidated Condensed Interim Balance Sheet.

TWI Holdings, Inc. is a US-based multinational corporation incorporated in Delaware. The Company manufactures, markets and sells advanced visco-elastic foam products including pillows, mattresses and other related products. The Company manufactures essentially all of its products at Dan Foam ApS, located in Denmark and Tempur Production USA, Inc. in the United States. The Company has sales and distribution companies operating in the US, Europe, Japan, South Africa and Singapore. In addition, the Company has third party distributor arrangements in Eastern Europe, Asia/Pacific, the Middle East, Central and South America and Canada and Mexico. The Company sells its products in over 50 countries and primarily extends credit based on the creditworthiness of its customers. The majority of the Company's revenues are derived from sales to retailers and to retail consumers through its direct response business.

These Consolidated Condensed Interim Financial Statements (the Statements) include both Successor and Predecessor financial information.

The accompanying Statements, prepared in accordance with the instructions to Form 10-Q and article 10 of Regulation S-X, are unaudited and do not include all the information and disclosures required by generally accepted accounting principles in the United States for complete financial statements. Accordingly, for further information refer to the consolidated financial statements of TWI Holdings, Inc. and related footnotes for the two months ended December 31, 2002.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. In the opinion of management, all significant intercompany balances and transactions have been eliminated in consolidation and all necessary adjustments for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

(2) Business Combination

The Tempur Acquisition was accounted for as a purchase in accordance with Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations" (SFAS 141), and TWI Holdings (the Successor to Tempur World) has allocated the purchase price of Tempur World (the Predecessor to TWI Holdings) based upon the fair values of the net assets acquired and liabilities assumed. The allocation of the purchase price has not yet been finalized and is subject to adjustment over the allocation period for most items and longer for income tax matters. The changes in the carrying amount of goodwill for the six months ended June 30, 2003 approximated:

	Successor
Balance as of December 31, 2002	$ 165,803,200
Foreign currency translation adjustments	(184,700)
Purchase accounting adjustments	39,457,400
Balance as of June 30, 2003	$ 205,075,900

The goodwill has been preliminarily allocated to the Domestic and International segments as follows:

Domestic	$ 88,844,800
International	$ 116,231,100

(3) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*—The Statements include the accounts of TWI Holdings (the Successor to Tempur World) and its subsidiaries and Tempur World (Predecessor to TWI Holdings) and its subsidiaries. All subsidiaries, directly or indirectly, are wholly-owned. All material intercompany balances and transactions have been eliminated.

(b) *Management's Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, management makes its best estimate to accrue for certain costs incurred in connection with business activities such as warranty claims and sales returns, but the estimates of these costs could change materially.

(c) *Foreign Currency Translation*—Assets and liabilities of non-United States subsidiaries, whose functional currency is the local currency, are translated at period-end exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the period. The adjustment resulting from translating the financial statements of such foreign subsidiaries is reflected as a separate component of stockholders' equity. Foreign currency transaction gains and losses are reported in results of operations.

(d) *Financial Instruments and Hedging*—Derivative financial instruments are used within the normal course of business principally to manage the exposure to changes in the value of certain foreign currency denominated

assets and liabilities of its Denmark manufacturing operations. Gains and losses are recognized currently in the results of operations and are generally offset by losses and gains on the underlying assets and liabilities being hedged.

A variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date are used in determining the fair value of financial instruments. For the majority of the financial instruments, including derivatives and long-term debt, standard market conventions and techniques including available market data and discounted cash flow analysis are used to determine fair value. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value because of the short-term maturity of those instruments. The carrying amounts of long-term debt approximate the fair market value for instruments with similar terms.

(e) *Revenue Recognition*—In accordance with SEC Staff Accounting Bulletin 101, sales of products are recognized when the products are shipped to customers and the risks and rewards of ownership are transferred. No collateral is required on sales made in the normal course of business. Deposits made by customers are recorded as a liability and recognized as a sale when product is shipped. TWI Holdings (the Successor to Tempur World) had approximately $5,188,700 of deferred revenue included in Accrued expenses as of June 30, 2003.

TWI Holdings (the Successor to Tempur World) reflects all amounts billed to customers for shipping in Net sales and the costs incurred from shipping product in Cost of sales. Amounts included in Net sales for shipping and handling are approximately $8,878,300 for the six months ended June 30, 2003. Amounts included in Cost of sales for shipping and handling are approximately $19,704,200 for the six months ended June 30, 2003.

Tempur World (the Predecessor to TWI Holdings) reflects all amounts billed to customers for shipping in Net sales and the costs incurred from shipping product in Cost of sales. Amounts included in Net sales for shipping and handling are approximately $5,470,900 for the six months ended June 30, 2002. Amounts included in Cost of sales for shipping and handling are approximately $11,230,900 for the six months ended June 30, 2002.

(f) *Accrued Sales Returns*—Estimated sales returns are provided at the time of sale based on historical sales returns. TWI Holdings (the Successor to Tempur World) allows product returns ranging from 90 to 120 days following a sale. Accrued sales returns are included in Accrued expenses in the accompanying Consolidated Condensed Interim Balance Sheets. TWI Holdings (the Successor to Tempur World) had the following activity for sales returns for the six months ended June 30, 2003 (approximated):

	Successor
Balance as of December 1, 2002	$ 4,072,000
Amounts accrued	3,727,800
Returns charged to accrual	(3,131,800)
Balance as of June 30, 2003	$ 4,668,000

(g) *Advertising Costs*—TWI Holdings (the Successor to Tempur World) expenses all advertising costs as incurred except for production costs and advance payments, which are deferred and expensed when

advertisements run for the first time. Advertising costs charged to expense were approximately $30,715,100 for the six months ended June 30, 2003.

Tempur World (the Predecessor to TWI Holdings) expenses all advertising costs as incurred except for production costs and advance payments, which are deferred and expensed when advertisements run for the first time. Advertising costs charged to expense were approximately $20,803,100 for the six months ended June 30, 2002.

Advertising costs are deferred on television and radio advertising where payment is made in advance of the advertising. These costs are expensed the first time the media is run. In addition, direct response prepayments are deferred and are amortized over approximately four months.

The amounts of advertising costs deferred and included in the TWI Holdings (the Successor to Tempur World) Consolidated Condensed Interim Balance Sheet as of June 30, 2003 is approximately $2,575,600.

(h) *Cash and Cash Equivalents*—Cash and cash equivalents consist of all liquid investments with initial maturities of three months or less.

(i) *Inventories*—Inventories are stated at the lower of cost or market, determined by the first-in, first-out method and consisted of the following (approximated):

	Successor June 30, 2003
Finished goods	$ 34,537,800
Work-in-process	7,241,500
Raw materials and supplies	12,670,000
	$ 54,449,300

(j) Property*, Plant and Equipment*—Property, plant and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives as follows:

	Estimated Useful Life
Buildings	25-30 years
Computer equipment	3-5 years
Leasehold improvements	4-7 years
Equipment	3-7 years
Office furniture and fixtures	5-7 years
Autos	3-5 years

Leasehold improvements are amortized over the shorter of the life of the lease or seven years. Depreciation expense relating to TWI Holdings (the Successor to Tempur World) was approximately $7,024,900 for the six months ended June 30, 2003.

Depreciation expense relating to Tempur World (the Predecessor to TWI Holdings) was approximately $5,560,800 for the six months ended June 30, 2002.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

Equipment held under capital leases is recorded at the fair market value of the equipment at the inception of the leases. Equipment held under capital leases are amortized over the shorter of their estimated useful lives or the terms of the respective leases.

(k) Goodwill *and Other Intangible Assets*—The Company follows SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations. SFAS 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144).

The following table summarizes information about the preliminary allocation of other intangible assets for TWI Holdings (the Successor to Tempur World) (approximated):

	As of June 30, 2003	
	Successor	Successor
	Gross Carrying Amount	Accumulated Amortization
Unamortized indefinite life intangible assets:		
Trademarks, patents and technology	$ 74,800,000	$ —
Foam formula	3,000,000	—
Other	84,678	—
Total	$ 77,884,678	$ —
Amortized intangible assets:		
Customer database	$ 4,200,000	$ 420,000
Non-competition agreements and other	2,300,205	1,175,315
Total	$ 84,384,883	$ 1,595,315

TWI Holdings (the Successor to Tempur World) amortizes the non-competition agreements over their life of 1.5 years and the customer database over its estimated useful life of five years. Amortization expense for other intangibles was approximately $1.0 million for the six months ended June 30, 2003.

Based on identified intangible assets recorded as of June 30, 2003, the annual amortization expense is expected to be as follows (approximated):

Twelve Months Ending June 30,	
2004	$ 1,780,450
2005	880,450
2006	849,800
2007	840,000
2008	420,000

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

(l) *Software*—Preliminary project stage costs incurred are expensed and, thereafter, capitalized as costs are incurred in the developing or obtaining of internal use software. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of not more than five years and are subject to impairment evaluation in accordance with SFAS 144. Amounts capitalized for software are included in Machinery and equipment on the Consolidated Condensed Interim Balance Sheet as of June 30, 2003.

(m) *Warranties*—A 20-year warranty for US sales and a 15-year warranty for non-US sales on mattresses is provided, each prorated for the last 10 years. In addition, a 2-year to 3-year warranty is provided on pillows. Estimated future obligations related to these products are provided by charges to operations in the period in which the related revenue is recognized. Warranties are included in accrued expenses in the accompanying Consolidated Condensed Interim Balance Sheet. TWI Holdings (the successor to Tempur World) had the following activity for warranties for the six months ended June 30, 2003 (approximated):

	Successor
Balance as of December 31, 2002	$ 2,881,100
Amounts accrued	1,356,300
Warranty charged to accrual	(955,500)
Balance as of June 30, 2003	$ 3,281,900

(n) *Income Taxes*—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

In conjunction with the acquisition of Tempur World on November 1, 2002, TWI Holdings (the Successor to Tempur World) repatriated approximately $44,200,000 from one of its foreign entities in the form of a loan that under applicable US tax principles is treated as a taxable dividend. In addition, TWI Holdings (the Successor to Tempur World) has provided for the remaining undistributed earnings as of November 1, 2002 of $10,123,400. Provisions have not been made for United States income taxes or foreign withholding taxes on undistributed earnings of foreign subsidiaries since the Tempur Acquisition, as these earnings are considered indefinitely reinvested.

Undistributed foreign earnings as of June 30, 2003 were approximately $49,141,000. These earnings could become subject to United States income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, were loaned to the United States parent company or a United States subsidiary, or if the Company should sell its stock in the subsidiaries.

(o) Research *and Development Expenses*—Research and development expenses for new products are expensed as they are incurred.

(p) *Stock-Based Compensation*—The Company has adopted SFAS 123, “Accounting for Stock Based Compensation” (SFAS 123). In accordance with SFAS 123, the Company has elected to account for employee

stock and option issuances under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under APB 25 no compensation expense is recognized in the statements of income for stock granted to employees and non-employee directors, if the exercise price at least equals the fair value of the underlying stock on the date of grant.

Stock options are granted under various stock compensation programs to employees. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

Pro forma information in accordance with SFAS 123 is as follows:

Six Months Ended June 30,	Predecessor 2002	Successor 2003
Net income (as reported)	$ 7,950,000	$ 26,747,000
Less: additional stock-based employee compensation, net of tax	235,000	29,000
Pro forma net income	$ 7,715,000	$ 26,718,000

(4) New Accounting Standards

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46). FIN No. 46 requires an entity to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the entity does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of ownership. The provisions of this statement apply at inception for any entity created after January 31, 2003. For an entity created before February 1, 2003, the provisions of this Interpretation must be applied at the beginning of the first interim or annual period beginning after June 15, 2003. The adoption of Fin No. 46 did not have an impact on the Company's financial statements.

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 was effective January 1, 2003. SFAS 145 eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board Opinion No. 30, "Reporting Results of Operations" (APB 30). SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This statement nullifies Emerging Issues Task Force Issue 94-3 (Issue 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity's commitment to an exit plan. SFAS 146 had no impact on the Company's condensed financial statements during the second quarter of 2003. However, future periods could be impacted by qualifying activities.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement 123" (SFAS 148), which was effective on December 31,

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

2002. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based compensation. In addition, it amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based compensation and the effect of the method on reported results. The provisions regarding alternative methods of transition do not apply to the Company, which accounts for stock-based compensation using the intrinsic value method.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative that contains financing components. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. The guidance is to be applied prospectively. We do not believe that the adoption of this Statement will have a significant impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new guidance requires that those instruments be classified as liabilities in statements of financial position. We are still evaluating the impact of this statement on our consolidated financial statements.

(5) Supplemental Cash Flow Information

Cash payments for interest and net cash payments for income taxes are as follows (approximated):

	Six Months Ended June 30,	
	Predecessor 2002	Successor 2003
Interest	$ 4,148,500	$ 6,148,500
Income taxes, net of refunds	$ 7,110,000	$ 6,825,400

(6) Long-term Debt

(a) *Secured Debt Financing*—On November 1, 2002, in connection with the Tempur Acquisition, TWI Holdings (the Successor to Tempur World) obtained from a syndicate of lenders a total of $170,000,000 of senior secured debt financing (the "Senior Debt Financing") under United States and European term loans and long-term revolving credit facilities. The facilities consisted of (i) a $30,000,000 United States revolving loan facility; (ii) a $65,000,000 United States term loan facility (the United States revolving loan and the United States term loan are collectively referred to herein as the "US Facility"); (iii) a $20,000,000 European revolving loan facility; and (iv) a $55,000,000 European term loan facility (the European revolving loan and the European term loan are collectively referred to herein as the "European Facility").

Borrowing availability under the United States and European revolving credit facilities is subject to a US Borrowing Base and European Borrowing Base, each as defined in the Loan Agreement. At June 30, 2003, TWI

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

Holdings (the Successor to Tempur World) had unused availability under the Senior Debt Financing of approximately $20,373,500 and $17,784,600, respectively.

The aggregate amount of letters of credit outstanding under the US Facility is approximately $100,000 as of June 30, 2003. The aggregate amount of letters of credit outstanding under the European Facility is approximately $5,064,200 as of June 30, 2003.

The Loan Agreement for the debt makes TWI Holdings (the Successor to Tempur World) subject to certain financial covenants, including: minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; maximum senior leverage ratio; and a limitation on capital expenditures, in each case as defined. TWI Holdings (the Successor to Tempur World) was in compliance with its covenants as of June 30, 2003.

(b) *Senior Subordinated Debt*—On November 1, 2002, in connection with the Tempur Acquisition, TWI Holdings (the Successor to Tempur World) obtained a total of $50,000,000 of 12.5% senior subordinated unsecured debt financing (the "Sub Debt").

The Loan Agreement for the Sub Debt makes TWI Holdings (the Successor to Tempur World) subject to certain financial covenants, including: minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; and a limitation on capital expenditures, in each case as defined. TWI Holdings (the Successor to Tempur World) was in compliance with its covenants as of June 30, 2003.

(c) *Long-term Debt*—Long-term debt for TWI Holdings (the Successor to Tempur World) at June 30, 2003 consisted of the following (approximated):

	Successor June 30, 2003
United States Term Loan payable to a lender, interest at the IBOR plus margin (5.1% as of June 30, 2003), principal payments due quarterly through September 2007	$ 61,400,000
European Term Loan payable to a lender, interest at IBOR plus margin (5.1% as of June 30, 2003), principal payments due quarterly through September 2007	52,000,000
United States Long-Term Revolving Credit Facility payable to a lender, interest at IBOR and index Rate plus margin (5.028% as of June 30, 2003), commitment through and due September 2007	9,626,500
European Long-Term Revolving Credit Facility payable to a lender, interest at IBOR plus margin (4.86% as of June 30, 2003), commitment through September 2007	2,215,400
United States Subordinated Debt payable to lenders, interest at 12.5%, commitment through and due November 1, 2009	37,500,000
European Subordinated Debt payable to lenders, interest at 12.5%, commitment through and due November 1, 2009	12,500,000
Mortgages payable to a bank, secured by certain property, plant and equipment and other assets, bearing fixed interest at 4.4% to 5.1%	2,175,600
	177,417,500
Less: Current portion	13,709,800
Long-term debt before deduction of original issue discount	163,707,700
Less: Original issue discount	2,021,800
Long-term debt	$ 161,685,900

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

The long-term debt of TWI Holdings (Successor to Tempur World) is scheduled to mature as follows (approximated):

12 Months Ending June 30,	
2004	$ 13,709,800
2005	15,749,900
2006	17,899,100
2007	22,286,500
2008	29,424,300
Thereafter	78,347,900
Total	$ 177,417,500

(7) Comprehensive Income

Comprehensive income for TWI Holdings (the Successor to Tempur World) was approximately $28.6 million for the six months ended June 30, 2003.

Comprehensive income for Tempur World (the Predecessor to TWI Holdings) was approximately $12.7 million for the six months ended June 30, 2002.

(8) Commitments and Contingencies

(a) *Lease Commitments*—Certain property, plant and equipment are leased under noncancellable capital lease agreements expiring at various dates through 2005. Such leases also contain renewal and purchase options. TWI Holdings (the Successor to Tempur World) leases space for its corporate headquarters and a retail outlet under operating leases that calls for annual rental payments due in equal monthly installments. Operating lease expenses were approximately $1,443,000 for the six months ended June 30, 2003 for TWI Holdings (the Successor to Tempur World).

Operating lease expenses were approximately $947,300 for the six months ended June 31, 2002 for Tempur World (the Predecessor to TWI Holdings).

(b) *Litigation*—The Company is party to various legal proceedings generally incidental to its business. Although the ultimate disposition of these proceedings is not presently determinable, management does not believe that adverse determinations in any or all of such proceedings will have a material adverse effect upon the financial condition or results of operations of the Company.

(9) Derivative Financial Instruments

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company has entered into forward foreign exchange contracts. Gains and losses on these contracts generally offset losses and gains on the relevant subsidiary's foreign currency receivables and foreign currency debt.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

The Company does not hedge the effects of foreign exchange rates fluctuations on the translation of its foreign results of operations or financial position, nor does it hedge exposure related to anticipated transactions.

The Company does not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency denominated assets and liabilities. These contracts are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings (both in Other income, net).

The foreign currency forward contracts held by the Company are denominated in United States dollars, British Pound Sterling and Japanese Yen each against the Danish Krone.

A sensitivity analysis indicates that if United States dollar to foreign currency exchange rates at June 30, 2003 increased 10%, the Company would incur losses of approximately $2,300,400 on foreign currency forward contracts outstanding at June 30, 2003. Such losses would be largely offset by gains from the revaluation or settlement of the underlying positions economically hedged.

The Company had derivative financial instruments with a notional value of approximately $8,067,000 and an initial value in excess of fair value of approximately $444,200 included in Foreign exchange receivable on the Consolidated Condensed Interim Balance Sheet as of June 30, 2003. TWI Holdings (the Successor to Tempur World) incurred foreign exchange losses on derivative financial instruments of approximately $3,470,000 for the six months ended June 30, 2003, which are included in the Consolidated Condensed Interim Statement of Operations.

Tempur World (the Predecessor to TWI Holdings) incurred foreign exchange losses on derivative financial instruments of approximately $711,300 for the six months ended June 30, 2002, which are included in the accompanying Consolidated Condensed Interim Statement of Operations.

During January 2003, TWI Holdings (the Successor Tempur World) purchased two three-year interest rate caps (“interest rate caps”) for the purpose of protecting $60,000,000 of the variable interest rate debt outstanding, at any given time, against IBOR rates rising above 5%. Under the terms of the interest rate caps, the Company has paid a premium to receive payments based on the difference between 3-month IBOR and 5% during any period in which the 3-month IBOR rate exceeds 5%. The interest rate caps settle on the last day of March, June, September, and December until expiration. The fair value of the interest rate caps as of June 30, 2003 of approximately $133,800 is included in the accompanying Consolidated Condensed Interim Balance Sheet.

(10) Income Taxes

The effective tax rate for Tempur World (the Predecessor to TWI Holdings) for the six months ended June 30, 2002 was 47.8%. Reconciling items between the federal statutory income tax rate of 35% and the effective tax rate include state income taxes, subpart F income net of foreign tax credits, valuation allowances attributable to foreign net operating losses, differences in United States statutory rates and foreign tax rates, and certain other permanent differences.

The effective tax rate for TWI Holdings (the Successor to Tempur World) for the six months ended June 30, 2003 was 37.0%. Reconciling items between the federal statutory income tax rate of 35% and the effective tax

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

rate include state income taxes, subpart F income net of foreign tax credits, valuation allowances attributable to foreign net operating losses, differences in United States statutory rates and foreign taxes rates, and certain other permanent differences.

(11) Major Customers

The five largest customers by net sales accounted for approximately 22.5% of net sales for the six months ended June 30, 2003, one of which accounted for approximately 7.8% of net sales, all of which was in the Domestic segment. These same customers also accounted for approximately 17.8% of accounts receivable as of June 30, 2003. The loss of one or more of these customers could have a material adverse effect on TWI Holdings (the Successor to Tempur World).

(12) Business Segment Information

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker or group in deciding how to allocate resources and assessing performance. The Company operates in two business segments: Domestic and International. These reportable segments are strategic business units that are managed separately based on the fundamental differences in their operations.

Beginning in 2002, following the opening of the Company's United States manufacturing facility, the Company changed the reporting structure from a single segment to Domestic and International operating segments. This change was consistent with the Company's ability to monitor and report operating results in these segments. The Domestic segment consists of the United States manufacturing facility whose customers include the United States distribution subsidiary and certain North American third party distributors. The International segment consists of the manufacturing facility in Denmark whose customers include all of the distribution subsidiaries and third party distributors outside the Domestic segment. The Company evaluates segment performance based on Operating income.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

The following table summarizes segment information (approximated):

	For the Six Months Ended	
	Predecessor 2002	Successor 2003
Net sales to external customers:		
Corporate	$ —	$ —
Domestic	71,824,000	124,229,000
International	57,984,000	94,575,000
	$ 129,808,000	$ 218,804,000
Intercompany sales:		
Corporate	$ —	$ —
Domestic	—	—
International	8,822,600	22,148,000
Intercompany eliminations	(8,822,600)	(22,148,000)
	$ —	$ —
Operating income:		
Corporate	$ (2,598,000)	$ (2,887,000)
Domestic	12,663,000	27,014,000
International	9,022,000	27,025,000
	$ 19,087,000	$ 51,152,000

The domestic segment purchases certain products produced by the Danish manufacturing facility included in the International segment and sells those products to Domestic segment customers. Although these transactions are reported in the domestic segment, the profit from these sales remain in the international segment for statutory purposes. These profits amounting to approximately $1,687,800 for Tempur World (the Predecessor to TWI Holdings) for the six months ended June 30, 2002 are allocated to operating income in the Domestic segment. These profits amounting to approximately $6,023,500 for TWI Holdings (the Successor to Tempur World) for the six months ended June 30, 2003 are allocated to operating income in the Domestic segment.

As the Company operated in one segment prior to the start up of the United States manufacturing operation, the Company has not restated prior year segment information to reflect the new reporting structure. The consolidated financial statements herein present all of the required disclosures for a single segment.

(13) Condensed Consolidating Financial Information

Certain unsecured debt obligations will be issued by Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the “Issuers”) and will be fully and unconditionally guaranteed on an unsecured basis by the Issuers’ domestic subsidiaries (referred to collectively as the “Issuers and their Subsidiary Guarantors” in the accompanying financial information) and by TWI Holdings, Inc. and an intermediate parent corporation (referred to as the “Combined Guarantor Parents” in the accompanying financial information). The foreign subsidiaries (referred to

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

as "Combined Non-Guarantor Subsidiaries" in the accompanying financial information) represent the foreign operations of the Company and will not guarantee this debt. The following financial information presents condensed consolidating balance sheets, statements of operations and statements of cash flows for the Combined Guarantor Parents, Issuers and their Subsidiary Guarantors and Combined Non-Guarantor Subsidiaries.

TWI Holdings (The Successor to Tempur World)
Condensed Consolidating Balance Sheet
As of June 30, 2003

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Current assets	$ 79,829,000	$ 5,498,000	$ 107,522,000	$ (71,133,000)	$ 121,716,000
Property, plant and equipment, net	38,092,000	275,000	53,680,000	—	92,047,000
Other noncurrent assets	223,931,000	38,997,000	165,225,000	(131,318,000)	296,835,000
Total assets	$ 341,852,000	$ 44,770,000	$ 326,427,000	$ (202,451,000)	$ 510,598,000
Current liabilities	$ 81,107,000	$ 66,286,000	$ 48,534,000	$ (71,158,000)	$ 124,769,000
Noncurrent liabilities	120,795,000	97,636,000	81,598,000	(94,776,000)	205,253,000
Equity (deficit)	139,950,000	(119,152,000)	196,295,000	(36,517,000)	180,576,000
Total liabilities and equity (deficit)	$ 341,852,000	$ 44,770,000	$ 326,427,000	$ (202,451,000)	$ 510,598,000

TWI Holdings (The Successor to Tempur World)
Condensed Consolidating Statements of Operations
For the Six Months Ended June 30, 2003

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 124,229,000	$ —	$ 116,723,000	$ (22,148,000)	$ 218,804,000
Cost of goods sold	65,033,000	(268,000)	56,018,000	(22,148,000)	98,635,000
Gross profit	59,196,000	268,000	60,705,000	—	120,169,000
Operating expenses	38,206,000	3,155,000	27,656,000	—	69,017,000
Operating income	20,990,000	(2,887,000)	33,049,000	—	51,152,000
Interest income (expense), net	(1,188,000)	(5,235,000)	(1,738,000)	—	(8,161,000)
Other income (loss)	38,000	(709,000)	166,000	—	(505,000)
Income taxes	7,786,000	(3,190,000)	11,143,000	—	15,739,000
Net income (loss)	$ 12,054,000	$ (5,641,000)	$ 20,334,000	$ —	$ 26,747,000

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

TWI Holdings (The Successor to Tempur World)
Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2003

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 12,054,000	$ (5,641,000)	$ 20,334,000	$ —	$ 26,747,000
Non-cash expenses	2,946,000	(1,949,000)	6,178,000	—	7,175,000
Changes in working capital	(2,142,000)	7,615,000	(16,435,000)		(10,962,000)
Net cash provided by operating activities	12,858,000	25,000	10,077,000	—	22,960,000
Net cash used for investing activities	(4,663,000)	(49,000)	(1,376,000)	—	(6,088,000)
Net cash provided by financing activities	(8,811,000)	404,000	(13,542,000)	—	(21,949,000)
Effect on exchange rate	—	—	407,000	—	407,000
Net increase (decrease) in cash and cash equivalents	(616,000)	380,000	(4,434,000)	—	(4,670,000)
Cash and cash equivalents at beginning of the year	654,000	609,000	11,391,000	—	12,654,000
Cash and cash equivalents at end of period	$ 38,000	$ 989,000	$ 6,957,000	$ —	$ 7,984,000

Tempur World (The Predecessor to TWI Holdings)
Condensed Consolidating Statements of Operations
For the Six Months Ended June 30, 2002

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 71,825,000	$ —	$ 66,807,000	$ (8,823,000)	$ 129,809,000
Cost of goods sold	35,245,000	(160,000)	35,632,000	(8,823,000)	61,894,000
Gross profit	36,580,000	160,000	31,175,000	—	67,915,000
Operating expenses	25,605,000	2,758,000	20,465,000	—	48,828,000
Operating income	10,975,000	(2,598,000)	10,710,000	—	19,087,000
Interest income (expense), net	(1,623,000)	(920,000)	(1,136,000)	—	(3,679,000)
Other income (loss)	39,000	—	(223,000)	—	(184,000)
Income taxes	3,590,000	150,000	3,534,000	—	7,274,000
Net income (loss)	$ 5,801,000	$ (3,668,000)	$ 5,817,000	$ —	$ 7,950,000

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)
NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

Tempur World (The Predecessor to TWI Holdings)
Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2002

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 5,801,000	$ (3,668,000)	$ 5,817,000	$ —	$ 7,950,000
Non-cash expenses	3,542,000	1,965,000	(1,917,000)	—	3,590,000
Changes in working capital	(2,554,000)	(12,000)	1,050,000	—	(1,516,000)
Net cash provided by operating activities	6,789,000	(1,715,000)	4,950,000	—	10,024,000
Net cash used for investing activities	(2,167,000)	(39,000)	1,867,000	—	(339,000)
Net cash provided by financing activities	(6,800,000)	1,831,000	(8,755,000)	—	(13,724,000)
Effect on exchange rate changes on cash	—	—	(344,000)	—	(344,000)
Net increase (decrease) in cash and cash equivalents	(2,178,000)	77,000	(2,282,000)	—	(4,383,000)
Cash and cash equivalents at beginning of the year	2,037,000	7,000	5,494,000	—	7,538,000
Cash and cash equivalents at end of period	$ (141,000)	$ 84,000	$ 3,212,000	$ —	$ 3,155,000

(14) Subsequent Event

On July 29, 2003, the Company was served with a Civil Investigative Demand from the office of the Attorney General of the State of Texas in connection with that office's investigation into "the possibility of price fixing in the mattress industry." In connection with the investigation, the Company has been asked to produce certain documents that may be relevant to the investigation and to respond to written interrogatories. The demand seeks, among other things, documents relating to the retail pricing of our products, including retail pricing policies and correspondence with retail accounts. The Company is unable to predict the scope or possible outcome of the investigation or to quantify its potential impact on our business or operations.

During July 2003, the Company's Board of Directors issued a consent to accelerate the vesting of options granted to certain employees under the Company's 2002 Stock Option Plan (Option Plan). This acceleration resulted in the immediate vesting of options granted to certain employees that would otherwise have vested within the next year. Under the original terms of the Option Plan, invested options are forfeited upon separation of employment. In accordance with APB 25, the Company will recognize compensation expense based on its estimate of the numbers of options that the holders ultimately will retain that otherwise would have been forfeited, absent the notification.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

On August 15, 2003, Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the "Issuers") issued $150 million of 10.25% Senior Subordinated Notes due 2010 (the "Senior Subordinated Notes"). The Senior Subordinated Notes were sold in a private placement to "qualified institutional buyers" under Rule 144A, non-U.S. persons under Regulation S and certain institutional accredited investors within the meaning of Rule 501(a)(1), (2), (3) or (7). The Issuers will file, on or before November 15, 2003, a registration statement to register the Senior Subordinated Notes with the Securities and Exchange Commission.

The Senior Subordinated Notes are unsecured senior subordinated indebtedness of the Issuers and are guaranteed on an unsecured senior subordinated basis by the Issuers' ultimate parent, TWI Holdings, Inc., and all of TWI Holdings' current and future domestic restricted subsidiaries (as defined in the indenture dated as of August 15, 2003, among the Issuers, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as trustee (the "Indenture")), other than the Issuers. The Senior Subordinated Notes are effectively junior to the liabilities of TWI Holdings' non-guarantor subsidiaries. The Senior Subordinated Notes have no mandatory redemption or sinking fund requirements; however, they do provide for partial redemption at the Issuers' option under certain circumstances prior to August 15, 2006 and full redemption at the Issuers' option on or after August 15, 2007.

The Senior Subordinated Notes contain certain covenants that restrict, among other things, the ability of the Issuers, TWI Holdings and their restricted subsidiaries (as defined in the Indenture) to incur additional indebtedness and issue preferred stock; pay dividends or make other distributions other than the recapitalization dividend. Interest on the Senior Subordinated Notes is payable on February 15 and August 15 of each year, beginning February 15, 2004.

In conjunction with the issuance of the Senior Subordinated Notes, TWI Holdings amended and restated its senior secured credit facility (as so amended and restated, the "Senior Facility"), with a syndicate of United States ("U.S.") and European lenders. The Senior Facility was increased from $170,000,000 to a total of $270,000,000 of senior secured U.S. and European term loans and revolving credit facilities. The Senior Facility consists of a (i) $20,000,000 U.S. revolver; (ii) $30,000,000 U.S. term loan A; (iii) $135,000,000 U.S. term loan B (the U.S. revolver, term loan A and term loan B are collectively referred to as the "US Facility"); (iv) $20,000,000 European revolver; and (v) $65,000,000 European term loan A (the European revolver and term loan A are collectively referred to as the "European Facility"). The U.S. and European revolvers provide for the issuance of letters of credit to support local operations.

On August 15, 2003, loans outstanding under the Senior Facility totaled $230,000,000, comprised of $30,000,000 of U.S. term loans A, $135,000,000 of U.S. term loans B and $65,000,000 of European term loans A.

The revolving loans and the term loans A mature on November 1, 2008 and the new term loan B matures on June 30, 2009. The Senior Facilities bear interest, at the option of the borrowers, as follows: (a) a base rate plus an applicable margin for each of the US Facility or (b) a Eurodollar rate plus an applicable margin for the US Facility and the European Facility.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

TWI HOLDINGS, INC. AND SUBSIDIARIES
(Successor to Tempur World, Inc.)

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)—(Continued)

Drawings under the U.S. revolver are subject to a borrowing base based on, among other things, the levels of eligible accounts receivable and eligible inventory of the U.S. borrowers. Drawings under the European revolver are subject to a borrowing base based on, among other things, the levels of eligible accounts receivable and eligible inventory of European borrowers and their subsidiaries.

The US Facility and the European Facility are guaranteed by TWI Holdings and each of its direct and indirect U.S. subsidiaries. The US Facility and the European Facility are secured by (i) a first priority lien on substantially all of the U.S. assets of TWI Holdings and each of its direct and indirect U.S. subsidiaries and (ii) a pledge of all of the capital stock of each of TWI Holdings' direct and indirect U.S. subsidiaries and 65% of the capital stock of TWI Holdings' first tier foreign subsidiaries. In addition, the European Facility is guaranteed by certain of TWI Holdings' foreign subsidiaries and is secured by (i) a lien on certain of the assets of TWI Holdings' foreign subsidiaries and (ii) a pledge of substantially all of the capital stock of certain of TWI Holdings' foreign subsidiaries.

The Senior Facility is subject to warrants and negative covenants, including but not limited to, financial covenants relating to minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; maximum senior leverage ratio; and maximum capital expenditures.

Proceeds from the Senior Facility were used to simultaneously repay all outstanding indebtedness in an aggregate principal amount of $50,000,000, and all interest and prepayment premiums thereon, evidenced by the Senior Subordinated Loan Agreement, dated as of November 1, 2002, among the lenders, TWI Holdings, and certain of TWI Holdings' direct and indirect U.S. and European subsidiaries. Upon such repayment, the Senior Subordinated Loan Agreement was terminated.

Subsequent to August 15, 2003, proceeds from the issuance of the notes, along with drawings under the Senior Facility, were used (a) to prepay an earn-out payment of approximately $40,000,000 to the former stockholders of Tempur World, Inc., pursuant to the Agreement and Plan of Merger, dated as of October 4, 2002, among TWI Holdings, Tempur World and certain other persons party thereto, and the Contribution Agreement, dated as of October 4, 2002, among TWI Holdings and certain other persons party thereto, and (b) to pay a special dividend of approximately $160,000,000 in cash on shares of Class B-1 Voting Common Stock of TWI Holdings (on an as-converted basis) to stockholders and warrant holders of record as of August 21, 2003.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
TWI Holdings, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of TWI Holdings, Inc. and Subsidiaries (the Company) as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the two months ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TWI Holdings, Inc. and Subsidiaries as of December 31, 2002, and the consolidated results of their operations and their cash flows for the two months ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Louisville, Kentucky
June 20, 2003

TWI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As of December 31, 2002

	Notes	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	*6*	$ 12,654,175
Accounts receivable, net of allowance for doubtful accounts of $2,518,485	*13*	43,798,953
Inventories	*3i*	36,630,241
Prepaid expenses and other current assets		3,148,073
Deferred income taxes	*12*	5,050,840
Total current assets		101,282,282
Land and buildings		45,519,224
Machinery and equipment		43,798,251
Construction in progress		1,078,595
		90,396,070
Less: Accumulated depreciation		(2,110,058)
Property, plant and equipment, net	*3j*	88,286,012
Goodwill	*2, 3k*	165,803,236
Other intangible assets, net of amortization of $553,649	*2, 3k*	83,807,012
Deferred financing costs and other non-current assets, net	*2*	9,315,530
Total assets		$ 448,494,072
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable		$ 17,674,899
Accrued expenses		30,974,643
Income taxes payable	*12*	3,578,922
Value added taxes payable		1,979,043
Foreign exchange payable		1,964,301
Current portion—long-term debt	*7c*	13,565,359
Current portion—capital lease obligations and other	*9a*	204,777
Total current liabilities		69,941,944
Long-term debt	*7c*	182,292,388
Capital lease obligations	*9a*	25,993
Deferred income taxes	*12*	42,007,920
Other long-term liabilities		2,226,541
Total liabilities		296,494,786
Commitments and contingencies	*9*	
Stockholders' Equity:		
Series A Convertible Preferred Sock, $.01 par value, 180,000 shares authorized, 146,463.65 shares issued and outstanding	*11a*	148,421,852
Class A Common Stock, $.01 par value, 25,000 shares authorized, 14,006 shares issued and outstanding	*2*	140
Class B-1 Common Stock, $.01 par value, 300,000 shares authorized, 878.64 shares issued and outstanding		9
Additional paid in capital		4,864,496
Class B-1 Common Stock Warrants	*11b*	2,347,788
Notes receivable	*2*	(100,000)
Deferred stock compensation, net of amortization of $2,390		(140,993)
Retained deficit		(4,812,417)
Accumulated other comprehensive income		1,418,411
Total stockholders' equity		151,999,286
Total liabilities and stockholders' equity		$ 448,494,072

The accompanying notes to consolidated financial statements are an integral part of this statement.

TWI Holdings, Inc. and Subsidiaries

Consolidated Statement of Operations
For the Two Months Ended December 31, 2002

	Notes	
Net sales	*3e, 3f*	$ 60,643,855
Cost of sales	*3i*	37,811,437
Gross profit		22,832,418
Selling expenses	*3g*	15,322,108
General and administrative expenses		7,688,487
Research and development expenses	*3o*	163,024
Operating loss		(341,201)
Other income (expense), net:		
Interest income		91,424
Interest expense		(3,046,460)
Foreign currency exchange gains	*3d, 10*	783,682
Other income, net		547,150
Total other expense		(1,624,204)
Loss before income taxes		(1,965,405)
Income tax provision	*12*	888,813
Net loss		(2,854,218)
Preferred stock dividends		1,958,199
Net loss attributable to common stockholders		$ (4,812,417)

The accompanying notes to consolidated financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Two Months Ended December 31, 2002

	Convertible Preferred Stock—Series A		Common Stock—Class A		Common Stock—Class B-1		Additional Paid in Capital	Class B-1 Common Stock Warrants	Notes Receivable	Deferred Stock Compensation	Retained Deficit	Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance, November 1, 2002	146,463.65	$ 146,463,653	14,006	$ 140	878.64	$ 9	$ 4,864,496	$ 2,347,788	$ (100,000)	$ (143,383)	$ —	$ —	$ 153,432,703
Net loss plus changes in accumulated comprehensive income:													
Net Loss		—		—		—	—	—	—	—	(2,854,218)	—	(2,854,218)
Foreign currency translation adjustments, net of tax		—		—		—	—	—	—	—	—	1,418,411	1,418,411
Net loss plus changes in accumulated comprehensive income		—		—		—	—	—	—	—	(2,854,218)	1,418,411	(1,435,807)
Dividends on Preferred Stock		1,958,199		—		—	—	—	—	—	(1,958,199)	—	—
Amortization of deferred stock compensation		—		—		—	—	—	—	2,390	—	—	2,390
Balance, December 31, 2002	146,463.65	$ 148,421,852	14,006	$ 140	878.64	$ 9	$ 4,864,496	$ 2,347,788	$ (100,000)	$ (140,993)	$ (4,812,417)	$ 1,418,411	$ 151,999,286

The accompanying notes to consolidated financial statements are an integral part of this statement.

TWI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Two Months Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (2,854,218)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	2,663,707
Amortization of deferred financing costs	286,796
Amortization of original issue discount	84,173
Allowance for doubtful accounts	500,531
Deferred income taxes	(2,234,341)
Foreign currency adjustments	(2,649,201)
Loss on sale of equipment	232,613
Changes in operating assets and liabilities:	
Accounts receivable—trade	430,369
Inventories	11,472,359
Prepaid expenses and other current assets	(486,142)
Accounts payable	29,763
Accrued expenses and other	2,916,816
Foreign exchange payable	1,802,473
Value added taxes payable	(637,741)
Income taxes payable	827,293
Net cash provided by operating activities	12,385,250
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant and equipment	(1,960,749)
Proceeds from sales of property, plant and equipment	101,986
Net cash used for investing activities	(1,858,763)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of notes payable-line of credit	449,817
Repayments of long-term debt	(4,500,059)
Repayments of capital lease obligations	(170,370)
Net cash used by financing activities	(4,220,612)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH:	596,443
Increase in cash and cash equivalents	6,902,318
CASH AND CASH EQUIVALENTS, beginning of period	5,751,857
CASH AND CASH EQUIVALENTS, end of period	$ 12,654,175

The accompanying notes to consolidated financial statements are an integral part of this statement.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company

TWI Holdings, Inc. (collectively with its subsidiaries, TWI Holdings or the Company), is a United States based multinational corporation incorporated in Delaware. It was formed to acquire all of the operations of Tempur World, Inc., a Delaware corporation (collectively with its subsidiaries, "Tempur World" or "TWI"). The Company manufactures, markets and sells advanced visco-elastic foam products including pillows, mattresses and other related products. The Company manufactures essentially all of its products at Dan Foam ApS, located in Denmark and Tempur Production USA, Inc. in the United States. The Company has sales and distribution companies operating in the U.S., Europe, Brazil, Japan, South Africa and Singapore. In addition, the Company has third party distributor arrangements in Eastern Europe, Asia/Pacific, the Middle East, and Central and South America and Canada and Mexico. The Company sells its products in over 50 countries and primarily extends credit based on the creditworthiness of its customers. The majority of the Company's revenues are derived from sales to retailers and to retail consumers through its direct response business.

(2) Business Combination

Pursuant to the Agreement and Plan of Merger dated as of October 4, 2002 (the Merger Agreement), on November 1, 2002, TWI Holdings, Inc. acquired Tempur World, Inc. (the Tempur Acquisition).

The total acquisition price of Tempur World as of the closing date of the Tempur Acquisition was approximately $268,483,800, including $14,165,800 of transaction fees and expenses. The Tempur Acquisition was financed with approximately $146,638,700 in cash proceeds of newly issued Series A Convertible Preferred Stock and Class A Common Stock, $107,679,400 of incremental senior and mezzanine debt borrowings (see Note (7)), net of approximately $5,751,900 of Tempur World's cash. The Company also refinanced approximately $88,816,500 of existing debt obligations of Tempur World. In addition, certain of the former shareholders of Tempur World contributed their shares of common stock of Tempur World to the Company immediately prior to the Tempur Acquisition in exchange for shares of Class A Common Stock of the Company. The Company has applied the provisions of Emerging Issues Task Force 88-16, "Basis in Leveraged Buyout Transactions," whereby, the carryover equity interests of certain management stockholders from Tempur World were recorded at their historical basis. The application of these provisions reduced Additional paid in capital and Goodwill by $9,384,700. Additionally, certain management employees of Tempur World also purchased shares of Class B-1 Common Stock of the Company in exchange for promissory notes in the aggregate principal amount of $100,000, which is reflected as a reduction of Stockholders' equity.

Pursuant to the Merger Agreement, a total of $30,100,000 (the Escrowed Funds) of the aggregate merger consideration otherwise payable to the former shareholders of Tempur World was deposited in escrow to secure obligations of the former shareholders of Tempur World with respect to the net working capital adjustment and indemnification claims under the Merger Agreement.

Pursuant to the Merger Agreement, the Company is required to pay a maximum of $40,000,000 to the former shareholders of Tempur World as a deferred payment if Tempur World meets certain EBITDA and revenue targets for the fiscal year ending December 31, 2003. As these contingencies have not been met or resolved as of December 31, 2002, this amount is not recorded.

The Tempur Acquisition was accounted for as a purchase in accordance with the recently issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations" (SFAS 141), and the Company has allocated the purchase price of Tempur World based upon the fair values of the net assets acquired and liabilities assumed. The allocation of the purchase price has not yet been finalized and is subject to adjustment over the next twelve months for most items and longer for income tax matters. Portions of the net assets acquired and

liabilities assumed were valued by independent appraisers utilizing customary valuation procedures and techniques. Indefinite lived intangibles and goodwill are not being amortized in accordance with SFAS 142, "Goodwill and Other Intangible Assets" (SFAS 142).

The following table summarizes the estimated aggregate fair values of the assets acquired and liabilities assumed at the date of acquisition (approximated):

Accounts receivable	$ 43,661,700
Inventories	46,666,000
Other current assets	4,290,200
Property, plant and equipment	86,277,200
Identifiable intangible assets	84,360,700
Other assets	9,245,300
Accounts payable	(17,069,900)
Accrued expenses	(27,515,400)
Deferred taxes	(40,682,100)
Other current liabilities	(4,812,400)
Long term debt	(88,816,500)
Other non-current liabilities and other	(2,215,300)
	93,389,500
Adjustment for carryover basis of continuing stockholders	9,384,700
Goodwill	165,709,600
Aggregate purchase price	$ 268,483,800

The goodwill and identifiable intangible assets recorded as a result of the Tempur Acquisition are not deductible for tax purposes.

(3) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*—The consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries, directly or indirectly, are wholly-owned. All material intercompany balances and transactions have been eliminated.

(b) *Management's Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, management makes its best estimate to accrue for certain costs incurred in connection with business activities such as warranty claims and sales returns, but the Company's estimates of these costs could change materially.

(c) *Foreign Currency Translation*—Assets and liabilities of non-United States subsidiaries, whose functional currency is the local currency, are translated at year-end exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the year. The adjustment resulting from translating the financial statements of such foreign subsidiaries is reflected as a separate component of stockholders' equity. Foreign currency transaction gains and losses are reported in results of operations.

(d) *Financial Instruments and Hedging*—Within the normal course of business, the Company uses derivative financial instruments principally to manage the exposure to changes in the value of certain foreign

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

currency denominated assets and liabilities of its Denmark manufacturing operations. Gains and losses are recognized currently in the results of operations and are generally offset by losses and gains on the underlying assets and liabilities being hedged.

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of the financial instruments, including derivatives and long-term debt, standard market conventions and techniques including available market data and discounted cash flow analysis are used to determine fair value.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value because of the short-term maturity of those instruments. The carrying amounts of preferred stock and long-term debt approximate the fair market value for instruments with similar terms as of December 31, 2002.

(e) *Revenue Recognition*—In accordance with SEC Staff Accounting Bulletin 101, the Company recognizes sales of its products when the products are shipped to customers and the risks and rewards of ownership are transferred. The Company does not require collateral on sales made in the normal course of business. Deposits made by customers are recorded as a liability and recognized as a sale when product is shipped. The Company had approximately $4,201,500 of deferred revenue included in Accrued expenses as of December 31, 2002.

The Company reflects all amounts billed to customers for shipping in Net sales and the costs incurred from shipping product in Cost of sales. Amounts included in Net sales for shipping and handling are approximately $2,027,600 in the two months ended December 31, 2002. Amounts included in Cost of sales for shipping and handling are approximately $5,135,300 in the two months ended December 31, 2002.

(f) *Accrued Sales Returns*—Estimated sales returns are provided at the time of sale based on historical sales returns. The Company allows product returns ranging from 90 to 120 days following a sale. Accrued sales returns are included in Accrued expenses in the *accompanying* Consolidated Balance Sheet. The Company had the following activity for sales returns for the two months ended December 31, 2002 (approximated):

Balance as of November 1, 2002	$ 3,637,200
Amounts accrued	1,896,400
Returns charged to accrual	(1,461,500)
Balance as of December 31, 2002	$ 4,072,100

(g) *Advertising Costs*—The Company expenses all advertising costs as incurred except for production costs and advance payments which are deferred and expensed when advertisements run for the first time. Advertising costs charged to expense were approximately $8,936,500 during the two months ended December 31, 2002.

The Company defers advertising costs on media advertising purchases where the Company is required to prepay for the advertising in advance. These costs are expensed the first time the media is run. In addition, the Company defers the prepayment of costs for direct response advertising. The Company amortizes the costs over approximately four months.

The amounts of advertising costs deferred and included in the Consolidated Balance Sheet as of December 31, 2002 was approximately $1,094,300.

(h) *Cash and Cash Equivalents*—Cash and cash equivalents consist of all liquid investments with initial maturities of three months or less.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(i) *Inventories*— Inventories at November 1, 2002 are stated at fair market value. Newly manufactured inventories are stated at the lower of cost or market, determined by the first-in, first-out method and consisted of the following (approximated):

	December 31, 2002
Finished goods	$ 21,353,300
Work-in-process	5,198,300
Raw materials and supplies	10,078,600
	$ 36,630,200

Of the amounts included in Inventory as of November 1, 2002, approximately $9,780,000 represents the value of the manufacturing profit earned by Tempur World prior to the Tempur Acquisition and is reflected in Cost of sales for the two months ended December 31, 2002.

(j) *Property, Plant and Equipment*—Property, plant and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives as follows:

	Estimated Useful Life
Buildings	25-30 years
Computer equipment	3-5 years
Leasehold improvements	4-7 years
Equipment	3-7 years
Office furniture and fixtures	5-7 years
Autos	3-5 years

Maintenance and repair costs are expensed as incurred, and expenditures for improvements are capitalized.

Leasehold improvements are amortized over the shorter of the life of the lease or seven years. Depreciation expense was approximately $2,110,100 for the two months ended December 31, 2002.

Equipment held under capital leases is recorded at the fair market value of the equipment at the inception of the leases. Equipment held under capital leases are amortized over the shorter of their estimated useful lives or the term of the respective leases.

(k) *Goodwill and Other Intangible Assets*—The Company follows SFAS 141, “Business Combinations,” and SFAS 142, “Goodwill and Other Intangible Assets” (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations. SFAS 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported *separately* from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS 144).

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about the Company's preliminary allocation of other intangible assets (approximated):

	As of December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization
Unamortized indefinite life intangible assets:		
Trademarks, patents and technology	$ 74,800,000	$ —
Customer database	4,200,000	—
Foam formula	3,000,000	—
Other	217,700	—
Total	$ 82,217,700	$ —
Amortized intangible assets:		
Sales backlog	$ 317,000	$ 317,000
Non-competition agreements and other	1,826,000	236,700
Total	$ 84,360,700	$ 553,700

The Company amortizes the non-competition agreements over their life of 1.5 years. Amortization expense for other intangibles was approximately $553,700 for the two months ended December 31, 2002. Estimated future amortization expense is $1,318,700 and $271,300 for the years ending December 31, 2003 and 2004, respectively.

The changes in the carrying amount of goodwill for the two months ended December 31, 2002 was (approximated):

Balance as of November 1, 2002	$ 165,709,600
Foreign currency translation adjustments	93,600
Balance as of December 31, 2002	$ 165,803,200

(l) *Software*—The Company expenses costs incurred in the preliminary project stage and, thereafter, capitalizes costs incurred in the developing or obtaining of internal use software. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized *costs* are amortized over a period of not more than five years and are subject to impairment evaluation in accordance with SFAS 144. Amounts capitalized for software are included in Machinery and equipment on the Consolidated Balance Sheet as of December 31, 2002.

(m) *Warranties*—The Company provides a 20-year warranty for United States sales and a 15-year warranty for non-United States sales on mattresses, each prorated for the last 10 years. The Company also provides 2-year to 3-year warranties on pillows. Estimated future obligations related to these products are provided by charges to operations in the period in which the related revenue is recognized. *Warranties* are included in Accrued expenses in the accompanying Consolidated Balance Sheet. The Company had the following activity for warranties for the two months ended December 31, 2002 (approximated):

Balance as of November 1, 2002	$ 2,875,700
Amounts accrued	256,100
Warranty charged to accrual	(250,700)
Balance as of December 31, 2002	$ 2,881,100

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(n) *Income Taxes*—The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

In conjunction with the acquisition of Tempur World on November 1, 2002, the Company repatriated approximately $44,200,000 from one of its foreign entities in the form of a loan that under applicable United States tax principles is treated as a taxable dividend. In addition, the Company expects to repatriate the remaining undistributed earnings as of November 1, 2002 of $10,123,400 during 2003. Accordingly, the Company has provided for the additional taxes that it expects will be incurred.

Provisions have not been made for US income taxes or foreign withholding taxes on undistributed earnings of foreign subsidiaries since the acquisition, as these earnings are considered indefinitely reinvested. Undistributed foreign earnings during the two months ended December 31, 2002 were approximately $10,061,200. These earnings could become subject to United States income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, were loaned to the United States parent company or a United States subsidiary, or if the Company should sell its stock in the subsidiaries.

(o) *Research* and *Development Expenses*—Research and development expenses for new products are expensed as they are incurred.

(p) *Stock-Based Compensation*—The Company has adopted SFAS 123, “Accounting for Stock Based Compensation” (SFAS 123). In accordance with SFAS 123, the Company has elected to account for employee stock and option issuances under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25). Under APB 25 no compensation expense is recognized in the statements of income for stock granted to employees and non-employee directors, if the exercise price at least equals the fair value of the underlying stock on the date of grant.

Stock options are granted under various stock compensation programs to employees (see Note (11)(d)). For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options’ vesting period.

The Company’s pro forma information in accordance with SFAS 123 is as follows:

	Two months ended December 31, 2002
Net loss (as reported)	$ (2,854,200)
Add: additional stock-based employee compensation, net of tax	(200)
Pro forma net loss	$ (2,854,400)

(4) New Accounting Standards

In April 2002, the FASB issued SFAS 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections” (SFAS 145). SFAS 145 was effective January 1, 2003. SFAS 145 eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated for extraordinary classification under the criteria of

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accounting Principles Board Opinion No. 30, "Reporting Results of Operations" (APB 30). SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements. The Company is evaluating the impact of SFAS 145 on the financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This statement nullifies Emerging Issues Task Force Issue 94-3 (Issue 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 to have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement 123" (SFAS 148), which was effective on December 31, 2002. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, it amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based compensation and the effect of the method on reported results. The provisions regarding alternative methods of transition do not apply to the Company, which accounts for stock-based compensation using the intrinsic value method. The disclosure provisions have been adopted. See Note (11)(d), "TWI Holdings 2002 Stock Option Plan."

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an "underlying" and the characteristics of a derivative that contains financing components. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 (with a few exceptions) and for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. We do not believe that the adoption of this Statement will have a significant impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new guidance requires that those instruments be classified as liabilities in statements of financial position. We are still evaluating the impact of this statement on our consolidated financial statements. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003.

(5) Restructurings and Disposals

In connection with the Tempur Acquisition the Company performed a strategic review of its subsidiary operations. The strategic review triggered an impairment review of long-lived assets of certain subsidiaries of

Tempur World that were expected to be disposed. As a result of this review the Company set forth a plan for the closure of Kruse Manufacturing, the German manufacturing subsidiary ("Kruse"). Approximately 27 job positions and related office staff reductions will be lost in connection with closing this operation. As of December 31, 2002, of the job position reductions, 2 have been eliminated. In addition, the Company will incur ongoing costs after the facility is closed and until they are fully disposed of. These costs primarily consist of lease payment obligations and legal costs. Consistent with SFAS 144, the Company evaluated long-lived assets for impairment and assessed their recoverability based upon anticipated undiscounted future cash flows. In recording the purchase of Tempur World, the Company recorded non-cash impairment charges and wrote down the value of the assets by approximately $2,285,100. Sales and Net loss for Kruse for the two months ended December 31, 2002 were approximately $305,300 and $268,500, respectively.

In November 2002, the Company communicated a plan to dispose the Tempur Brazil operations to a third party. As a result of the disposal of this operation, the Company incurred a loss of $489,400 in the two months ended December 31, 2002 consisting primarily of write-offs of inventory and accounts receivable.

(6) Supplemental Cash Flow Information

Cash payments for interest and net cash payments for income taxes are as follows (approximated):

	Two months ended December 31, 2002
Interest	$ 551,300
Income taxes, net of refunds	$ 1,842,600

Non-cash investing and financing activities have been excluded as non-cash items from the consolidated statement of cash flows for the two months ended December 31, 2002.

(7) Long-term Debt

(a) *Secured Debt Financing*—On November 1, 2002, in connection with the Tempur Acquisition, the Company obtained from a syndicate of lenders a total of $170,000,000 of senior secured debt financing (the "Senior Debt Facilities") under United States and European term loans and long-term revolving credit facilities. The facilities consisted of (i) a $30,000,000 United States revolving loan facility; (ii) a $65,000,000 United States term loan facility (the United States revolving loan and the United States term loan are collectively referred to herein as the "United States Facility"); (iii) a $20,000,000 European revolving loan facility; and (iv) a $55,000,000 European term loan facility (the European revolving loan and the European term loan are collectively referred to herein as the "European Facility"). Approximately $150,000,000 was drawn upon at the inception of the debt facility to fund a portion of the various payments required in connection with the Tempur Acquisition. Following the closing date of the Senior Debt Facilities, borrowings were used for ordinary working capital and general corporate needs. Loans outstanding under the United States Facility totaled $81,350,000 at date of inception comprised of $16,350,000 of revolving loans and $65,000,000 of term loans. Loans outstanding under the European Facility totaled $68,650,000 at date of inception comprised of $13,650,000 of revolving loans and $55,000,000 of term loans.

Including certain fees and expenses paid directly by the Company in connection with the Senior Debt Facilities, a total of $7,391,200 are reflected as deferred financing costs and are included in Deferred financing and other non-current assets, net on the Consolidated Balance Sheets as of December 31, 2002. These costs are being amortized to interest expense over the life of the Debt using the effective interest method. The Senior Debt Facilities (along with the Sub Debt (as hereinafter defined)) refinanced substantially all of the Company's

previously outstanding foreign and domestic debt facilities. The refinancing contains installment mortgages for the manufacturing facilities as well as long-term revolving debt facilities to support continuing operations.

Borrowing availability under the United States revolving credit facility is subject to a United States Borrowing Base, as defined in the loan agreement, and is based on, among other things, the levels of Eligible Accounts Receivable and Eligible Inventory of the United States Borrowers, in each case as defined in the loan agreement. Borrowing availability under the European revolving credit facility is subject to a European Borrowing Base, as defined in the loan agreement, and is based on, among other things, the levels of Eligible Accounts Receivable and Eligible Inventory of European Credit Parties. Each of the United States and European revolving facilities also provide for the issuance of letters of credit to support local operations. Allocations of the United States and European revolving facilities to such letters of credit reduce the amounts available to be borrowed under their respective facilities. The letter of credit sub-limit under the United States revolving facility is $2,500,000. The letter of credit sub-limit under the European revolving facility is $7,500,000. The aggregate amount of letters of credit outstanding under the United States Facility is approximately $50,000 as of December 31, 2002. The aggregate amount of letters of credit outstanding under the European Facility is approximately $2,213,200 as of December 31, 2002. The United States Facility and the European Facility are guaranteed by the Company and each of its direct and indirect United States subsidiaries. The United States Facility and the European Facility are secured by (i) a first priority lien on substantially all of the United States assets of TWI Holdings, Inc. and each of its direct and indirect United States subsidiaries and (ii) a pledge of all of the capital stock of each of TWI Holdings, Inc.'s direct and indirect United States subsidiaries and a portion of the capital stock of certain foreign subsidiaries. In addition to the foregoing, the European Facility is guaranteed by certain of TWI Holdings, Inc.'s foreign subsidiaries and is secured by (i) a lien on certain of the assets of the Company's foreign subsidiaries and (ii) a pledge of substantially all of the capital stock of certain of the Company's foreign subsidiaries.

The loan agreement for the Senior Debt Facilities makes the Company subject to certain financial covenants: minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; maximum senior leverage ratio; and a limitation on capital expenditures, in each case as defined. The Company and the other Tempur entities are also subject to certain additional covenants customary for transactions of this type. The Company was out of compliance with certain non-financial covenants as of December 31, 2002, but has obtained waivers from the lenders.

(b) *Senior Subordinated Debt*—On November 1, 2002, in connection with the Tempur Acquisition, the Company obtained a total of $50,000,000 of 12.5% senior subordinated unsecured debt financing (the "Sub Debt") under United States and European term loans all of which was drawn upon at the inception of the Sub Debt facility to fund a portion of the various payments required in connection with the Tempur Acquisition. The facilities consisted of (i) a $37,500,000 United States term loan and (ii) a $12,500,000 European term loan. The net proceeds from the Sub Debt approximated $48,739,000 after deducting fees and expenses of approximately $1,261,000 excluding the value of warrants and rights issued. Including certain fees and expenses paid directly by the Company in connection with debt refinancing, a total of $1,408,700 are reflected as deferred financing costs and are included in Other assets on the Consolidated Balance Sheet as of December 31, 2002. These costs are being amortized to interest expense over the life of the Sub Debt using the effective interest method.

Certain prepayment penalties exist for the early prepayment of the Sub Debt during the first four years of the Sub Debt as set forth in the Sub Debt loan agreement. The prepayment penalties are reduced to 101% of the then outstanding principal balance if the repayment is in connection with an initial public offering. The purchasers of the Sub Debt also have the right to require repayment of the Sub Debt at a price of 101% of the then outstanding principal balance of the loans plus accrued and unpaid interest then outstanding, in the event

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(i) of the occurrence of an initial public offering of the Company or (ii) the institutional investors in the Company cease to own 90% of the shares of the Company owned by either or both of them on November 1, 2002.

The loan agreement for the Sub Debt makes the Company subject to certain financial covenants: minimum interest coverage ratio; minimum fixed charge coverage ratio; maximum leverage ratio; and a limitation on capital expenditures, in each case as defined. The Company and the other Tempur World entities are also subject to certain additional covenants customary for transactions of this type. The Company was out of compliance with certain non-financial covenants as of March 31, 2003 and December 31, 2002, but has obtained waivers from the lenders.

The Sub Debt is an unsecured obligation, subordinate to all Senior Debt (as defined in the Sub Debt loan agreement) on the terms set forth in a subordination and intercreditor agreement. Both the United States and European portions of the Sub Debt are guaranteed by TWI Holdings, Inc. and each of its direct and indirect United States subsidiaries. In addition, the European portion of the Sub Debt is guaranteed by certain of TWI Holdings, Inc.'s foreign subsidiaries.

The Company issued warrants to purchase the Company's Class B-1 Common Stock exercisable for 4.5% of the fully-diluted common stock of the Company to purchasers of the Sub Debt. Holders of the warrants will also be entitled to receive an amount equal to 4.5% of (i) the amount of any dividends paid on the Company's Series A Preferred Stock upon a liquidation of the Company or a redemption of the Series A Preferred Stock and (ii) the aggregate amount to be paid on the Company's Class A Common Stock upon a liquidation of the Company or redemption of the Class A Common Stock (other than by conversion into Class B-1 Common Stock). The warrants have a nominal exercise price and may be exercised at any time prior to the tenth anniversary of the date of issuance. The number of shares of Class B-1 Common Stock issuable upon exercise of the warrants will be adjusted for certain stock splits, stock dividends and similar recapitalizations, as well as upon the issuance of certain equity securities at less than fair market value. Prior to an initial public offering, holders of warrants will have the right to receive certain financial information regarding the Company and certain inspection rights, and will be entitled to a non-voting representative to attend Company board meetings.

The fair value of warrants and rights issued, totaling approximately $2,347,800 is included as "Class B-1 Common Stock Warrants" in the accompanying Consolidated Statements of Stockholders' Equity with an offset against Long-term debt for the warrants and rights issued to Sub Debt holders in the accompanying Consolidated Balance Sheets. The discount of the Sub Debt and the debt issuance costs are being amortized using the effective interest method over the life of the Sub Debt.

The Company, its shareholders and the warrant holders are parties to a Stockholder Agreement which, among other things, provides for certain restrictions on transfer of shares, certain voting agreements with respect to the election of directors, "tag-along" rights in connection with certain transfers of shares, "drag-along" rights in connection with certain sales or mergers of the Company and rights of first refusal in connection with certain issuances of shares of capital stock by the Company. The Company, its shareholders and the warrant holders are also parties to a Registration Rights Agreement, which provides for certain rights of holders of shares of the Company's common stock to require registration of such shares under the Securities Act of 1933, as amended.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(c) *Long-term Debt*—Long-term debt (see also Note (2)) for the Company at December 31, 2002 consisted of the following (approximated):

	December 31, 2002
United States Term Loan payable to a lender, interest at the IBOR plus margin (5.62% as of December 31, 2002), principal payments due quarterly through September 2007	$ 65,000,000
European Term Loan payable to a lender, interest at IBOR plus margin (5.42% as of December 31, 2002), principal payments due quarterly through September 2007	55,000,000
United States Long-Term Revolving Credit Facility payable to a lender, interest at IBOR and index Rate plus margin (5.37% as of December 31, 2002), commitment through and due September 2007	16,350,000
European Long-Term Revolving Credit Facility payable to a lender, interest at IBOR plus margin (5.17% as of December 31, 2002), commitment through September 2007	9,650,000
United States Subordinated Debt payable to lenders, interest at 12.5%, commitment through and due November 1, 2009	37,500,000
European Subordinated Debt payable to lenders, interest at 12.5%, commitment through and due November 1, 2009	12,500,000
Mortgages payable to a bank, secured by certain property, plant and equipment and other assets, bearing fixed interest at 4.0% to 5.1%	2,121,400
	198,121,400
Less: Current portion	13,565,400
Long-term debt before deduction of original issue discount	184,556,000
Less: Original issue discount	2,263,600
Long-term debt	$ 182,292,400

The Company's long-term debt is scheduled to mature as follows (approximately):

Year Ending December 31,	
2003	$ 13,565,400
2004	13,569,700
2005	17,898,900
2006	17,869,200
2007	26,659,000
Thereafter	108,559,200
Total	$ 198,121,400

(8) Consumer Credit Arrangements

The Company refers customers seeking extended financing, to certain third party financiers (the Card Servicers). The Card Servicers, if credit is granted, establish the interest rates, fees and all other terms and conditions of the customer accounts based on their evaluation of the credit worthiness of the customers. As the receivables are owned by the Card Servicers, at no time are the receivables purchased or acquired from the Company. In connection with customer purchases financed under these arrangements, the Card Servicer pays the

Company an amount equal to the total amount of such purchases, net of a non-refundable financing fee as well as an interest bearing holdback of 20% (to be released upon ultimate collection) of certain amounts financed with recourse under the program. The total amounts financed and uncollected under the program is approximately $257,900 included in Accounts receivable, as of December 31, 2002.

(9) Commitments and Contingencies

(a) *Lease Commitments*—The Company's subsidiaries lease certain property, plant and equipment under noncancellable capital lease agreements expiring at various dates through 2005. Such leases also contain renewal and purchase options. The Company leases space for its corporate headquarters and a retail outlet under operating leases which calls for annual rental payments due in equal monthly installments. Operating lease expenses were approximately $315,800 for the two months ended December 31, 2002.

Future minimum lease payments at December 31, 2002 under these non-cancelable leases are as follows (approximated):

	Capital Leases	Operating Leases
Year Ended December 31:		
2003	$ 32,400	$ 2,404,200
2004	29,900	1,876,100
2005	3,500	1,555,000
2006	—	1,234,100
2007	—	1,152,300
Thereafter	—	1,661,100
	65,800	$ 9,882,800
Less amount representing interest	(7,400)	
Present value of minimum lease payments	$ 58,400	

(b) *Litigation*—The Company is party to various legal proceedings generally incidental to its business. Although the ultimate disposition of these proceedings is not presently determinable, management does not believe that adverse determinations in any or all of such proceedings will have a material adverse effect upon the financial condition or results of operations of the Company.

(10) Derivative Financial Instruments

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company has entered into forward foreign exchange contracts. Gains and losses on these contracts generally offset losses and gains on the applicable subsidiary's foreign currency receivables and foreign currency debt.

The Company does not hedge the effects of foreign exchange rates fluctuations on the translation of its foreign results of operations or financial position, nor does it hedge exposure related to anticipated transactions.

The Company does not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency denominated assets and liabilities. These contracts are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured

through earnings (both in Other income, net). The contracts held by the Company are denominated in United States dollars, British Pound Sterling and Japanese Yen each against the Danish Krone.

The Company had derivative financial instruments with a notional value of approximately $39,721,800 and an initial value in excess of fair value of approximately $1,964,300 included in Foreign exchange payable on the Consolidated Balance Sheets as of December 31, 2002. The foreign exchange loss on derivative financial instruments for the two month period ended December 31, 2002 of approximately $1,802,500 is included in the consolidated statement of operations.

A sensitivity analysis indicates that if United States dollar to foreign currency exchange rates at December 31, 2002 increased 10%, the Company would incur losses of approximately $5,789,100 on foreign currency forward contracts outstanding at December 31, 2002. Such losses would be largely offset by gains from the revaluation or settlement of the underlying positions economically hedged.

(11) Stockholders' Equity and Stock-Based Compensation Plan

(a) *Equity Transaction*—In connection with the Tempur Acquisition, TWI Holdings was formed. The authorized capital stock of TWI Holdings, Inc. consists of 250,000 shares of Preferred Stock, $0.01 par value per share, of which 180,000 shares are further designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock"), 25,000 shares of Class A Common Stock, $0.01 par value per share (the "Class A Common Stock"), 300,000 shares of Class B-1 Voting Common Stock, $0.01 par value per share (the "Class B-1 Common Stock"), and 25,000 shares of Class B-2 Non-Voting Common Stock, $0.01 par value per share (the "Class B-2 Common Stock").

Series A Preferred Stock—Upon the liquidation or dissolution of the Company, the holders of Series A Preferred Stock will be entitled to the payment in cash of the purchase price of the Series A Preferred Stock, plus accrued dividends, before any distributions are made to holders of Class A Common Stock, Class B-1 Common Stock or Class B-2 Common Stock. Dividends on the shares of the Series A Preferred Stock are cumulative and accrue at an annual rate equal to 8% compounded quarterly. Dividends are payable only upon a liquidation of the Company or upon the occurrence of certain Disposition Events (as defined in the Certificate of Incorporation). Holders of Series A Preferred Stock have the right to one vote for each share of Class B-1 Common Stock into which the Series A Preferred Stock is convertible. Each share of Series A Preferred Stock is convertible at the option of the holder thereof at any time into shares of Class B-1 Common Stock at a conversion rate of one share of Class B-1 Common Stock for each share of Series A Preferred Stock, subject to adjustment under certain conditions. In the event of the conversion of any shares of Series A Preferred Stock, all accrued and unpaid dividends on such converted shares will be cancelled.

Class A Common Stock—Upon the liquidation or dissolution of the Company, the holders of Class A Common Stock will be entitled, subject to the rights of holders of the Series A Preferred Stock, to the payment in cash of the liquidation value of the Class A Common Stock plus accrued dividends before any distributions are made to holders of Class B-1 Common Stock or Class B-2 Common Stock. Holders of Class A Common Stock have the right to one vote for each share of Class B-1 Common Stock into which the shares of Class A Common Stock are convertible. Each share of the Class A Common Stock is convertible at the option of the holder thereof at any time into shares of Class B-1 Common Stock at a conversion rate of one share of Class B-1 Common Stock for each share of Class A Common Stock, subject to adjustment under certain circumstances.

Class B-1 Common Stock—Upon the liquidation or dissolution of the Company, the Class B-1 Common Stock will rank junior to the Series A Preferred Stock and Class A Common Stock and on an equal ranking with

the Class B-2 Common Stock. Dividends may be paid on the Class B-1 Common Stock as long as an equivalent dividend is paid on the Series A Preferred Stock, the Class A Common Stock and the Class B-2 Common Stock. Holders of Class B-1 Common Stock have the right to one vote for each share held.

Class B-2 Common Stock—Upon the liquidation or dissolution of the Company, the Class B-2 Common Stock will rank junior to the Series A Preferred Stock and Class A Common Stock and on an equal ranking with the Class B-1 Common Stock. Except as otherwise required by law, the holders of Class B-2 Common Stock are not entitled to vote. There are no shares of Class B-2 Common Stock issued or outstanding as of December 31, 2002.

Equity Agreements—The Company and its shareholders and warrant holders are parties to a Stockholder Agreement which, among other things, provides for certain restrictions on transfer of shares, certain voting agreements with respect to the election of directors, "tag-along" rights in connection with certain transfers of shares, "drag-along" rights in connection with certain sales or mergers of the Company and rights of first refusal in connection with certain issuances of shares of capital stock by the Company. The Company and certain holders of the Series A Preferred Stock are also parties to a Series A Preferred Stock Stockholder Agreement, which, among other things, provides for certain restrictions on transfer of shares, certain voting agreements with respect to the election of directors and certain consent requirements in connection with certain transactions. The Company and its shareholders and warrant holders are also parties to a Registration Rights Agreement, which provides for certain rights of holders of shares of the Company's common stock to require registration of such shares under the Securities Act of 1933, as amended.

(b) *Warrants and Preferred Dividend Rights*—On November 1, 2002, the Company issued warrants to purchase Class B-1 Common Stock exercisable for 4.5% of the fully-diluted common stock of the Company to lenders under the Sub Debt. Holders of the warrants will also be entitled to receive an amount equal to 4.5% of (i) the amount of any dividends paid on the Series A Preferred Stock upon a liquidation of the Company or a redemption of the Series A Preferred Stock and (ii) the aggregate amount to be paid on the Class A Common Stock upon a liquidation of the Company or redemption of the Class A Common Stock (other than by conversion into Class B-1 Common Stock). The warrants have a nominal exercise price and may be exercised at any time prior to the tenth anniversary of the date of issuance. The number of shares of Class B-1 Common Stock issuable upon exercise of the warrants will be adjusted for certain stock splits, stock dividends and similar recapitalizations, as well as upon the issuance of certain equity securities at less than fair market value. Prior to an initial public offering, holders of warrants will have the right to receive certain financial information regarding the Company and certain inspection rights, and will be entitled to a non-voting representative to attend Company board meetings.

(c) *Stockholder Notes*—In connection with the organization of the Company, on November 1, 2002, the Company issued an aggregate of 878.64 shares of Class B-1 Common Stock to certain management employees in exchange for Stockholder Notes (the "Notes") from such management employees payable to the Company in the aggregate principal amount of $100,000. The Notes bear interest at a rate of 5% per annum, have a maturity date of 10 years, and are secured by a pledge of the purchased shares. The Notes will become due prior to maturity upon certain events of default, the occurrence of a Disposition Event (as defined in the Certificate of Incorporation) or the termination of the employee's employment with the Company for cause or by reason of the employee's resignation under certain circumstances.

(d) *TWI Holdings 2002 Stock Option Plan*—In connection with the Tempur Acquisition, on November 1, 2002, the Company adopted the TWI Holdings, Inc. 2002 Stock Option Plan (the "Stock Option Plan") to provide for grants of options to purchase shares of Class B-1 Common Stock to employees and directors of the

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Company. Options granted under the Stock Option Plan which qualify as incentive stock options, as defined by the Internal Revenue Code, must have an exercise price of not less than the fair market value of the Company's Class B-1 Common Stock at the date of grant. The determination of the exercise price is made by the Board of Directors of the Company. Options granted under the Stock Option Plan may provide for vesting terms as determined by the Board of Directors at the time of grant. Options may be exercised up to ten years from the grant date and up to five years from the date of grant for any shareholders who own 10% or more of the total combined voting power of all shares of stock of the Company. As of December 31, 2002, 112 options were exercisable. The total number of shares of Class B-1 Common Stock subject to issuance under the Stock Option Plan may not exceed 18,871 shares, subject to certain adjustment provisions. The following table summarizes information about stock options outstanding as of December 31, 2002:

	Shares	Weighted Average Exercise Price
November 1, 2002	11,530	$ 802
Granted	—	—
Exercised	—	—
Terminated	—	—
December 31, 2002	11,530	$ 802

Options outstanding at December 31, 2002 had exercise prices ranging from $800 – $1,000 per share and expire on November 1, 2012. The weighted average fair value at date of grant for options granted during 2002 was $2. The weighted-average remaining contractual life is 10 years.

(e) *Stock Based Compensation*—Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if the Company has accounted for its stock options granted subsequent to November 1, 2002 under the fair value method of SFAS 123 (see Note (3)(p)), "Accounting Policies—Stock-Based Compensation"). The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2002
Expected life of option, in years	5
Risk-free interest rate	3%
Expected volatility of stock	25%
Expected dividend yield on stock	0%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The Company's options have characteristics significantly different from those of similar traded options, and changes in the subjective input can materially affect the fair value estimate.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(12) Income Taxes

The provision for income taxes for the two months ended December 31, 2002 consisted of the following (approximated):

	Two months ended December 31, 2002
Current provision	
Federal	$ 1,464,800
State	232,400
Foreign	1,425,900
Total current	3,123,100
Deferred benefit	
Federal	(1,718,800)
State	(309,400)
Foreign	(206,100)
Total deferred	(2,234,300)
Total provision for income taxes	$ 888,800

The provision for income taxes includes federal and state income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities. The Company records income taxes under the liability method. Under this method, deferred income taxes are recognized for the estimated future tax effects of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws.

The Company has established a valuation allowance for net operating loss carryforwards (NOLs) and certain other timing differences related to some of its foreign operations . The Company's foreign NOLs were approximately $21,173,000 at December 31, 2002. These NOLs expire at various dates through 2012. Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of these NOLs and certain other timing differences related to some of its foreign operations. The Company believes that it is more likely than not that its tax assets (other than those related to some of its foreign operations) are realizable based on the level of future reversing taxable temporary differences and on historically profitable operations which the Company believes are more likely than not to continue into the future to the extent necessary to assure realization of recorded deferred tax assets. However, there can be no assurance that such assets will be realized if circumstances change.

The effective income tax provision differs from the amount calculated using the statutory United States federal income tax rate, principally due to the following (approximated):

	Two months ended December 31, 2002	
	Amount	Percentage of Income Before Taxes
Statutory United States federal income tax	$ (680,100)	35.0%
State income taxes, net of federal benefit	(29,500)	1.5
Foreign tax differential	(35,000)	1.8
Change in valuation allowance	2,077,500	(106.9)
Foreign tax credit, net of Section 78 gross up	(112,300)	5.8
Subpart F income	163,200	(8.4)
Permanent and other	(495,000)	28.0
Effective income tax provision	$ 888,800	(43.2%)

Subpart F income represents interest and royalties earned by a foreign subsidiary. Under the Internal Revenue Code, such income is taxable to TWI Holdings, Inc. as if, in effect, earned directly by TWI Holdings, Inc.

The net deferred tax asset and liability recognized in the consolidated balance sheets as of December 31, 2002, consists of the following (approximated):

	December 31, 2002
Deferred tax assets:	
Start up costs	$ 44,000
Inventories	2,909,100
Net operating losses	6,539,300
Foreign tax credit carryover	
Land and buildings	994,600
Accrued expenses and other	2,141,700
Total deferred tax assets	12,628,700
Valuation allowances	(9,202,400)
Net deferred tax assets	3,426,300
Deferred tax liabilities:	
Land and buildings	(605,400)
Original issue discount	(651,600)
Depreciation	(7,217,400)
Intangible assets	(31,909,000)
Total deferred tax liabilities	(40,383,400)
Net deferred tax liability	$ (36,957,100)

(13) Major Customers

Five customers accounted for approximately 23% of sales for the two months ended December 31, 2002, one of which accounted for approximately 11% of sales, all of which was sold to the Domestic segment. These same customers also accounted for approximately 24% of accounts receivable as of December 31, 2002. The loss of one or more of these customers could have a material adverse effect on the Company.

(14) Benefit Plan

A subsidiary of the Company has a defined contribution plan whereby eligible employees may contribute up to 15% of their pay each year to the plan subject to certain limitations as defined by the Plan. Employees are eligible to receive matching contributions at the start of employment with the Company. The Plan provides a 100% match of the first 3% and 50% of the next 2% on eligible employee contributions and eliminated the vesting period such that matching contributions vest immediately. The Company incurred approximately $26,600 of expenses associated with the defined contribution plan for the two months ended December 31, 2002.

(15) Business Segment Information

SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information,” established standards for reporting information about operating segments in financial statements. Operating segments are

defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker or group in deciding how to allocate resources and assessing performance. The Company operates in two business segments: Domestic and International. These reportable segments are strategic business units that are managed separately based on the fundamental differences in their operations.

Beginning in 2002, following the opening of the Company's United States manufacturing facility, the Company changed the reporting structure from a single segment to Domestic and International operating segments. This change was consistent with the Company's ability to monitor and report operating results in these segments. The Domestic segment consists of the United States manufacturing facility whose customers include the United States distribution subsidiary and certain North American third party distributors. The International segment consists of the manufacturing facility in Denmark whose customers include all of the distribution subsidiaries and third party distributors outside the Domestic segment. The Company evaluates segment performance based on Operating income.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes segment information:

	Two Months Ended December 31, 2002
Revenues from external customers:	
Corporate	$ —
Domestic	33,860,000
International	26,784,000
	$ 60,644,000
Segment sales:	
Corporate	$ —
Domestic	—
International	(2,226,000)
Intercompany eliminations	2,226,000
	$ —
Operating income (loss):	
Corporate	$ (1,136,000)
Domestic	2,504,000
International	(1,709,000)
	$ (341,000)
Depreciation and amortization:	
Corporate	$ 597,000
Domestic	954,000
International	1,112,000
	$ 2,663,000
Total assets:	
Corporate	$ 91,380,000
Domestic	297,764,000
International	327,720,000
Intercompany eliminations	(268,370,000)
	$ 448,494,000
Capital expenditures:	
Corporate	$ 7,000
Domestic	353,000
International	1,601,000
	$ 1,961,000

The Domestic segment purchases certain products produced by the Danish manufacturing facility included in the International segment and sells those products to Domestic segment customers. These profits, from these sales, amounting to approximately $651,000 for the two months ended December 31, 2002, are allocated to operating income in the Domestic segment. Although these transactions are reported in the Domestic segment, the profit from these sales remain in the International segment for statutory purposes.

As the Company operated in one segment prior to the start up of the United States manufacturing operation, the Company has not restated prior year segment information to reflect the new reporting structure. The consolidated financial statements herein present all of the required disclosures for a single segment.

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(16) Condensed Consolidating Financial Information

Certain unsecured debt obligations will be issued by Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the Issuers) and will be fully and unconditionally guaranteed on an unsecured basis by the Issuers' domestic subsidiaries (referred to collectively as the Issuers and their Subsidiary Guarantors in the accompanying financial information) and by TWI Holdings, Inc. and an intermediate parent corporation (referred to as the Combined Guarantor Parents in the accompanying financial information). The foreign subsidiaries (referred to as Combined Non-Guarantor Subsidiaries in the accompanying financial information) represent the foreign operations of the Company and will not guarantee the debt. The following financial information presents condensed consolidating balance sheets, statements of operations and statements of cash flows for the Combined Guarantor Parents, Issuers and their Subsidiary Guarantors and Combined Non-Guarantor Subsidiaries.

Condensed Consolidating Balance Sheet
As of December 31, 2002

	Issuer and its Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Current assets	$ 52,510,000	$ 2,883,000	$ 85,688,000	$ (39,799,000)	$ 101,282,000
Property, plant and equipment, net	35,015,000	199,000	53,072,000	—	88,286,000
Other noncurrent assets	210,239,000	88,298,000	188,960,000	(228,571,000)	258,926,000
Total assets	$ 297,764,000	$ 91,380,000	$ 327,720,000	$ (268,370,000)	$ 448,494,000
Current liabilities	$ 51,409,000	$ 21,075,000	$ 37,108,000	$ (39,650,000)	$ 69,942,000
Noncurrent liabilities	132,411,000	147,459,000	96,184,000	(149,501,000)	226,553,000
Equity (deficit)	113,944,000	(77,154,000)	194,428,000	(79,219,000)	151,999,000
Total liabilities and equity (deficit)	$ 297,764,000	$ 91,380,000	$ 327,720,000	$ (268,370,000)	$ 448,494,000

Condensed Consolidating Statement of Operations
For the Two Months Ended December 31, 2002

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net Sales	$ 33,860,000	$ —	$ 29,010,000	$ (2,226,000)	$ 60,644,000
Cost of goods sold	20,522,000	(73,000)	19,588,000	(2,226,000)	37,811,000
Gross profit	13,338,000	73,000	9,422,000	—	22,833,000
Operating expenses	11,485,000	1,208,000	10,481,000	—	23,174,000
Operating income	1,853,000	(1,135,000)	(1,059,000)	—	(341,000)
Interest income (expense), net	(664,000)	(1,944,000)	(347,000)	—	(2,955,000)
Other income (loss)	283,000	420,000	628,000	—	1,331,000
Income taxes	584,000	(875,000)	1,180,000	—	889,000
Net income (loss)	$ 888,000	$ (1,784,000)	$ (1,958,000)	$ —	$ (2,854,000)

TWI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statements of Cash Flows
For the Two Months Ended December 31, 2002

	Issuers and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 888,000	$ (1,784,000)	$ (1,958,000)	$ —	$ (2,854,000)
Non-cash expenses	(155,000)	(8,299,000)	7,338,000	—	(1,116,000)
Changes in working capital	(7,805,000)	12,556,000	11,605,000	—	16,356,000
Net cash provided by operating activities	(7,072,000)	2,473,000	16,985,000	—	12,386,000
Net cash used for investing activities	(353,000)	(7,000)	(1,499,000)	—	(1,859,000)
Net cash provided by financing activities	9,012,000	(2,264,000)	(10,969,000)	—	(4,221,000)
Effect on exchange rate changes on cash	—	—	596,000	—	596,000
Net increase (decrease) in cash and cash equivalents	1,587,000	202,000	5,113,000	—	6,902,000
Cash and cash equivalents at beginning of the year	(932,000)	407,000	6,277,000	—	5,752,000
Cash and cash equivalents at end of period	$ 655,000	$ 609,000	$ 11,390,000	$ —	$ 12,654,000

REPORT OF INDEPENDENT AUDITORS

To the Stockholder of
Tempur World, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Tempur World, Inc. and Subsidiaries (the Company), Predecessor to TWI Holdings, Inc., as of October 31, 2002, and the related consolidated statements of income, stockholders' equity and cash flows for the ten months ended October 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company as of December 31, 2001 and 2000 and for the years then ended were audited by other auditors who have ceased operations and whose report dated March 8, 2002 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tempur World, Inc. and Subsidiaries as of October 31, 2002, and the consolidated results of their operations and their cash flows for the ten months ended October 31, 2002 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3(k), in the accompanying consolidated financial statements the Company changed its method of accounting for goodwill.

As discussed above, the consolidated financial statements of the Company as of December 31, 2001 and 2000 and for the years then ended were audited by other auditors who have ceased operations. As discussed in Note 18 to the December 31, 2001 and 2000 consolidated financial statements, those consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, "Goodwill and Other Intangible Assets," which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 18 in the December 31, 2001 and 2000 financial statements, included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income. In our opinion, the disclosures for 2001 and 2000 in Note 18 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such adjustments related to Note 18 to the December 31, 2001 and 2000 financial statements, and accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

ERNST & YOUNG LLP

Louisville, Kentucky
June 20, 2003

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
CONSOLIDATED BALANCE SHEET
As of October 31, 2002

	October 31, 2002
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 6,380,111
Accounts receivable, net of allowance for doubtful accounts of $2,076,972 as of October 31, 2002	43,265,575
Accounts receivable—related parties	143,064
Notes receivable—related parties	37,051
Inventories	37,482,475
Prepaid expenses and other current assets	2,333,029
Deferred income taxes	6,584,215
Total current assets	96,225,520
Land and buildings	44,508,777
Machinery and equipment	54,845,447
Construction in progress	2,779,515
	102,133,739
Less: Accumulated depreciation	(26,467,118)
Property, plant and equipment, net	75,666,621
Goodwill, net of amortization of $2,449,924 as of October 31, 2002	16,166,722
Other intangible assets, net of amortization of $2,049,616 as of October 31, 2002	3,358,014
Deferred financing and other non-current assets, net	8,223,853
Total assets	$ 199,640,730
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 17,021,048
Accounts payable—related parties	166,899
Accrued expenses	25,699,534
Income taxes payable	2,373,701
Value added taxes payable	2,495,353
Current portion—long-term debt	10,758,161
Current portion—capital lease obligations	197,334
Total current liabilities	58,712,030
Long-term debt	78,058,324
Capital lease obligations	36,248
Deferred income taxes	5,437,017
Other long-term liabilities	2,171,240
Total liabilities	144,414,859
Commitments and contingencies (see Note 9)	
Preferred stock, Series A, $1 par value, 1,100,000 shares authorized and 734,214 outstanding	15,331,032
Stockholders' Equity:	
Common stock, $.01 par value, 11,000,000 shares authorized, 9,000,034 shares issued and 7,383,082 shares outstanding as of October 31, 2002	90,000
Additional paid in capital	14,352,488
Retained earnings	54,624,879
Accumulated other comprehensive income	3,476,325
Less: Cost of 1,616,952 treasury shares at October 31, 2002	(32,648,853)
Total stockholders' equity	39,894,839
Total liabilities and stockholders' equity	$ 199,640,730

The accompanying notes to consolidated financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
CONSOLIDATED STATEMENT OF INCOME
For the Ten Months Ended October 31, 2002

Net sales	$ 237,314,237
Cost of sales	110,228,149
Gross profit	127,086,088
Selling expenses	59,572,111
General and administrative expenses	26,135,602
Research and development expenses	985,615
Operating income	40,392,760
Other income (expense), net:	
Interest income	291,003
Interest expense	(6,583,184)
Related party interest income (expense), net	(106)
Foreign currency exchange losses	(669,673)
Other expense, net	(1,053,774)
Total other expense	(8,015,734)
Income before income taxes	32,377,026
Income tax provision	12,435,997
Net income	$ 19,941,029

The accompanying notes to consolidated financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Ten Months October 31, 2002

	Common Stock						
	Shares	Amount	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2001	7,501,503	$ 90,000	$ 14,352,488	$ 35,921,593	$ (30,313,848)	$ (3,355,855)	$ 16,694,378
Net income plus other comprehensive income:							
Net income				19,941,029			19,941,029
Foreign currency translation adjustments, net of tax						6,832,180	6,832,180
Net income plus changes in accumulated comprehensive income				19,941,029		6,832,180	26,773,209
Dividends on Preferred Stock				(1,237,743)			(1,237,743)
Purchases of Treasury Stock	(118,421)				(2,335,005)		(2,335,005)
Balance, October 31, 2002	7,383,082	$ 90,000	$ 14,352,488	$ 54,624,879	$ (32,648,853)	$ 3,476,325	$ 39,894,839

The accompanying notes to consolidated financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Ten Months Ended October 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 19,941,029
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	10,383,221
Amortization of deferred financing costs	1,115,608
Allowance for doubtful accounts	2,776,105
Deferred income taxes	(1,138,451)
Foreign currency adjustments	(3,886,896)
(Gain) loss on sale of equipment	267,992
Loss on asset impairment charge	1,621,345
Changes in operating assets and liabilities:	
Accounts receivable—trade	(11,876,210)
Accounts receivable—related parties	212,090
Notes receivable—related parties	497,685
Inventories	(5,925,790)
Prepaid expenses and other current assets	653,784
Accounts payable—trade	2,989,560
Accounts payable—related parties	(200,469)
Accrued expenses and other	6,005,765
Value added taxes payable	116,070
Income taxes payable/receivable	(846,692)
Net cash provided by operating activities	22,705,746
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of businesses	(709,650)
Purchases of property, plant and equipment	(9,175,336)
Proceeds from sales of property, plant and equipment	5,238,632
Net cash used for investing activities	(4,646,354)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of long-term debt	17,124,123
Proceeds from issuance of long-term debt—related party	413,764
Proceeds from issuance of notes payable—line of credit	2,903,421
Repayments of long-term debt	(33,045,949)
Repayments of long-term debt—related party	(1,714,806)
Repayments of notes payable—line of credit	(3,183,430)
Repayments of capital lease obligations	(310,410)
Payments of deferred financing costs	(2,054,203)
Proceeds from issuance of preferred stock, net	2,500,000
Purchases of treasury stock	(2,335,005)
Net cash used by financing activities	(19,702,495)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH:	485,048
Decrease in cash and cash equivalents	(1,158,055)
CASH AND CASH EQUIVALENTS, beginning of period	7,538,166
CASH AND CASH EQUIVALENTS, end of period	$ 6,380,111

The accompanying notes to consolidated financial statements are an integral part of this statement.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Ten Months Ended October 31, 2002

(1) The Company

Tempur World, Inc. and Subsidiaries (Tempur World or the Company), a United States based multinational corporation incorporated in Delaware, is a majority owned subsidiary of Fagerdala Industri AB, a Swedish corporation. Fagerdala Industri AB is a majority-owned subsidiary of Fagerdala World Foams AB (Fagerdala), also a Swedish corporation. Tempur World manufactures, markets and sells advanced visco-elastic foam products including pillows, mattresses and other related products. The Company manufactures essentially all of its products at Dan Foam A/S, located in Denmark and Tempur Production USA, Inc., a new plant located in the United States. The Company sells its products in markets throughout the United States, Europe, Asia and other countries around the world and primarily extends credit based on the creditworthiness of its customers. The majority of the Company's revenues are derived from sales to retailers and to retail consumers through its direct response business.

(2) Business Combination

Pursuant to the Agreement and Plan of Merger dated as of October 4, 2002 (the Merger Agreement), on November 1, 2002, TWI Holdings, Inc. acquired Tempur World, Inc. The total acquisition price of Tempur World as of the closing date of the acquisition of Tempur World, Inc. (the "Tempur Acquisition") was approximately $268,483,800, including $14,165,800 of transaction fees and expenses. The Tempur Acquisition was financed with approximately $146,638,700 in cash proceeds of newly issued Series A Convertible Preferred Stock and Class A Common Stock, $107,679,400 of incremental senior and mezzanine debt borrowings, net of approximately $5,751,900 of Tempur World's cash. The Company also refinanced the $88,816,500 of existing debt obligations of Tempur World.

None of these effects have been reflected in the consolidated financial statements for the ten months ended October 31, 2002 as this transaction occurred subsequent to the date of these consolidated financial statements. This is the final consolidated financial statement of Tempur World, as the predecessor of TWI Holdings, Inc.

(3) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*—The consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries, directly or indirectly, are wholly-owned. All material intercompany balances and transactions have been eliminated.

(b) *Management's Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, management makes its best estimate to accrue for certain costs incurred in connection with business activities such as warranty claims and sales returns, but the Company's estimates of these costs could change materially.

(c) *Foreign Currency Translation*—Assets and liabilities of non-United States subsidiaries, whose functional currency is the local currency, are translated at year-end exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the year. The adjustment resulting from translating the financial statements of such foreign subsidiaries is reflected as a separate component of stockholders' equity. Foreign currency transaction gains and losses are reported in results of operations.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(d) *Financial Instruments and Hedging*—Within the normal course of business, the Company uses derivative financial instruments principally to manage the exposure to changes in the value of certain foreign currency denominated assets and liabilities of its Denmark manufacturing operations. Gains and losses are recognized currently in the results of operations and are generally offset by losses and gains on the underlying assets and liabilities being hedged.

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of the financial instruments, including derivatives and long-term debt, standard market conventions and techniques including available market data and discounted cash flow analysis are used to determine fair value.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value because of the short-term maturity of those instruments. The carrying amounts of preferred stock and long-term debt approximate the fair market value for instruments with similar terms as of October 31, 2002.

(e) *Revenue Recognition*—In accordance with SEC Staff Accounting Bulletin 101, the Company recognizes sales of its products when the products are shipped to customers and the risks and rewards of ownership are transferred. The Company does not require collateral on sales made in the normal course of business. Deposits made by customers are recorded as a liability and recognized as a sale when product is shipped. The Company had approximately $3,674,800 of deferred revenue included in Accrued expenses as of October 31, 2002.

The Company reflects all amounts billed to customers for shipping in Net sales and the costs incurred from shipping product in Cost of sales. Amounts included in Net sales for shipping and handling are approximately $9,552,900 in the ten months ended October 31, 2002. Amounts included in Cost of sales for shipping and handling are approximately $20,096,300 in the ten months ended October 31, 2002.

(f) *Accrued Sales Returns*—Estimated sales returns are provided at the time of sale based on historical sales returns. The Company allows product returns ranging from 90 to 120 days following a sale. Accrued sales returns are included in Accrued expenses in the accompanying Consolidated Balance Sheet. The Company had the following activity for sales returns for the ten months ended October 31, 2002 (approximated):

Balance as of December 31, 2001	$ 1,918,400
Amounts accrued	3,055,300
Returns charged to accrual	(1,338,700)
Balance as of October 31, 2002	$ 3,635,000

(g) *Advertising Costs*—The Company expenses all advertising costs as incurred except for production costs and advance payments which are deferred and expensed when advertisements run for the first time. Advertising costs charged to expense were approximately $37,003,000 during the ten months ended October 31, 2002.

The Company defers advertising costs on media advertising purchases where the Company is required to prepay for the advertising in advance. These costs are expensed the first time the media is run. In addition, the Company defers the prepayment of costs for direct response advertising. The Company amortizes the costs over approximately four months.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amounts of advertising costs deferred and included in the Consolidated Balance Sheets as of October 31, 2002 were approximately $1,112,500.

(h) *Cash and Cash Equivalents*—Cash and cash equivalents consist of all liquid investments with initial maturities of three months or less.

(i) *Inventories*— Inventories are stated at the lower of cost or market, determined by the first-in, first-out method and consisted of the following (approximated):

	October 31, 2002
Finished goods	$ 20,731,700
Work-in-process	4,599,400
Raw materials and supplies	12,151,400
	$ 37,482,500

(j) *Property, Plant and Equipment*—Property, plant and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Buildings	25-30 years
Computer equipment	3-5 years
Leasehold improvements	4-7 years
Equipment	3-7 years
Office furniture and fixtures	5-7 years
Autos	3-5 years

Maintenance and repair costs are expensed as incurred, and expenditures for improvements are capitalized.

Leasehold improvements are amortized over the shorter of the life of the lease or seven years. Depreciation expense was approximately $9,691,900 for the ten months ended October 31, 2002.

Equipment held under capital leases is recorded at the fair market value of the equipment at the inception of the leases. Equipment held under capital leases are amortized over the shorter of their estimated useful lives or the term of the respective leases.

As of January 1, 2002, the Company adopted SFAS 142. Pursuant to the provisions of SFAS 142 the Company stopped amortizing goodwill as of January 1, 2002. During the second quarter of 2002, the Company completed the transitional impairment test required under SFAS 142. The initial step of the impairment test was to identify potential goodwill impairment by comparing the fair value of the Company's reporting units to their carrying values including the applicable goodwill. These fair values were determined by calculating the discounted free cash flow expected to be generated by each reporting unit taking into account what the Company considers to be the appropriate industry and market rate assumptions. If the carrying value exceeded the fair value, then a second step was performed, which compared the implied fair value of the applicable reporting unit's goodwill with the carrying amount of that goodwill, to measure the amount of goodwill impairment, if any. As a result of the initial transitional impairment test, the Company determined that no goodwill impairment existed at January 1, 2002.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In addition to performing the required transitional impairment test on the Company's goodwill, SFAS 142 required the Company to reassess the expected useful lives of existing intangible assets for which the useful life is determinable. The Company incurred no impairment charges as a result of SFAS 142 for intangibles with determinable useful lives, which are subject to amortization.

The following table summarizes information about the Company's allocation of other intangible assets (approximated):

	As of October 31, 2002	
	Gross Carrying Amount	Accumulated Amortization
Unamortized indefinite life intangible assets:		
Bed Ex	$ 60,000	$ —
Trademark and Other	96,600	—
Total	$ 156,600	$ —

	As of October 31, 2002		
	Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:			
Tempur-Pedic Name	10	$ 1,722,000	$ 487,900
Customer List	10	861,000	244,000
Key Employees	3	746,200	704,700
Distribution Network	10	861,000	244,000
Nettway Fees, Other Trademarks and Misc	10	1,060,800	369,000
Total		$ 5,251,000	$ 2,049,600

Amortization expense for other intangibles was approximately $691,300 for the ten months ended October 31, 2002.

The changes in the carrying amount of goodwill for the ten months ended October 31, 2002 were (approximated):

Balance as of December 31, 2001	$ 15,357,000
Nettway Acquisition	721,300
Foreign currency translation adjustments	88,400
Balance as of October 31, 2002	$ 16,166,700

The goodwill has been allocated to the Domestic and International segments as follows:

Domestic	$ 7,003,900
International	$ 9,162,800

(l) *Software*—The Company expenses costs incurred in the preliminary project stage and, thereafter, capitalizes costs incurred in the developing or obtaining of internal use software. Certain costs, such as

maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of not more than five years and are subject to impairment evaluation in accordance with SFAS 144. Amounts capitalized for software are included in Machinery and equipment on the Consolidated Balance Sheet as of October 31, 2002.

(m) *Warranties*—The Company provides a 20-year warranty for United States sales and a 15-year warranty for non-United States sales on mattresses, each prorated for the last 10 years. The Company also provides 2-year to 3-year warranties on pillows. Estimated future obligations related to these products are provided by charges to operations in the period in which the related revenue is recognized. The Company has accrued the amounts below as of October 31, 2002 related to warranty costs and is included within Accrued expenses on the accompanying Consolidated Balance Sheet (approximated):

Balance as of December 31, 2001	$ 3,323,900
Amounts accrued	2,646,200
Warranty charged to accrual	(3,090,000)
Balance as of October 31, 2002	$ 2,880,100

(n) *Income Taxes*—The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

In conjunction with the acquisition of Tempur World on November 1, 2002, TWI Holdings, Inc. repatriated approximately $44,200,000 from one of its foreign entities in the form of a loan that under applicable US tax principles is treated as a taxable dividend. In conjunction with the acquisition of Tempur World, Inc., TWI Holdings, Inc. has provided for the remaining undistributed earnings amounting to $9,961,900 as of October 31, 2002.

(o) *Research and Development Expenses*—Research and development expenses for new products are expensed as they are incurred.

(p) *Stock-Based Compensation*—The Company has adopted SFAS 123, “Accounting for Stock Based Compensation” (SFAS 123). In accordance with SFAS 123, the Company has elected to account for employee stock and option issuances under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25). Under APB 25 no compensation expense is recognized in the statements of income for stock granted to employees and non-employee directors, if the exercise price at least equals the fair value of the *underlying* stock on the date of grant. The effects on net income of applying SFAS 123 for providing pro forma disclosure are not representative of the future effects on net income.

Stock options are granted under various stock compensation programs to employees (see Note (11)(a)). For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options’ vesting period.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's pro forma information in accordance with SFAS 123 is as follows:

	Ten months ended October 31, 2002
Net income (as reported)	$ 19,941,000
Less: additional stock-based employee compensation, net of tax	399,900
Pro forma net income	$ 19,541,100

(q) *Preferred Stock*—The Company's Preferred Stock has a maturity date of September 2011. Dividends on the shares of the Preferred Stock are cumulative and are accrued each month at an annual rate equal to 10% compounded quarterly. Each share of the Preferred Stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Preferred Stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Preferred Stock, all accrued and unpaid dividends on such converted shares will be cancelled. The Preferred Stock also has voting rights equal to the number of "as converted" Common Stock as defined. As discussed in Note (9)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

As of October 31, 2002, no shares of Series B preferred stock have been issued. The Series B preferred stock has a maturity date of September 12, 2009. Dividends on any issued and outstanding shares of the Series B stock are cumulative and accrued each month at an annual rate equal to 15%. Par value of Series B preferred stock is $1 per share. Each share of the Series B preferred stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Series B preferred stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Series B preferred stock, all accrued and unpaid dividends on such converted shares will be canceled. The Series B shares also have voting rights equal to the number of "as converted" Common Stock, as defined. As discussed in Note (9)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

As of October 31, 2002, no shares of Series C preferred stock have been issued. The Series C preferred stock has a maturity date of September 12, 2009. Dividends on any issued and outstanding shares of the Series C stock are cumulative and accrued each month at an annual rate equal to 15%. Par value of Series C preferred stock is $1 per share. Each share of the Series C preferred stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Series C preferred stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Series C preferred stock, all accrued and unpaid dividends on such converted shares will be cancelled. The Series C shares also have voting rights equal to the number of "as converted" Common Stock, as defined. As discussed in Note (9)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

(4) New Accounting Standards

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 was effective January 1, 2003. SFAS 145 eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated for extraordinary classification under the criteria of

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accounting Principles Board Opinion No. 30, "Reporting Results of Operations" (APB 30). SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements. The Company is evaluating the impact of SFAS 145 on the financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This statement nullifies Emerging Issues Task Force Issue 94-3 (Issue 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 to have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement 123" (SFAS 148), which was effective on December 31, 2002. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, it amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based compensation and the effect of the method on reported results. The provisions regarding alternative methods of transition do not apply to the Company, which accounts for stock-based compensation using the intrinsic value method. The disclosure provisions have been adopted. See Note (11).

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative that contains financing components. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. The guidance is to be applied prospectively. We do not believe that the adoption of this Statement will have a significant impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new guidance requires that those instruments be classified as liabilities in statements of financial position. We are still evaluating the impact of this statement on our consolidated financial statements. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003.

(5) Restructurings and Disposals

As a result of a strategic review, the Company set forth a plan for the closure of Kruse Manufacturing, the German manufacturing subsidiary ("Kruse"). Approximately 27 job positions and related office staff reductions will be lost in connection with closing this operation. Consistent with SFAS 144, the Company evaluated long-lived assets for impairment and assessed their recoverability based upon anticipated undiscounted future cash flows. For the ten months ended October 31, 2002, the Company recorded non-cash impairment charges and wrote down the value of the long-lived assets by approximately $461,400. Net sales and Net loss for Kruse for the ten months ended October 31, 2002 were approximately $248,000 and $1,082,800, respectively.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) Supplemental Cash Flow Information

Cash payments for interest and net cash payments for income taxes are as follows (approximated):

	Ten months ended October 31, 2002
Interest	$ 5,381,700
Income taxes, net of refunds	$ 13,768,500

Non-cash investing and financing activities have been excluded as non-cash items from the consolidated statement of cash flows for the ten months ended October 31, 2002.

(7) Long-term Debt

In September 2001, the Company obtained a total of $115,000,000 of secured debt financing (the "Debt") under US and European term loans and long-term revolving credit facilities of which approximately $86,581,200 was drawn upon as of October 31, 2002. The secured debt financing under the United States facilities totaled $52,338,300 as of October 31, 2002 with a maximum borrowing of $15,000,000 on the revolver and $50,000,000 on the term loan. The secured debt financing under the European facilities totaled $34,242,900 as of October 31, 2002 with maximum borrowings of $15,000,000 on the revolver and $35,000,000 on the term loan. The Debt has a six-year maturity, bears interest at IBOR plus a specified margin ranging from 2.25% to 3.75% per annum with principal and interest payable quarterly. The United States Debt is secured by a first lien on substantially all of the Company's United States assets and the European Debt is secured by a first lien on substantially all of the Company's European assets. Certain fees and expenses paid directly by the Company in connection with the Debt refinancing are reflected as deferred financing costs and are included in Other assets in the Consolidated Balance Sheet as of October 31, 2002. These costs are being amortized to interest expense over the life of the Debt using the effective interest method. The refinancing contains installment mortgages for the manufacturing facilities as well as long-term revolving debt facilities to support continuing operations. The Debt is subject to certain financial covenants consisting primarily of minimum EBITDA (earnings before interest, taxes, depreciation and amortization, as defined) levels, interest coverage ratios, maximum leverage ratios and a limitation on capital expenditures, as defined. The Company was out of compliance with certain non-financial covenants as of October 31, 2002, but has obtained waivers from the lenders.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-term debt at October 31, 2002, consisted of the following :

	October 31, 2002
United States Term Loan payable to a lender, secured by substantially all company US assets, interest at LIBOR plus margin (5.57% as of October 31, 2002), principal and interest payments due quarterly through September 2007	$ 45,000,000
European Term Loan payable to a lender, secured by substantially all company European assets, interest at IBOR plus margin (5.57% as of October 31, 2002), principal and interest payments due quarterly through September 2007	30,141,000
United States Long-Term Revolving Credit Facility payable to a lender, secured by substantially all company US assets, interest at LIBOR plus margin (5.57% as of October 31, 2002), commitment through and due September 2007	7,338,300
European Long-Term Revolving Credit Facility payable to a lender, secured by substantially all company European assets, interest at IBOR plus margin (5.57% as of October 31, 2002), commitment through September 2007	4,101,900
Mortgages payable to a bank, secured by certain property, plant and equipment and other assets, bearing fixed interest at 4.0% to 5.1%	2,235,300
	88,816,500
Less: Current portion	10,758,200
Long-term debt	$ 78,058,300

The Company's long-term debt, including subsidiary debt, is scheduled to mature as follows:

Year Ending December 31,	
2002	$ 2,519,500
2003	9,922,400
2004	14,159,600
2005	17,280,600
2006	18,315,200
2007	14,807,700
Thereafter	11,811,500
Total	$ 88,816,500

At October 31, 2002 the Company had outstanding letters of credit of $2,280,411. The letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions.

(8) Consumer Credit Arrangements

The Company refers customers seeking extended financing, to certain third party financiers (the Card Servicers). The Card Servicers, if credit is granted, establish the interest rates, fees and all other terms and conditions of the customer accounts based on their evaluation of the credit worthiness. As the receivables are owned by the Card Servicers, at no time are the receivables purchased or acquired from the Company. In connection with customer purchases financed under these arrangements, the Card Servicer pays the Company an amount equal to the total amount of such purchases, net of a non-refundable financing fee as well as an interest bearing holdback of 20% (to be released upon ultimate collection) of certain amounts financed with recourse

under the program. The amounts financed and uncollected with recourse to the Company is approximately $233,700 included in Accounts receivable, as of October 31, 2002.

(9) Commitments and Contingencies

(a) *Lease Commitments*—The Company's subsidiaries lease certain property, plant and equipment under noncancellable capital lease agreements expiring at various dates through 2005. Such leases also contain renewal and purchase options. The Company leases space for its corporate headquarters and a retail outlet under operating leases which calls for annual rental payments due in equal monthly installments. Operating lease expenses were approximately $1,578,800 for the ten months ended October 31, 2002.

Future minimum lease payments at October 31, 2002 under these non-cancelable leases are as follows:

	Capital Leases	Operating Leases
Year Ended December 31:		
2002	$ 4,700	$ 315,800
2003	30,300	2,293,600
2004	28,000	1,777,800
2005	3,200	1,449,400
2006		1,154,900
Thereafter		2,776,900
	66,200	$ 9,768,400
Less amount representing interest	—	
Present value of minimum lease payments	$ 66,200	

(b) *Minority Shareholder Put Right*—Under the terms of the Preferred Stock transaction certain minority shareholders owning common stock of the Company may exercise put rights, subject to Board of Director approval, as provided for in the Securities Purchase Agreement after April 1, 2004 for a period of 30 days as defined in the agreement. Except for certain provisional changes, within 60 days of notice, the Company is required to purchase all shares subject to the put from the shareholders. The purchase price is calculated based on the relative ownership interests of the exercising shareholders and a determination of the fair market value, as defined, of the Company at that time. The purchase price is required to be paid in cash unless prohibited by restriction from the debt and equity agreements in which case it will be paid in additional shares of preferred stock. The exercise of these put rights are subordinate to the Preferred Shareholders put rights (Note 9(c)).

In addition, any holder of preferred stock may redeem held shares of Preferred Stock if there is a change of control, as defined in the agreement, at a purchase price which is the higher of the purchase price under the put or the price to be received due to a change of control, assuming the conversion of all convertible securities into shares of Company common stock.

(c) *Preferred Stockholder Put Right*—Under the terms of the Amended and Restated Stockholders Agreement, certain Preferred Stockholders of the Company may exercise put rights as provided for in the agreement after April 1, 2004 for a period of 30 days or upon certain Events of Default as defined in the Securities Purchase Agreement period. Except for certain provisional changes, within 60 days of notice, the Company is required to purchase all shares subject to the put from the shareholders. The purchase price is

calculated based on the greater of i) the liquidation value of such preferred shares plus all accrued and unpaid dividends, and ii) the aggregate common share put price assuming conversion to common stock in accordance with the amended Certificate of Incorporation of the Company. The purchase price is required to be paid in cash unless it is prohibited by restriction from the Company's agreements with its lenders in which case it will be paid in additional shares of preferred stock.

If any portion of the repurchase price is not paid in cash, then, each month after the closing of the put right, the Company is required to issue to certain preferred shareholders Common Stock Purchase Warrants equal to one percent of the aggregate number of shares of common stock (assuming the conversion of all convertible securities) times the ratio of the aggregate repurchase price not paid in cash to the total repurchase price.

In addition, any holder of Preferred Stock may require the Company to redeem all shares of Preferred Stock if there is a change of control, as defined, at a purchase price that is the higher of the purchase price under the put right or the price to be received due to a change of control, assuming the conversion of all convertible securities into shares of Company common stock.

(d) *Stock* Buy-*Backs*—The Company, certain redeeming common stock shareholders of the Company and certain investors in Preferred Stock of the Company have entered into a Stock Redemption Agreement which provides for the sale and purchase, as the case may be, by the redeeming shareholders and the investors at a nominal price, of sufficient Preferred Stock which will cause the Internal Rate of Return, as defined, of such shares to be within a range as specified in the agreement.

Such sales and purchases are permitted upon the sale or transfer by certain investors of more than 50% of the securities such investors purchased under the Securities Purchase Agreement, the exercise by such investors of a put right, a liquidation, dissolution, merger, consolidation or sale of all or substantially all assets or stock of the Company to a third party, the first public sale of securities by such investor, or the first anniversary of the termination of any applicable restrictive "lock-up" period as defined in the agreement.

Upon such an event, Fagerdala Industri AB (Note (1)), has the right to purchase from the Company a number of common shares in the same proportion to the proportion of shares being repurchased by each redeeming shareholder to the shares each such redeeming shareholder owned prior to redemption.

(e) *Litigation*—The Company is party to various legal proceedings generally incidental to its business. Although the ultimate disposition of these proceedings is not presently determinable, management does not believe that adverse determinations in any or all of such proceedings will have a material adverse effect upon the financial condition of the Company or results of operations at TWI Holdings, Inc.

(10) Derivative Financial Instruments

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company has entered into forward foreign exchange contracts. Gains and losses on these contracts generally offset losses and gains on the applicable Subsidiary's foreign currency receivables and foreign currency debt.

The Company does not hedge the effects of foreign exchange rates fluctuations on the translation of its foreign results of operations or financial position, nor does it hedge exposure related to anticipated transactions.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company does not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency denominated assets and liabilities. These contracts are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings (both in Other income, net). The contracts held by the Company are denominated in US dollars, British Pound Sterling and Japanese Yen each against the Danish Krone.

The Company had derivative financial instruments with a notional value of approximately $11,059,400 and an initial value in excess of fair value of approximately $22,300 included in Foreign exchange payable on the Consolidated Balance Sheet as of October 31, 2002. The foreign exchange loss on derivative financial instruments for the ten month period ended October 31, 2002 of approximately $784,100 is included in the consolidated statement of income.

A sensitivity analysis indicates that a 10% adverse movement in the United States dollar to Danish Krone exchange rates at October 31, 2002 would incur losses for the Company of approximately $714,200 on foreign currency forward contracts outstanding at October 31, 2002. Such losses would be largely offset by gains from the revaluation or settlement of the underlying positions economically hedged.

(11) Stock-Based Compensation Plan

(a) *Stock Options*—The Company adopted the Tempur World, Incorporated 2000 Stock Option Plan ("Stock Option Plan") to provide grants of options to purchase shares of common stock to certain key employees. Options granted under the Stock Option Plan are non-qualified and are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant, except for a single grant issued to one individual for which compensation expense was recorded. The fair market value is based on *acceptable* valuation methodologies and is approved by Board of Directors. Options granted under the Stock Option Plan generally vest in increments of 25% per year over a four year period on the yearly anniversary date of the grant and may be exercised up to six years from the grant date and five years from the date of grant for any shareholders who own 10% or more of the shares of Company common stock outstanding. As of October 31, 2002, 207,229 options were exercisable. The total number of shares of common stock subject to issuance under the Stock Option Plan may not exceed 10% of the authorized share capital, which was 1,000,000 shares as of October 31, 2002 subject to certain adjustment provisions.

The following table summarizes information about stock options outstanding as of October 31, 2002:

	Shares	Exercise Price Weighted Average
December 31, 2001	292,848	$ 23.44
Granted	147,000	21.11
Exercised	—	—
Terminated	(20,348)	20.10
October 31, 2002	419,500	$ 23.63

Options outstanding at October 31, 2002 had exercise prices ranging from $21.11-$27.71 per share and expire between January 1, 2005 and January 1, 2008. The weighted average fair value at date of grant for options granted during 2002 was $7.05. The weighted-average remaining contractual life is 4 years.

(b) *Stock Based Compensation*—Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if the Company has accounted

for its stock options granted under the fair value method of SFAS 123 (see Note (3)(p)), "Accounting Policies—Stock-Based Compensation"). The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2002
Expected life of option, in years	5-6 years
Risk-free interest rate	4.34%
Expected volatility of stock	25%
Expected dividend yield on stock	0%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The Company's options have characteristics significantly different from those of similar traded options, and changes in the subjective input can materially affect the fair value estimate.

(12) Income Taxes

The provision for income taxes for the ten months ended October 31, 2002 consisted of the following (approximated):

	Ten months ended October 31, 2002
Current provision	
Federal	$ 2,399,700
State	1,026,800
Foreign	9,709,300
Total current	13,135,800
Deferred benefit	
Federal	(169,200)
State	(16,700)
Foreign	(513,900)
Total deferred	(699,800)
Total provision for income taxes	$ 12,436,000

The provision for income taxes includes federal and state income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities. The Company records income taxes under the liability method. Under this method, deferred income taxes are recognized for the estimated future tax effects of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws.

The Company has established a valuation allowance for net operating loss carryforwards (NOLs), certain contribution carryovers relates to United States charitable donations and certain other timing differences related to some of its foreign operations. The Company's foreign NOLs were approximately $14,490,500 at October 31, 2002 that expire at various dates through 2012. Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of these NOLs and certain

other timing differences related to some of its foreign operations. The Company believes that it is more likely than not that its tax assets (other than those related to some of its foreign operations) are realizable based on the level of future reversing taxable temporary differences and on historically profitable operations, which the Company believes are more likely than not to continue into the future to the extent necessary to assure realization of recorded deferred tax assets. However, there can be no assurance that such assets will be realized if circumstances change.

The effective income tax provision differs from the amount calculated using the statutory United State federal income tax rate, principally due to the following:

	Ten months ended October 31, 2002	
	Amount	Percentage of Income Before Taxes
Statutory United States federal income tax	$ 11,325,800	35.0%
State income taxes, net of federal benefit	717,800	2.2
Foreign tax differential	(941,300)	(2.9)
Change in valuation allowance	2,846,100	8.8
Foreign tax credit	(1,560,900)	(4.8)
Subpart F income	243,600	0.8
Permanent and other	(195,100)	(0.6)
Effective income tax provision	$ 12,436,000	38.5%

Subpart F income represents interest and royalties earned by a foreign subsidiary. Under the Internal Revenue Code, such income is taxable to Tempur World, Inc. as if, in effect, earned directly by Tempur World, Inc.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The net deferred tax asset and liability recognized in the consolidated balance sheet as of October 31, 2002 consists of the following:

	October 31, 2002
Deferred tax assets:	
Contribution carryover	$ 2,181,800
Foreign tax credit	1,560,900
AMT credit	91,400
Start up costs	45,900
Inventories	3,117,400
Net operating losses	3,784,800
Land and buildings	757,800
Accrued expenses and other	1,905,900
Total deferred tax assets	13,445,900
Valuation allowances	(7,125,600)
Net deferred tax assets	6,320,300
Deferred tax liabilities:	
Depreciation	(3,355,700)
Intangible assets	(1,817,500)
Total deferred tax liabilities	(5,173,200)
Net deferred tax liability	$ 1,147,100

(13) Major Customers

Five customers accounted for approximately 24% of sales for the ten months ended October 31, 2002, one of which accounted for approximately 10% of sales all of which was sold in the Domestic Segment. These same customers also accounted for approximately 16% of accounts receivable as of October 31, 2002. The loss of one or more of these customers could have a material adverse effect on the Company.

(14) Benefit Plan

A subsidiary of the Company has a defined contribution plan whereby eligible employees may contribute up to 15% of their pay each year to the plan subject to certain limitations as defined by the Plan. Employees are eligible to receive matching contributions at the start of employment with the Company. The Plan provides a 100% match of the first 3% and 50% of the next 2% on eligible employee contributions and eliminated the vesting period such that matching contributions vest immediately. The Company incurred approximately $115,900 of expenses associated with the defined contribution plan for the ten months ended October 31, 2002.

(15) Related Party Transactions

The Company has transactions with certain Fagerdala subsidiaries which are considered related parties due to common control or ownership. These agreements were necessitated by the utilization of the Fagerdala distribution network to sell the Tempur related products.

In connection with the merger, on December 31, 1999, the Company executed a binding letter of intent with Fagerdala to provide for the termination or modification of the major existing related agreements as described below:

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Consulting and Service Support Agreements—Effective January 1, 2001, Ashfield Consultancy Ltd. ("ACL"), an affiliate, will provide the following services to the Company: (i) establishing new markets for the products of the Company (ii) establishing a distribution network for the products of the Company (iii) development of new products and (iv) providing office space, office equipment and related services to accomplish the aforementioned services. In consideration of the services provided above, the Company agrees to pay ACL an annual fee of approximately $880,000 plus office costs, payable monthly at the beginning of each month. The term of this agreement is for one year and is renewable annually.

As some of the Company's operations are leasing office and warehouse space and receive some administrative services from Fagerdala personnel, the Company is in the process of finalizing a standard administrative services contract for those operations. The amounts charged for rent, use of equipment and administrative support are be based on management's estimate of prevailing arms-length pricing in the location of the operations.

Sales to and purchases from the affiliated entities are primarily for product and are priced according to pricing applicable to third-party customers. Interest income and expense are charged on outstanding note and trade accounts based on management's estimate of prevailing market rates of interest at the time of the obligations. Management fee income and expense are charged for shared services at certain of the subsidiary locations based on management's estimate of prevailing market conditions in the country of operation. The total amounts reported in the consolidated financial statements as of October 31, 2002 are approximately as follows:

As of October 31, 2002:	
Accounts receivable	$ 143,000
Accounts payable	166,900
Notes receivable, interest rate of 8%	37,000
For the Ten Months Ended October 31, 2002:	
Related party sales	$ 4,200
Related party purchases	605,000
Interest income	21,300
Interest expense	21,400
Management fee expense	127,500
Ashfield Consulting Agreement	1,183,800

(16) Segment Disclosures

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker or group in deciding how to allocate resources and assessing performance. The Company operates in two business segments: Domestic and International. These reportable segments are strategic business units that are managed separately based on the fundamental differences in their operations.

Beginning in 2002, following the opening of the United States manufacturing facility, the Company changed the reporting structure from a single segment to Domestic and International operating segments. This change was consistent with the Company's ability to monitor and report operating results in these segments. The Domestic segment consists of the United States manufacturing facility whose customers include the United

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

States distribution subsidiary and certain North American third party distributors. The International segment consists of the manufacturing facility in Denmark whose customers include all of the distribution subsidiaries and third party distributors outside the Domestic segment. The Company evaluates segment performance based on Operating income.

The following table summarizes segment information:

	Ten months ended October 31, 2002
Revenues from external customers:	
Corporate	$ —
Domestic	131,399,000
International	105,916,000
	$ 237,315,000
Intercompany sales:	
Corporate	$ —
Domestic	—
International	(16,677,000)
Intercompany eliminations	16,677,000
	$ —
Operating income:	
Corporate	$ (3,249,000)
Domestic	22,104,000
International	21,538,000
	$ 40,393,000
Depreciation and amortization:	
Corporate	$ 1,352,000
Domestic	3,444,000
International	5,587,000
	$ 10,383,000
Total assets:	
Corporate	$ 54,195,000
Domestic	123,615,000
International	137,060,000
Intercompany eliminations	(115,229,000)
	$ 199,641,000
Capital expenditures:	
Corporate	$ 120,000
Domestic	3,362,000
International	5,693,000
	$ 9,175,000

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Domestic segment purchases certain products produced by the Danish manufacturing facility included in the International segment and sells those products to Domestic segment customers. The profits from these sales amounting to approximately $3,341,000 for the ten months ended October 31, 2002, are allocated to operating income in the domestic segment. Although these transactions are reported in the Domestic segment, the profit from these sales remain in the international segment for statutory purposes.

(17) Condensed Consolidating Financial Information

Certain unsecured debt obligations will be issued by Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the Issuers) and will be fully and unconditionally guaranteed on an unsecured basis by the Issuers' domestic subsidiaries (referred to collectively as the Issuers and their Subsidiary Guarantors in the accompanying financial information) and TWI Holdings, Inc. and an intermediate parent corporation (referred to as the Combined Guarantor Parents in the accompanying financial information). The foreign subsidiaries (referred to as Combined Non-Guarantor Subsidiaries in the accompanying financial information) represent the foreign operations of the Company and will not guarantee the debt. The following financial information presents condensed consolidating balance sheets, statements of income and statements of cash flows for the Combined Guarantor Parents, Issuers and their Subsidiary Guarantors and Combined Non-Guarantor Subsidiaries.

Condensed Consolidating Balance Sheet
As of October 31, 2002

	Issuers and its Subsidiary Guarantor	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Current assets	$ 49,744,000	$ 2,372,000	$ 84,507,000	$ (40,397,000)	$ 96,226,000
Property, plant and equipment, net	34,625,000	448,000	40,594,000	—	75,667,000
Other noncurrent assets	39,246,000	51,376,000	11,957,000	(74,831,000)	27,748,000
Total assets	$ 123,615,000	$ 54,196,000	$ 137,058,000	$ (115,228,000)	$ 199,641,000
Current liabilities	$ 57,879,000	$ 10,756,000	$ 30,470,000	$ (40,393,000)	$ 58,712,000
Noncurrent liabilities	49,308,000	28,197,000	35,455,000	(27,257,000)	85,703,000
Redeemable preferred stock	—	15,331,000	—	—	15,331,000
Equity (deficit)	16,428,000	(88,000)	71,133,000	(47,578,000)	39,895,000
Total liabilities and equity (deficit)	$ 123,615,000	$ 54,196,000	$ 137,058,000	$ (115,228,000)	$ 199,641,000

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statements of Operations
For the Ten Months Ended October 31, 2002

	Issuers and its Subsidiary Guarantor	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 131,399,000	$ —	$ 122,592,000	$ (16,677,000)	$ 237,314,000
Cost of goods sold	66,847,000	(293,000)	60,351,000	(16,677,000)	110,228,000
Gross profit	64,552,000	293,000	62,241,000	—	127,086,000
Operating expenses	45,789,000	3,542,000	37,363,000	—	86,694,000
Operating income	18,763,000	(3,249,000)	24,878,000	—	40,392,000
Interest income (expense), net	(2,678,000)	(1,603,000)	(2,011,000)	—	(6,292,000)
Other income (loss)	108,000	(819,000)	(1,013,000)	—	(1,724,000)
Income taxes	6,599,000	(3,359,000)	9,195,000	—	12,435,000
Net income (loss)	$ 9,594,000	$ (2,312,000)	$ 12,659,000	$ —	$ 19,941,000

Condensed Consolidating Statements of Cash Flows
For the Ten Months Ended October 31, 2002

	Issuer and their Subsidiary Guarantors	Combined Guarantor Parents	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 9,594,000	$ (2,312,000)	$ 12,659,000	$ —	$ 19,941,000
Non-cash expenses	5,119,000	3,190,000	2,829,000	—	11,138,000
Changes in working capital	(5,486,000)	1,531,000	(4,418,000)	—	(8,373,000)
Net cash provided by operating activities	9,227,000	2,409,000	11,070,000	—	22,706,000
Net cash used for investing activities	(2,632,000)	(120,000)	(1,895,000)	—	(4,647,000)
Net cash provided by financing activities	(8,900,000)	(1,889,000)	(8,913,000)		(19,702,000)
Effect on exchange rate changes on cash	—	—	485,000	—	485,000
Net increase (decrease) in cash and cash equivalents	(2,305,000)	400,000	747,000	—	(1,158,000)
Cash and cash equivalent at beginning of the of the year	2,037,000	7,000	5,494,000	—	7,538,000
Cash and cash equivalents at end of period	$ (268,000)	$ 407,000	$ 6,241,000	$ —	$ 6,380,000

Arthur Andersen LLP Has Not Reissued This Report As Arthur Andersen LLP Ceased Operations In August 2002.

The Following Report Is A Copy of the Previously Issued Arthur Andersen LLP Report

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Tempur World, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Tempur World, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Tempur World, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Louisville, Kentucky
March 8, 2002

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED BALANCE SHEETS
As of December 31, 2001 and 2000

	Notes	2000*	2001
ASSETS			
Current Assets:			
Cash and cash equivalents	*5h*	$ 10,572,420	$ 7,538,178
Accounts receivable, net of allowance for doubtful accounts of $817,461 and $536,715 as of December 31, 2001 and 2000, respectively	*16*	24,417,160	30,076,877
Accounts receivable—related parties	*14*	163,802	340,871
Notes receivable—related parties	*14*	123,362	549,985
Inventories	*5i*	23,690,457	29,394,130
Income taxes receivable	*12*	2,540,392	—
Prepaid expenses and other current assets		2,439,118	2,975,364
Deferred income taxes	*12*	2,836,159	2,569,123
Total current assets		66,782,870	73,444,528
Land and buildings		23,682,324	44,548,948
Machinery and equipment		26,042,537	49,710,474
Construction in progress		15,152,579	36,000
		64,877,440	94,295,422
Less: Accumulated depreciation		(9,376,801)	(16,384,103)
Property, plant and equipment, net	*5j*	55,500,639	77,911,319
Goodwill, net of amortization of $2,449,924 and $1,140,150 as of December 31, 2001 and 2000, respectively	*5k*	16,666,737	15,356,963
Other intangible assets, net of amortization of $1,358,467 and $679,233 as of December 31, 2001 and 2000, respectively	*5k*	4,371,967	3,692,733
Deferred financing costs and other non-current assets, net	*4a*	982,585	6,435,245
Total assets		$ 144,304,798	$ 176,840,788
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable		$ 14,598,199	$ 13,242,356
Accounts payable—related parties	*14*	30,428	347,286
Accrued expenses and other		15,593,249	21,211,466
Income taxes payable	*12*	160,003	2,830,572
Value added taxes payable		3,632,140	2,393,518
Notes payable—lines of credit	*8a*	34,632,601	184,109
Notes payable—related parties	*14*	3,360,661	1,286,848
Current portion—long-term debt	*8b*	8,587,005	9,207,718
Current portion—capital lease obligations	*10a*	530,618	225,300
Total current liabilities		81,124,904	50,929,173
Long-term debt	*8b*	21,646,821	94,960,088
Capital lease obligations	*10a*	316,182	159,299
Notes payable—related parties	*14*	2,089,830	—
Deferred income taxes	*12*	890,294	2,382,365
Total liabilities		106,068,031	148,430,925
Commitments and contingencies	*10*		
Preferred stock, Series A, $1 par value, 1,100,000 shares authorized and 615,792 outstanding	*4b*	—	11,715,485
Stockholders' Equity:			
Common stock, $.01 par value, 11,000,000 shares authorized, 9,000,034 shares issued and 9,000,034 and 7,501,503 shares outstanding as of December 31, 2001 and 2000, respectively		90,000	90,000
Additional paid in capital		14,352,488	14,352,488
Retained earnings		24,409,684	35,921,593
Accumulated other comprehensive income		(615,405)	(3,355,855)
Less: Cost of 1,498,531 treasury shares at December 31, 2001	*4b*	—	(30,313,848)
Total stockholders' equity		38,236,767	16,694,378
Total liabilities and stockholders' equity		$ 144,304,798	$ 176,840,788

* Reclassified to conform with 2001 presentation

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2001 and 2000

	Notes	2000*	2001
Net sales	*5e & 5f*	$ 161,969,258	$ 221,514,514
Cost of sales		89,449,925	107,569,342
Gross profit		72,519,333	113,945,172
Selling expenses	*5g*	29,596,709	52,121,943
General and administrative expenses		19,303,208	30,188,677
Research and development expenses	*5o*	1,181,824	1,263,760
Operating income		22,437,592	30,370,792
Interest income		238,934	672,923
Interest expense		(2,433,265)	(7,299,445)
Related party interest income(expense), net		(30,931)	71,453
Foreign currency exchange losses	*5d & 11*	(1,098,960)	(906,169)
Other income, net		152,079	590,157
Total other expense		(3,172,143)	(6,871,081)
Income before income taxes		19,265,449	23,499,711
Income tax provision	*12*	6,687,649	11,642,323
Net income		$ 12,577,800	$ 11,857,388

* Reclassified to conform with 2001 presentation

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

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001 and 2000

	Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balance, January 1, 2000	9,000,034	90,000	15,545,123	12,650,475	—	—	28,285,598
Net income plus other comprehensive income:							
Net Income	—	—	—	12,577,800		—	12,577,800
Foreign currency translation adjustments, net of tax	—	—	—	—		(615,405)	(615,405)
Comprehensive income							11,962,395
Acquisition of assets and liabilities under common control	—	—	(1,192,635)	(818,591)		—	(2,011,226)
Balance, December 31, 2000	9,000,034	$ 90,000	$ 14,352,488	$ 24,409,684	—	$ (615,405)	$ 38,236,767
Net income plus other comprehensive income:							
Net Income				11,857,388			11,857,388
Foreign currency translation adjustments, net of tax						(2,740,450)	(2,740,450)
Comprehensive income							9,116,938
Dividends on preferred stock				(345,479)			(345,479)
Purchases of Treasury Stock	(1,498,531)				(30,313,848)		(30,313,848)
Balance, December 31, 2001	7,501,503	$ 90,000	$ 14,352,488	$ 35,921,593	$ (30,313,848	$ (3,355,855)	$ 16,694,378

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

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000

	2000*	2001*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,577,800	$ 11,857,388
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,002,215	10,051,321
Amortization of deferred financing costs	—	322,586
Allowance for doubtful accounts	3,289,814	3,000,112
Deferred income taxes	(1,538,195)	1,692,102
Foreign currency adjustments	1,098,960	1,582,289
Loss on sale of equipment	203,497	(52,666)
Changes in operating assets and liabilities:		
Accounts receivable—trade	(15,433,753)	(9,906,051)
Accounts receivable—related parties	2,278,018	(195,929)
Notes receivable—related parties	(124,691)	(447,391)
Inventories	(6,913,361)	(7,543,032)
Prepaid expenses and other current assets	(826,691)	(644,600)
Accounts payable—trade	5,380,573	(781,699)
Accounts payable—related parties	30,761	336,080
Accrued expenses and other	171,435	6,132,600
Value added taxes payable	1,234,761	(1,095,044)
Income taxes payable/receivable	(6,305,650)	5,408,028
Net cash provided by operating activities	1,125,493	19,716,094
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses, net of cash acquired	310,049	—
Purchases of property, plant and equipment	(27,417,800)	(35,241,185)
Proceeds from sales of property, plant and equipment	93,450	379,448
Net cash used for investing activities	(27,014,301)	(34,861,737)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	9,894,682	128,068,125
Proceeds from issuance of long-term debt—related party	1,363,005	408,146
Proceeds from issuance of notes payable	32,485,038	23,150,679
Repayments of long-term debt	(1,522,971)	(51,788,106)
Repayments of long-term debt—related party	(3,238,087)	(4,280,322)
Repayments of notes payable	(4,379,418)	(57,408,243)
Repayments of capital lease obligations	—	(462,200)
Payments of deferred financing costs	(288,254)	(6,151,573)
Proceeds from issuance of preferred stock, net	—	11,370,006
Purchases of treasury stock	—	(30,313,848)
Net cash provided by financing activities	34,313,995	12,592,664
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH:	(119,938)	(481,263)
Increase (decrease) in cash and cash equivalents	8,305,249	(3,034,242)
CASH AND CASH EQUIVALENTS, beginning of period	2,267,171	10,572,420
CASH AND CASH EQUIVALENTS, end of period	$ 10,572,420	$ 7,538,178

* Reclassified to conform with 2001 presentation

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

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company

Tempur World, Inc. and Subsidiaries ("Tempur World" or "the Company"), a US based multinational corporation incorporated in Delaware, is a majority owned subsidiary of Fagerdala Industri AB, a Swedish corporation. Fagerdala Industri AB is a majority-owned subsidiary of Fagerdala World Foams AB ("Fagerdala"), also a Swedish corporation. Tempur World manufactures, markets and sells advanced viscoelastic foam products including pillows, mattresses and other related products. The Company manufactures essentially all of its products at Dan Foam A/S, located in Denmark and Tempur Production USA, Inc., a new plant located in the United States (see Note (3)). The Company sells its products in markets throughout the United States, Europe, Asia and other countries around the world and primarily extends credit based on the creditworthiness of its customers. The majority of the Company's revenues are derived from sales to retailers and to retail consumers through its direct response business.

The structure and operations of the Company as of December 31, 2001 are described in the following table:

Name	Ownership Structure and Nature of Operations	Date Acquired/ Formed
HOLDING COMPANIES		
Tempur World, Inc.	Parent (Holding) company, US based, directly owns 100% of Tempur World Holding Company	At formation of Tempur World
Tempur World Holding Company, Inc.	Parent (Holding) company, US based, directly owns 100% of US distribution company, Tempur Production USA, Inc. and Dan Foam Holding Company A/S	July 25, 2001
Dan Foam Holding Company A/S	Holding company, Denmark based, directly owns 39.25% of Dan Foam A/S and indirectly owns 60.75% through its wholly-owned subsidiary, Dan Foam Holding AB also owns 100% of all other non-US distribution companies not directly owned by Dan Foam A/S	At formation of Tempur World
Dan Foam Holding AB	Holding company, Swedish based, directly owns 60.75% of Dan Foam A/S	At formation of Tempur World
DISTRIBUTION COMPANIES		
Tempur-Pedic, Inc.	Distribution company, US based	At formation of Tempur World
Tempur UK, Ltd.	Distribution company, UK based	At formation of Tempur World
Tempur Yugen Kaisha. ("Japan")	Distribution company, Japan based	At formation of Tempur World
Tempur do Brasil l.t.d.a. ("Brazil")	Distribution company, Brazil based	At formation of Tempur World
Tempur Suomi OY ("Finland")	Distribution company, Finland based	At formation of Tempur World

Name	Ownership Structure and Nature of Operations	Date Acquired/ Formed
Tempur Norge AS (“Norway”)	Distribution company, Norway based	At formation of Tempur World
Tempur Sverige AB (“Sweden”)	Distribution company, Sweden based	At formation of Tempur World
Tempur Schweiz AG (“Switzerland”)	Distribution company, Switzerland based	At formation of Tempur World
Tempur Holding GmbH. (“German Holding”)	Parent (Holding) company, Germany based, directly owns 100% of Tempur Deutschland GmbH, and Kruse Polstermöbel-System GmbH, newly restructured, formerly Tempur Germany	May 1, 2000, name change to Holding as part of restructuring.
Tempur Deutschland GmbH. (“Germany”)	Distribution company, Germany based, newly restructured	May 1, 2001
Tempur France SARL (“France”)	Distribution company, France based	May 3, 2000
Tempur Pedic Espana SA (“Spain”)	Distribution company, Spain based	May 1, 2000
Tempur Singapore Pte Ltd. (“Singapore”)	Distribution company, Singapore based	October 31, 2000
Tempur Italia Srl (“Italy”)	Distribution company, Italy based	December 14, 2000
Tempur South Africa (Proprietary) Limited Private Company (“South Africa”)	Distribution company, South Africa based	June 1, 2001
Tempur Benelux B.V. (“Netherlands”)	Distribution company, Netherlands based	August 3, 2001
MANUFACTURING COMPANIES		
Dan Foam A/S	Manufacturing company, Denmark based, directly owns 100% of Tempur UK, Tempur Japan and Tempur Brazil	At formation of Tempur World
Tempur Production USA, Inc.	Manufacturing facility, US based, began operations in May 2001 (see Note (3))	April 19, 2000
Kruse Polstermöbel-System GmbH (“Kruse Manufacturing”)	Manufacturing company, Germany based, newly restructured	May 1, 2001

(2) New Company Formations and Restructurings

During 2001, the Company completed the following new company formations and restructurings:

On May 1, 2001, the Company restructured the Germany distribution and manufacturing companies under a holding company, Tempur Holding GmbH. The holding company owns 100% of Tempur Germany and Kruse Manufacturing. The holding company was the former Germany distribution company and the name was changed. A new distribution company was formed and the majority of the assets and certain liabilities from the old distribution company were transferred to the new company.

On June 1, 2001, the Company formed Tempur South Africa (Proprietary) Limited Private Company, a South Africa based distribution company and wholly-owned subsidiary of Dan Foam Holding Company A/S.

On August 3, 2001, the Company formed Tempur Benelux B.V., a Netherlands based distribution company and wholly-owned subsidiary of Dan Foam Holding Company A/S.

On July 25, 2001, the Company formed Tempur World Holding Company, Inc. as a wholly-owned subsidiary of Tempur World and acquired all of the direct and indirect subsidiary holdings of Tempur World in exchange for 100% of its stock.

(3) US Manufacturing Facility

On May 16, 2000, the Company contracted with a US-based industrial contractor for construction of a US-based manufacturing facility and contracted with the engineering and design firm responsible for the design of the Dan Foam A/S manufacturing facility to develop the plans to complete the Company's new manufacturing facility. The total cost to complete the facility was approximately $17,215,000, of which approximately $12,972,000 was incurred during 2000. The construction of the facility was completed during May 2001 and the facility was operational by June 2001. The Company financed the construction of the new facility with a combination of operating cash flows and temporary bank debt, which was financed as part of the Debt refinancing (see Note (4)(a)).

The above amounts include capitalized interest costs of $1,056,600 and $186,000 as of December 31, 2001 and 2000, respectively. These costs will be amortized on a straight-line basis over the estimated useful life of the facility. The new production equipment installed at the facility during 2001 cost approximately $18,005,000 and was financed with a combination of operating cash flows and temporary bank debt, which was financed as part of the Debt refinancing.

(4) Debt Refinancing and Equity Transactions

(a) *Debt Refinancing (see Note (8))*—In September 2001, the Company obtained a total of $115,000,000 of secured debt financing (the "Debt") under US and European term loans and long-term revolving credit facilities of which approximately $104,000,000 was drawn upon at the inception of the debt facility. The secured debt financing under the US facilities totaled $65,000,000 at date of inception with a maximum borrowing of $15,000,000 on the revolver and $50,000,000 on the term loan. The secured debt financing under the European facilities totaled $50,000,000 at date of inception with maximum borrowings of $15,000,000 on the revolver and $35,000,000 on the term loan. The Debt has a six-year maturity, bears interest at LIBOR plus a specified margin ranging from 2.25% to 3.75% per annum with principal and interest payable quarterly. The US Debt is secured by a first lien on substantially all of the Company's US assets and the European Debt is secured by a first lien on substantially all of the Company's European assets. The net proceeds from the Debt approximated $100,495,800 after deducting fees and expenses of approximately $3,598,500. Including certain fees and expenses paid directly by the Company in connection with the Debt refinancing, a total of $6,031,200 are reflected as deferred financing costs and are included in Other Assets on the Consolidated Balance Sheet as of December 31, 2001. These costs are being amortized to interest expense over the life of the Debt using the effective interest method. The Debt refinanced substantially all of the Company's previously outstanding foreign and domestic debt facilities. The refinancing contains installment mortgages for the manufacturing facilities as well as long-term revolving debt facilities to support continuing operations. A portion of the proceeds were also used to repurchase some of the Company's outstanding common stock (Note (4)(b)). The Debt is subject to certain financial covenants consisting primarily of minimum EBITDA (earnings before interest, taxes, depreciation and amortization, as defined) levels, interest coverage ratios, maximum leverage ratios and a limitation on capital expenditures, as defined. The Company was out of compliance with certain non-financial covenants as of December 31, 2001, but has obtained waivers from the lenders.

(b) *Equity Transactions*—Concurrent with the Debt refinancing, in September 2001, the Company sold a minority share of the Company through a preferred stock offering (the "Securities Purchase Agreement"). The Company's Certificate of Incorporation was amended to authorize the 1,100,000 shares of Series A Preferred Stock, 2,200,000 shares of Series B preferred stock and 500,000 shares of Series C preferred stock. Under the terms of the transaction, the Company issued 615,792 shares of Series A Preferred Stock (the "Preferred Stock") to the new shareholders at a price of approximately $21.11 per share for a total of $13,000,000. The net proceeds approximated $11,370,000 after deducting fees and expenses of approximately $1,630,000. In addition to the proceeds from the Preferred Stock, the Company used a portion of the proceeds from the Debt proceeds to repurchase 1,498,531 common shares at a price of approximately $21.11 per share for a total of approximately $31,635,000 from certain existing shareholders. The net repurchase approximated $30,313,900 after deducting fees and expenses of approximately $1,321,000 related to the marketing efforts for the Preferred Stock sale paid to the Company by the participating common stock shareholders. These shares were placed in Treasury Stock and are shown as a reduction of Stockholders' Equity on the Consolidated Balance Sheet as of December 31, 2001.

The Preferred Stock has a maturity date of September 2011. Dividends on the shares of the Preferred Stock are cumulative and are accrued each month at an annual rate equal to 10% compounded quarterly. Each share of the Preferred Stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Preferred Stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Preferred Stock, all accrued and unpaid dividends on such converted shares will be cancelled. The Preferred Stock also has voting rights equal to the number of "as converted" Common Stock as defined. As discussed in Note (10)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

As of December 31, 2001, no shares of Series B preferred stock have been issued. The Series B preferred stock has a maturity date of September 12, 2009. Dividends on any issued and outstanding shares of the Series B stock are cumulative and accrued each month at an annual rate equal to 15%. Par value of Series B preferred stock is $1 per share. Each share of the Series B preferred stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Series B preferred stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Series B preferred stock, all accrued and unpaid dividends on such converted shares will be canceled. The Series B shares also have voting rights equal to the number of "as converted" Common Stock, as defined. As discussed in Note (10)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

As of December 31, 2001, no shares of Series C preferred stock have been issued. The Series C preferred stock has a maturity date of September 12, 2009. Dividends on any issued and outstanding shares of the Series C stock are cumulative and accrued each month at an annual rate equal to 15%. Par value of Series C preferred stock is $1 per share. Each share of the Series C preferred stock is convertible at the option of the holder thereof at any time into shares of Common Stock of the Company, par value $.01 per share, at a conversion price of $21.11 per share of Common Stock (equivalent to a conversion rate of approximately one share of Common Stock for each share of Series C preferred stock), subject to adjustment under certain conditions. In the event of the conversion of any shares of the Series C preferred stock, all accrued and unpaid dividends on such converted shares will be cancelled. The Series C shares also have voting rights equal to the number of "as converted" Common Stock, as defined. As discussed in Note (10)(c), the shares also contain certain put rights as provided for in the Securities Purchase Agreement.

(5) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*—The consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries, directly or indirectly, are wholly-owned. All material intercompany balances and transactions have been eliminated.

(b) *Management's Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, management makes its best estimate to accrue for certain costs incurred in connection with business activities such as warranty claims and sales returns, but the Company's estimates of these costs could change materially.

(c) *Foreign Currency Translation*—Assets and liabilities of non-US subsidiaries that operate in a local currency environment are translated to US dollars at year-end exchange rates. Goods and services payable in foreign currencies are recorded at the applicable exchange rates.

(d) *Financial Instruments and Hedging*—Within the normal course of business, the Company uses derivative financial instruments principally to manage the exposure to changes in the value of foreign currency denominated assets and liabilities of its Denmark manufacturing operations. Gains and losses are recognized currently in the results of operations and are generally offset by losses and gains on the underlying assets and liabilities being hedged.

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of the financial instruments, including derivatives and long-term debt, standard market conventions and techniques including available market data and discounted cash flow analysis are used to determine fair value.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value because of the short-term maturity of those instruments. The carrying amounts of preferred stock and long-term debt approximate the fair market value for instruments with similar terms as of December 31, 2001 and 2000.

(e) *Revenue Recognition*—The Company recognizes sales of its products when the products are shipped to customers and the risks and rewards of ownership are transferred. Deposits made by customers are recorded as a liability and recognized as a sale when product is shipped. The Company had approximately $2,643,000 and $1,653,000 of deferred revenue included in Accrued Expenses and Other as of December 31, 2001 and 2000, respectively.

In accordance with Emerging Issues Task Force (EITF) Issue 00-10, "Accounting for Shipping and Handling Fees and Costs", the Company reflects all amounts billed to customers for shipping in Net Sales and the costs incurred from shipping product in Cost of Sales. Amounts included in Net Sales for shipping and handling are approximately $7,900,000 and $4,600,000 in 2001 and 2000, respectively. Amounts included in Cost of Sales for shipping and handling are approximately $19,600,000 and $12,500,000 in 2001 and 2000, respectively.

(f) *Accrued Sales Returns*—Estimated sales returns are provided at the time of sale based on historical sales returns. The Company allows returns for 90 to 120 days following a sale depending on the promotion. Accrued sales returns are in Accrued Expenses and Other in the accompanying Consolidated Balance Sheets. The Company had approximately $1,918,400 and $762,000 accrued as of December 31, 2001 and 2000, respectively.

(g) *Advertising Costs*—In accordance with Statement of Position No. 93-7, "Reporting on Advertising Costs", the Company expenses all advertising costs as incurred except for production costs and advance payments which are deferred and expensed when advertisements run for the first time. Advertising costs charged to expense were approximately $31,459,300 and $20,748,200 during 2001 and 2000 respectively. The amounts of advertising costs deferred and included in the consolidated balance sheets as of December 31, 2001 and 2000 were approximately $533,500 and $35,900, respectively.

(h) *Cash and Cash Equivalents*—Cash and cash equivalents consist of all liquid investments with initial maturities of three months or less.

(i) *Inventories*—Inventories are stated at the lower of cost or market, determined by the first-in, first-out method, and consisted of the following (approximated):

	2000	2001
Finished goods	$ 16,588,000	$ 18,953,400
Work-in-process	3,962,700	3,229,500
Raw materials and supplies	3,139,800	7,211,200
	$ 23,690,500	$ 29,394,100

(j) *Property, Plant and Equipment*—Property, plant and equipment, carried at cost, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Buildings	25 – 30 years
Computer equipment	3 – 5 years
Leasehold improvements	4 – 7 years
Equipment	3 – 7 years
Office furniture and fixtures	5 – 7 years
Autos	3 – 5 years

Leasehold improvements are amortized over the shorter of the life of the lease or seven years. Depreciation expense relating to property, plant and equipment was approximately $8,150,900 and $4,236,200 in 2001 and 2000, respectively.

At December 31, 2001 and 2000, the Company had machinery and equipment under capital leases included in property, plant and equipment of the following (approximated):

	2000	2001
Machinery and equipment	$ 2,696,500	$ 1,189,500
Accumulated depreciation	(1,948,400)	(908,900)
	$ 748,100	$ 280,600

The Company monitors current and anticipated future operating conditions for circumstances that may indicate potential asset impairments in accordance with SFAS 121, “Accounting for the Impairment of Long- Lived Assets and Long-Lived Assets to be Disposed of”. Management has determined that there are no events or circumstances that indicated that an impairment exists as of December 31, 2001. Management continues to monitor current and anticipated future operating conditions that may trigger potential asset impairments in accordance with SFAS 121.

(k) *Goodwill and Other Intangible Assets*—The Company amortizes goodwill and other intangible assets using the straight-line method over the estimated useful lives. Goodwill is amortized over 16 years, while other intangible assets are generally amortized over 10 years. The amortization expense relating to goodwill and other intangible assets was $1,900,400 and $1,766,000 in 2001 and 2000, respectively. At December 31, 2001, no events or circumstances existed warranting revisions to the lives or impairment of intangible assets for the Company. Management continues to monitor current and anticipated future operating conditions that may trigger potential asset impairments in accordance with SFAS 121.

(l) *Software*—The Company expenses costs incurred in the preliminary project stage and, thereafter, capitalizes costs incurred in the developing or obtaining of internal use software. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of not more than five years and are subject to impairment evaluation in accordance with SFAS 121. Amounts capitalized for software are included in Machinery and Equipment on the Consolidated Balance Sheets as of December 31, 2001 and 2000.

(m) *Warranties*—The Company provides a 20-year warranty on mattresses, the last 15 of which are on a prorated basis. Estimated future obligations related to certain products are provided by charges to operations in the period in which the related revenue is recognized. The Company has accrued approximately $3,323,900 and $3,004,000 as of December 31, 2001 and 2000, respectively related to warranty costs and is included within Accrued expenses and other on the accompanying consolidated balance sheets.

(n) *Income Taxes*—The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

In conjunction with the construction of the new US manufacturing facility, the Company repatriated approximately $1,500,000 from one of its foreign entities in the form of a loan to the US operations during 2000. Accordingly, the Company has provided for the additional taxes that it expects will be incurred.

Provisions have not been made for US income taxes or foreign withholding taxes on undistributed earnings of foreign subsidiaries other than as described above, as these earnings are considered indefinitely reinvested. Undistributed foreign earnings amounted to approximately $30,000,000 and $16,900,000 at December 31, 2001 and 2000, respectively. These earnings could become subject to US income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, were loaned to the US parent company or a US subsidiary, or if the Company should sell its stock in the subsidiaries.

(o) *Research and Development Expenses*—Research and development expenses for new products are expensed as they are incurred.

(p) *Reclassifications*—Certain amounts reported in the consolidated balance sheet and consolidated statement of operations as of and for the year ended December 31, 2000 have been reclassified to conform to the December 31, 2001 presentation.

(6) New Accounting Standards

Effective January 1, 2001, Tempur World adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133” or “the Standard”) as amended by SFAS 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities”. This Standard, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities, including a requirement to recognize all derivatives at their fair value as either assets or liabilities in the balance sheet. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholder’s equity (as a component of comprehensive income, depending on whether the derivative is being used to hedge changes in fair value or cash flows). The adoption of SFAS 133 did not have any effect on Tempur World’s financial position or results of operations as it did not have derivatives at such date. See Note (11).

In July 2001, the Financial Accounting Standards Board issued SFAS 141, “Business Combinations”, and SFAS 142, “Goodwill and Other Intangible Assets”. SFAS 141 requires that the purchase method of accounting

be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ".

The Company adopted the provisions of SFAS 142 effective January 1, 2002. Goodwill, all of which was acquired in the formation of Tempur World on January 1, 2000, continued to be amortized through the end of 2001. As of December 31, 2001, the Company has unamortized goodwill in the amount of $15,357,000 and unamortized identifiable intangible assets in the amount of approximately $3,692,700, all of which will be subject to the transition provisions of SFAS 142. Amortization expense related to goodwill was $1,262,700 and $1,085,600 for the years ended December 31, 2001 and 2000, respectively.

In connection with the transitional impairment evaluation, SFAS 142 requires the Company to perform an assessment of whether there is an indication that goodwill and other intangible assets are impaired as of January 1, 2002. The Company has completed the first step assessment of goodwill impairment and has determined that the carrying amount of the Company's reporting unit does not exceed the fair value of the reporting unit as defined by SFAS 142 and no transitional impairment losses are required to be recognized.

Beginning January 1, 2002, the Company is no longer recording amortization expense related to goodwill.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of ", and the accounting and reporting provisions for APB Opinion No. 30, "Reporting Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and it broadens the presentation of discontinued operations to include more disposal transactions. We will adopt the provisions of SFAS 144 as of January 1, 2002, and we are currently evaluating the impact SFAS 144 may have on our financial position and results of operations.

(7) Supplemental Cash Flow Information

Cash payments for interest and net cash payments for income taxes are as follows (approximated):

	2000	2001
Interest, net of capitalized interest	$ 2,804,800	$ 6,464,900
Income taxes, net of refunds	14,907,300	5,256,900

Non-cash investing and financing activities have been excluded as non-cash items from the consolidated statement of cash flows for the year ended December 31, 2001. Total non-cash activity for the year was primarily related to the refinancing of the Germany distribution facility of approximately $2,058,900 through the refinancing of the related party notes payable with a third party bank.

(8) Debt

(a) *Credit Facilities and Refinanced Facilities*

One of the Company's subsidiaries has a line of credit facility with a bank with an aggregate borrowing capacity of $237,100. As of December 31, 2001, the total amount outstanding on this facility was approximately $184,100. This facility is secured by a letter of credit.

During 2001, the Company had a working capital line of credit agreement (Working Capital Credit Facility) with an original maturity date of November 2, 2001, which allowed maximum borrowings of $3,000,000. At December 31, 2000, the Working Capital Credit Facility is presented as a current liability in the accompanying balance sheet within the line item Notes Payable—Lines of Credit and had an outstanding balance of $2,207,800. Additionally, the Company also had lines of credit with three banks maturing during 2001 with allowable maximum borrowings of approximately $35,465,800. As of December 31, 2000, the lines of credit had outstanding balances of $32,424,800 with floating interest rates based on prevailing short-term interest rates in the country of origin at a weighted average rate of 5.95% as of December 31, 2000. These credit facilities were refinanced in September 2001 as part of the Debt refinancing transaction (Note (4)(a)).

(b) *Long-term Debt*—Long-term debt (see also Note (4)(a)) for the Company's subsidiaries at December 31, 2001 and 2000, consisted of the following (approximated):

	2000	2001
US Term Loan payable to a lender, secured by substantially all company US assets, interest at LIBOR plus margin (6.25% as of December 31, 2001), principal and interest payments due quarterly through September 2007.	$ —	$ 48,750,000
European Term Loan payable to a lender, secured by substantially all company European assets, interest at IBOR plus margin (6.84% as of December 31, 2001), principal and interest payments due quarterly through September 2007.	—	34,125,000
US Long-Term Revolving Credit Facility payable to a lender, secured by substantially all company US assets, interest at LIBOR plus margin (6.25% as of December 31, 2001), commitment through and due September 2007.	—	12,488,300
European Long-Term Revolving Credit Facility payable to a lender, secured by substantially all company European assets, interest at IBOR plus margin (6.56% as of December 31, 2001), commitment through September 2007.	—	6,830,100
Mortgages payable to a bank, secured by certain property, plant and equipment and other assets, bearing fixed interest at 4.0% to 5.1%. Reported as Related Party Notes Payable as of December 31, 2000 (see Note 14).	—	1,974,400
Notes payable to various banks, secured by certain assets, bearing fixed interest at 4.24% to 7.61%, refinanced in connection with the Debt refinancing in September 2001.	$ 14,435,500	$ —
Mortgages payable to various banks, secured by certain property, plant and equipment and other assets, bearing fixed interest at 5.44% to 20.6%, refinanced in connection with the Debt refinancing in September 2001.	9,303,700	—
Construction note payable to a bank, secured by land and building, interest at bank prime plus 1% (10.5% at December 31, 2000), refinanced in connection with the Senior Debt refinancing in September 2001.	6,494,600	—
	30,233,800	104,167,800
Less: Current portion	8,587,000	9,207,700
Long-term debt	$ 21,646,800	$ 94,960,100

The Company's long-term debt, including subsidiary debt, are scheduled to mature as follows (approximately):

Year Ending December 31,	
2002	$ 9,207,700
2003	9,805,600
2004	14,055,600
2005	17,193,500
2006	18,239,500
Thereafter	35,665,900
Total	$ 104,167,800

(9) Consumer Credit Arrangements

During 2001 the Company entered into an agreement with third party financiers (the "Card Servicer") to provide financing for the customers. The Company refers customers, seeking extended financing, to the Card Servicers. The Card Servicers, if credit is granted, establish the interest rates, fees and all other terms and conditions of the customer accounts based on their evaluation of the credit worthiness. As the receivables are owned by the Card Servicers, at no time are the receivables purchased or acquired from the Company. In connection with customer purchases, financed under these arrangements, the Card Servicer pays the Company an amount equal to the total amount of such purchases, net of a non-refundable financing fee as well as an interest bearing holdback of 20% (to be released upon ultimate collection) of certain amounts financed with recourse under the program. The total amounts financed and uncollected under the program is approximately $2,038,200, included in Accounts Receivable, as of December 31, 2001.

(10) Commitments and Contingencies

(a) *Lease Commitments*—The Company's subsidiaries lease certain property, plant and equipment under noncancellable capital lease agreements expiring at various dates through 2005. Such leases also contain renewal and purchase options. The Company leases space for its corporate headquarters and a retail outlet under operating leases which calls for annual rental payments due in equal monthly installments. Operating lease expenses were approximately $776,900 and $1,212,100 for the years ended December 31, 2001 and 2000, respectively.

Future minimum lease payments at December 31, 2001 under these non-cancelable leases are as follows (approximated):

	Capital Leases	Operating Leases
Year Ended December 31:		
2002	$ 225,300	$ 1,459,200
2003	116,200	918,300
2004	64,100	177,900
2005	5,000	539,200
2006	—	519,800
Thereafter	—	1,308,600
	410,600	$ 4,923,000
Less amount representing interest	(26,000)	
Present value of minimum lease payments	$ 384,600	

(b) *Minority Shareholder Put Right*—Under the terms of the Preferred Stock transaction certain minority shareholders owning common stock of the Company may exercise put rights, subject to Board of Director

approval, as provided for in the Securities Purchase Agreement after April 1, 2004 for a period of 30 days as defined in the agreement. Except for certain provisional changes, within 60 days of notice, the Company is required to purchase all shares subject to the put from the shareholders. The purchase price is calculated based on the relative ownership interests of the exercising shareholders and a determination of the fair market value, as defined, of the Company at that time. The purchase price is required to be paid in cash unless prohibited by restriction from the debt and equity agreements in which case it will be paid in additional shares of preferred stock. The exercise of these put rights are subordinate to the Preferred Shareholders put rights (Note 10(c)).

In addition, any holder of preferred stock may redeem held shares of Preferred Stock if there is a change of control, as defined in the agreement, at a purchase price which is the higher of the purchase price under the put or the price to be received due to a change of control, assuming the conversion of all convertible securities into shares of Company common stock.

(c) *Preferred Stockholder Put Right*—Under the terms of the Amended and Restated Stockholders Agreement, certain Preferred Stockholders of the Company may exercise put rights as provided for in the agreement after April 1, 2004 for a period of 30 days or upon certain Events of Default as defined in the Securities Purchase Agreement period. Except for certain provisional changes, within 60 days of notice, the Company is required to purchase all shares subject to the put from the shareholders. The purchase price is calculated based on the greater of i) the liquidation value of such preferred shares plus all accrued and unpaid dividends, and ii) the aggregate common share put price assuming conversion to common stock in accordance with the amended Certificate of Incorporation of the Company. The purchase price is required to be paid in cash unless it is prohibited by restriction from the Company's agreements with its lenders in which case it will be paid in additional shares of preferred stock.

If any portion of the repurchase price is not paid in cash, then, each month after the closing of the put right, the Company is required to issue to certain preferred shareholders Common Stock Purchase Warrants equal to one percent of the aggregate number of shares of common stock (assuming the conversion of all convertible securities) times the ratio of the aggregate repurchase price not paid in cash to the total repurchase price.

In addition, any holder of Preferred Stock may require the Company to redeem all shares of Preferred Stock if there is a change of control, as defined, at a purchase price that is the higher of the purchase price under the put right or the price to be received due to a change of control, assuming the conversion of all convertible securities into shares of Company common stock.

(d) *Stock Buy-Backs*—The Company, certain redeeming common stock shareholders of the Company and certain investors in Preferred Stock of the Company have entered into a Stock Redemption Agreement which provides for the sale and purchase, as the case may be, by the redeeming shareholders and the investors at a nominal price, of sufficient Preferred Stock which will cause the Internal Rate of Return, as defined, of such shares to be within a range as specified in the agreement.

Such sales and purchases are permitted upon the sale or transfer by certain investors of more than 50% of the securities such investors purchased under the Securities Purchase Agreement, the exercise by such investors of a put right, a liquidation, dissolution, merger, consolidation or sale of all or substantially all assets or stock of the Company to a third party, the first public sale of securities by such investor, or the first anniversary of the termination of any applicable restrictive "lock-up" period as defined in the agreement.

Upon such an event, Fagerdala Industri AB (Note (1)), has the right to purchase from the Company a number of common shares in the same proportion to the proportion of shares being repurchased by each redeeming shareholder to the shares each such redeeming shareholder owned prior to redemption.

(e) *Litigation*—The Company is party to various legal proceedings generally incidental to its business. Although the ultimate disposition of these proceedings is not presently determinable, management does not

believe that adverse determinations in any or all of such proceedings will have a material adverse effect upon the financial condition or results of operations of the Company.

(11) Derivative Financial Instruments

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company may enter into derivative contracts (Note (5)(d)). Gains and losses on these contracts generally offset losses and gains on the Subsidiary's foreign currency receivables and foreign currency debt.

The Company does not hedge the effects of foreign exchange rates fluctuations on the translation of its foreign results of operations or financial position, nor does it hedge exposure related to anticipated transactions.

The Company does not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency denominated assets and liabilities. These contracts are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings (both in other income). The contracts held by the Company are denominated in US dollars, British Pound Sterling, Japanese Yen, and the Euro.

The Company had derivative financial instruments with a notional value of approximately $7,688,500 and a fair value of approximately $57,300 included in Prepaid Expenses and Other Current Assets on the Consolidated Balance Sheet as of December 31, 2001.

A sensitivity analysis indicates that if US dollar to foreign currency exchange rates at December 31, 2001 increased 10%, the Company would incur losses of $1,362,900 on foreign currency forward contracts outstanding at December 31, 2001. Such losses would be largely offset by gains from the revaluation or settlement of the underlying positions economically hedged.

(12) Income Taxes

The provision (benefit) for income taxes for the year ended December 31, 2001 consisted of the following (approximately):

	Year ended December 31,	
	2000	2001
Current provision		
Federal	$ 141,400	$ 159,500
State	51,400	265,900
Foreign	8,033,000	8,140,300
Total current	8,225,800	8,565,700
Deferred provision (benefit)		
Federal	(807,700)	885,500
State	(177,200)	197,000
Foreign	(553,300)	1,994,100
Total deferred	(1,538,200)	3,076,600
Total provision for income taxes	$ 6,687,600	$ 11,642,300

The provision for income taxes includes federal and state income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities.

The Company records income taxes under the liability method. Under this method, deferred income taxes are recognized for the estimated future tax effects of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws. The Company has established a valuation allowance for net operating loss carryforwards related to certain foreign operations (NOLs) and certain contribution carryovers related to US charitable donations. The Company has NOLs of approximately $7,300,000 that expire at various dates through 2011. The Company has contribution carryovers of approximately $5,700,000 that expire at various dates through 2006. Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of certain of these contribution carryovers and NOLs. The realizability of certain contribution carryovers and NOLs are dependent upon future income related to US and certain non-US operations. The Company believes that it is more likely than not that its tax assets (other than those discussed previously) are realizable based on the level of future reversing taxable temporary differences and on historically profitable operations which the Company believes are more likely than not to continue into the future to the extent necessary to assure realization of recorded deferred tax assets. However, there can be no assurance that such assets will be realized if circumstances change.

The effective income tax provision differs from the amount calculated using the statutory US federal income tax rate, principally due to the following:

	2000		2001	
	Amount	Percentage of Income Before Taxes	Amount	Percentage of Income Before Taxes
Statutory United States federal income tax	$ 6,550,300	34.00%	$ 8,007,000	34.00%
State income taxes, net of federal benefit	(83,000)	(0.43)	77,400	0.33
Foreign tax differential	(478,500)	(2.48)	(951,300)	(4.04)
Change in valuation allowance	756,100	3.92	2,847,000	12.12
Goodwill	247,500	1.28	247,500	1.05
Subpart F income	352,800	1.83	1,143,500	4.83
Charitable contributions	(609,700)	(3.16)	(320,600)	(1.36)
Other—Permanent	(47,800)	(0.25)	591,800	2.61
Effective income tax provision	$ 6,687,700	34.71%	$ 11,642,300	49.54%

Subpart F income represents interest and royalties earned by a foreign subsidiary. Under the Internal Revenue Code, such income is taxable to Tempur World, Inc. as if, in effect, earned directly by Tempur World, Inc.

The net deferred tax asset and liability recognized in the consolidated balance sheets as of December 31, 2001 and 2000, respectively, consists of the following:

	2000	2001
Deferred tax assets:		
Contribution carryover	$ 1,418,100	$ 2,157,400
AMT credit	—	91,400
Start up costs	—	377,000
Inventories	2,530,900	1,618,800
Net operating losses	949,300	2,388,000
Foreign tax credit carryover	—	479,000
Land and buildings	757,800	757,800
Accrued expenses and other	305,300	950,300
Total deferred tax assets	5,961,400	8,819,700
Valuation allowances	(1,868,800)	(4,758,500)
Net deferred tax assets	4,092,600	4,061,200
Deferred tax liabilities:		
Depreciation	(997,000)	(2,049,400)
Intangible assets	(1,149,800)	(1,825,100)
Total deferred tax liabilities	(2,146,800)	(3,874,500)
Net deferred tax asset	$ 1,945,800	$ 186,700

(13) Stock Based Compensation Plan

(a) *Accounting for Stock-Based Compensation*—The Company has elected to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees" and to provide pro forma net income disclosures for employee stock option grants made as if the provisions of SFAS No. 123, "Accounting for Stock Based Compensation" were followed.

(b) *Stock Options*—The Company adopted the Tempur World, Incorporated 2000 Stock Option Plan ("Stock Option Plan") to provide grants of options to purchase shares of common stock to certain key employees. Options granted under the Stock Option Plan are non-qualified and are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant, except for a single grant issued to one individual for which compensation expense was recorded. The fair market value is based on acceptable valuation methodologies and is approved by Board of Directors. Options granted under the Stock Option Plan generally vest in increments of 25% per year over a four year period on the yearly anniversary date of the grant and may be exercised up to six years from the grant date and five years from the date of grant for any shareholders who own 10% or more of the shares of Company common stock outstanding. At the end of 2001 and 2000, 126,924 and 65,837 options, respectively were exercisable. The total number of shares of common stock subject to issuance under the Stock Option Plan may not exceed 10% of the authorized share capital, which was 1,000,000 shares as of December 31, 2001 and 2000 subject to certain adjustment provisions.

The following table summarizes information about stock options outstanding as of December 31, 2001 and 2000:

	Shares	Exercise Price
January 1, 2000	—	—
Granted	263,348	$ 11.98 to 24.50
Exercised	—	—
Terminated	—	—
December 31, 2000	263,348	$ 11.98 to 24.50
Granted	39,000	$ 27.71
Exercised	—	—
Terminated	(9,500)	—
December 31, 2001	292,848	$ 11.98 to 27.71

(c) *Stock Based Compensation*—Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under those plans, the Company's net income would have been adjusted to the pro forma amount listed below:

	2000	2001
Net income		
As reported	$ 12,577,800	$ 11,857,400
Pro forma income	12,254,000	11,578,500

The weighted average fair values at date of grant for options granted during 2001 and 2000 was $8.19 and $8.26, respectively and were estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2000	2001
Expected life of option in years	5–6	5–6
Risk-free interest rate	6.60%	4.99%
Expected volatility of stock	—	—
Expected dividend yield on stock	—	—

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in the subjective input can materially affect the fair value estimate.

(14) Related Party Transactions

The Company has transactions with certain Fagerdala subsidiaries which are considered related parties due to common control or ownership. Several agreements existed as of January 1, 2000, the date of the merger and were necessitated by the utilization of the Fagerdala distribution network to sell the Tempur related products prior to the merger.

In connection with the merger, on December 31, 1999, the Company executed a binding letter of intent with Fagerdala to provide for the termination or modification of the major existing related party agreements as described below:

(a) *Agreement to Restructure and Terminate the Fagerdala License Agreement*—On September 30, 2000, the Company and Fagerdala agreed to Restructure and Terminate the Fagerdala License Agreement ("the Termination and Restructuring Agreement" or "TRA"). The actual termination occurred on September 30, 2000.

Under the original License Agreement, dated September 30, 1991, Fagerdala provided marketing and distribution services to the Company. During 2000 the Company established its own distribution network and no longer required the marketing and distribution services performed by Fagerdala under the agreement. The Company did, however, wish to retain the consulting services of Fagerdala until the end of the year to ensure the effective transition of all customer relationships and services. Thus, for the period from October 1, 2000 through December 31, 2000, the Termination and Restructuring Agreement provided for Fagerdala to provide consulting and administrative services to the Company for an Administrative Services Fee of approximately $972,700 per month for the three-month period ended December 31, 2000.

In addition, because the original License Agreement was effective through September 30, 2001, the TRA also required the Company to pay a termination fee of approximately $2,024,300, which was accrued as of the opening balance sheet on January 1, 2000 and paid by the Company in 2000.

(b) *Set-Off Agreement*—On November 10, 2000, Dan Foam A/S and Fagerdala executed the Set-Off Agreement to eliminate the majority of the related party receivables and payables that existed between the Company and Fagerdala in order to minimize the administrative and financial complexity arising from related party transactions.

Based upon statements detailing the balances outstanding between the parties as of October 31, 2000, the balances were offset against each other resulting in a payment of the net balance of approximately $1,696,300 to Fagerdala from the Company.

(c) *Consulting and Service Support Agreements*—Effective January 1, 2001, Ashfield Consultancy Ltd. ("ACL"), an affiliate, will provide the following services to the Company: (i) establishing new markets for the products of the Company (ii) establishing a distribution network for the products of the Company (iii) development of new products and (iv) providing office space, office equipment and related services to accomplish the aforementioned services. In consideration of the services provided above, the Company agrees to pay ACL an annual fee of approximately $880,000 plus office costs, payable monthly at the beginning of each month. The term of this agreement is for one year and is renewable annually.

On December 31, 1999, Dan-Foam A/S acquired certain remaining Tempur trademark rights from Fagerdala World Foams A/B, a related party, for approximately $6,750,000 and is reflected as a deduction of paid-in capital (among other items) in the formation balance sheet as there was no historical book value to record.

As some of the Company's operations are leasing office and warehouse space and receive some administrative services from Fagerdala personnel, the Company is in the process of finalizing a standard administrative services contract for those operations. The amounts charged for rent, use of equipment and administrative support are be based on management's estimate of prevailing arms-length pricing in the location of the operations.

On December 18, 2000, a German subsidiary completed the acquisition of real property located in Steinhagen, Germany that it uses for its facilities from Gefinex GmbH, an affiliate, by issuing a note payable that was refinanced by the Company through a bank loan during 2001. The note bears interest at rates ranging from 4% to 6% (weighted average interest rate of 4.6% as of December 31, 2000) with an outstanding balance of $4,718,600 and is included in related party notes payable on the consolidated balance sheet as of December 31, 2000 (Note (8)).

The Company also has other various obligations included in related party notes payable that relate primarily to the acquisition of certain assets and liabilities of the Tempur-related businesses during 2000 and are secured by these net assets. These notes bear interest at rates ranging from 4.0% to 8.0%.

The Company's related party debt, including subsidiary debt, totaling approximately $1,286,800 and $5,540,500 as of December 31, 2001 and 2000, respectively, is scheduled to mature in its entirety during 2002.

Sales to and purchases from the affiliated entities are primarily for product and are priced according to pricing applicable to third-party customers. Interest income and expense are charged on outstanding note and trade accounts based on management's estimate of prevailing market rates of interest at the time of the obligations. Management fee income and expense are charged for shared services at certain of the subsidiary locations based on management's estimate of prevailing market conditions in the country of operation. The total amounts reported in the consolidated financial statements as of December 31, 2001 and 2000 are approximately as follows:

	2001	2000
As of period ended:		
Accounts receivable	$ 340,900	$ 163,800
Accounts payable	347,300	30,400
Notes receivable, interest rate of 8%	$ 550,000	$ 123,400
Notes payable	1,286,800	5,450,500
For the year ended:		
Related party sales	$ 56,600	$ 3,559,000
Related party purchases	657,000	457,300
Interest income	$ 153,000	$ 49,500
Interest expense	81,500	80,400
Management fee income	$ 70,100	$ 139,100
Management fee expense	209,300	327,000
Fagerdala License Agreement costs	$ —	$ 10,508,300
Ashfield Consulting Agreement	1,198,800	1,656,500
Termination and Restructuring Agreement costs	—	2,918,000

(15) Employment Agreements

The Company maintains employment agreements with certain key employees, four of whom are also officers of the Company. The employment agreements contain provisions relating to minimum salary levels, adjusted annually, as well as incentive bonuses for achieving certain objectives as specified by management.

(16) Major Customers

Four customers accounted for approximately 17.2% and 31.2% of sales for the years ended December 31, 2001 and 2000, respectively, one of which accounted for approximately 12.2% and 15.5% of sales. These same customers also accounted for approximately 9.4% and 26.4% of accounts receivable as of December 31, 2001 and 2000, respectively. The loss of one or more of these customers could have a material adverse effect on the Company.

(17) Benefit Plan

A subsidiary of the Company has a defined contribution plan whereby eligible employees may contribute up to 25% of their pay each year to the plan subject to certain limitations as defined by the Plan. Employees are eligible to receive matching contributions at the start of employment with the Company. During fiscal 2000, the Company amended the Plan to provide a 100% match of the first 3% and 50% of the next 2% on eligible

employee contributions and eliminated the vesting period such that matching contributions vest immediately. The Company incurred approximately $152,700 and $88,000 of expenses associated with the defined contribution plan for the years ended December 31, 2001 and 2000, respectively.

(18) Adoption of SFAS 142, "Goodwill and Other Intangibles Assets"

On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead are subject to an assessment for impairment on a reporting unit basis by applying a fair-value-based test annually, and more frequently if circumstances indicate a possible impairment. Separate intangible assets that are not deemed to have an indefinite live continue to be amortized over their useful lives.

Prior to the adoption of SFAS No. 142, the Company had $17,807,000 of goodwill acquired in 1999 that was amortized on a straight-line basis over a period of 15 years. Had the Company accounted for goodwill in accordance with SFAS No. 142 in 2001, net income would have been as follows (in thousands):

	2001	2000
Reported Net Income Add back	$ 11,857,300	$ 12,577,800
Goodwill amortization, net of tax	1,310,000	1,113,000
Adjusted Net Income	$ 13,167,300	$ 13,690,800

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus does not offer to sell or ask for offers to buy any securities other than those to which this prospectus relates and it does not constitute an offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. The information contained in this prospectus is current only as of its date.

PRELIMINARY PROSPECTUS

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

OFFER TO EXCHANGE

$150,000,000 principal amount of 10 1/4% Senior Subordinated Notes due 2010, which have been registered under the Securities Act, for any and all of the outstanding 10 1/4% Senior Subordinated Notes due 2010

Until , 2003, all dealers that, buy, sell or trade the exchange notes, whether or not participating in the exchange offer, may be required to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments and subscriptions.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. ***Indemnification of Directors and Officers***

Each of TWI Holdings, Inc., Tempur World, Inc. and Tempur World Holdings, Inc. is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include 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, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 145 of the Delaware General Corporation Law further authorizes a corporation to purchase and maintain insurance on behalf of any person who 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 or enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him or her under Section 145 of the Delaware Corporation Law.

The certificates of incorporation, as amended, of each of TWI Holdings, Inc., Tempur World, Inc. and Tempur World Holdings, Inc. eliminate the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liabilities arising (a) from any breach of the director's duty of loyalty to the corporation or its stockholders; (b) from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) under Section 174 of the Delaware General Corporation Law; or (d) from any transaction from which the director derived an improper personal benefit. In addition, the bylaws of each of TWI Holdings, Inc. and Tempur World, Inc., and the certificate of incorporation of Tempur World Holdings, Inc., provide for indemnification of directors, officers, employees and agents to the fullest extent permitted by Delaware law. The bylaws of each of TWI Holdings, Inc. and Tempur World, Inc. authorize the respective company to purchase and maintain insurance to protect itself and any director, officer, employee or agent of the company or another business entity against any expense, liability, or loss, regardless of whether the company would have the power to indemnify such person under the company's bylaws or Delaware law.

Each of Tempur-Pedic, Inc., Tempur-Pedic, Direct Response, Inc. and Tempur-Medical, Inc. is incorporated under the laws of the State of Kentucky. Section 8 of the Kentucky Business Corporation Act (the "KCBA") authorizes a corporation to indemnify an individual made a party to a proceeding because he is or was a director, officer, employee, or agent of the corporation, against the obligation to pay a judgment, settlement, penalty, fine, or reasonable expenses incurred with respect to the proceeding (except that indemnity in connection with a proceeding by or in the right of the corporation shall be limited to reasonable expenses incurred in connection with the proceeding) if (1) he conducted himself in good faith, (2) he reasonably believed, in the case of conduct in his official capacity with the corporation, that his conduct was in its best interest and, in all other cases, that his conduct was at least not opposed to its best interest, and (3) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful, except that no indemnification may be made in connection with a proceeding by or in the right of the corporation in which the person was adjudged liable to the corporation, or in connection with any other proceeding charging improper personal benefit to him, whether or not involving

action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

Section 8 of the KCBA authorizes the court conducting the proceeding or another court of competent jurisdiction to order indemnification if it shall determine the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not he met the standard of conduct or was adjudged liable as described above, but if he were adjudged so liable, the indemnification shall be limited to reasonable expenses incurred.

Section 8 of the KCBA further provides that a corporation shall indemnify a director or officer who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he is or was a director or officer of the corporation against reasonable expenses incurred by him in connection with the proceeding; that indemnification and advancement of expenses provided for by Section 8 shall not be deemed exclusive of any other right to which the indemnified party may be entitled; empowers the corporation to purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against liability asserted against or incurred by him in that capacity or arising from his status as such whether or not the corporation would have the power to indemnify him against such liabilities under Section 8; and empowers the corporation to indemnify and advance expenses to an officer, employee, or agent who is not a director to the extent, consistent with public policy, that may be provided by its articles of incorporation, by-laws, general or specific action of its board of directors, or contract.

The articles of incorporation, as amended, of Tempur-Pedic, Inc., Tempur-Pedic, Direct Response, Inc., and Tempur-Medical, Inc. eliminate the personal liability of directors to the corporation and its shareholders for monetary damages for breach of the duties as a director, except for liabilities arising from (a) any transaction in which the director has a personal financial interest in conflict with the financial interests of the corporation or its shareholders, (b) acts or omissions not in good faith, involving intentional misconduct, or known to the director to be a violation of law, (c) any vote for or assent to a distribution made in violation of the articles of incorporation or Kentucky law, including a distribution which renders the corporation unable to pay its debts as they become due in the usual course of business or which results in the corporation's total liabilities exceeding its total assets, and (d) any transaction from which the director derived an improper personal benefit. In addition, the articles of incorporation, as amended, of Tempur-Pedic, Inc. and the bylaws of Tempur-Pedic, Direct Response, Inc. and Tempur-Medical, Inc., provide for indemnification of and advancement of expenses to directors, officers, employees, and agents of the corporation to the fullest extent permitted by Kentucky law. The articles of incorporation, as amended, of Tempur-Pedic, Inc. provide for indemnification of and advancement of expenses to directors and officers to the fullest extent permitted by Kentucky law and authorize Tempur-Pedic, Inc. to purchase and maintain liability insurance on behalf of any director, officer, employee or agent.

Tempur Production USA, Inc. is incorporated under the laws of the State of Virginia. Article 10 of the Virginia Stock Corporation Act (the "VSCA") provides that a corporation may indemnify an individual made a party to a proceeding because he is or was a director or officer against liability incurred in the proceeding if he conducted himself in good faith and he believed, in the case of conduct in his official capacity with the corporation, that his conduct was in its best interests, in all other cases, that his conduct was at least not opposed to its best interests, and in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

Under the VSCA, a director's conduct with respect to an employee benefit plan for a purpose he believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the above requirements. The termination of a proceeding by judgment, order, settlement or conviction is not, of itself, determinative that the director did not meet the standard of conduct described.

In addition, under the VSCA, a corporation may not indemnify a director in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation, or in connection

with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him. Indemnification permitted in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

Unless limited by a corporation's articles of incorporation, the VSCA states that a corporation shall indemnify a director or officer who entirely prevails in the defense of any proceeding to which he was a party because he is or was a director or officer of the corporation against reasonable expenses incurred by him in connection with the proceeding.

Item 21. ***Exhibits and Financial Statement Schedules***

(a) Exhibits

1.1	Purchase Agreement dated as of August 8, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc., Lehman Brothers Inc, UBS Securities LLC and Credit Suisse First Boston LLC.
2.1	Agreement and Plan of Merger dated as of October 4, 2002, among Fagerdala Holding B.V., Fagerdala Industri A.B., Chesterfield Properties Limited, Viking Investments S.a.r.l., Robert B. Trussell, Jr., David C. Fogg, Jeffrey P. Heath, H. Thomas Bryant, TWI Holdings, Inc., TWI Acquisition Corp. and Tempur World, Inc.
2.2	Contribution Agreement dated as of October 4, 2002, among TA IX, L.P., TA/Advent VIII L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA Investors LLC, Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, Robert B. Trussell, Jr., David C. Fogg, H. Thomas Bryant, Jeffrey P. Heath, Mrs. R.B. Trussell, Jr. and TWI Holdings, Inc.
3.1	Articles of Incorporation of Tempur-Pedic, Inc., including amendments.
3.2	Articles of Incorporation of Tempur Production USA, Inc.
3.3	Certificate of Incorporation of TWI Holdings, Inc., including amendments.
3.4	Amended and Restated Certificate of Incorporation of Tempur World, Inc.
3.5	Certificate of Incorporation of Tempur World Holdings, Inc.
3.6	Articles of Incorporation of Tempur-Pedic, Direct Response, Inc., including amendments.
3.7	Articles of Incorporation of Tempur-Medical, Inc., including amendments.
3.8	Amended and Restated By-laws of Tempur-Pedic, Inc.
3.9	By-laws of Tempur Production USA, Inc.
3.10	By-laws of TWI Holdings, Inc.
3.11	By-laws of Tempur World, Inc.
3.12	By-laws of Tempur World Holdings, Inc.
3.13	By-laws of Tempur-Pedic, Direct Response, Inc.
3.14	By-laws of Tempur-Medical, Inc.
4.1	Indenture dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee.

4.2	Form of 10¼% Senior Subordinated Notes Due 2010 (included in Exhibit 4.1).
4.3	Registration Rights Agreement dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc., Lehman Brothers Inc, UBS Securities LLC and Credit Suisse First Boston LLC.
5.1	Opinion of Bingham McCutchen LLP.*
5.2	Opinion of Frost Brown Todd LLC.*
5.3	Opinion of Wetherington, Melchionna, Terry, Day & Ammar.*
10.1	Second Amended and Restated Credit Agreement dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., Tempur World Holding Company ApS, Dan-Foam ApS, certain Credit Parties as defined therein, General Electric Capital Corporation, Lehman Commercial Paper Inc., Nordea Bank Danmark A/S, GE European Leveraged Finance Limited, HSBC Bank PLC, the Lenders as defined therein, Lehman Brothers Inc. and GECC Capital Markets Group, Inc.
10.2	Registration Rights Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P., TA Investors LLC, TA Subordinated Debt Fund, L.P., Gleacher Mezzanine Fund I, L.P., Gleacher Mezzanine Fund P, L.P. and the investors listed on Schedule I thereto.
10.3	Stockholder Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P., TA Investors LLC, TA Subordinated Debt Fund, L.P., Gleacher Mezzanine Fund I, L.P., Gleacher Mezzanine Fund P, L.P. and the investors listed on Schedule I thereto.
10.4	Series A Preferred Stock Stockholder Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.sP., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P. and TA Investors LLC.
10.5	TWI Holdings, Inc. 2002 Stock Option Plan.
10.6	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and Robert B. Trussell, Jr.
10.7	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and David C. Fogg.
10.8	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and H. Thomas Bryant.
10.9	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and Jeffrey P. Heath.
10.10	Separation Agreement dated as of July 3, 2003, among TWI Holdings, Inc., Tempur World, Inc. and Jeffrey P. Heath.
10.11	Consultant's Agreement effective as of July 12, 2003, among Tempur-Pedic, Inc., Tempur World, Inc. and Jeffrey P. Heath.
10.12	Employment and Noncompetition Agreement dated as of July 11, 2003, between Tempur World, Inc. and Dale E. Williams.

12.1	Statement regarding computation of ratio of earnings to fixed charges.
21.1	Subsidiaries of TWI Holdings, Inc.
23.1	Consent of Ernst & Young LLP.
23.2	Notice regarding consent of Arthur Andersen LLP.
23.3	Consent of Bingham McCutchen LLP (included in Exhibit 5.1).*
23.4	Consent of Frost Brown Todd LLC (included in Exhibit 5.2).*
23.5	Consent of Wetherington, Melchionna, Terry, Day & Ammar (included in Exhibit 5.3).*
24.1	Power of Attorney of Tempur-Pedic, Inc. (included on the signature pages in Part II hereof).
24.2	Power of Attorney of Tempur Production USA, Inc. (included on the signature pages in Part II hereof).
24.3	Power of Attorney of TWI Holdings, Inc. (included on the signature pages in Part II hereof).
24.4	Power of Attorney of Tempur World, Inc. (included on the signature pages in Part II hereof).
24.5	Power of Attorney of Tempur World Holdings, Inc. (included on the signature pages in Part II hereof).
24.6	Power of Attorney of Tempur-Pedic, Direct Response, Inc. (included on the signature pages in Part II hereof).
24.7	Power of Attorney of Tempur-Medical, Inc. (included on the signature pages in Part II hereof).
25.1	Form T-1 Statement of Eligibility of Trustee.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Clients.
99.4	Form of Letter to DTC Participants.
99.5	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

* To be filed by amendment.

(b) Financial Statement Schedules

The following financial statement schedule is included in this registration statement:

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements and therefore has been omitted.

Item 22. ***Undertakings.***

Each of the undersigned registrants hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by section 10(a)(3) of the Securities Act of

1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement, or the most recent post-effective amendment thereof, which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered, if the total dollar value of securities offered would not exceed that which was registered, and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions described in Item 20 or otherwise, the registrants have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(5) The undersigned registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in this registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur-Pedic, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR-PEDIC, INC.

By: /S/ H. THOMAS BRYANT

H. Thomas Bryant
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ H. THOMAS BRYANT **H. Thomas Bryant**	Chief Executive Officer (Principal Executive Officer)	September 23, 2003
/S/ DAVID C. FOGG **David C. Fogg**	President (Principal Executive Officer)	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Chief Financial Officer, Secretary (Principal Financial Officer) and Director	September 23, 2003
/S/ JEFFREY T. LILLICH **Jeffrey T. Lillich**	Vice President, Finance (Principal Accounting Officer)	September 23, 2003
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	Director	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur Production USA, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR PRODUCTION USA, INC.

By: /S/ ROBERT B. TRUSSELL, JR.

Robert B. Trussell, Jr.
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	President (Principal Executive Officer) and Director	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Chief Financial Officer, Treasurer, Secretary (Principal Financial Officer) and Director	September 23, 2003
/S/ E. WAYNE FIELDS **E. Wayne Fields**	Vice President and Controller (Principal Accounting Officer)	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, TWI Holdings, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TWI HOLDINGS, INC.

By: /S/ ROBERT B. TRUSSELL, JR.

Robert B. Trussell, Jr.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	President, Chief Executive Officer (Principal Executive Officer) and Director	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Senior Vice President, Chief Financial Officer, Assistant Secretary and Treasurer (Principal Financial Officer)	September 23, 2003
/S/ JEFFREY B. JOHNSON **Jeffrey B. Johnson**	Corporate Controller, Chief Accounting Officer, Vice President and Assistant Secretary (Principal Accounting Officer)	September 23, 2003
/S/ JEFFREY S. BARBER **Jeffrey S. Barber**	Director	September 23, 2003
/S/ CHRISTOPHER A. MASTO **Christopher A. Masto**	Director	September 23, 2003
/S/ FRANCIS A. DOYLE **Francis A. Doyle**	Director	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur World, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR WORLD, INC.

By: /S/ ROBERT B. TRUSSELL, JR.

Robert B. Trussell, Jr.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	President, Chief Executive Officer (Principal Executive Officer) and Director	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Senior Vice President, Chief Financial Officer, Assistant Secretary and Treasurer (Principal Financial Officer)	September 23, 2003
/S/ JEFFREY B. JOHNSON **Jeffrey B. Johnson**	Corporate Controller, Chief Accounting Officer, Vice President and Assistant Secretary (Principal Accounting Officer)	September 23, 2003
/S/ JEFFREY S. BARBER **Jeffrey S. Barber**	Director	September 23, 2003
/S/ CHRISTOPHER A. MASTO **Christopher A. Masto**	Director	September 23, 2003
/S/ FRANCIS A. DOYLE **Francis A. Doyle**	Director	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur World Holdings, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR WORLD HOLDINGS, INC.

By: /S/ ROBERT B. TRUSSELL, JR.

Robert B. Trussell, Jr.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	President, Chief Executive Officer (Principal Executive Officer) and Director	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur-Pedic, Direct Response, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR-PEDIC, DIRECT RESPONSE, INC.

By: /S/ DANY SFEIR

Dany Sfeir
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ DANY SFEIR **Dany Sfeir**	President (Principal Executive Officer)	September 23, 2003
/S/ JEFFREY T. LILLICH **Jeffrey T. Lillich**	Chief Financial Officer, Secretary (Principal Financial and Accounting Officer) and Director	September 23, 2003
/S/ H. THOMAS BRYANT **H. Thomas Bryant**	Director	September 23, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tempur-Medical, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 23rd day of September, 2003.

TEMPUR-MEDICAL, INC.

By: /S/ JOEL GUERIN

Joel Guerin
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Trussell, Jr. and Dale E. Williams, jointly and severally, each in his own capacity, his true and lawful attorneys-in-fact, with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such said attorneys-in-fact and agents with full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ JOEL GUERIN **Joel Guerin**	President (Principal Executive Officer)	September 23, 2003
/S/ JEFFREY T. LILLICH **Jeffrey T. Lillich**	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	September 23, 2003
/S/ ROBERT B. TRUSSELL, JR. **Robert B. Trussell, Jr.**	Director	September 23, 2003
/S/ DALE E. WILLIAMS **Dale E. Williams**	Director	September 23, 2003

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of TWI Holdings, Inc. and Subsidiaries

We have audited the consolidated financial statements of TWI Holdings, Inc. and Subsidiaries as of December 31, 2002, and for the two months ended December 31, 2002, and have issued our report thereon dated June 20, 2003 (included elsewhere in this Registration Statement).

We have audited the consolidated financial statements of Tempur World, Inc. and Subsidiaries as of October 31, 2002, and for the ten months ended October 31, 2002, and have issued our report thereon dated June 20, 2003 (included elsewhere in this Registration Statement).

The financial statements of Tempur World, Inc. and Subsidiaries as of December 31, 2001 and 2000 and for the years then ended were audited by other auditors who have ceased operations and whose report dated March 8, 2002 expressed an unqualified opinion on those statements.

Our audits of TWI Holdings, Inc. for the two months ended December 31, 2002 and Tempur World, Inc. for the ten months ended October 31, 2002 also included the financial statement schedules (Schedule II) included in this Registration Statement. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/S/ ERNST & YOUNG LLP

Louisville, Kentucky
June 20, 2003

TEMPUR WORLD, INC. AND SUBSIDIARIES
(Predecessor to TWI Holdings, Inc.)
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2001
FOR THE TEN MONTHS ENDED OCTOBER 31, 2002
SCHEDULE II

TWI HOLDINGS, INC.
(Successor to Tempur World, Inc.)
VALUATION AND QUALIFYING ACCOUNTS
FOR THE TWO MONTHS ENDED DECEMBER 31, 2002
SCHEDULE II

Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for Doubtful Accounts:					
TEMPUR WORLD, INC. AND SUBSIDIARIES:					
Year Ended December 31, 2000	$ 298,633	$ 3,289,814	$ —	$ (3,051,732)	$ 536,715
Year Ended December 31, 2001	536,715	3,000,112	—	(2,719,366)	817,461
Ten Months Ended October 31, 2002	817,461	2,776,105	—	(1,516,594)	2,076,972
TWI HOLDINGS, INC.					
Two Months Ended December 31, 2002	2,076,972	500,531	—	(59,018)	2,518,485

EXHIBIT INDEX

1.1	Purchase Agreement dated as of August 8, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc., Lehman Brothers Inc, UBS Securities LLC and Credit Suisse First Boston LLC.
2.1	Agreement and Plan of Merger dated as of October 4, 2002, among Fagerdala Holding B.V., Fagerdala Industri A.B., Chesterfield Properties Limited, Viking Investments S.a.r.l., Robert B. Trussell, Jr., David C. Fogg, Jeffrey P. Heath, H. Thomas Bryant, TWI Holdings, Inc., TWI Acquisition Corp. and Tempur World, Inc.
2.2	Contribution Agreement dated as of October 4, 2002, among TA IX, L.P., TA/Advent VIII L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA Investors LLC, Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, Robert B. Trussell, Jr., David C. Fogg, H. Thomas Bryant, Jeffrey P. Heath, Mrs. R.B. Trussell, Jr. and TWI Holdings, Inc.
3.1	Articles of Incorporation of Tempur-Pedic, Inc., including amendments.
3.2	Articles of Incorporation of Tempur Production USA, Inc.
3.3	Certificate of Incorporation of TWI Holdings, Inc., including amendments.
3.4	Amended and Restated Certificate of Incorporation of Tempur World, Inc.
3.5	Certificate of Incorporation of Tempur World Holdings, Inc.
3.6	Articles of Incorporation of Tempur-Pedic, Direct Response, Inc., including amendments.
3.7	Articles of Incorporation of Tempur-Medical, Inc., including amendments.
3.8	Amended and Restated By-laws of Tempur-Pedic, Inc.
3.9	By-laws of Tempur Production USA, Inc.
3.10	By-laws of TWI Holdings, Inc.
3.11	By-laws of Tempur World, Inc.
3.12	By-laws of Tempur World Holdings, Inc.
3.13	By-laws of Tempur-Pedic, Direct Response, Inc.
3.14	By-laws of Tempur-Medical, Inc.
4.1	Indenture dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee.
4.2	Form of 10¼% Senior Subordinated Notes Due 2010 (included in Exhibit 4.1).
4.3	Registration Rights Agreement dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., TWI Holdings, Inc., Tempur World, Inc., Tempur World Holdings, Inc., Tempur-Pedic, Direct Response, Inc., Tempur-Medical, Inc., Lehman Brothers Inc, UBS Securities LLC and Credit Suisse First Boston LLC.
5.1	Opinion of Bingham McCutchen LLP.*
5.2	Opinion of Frost Brown Todd LLC.*
5.3	Opinion of Wetherington, Melchionna, Terry, Day & Ammar.*

10.1	Second Amended and Restated Credit Agreement dated as of August 15, 2003, among Tempur-Pedic, Inc., Tempur Production USA, Inc., Tempur World Holding Company ApS, Dan-Foam ApS, certain Credit Parties as defined therein, General Electric Capital Corporation, Lehman Commercial Paper Inc., Nordea Bank Danmark A/S, GE European Leveraged Finance Limited, HSBC Bank PLC, the Lenders as defined therein, Lehman Brothers Inc. and GECC Capital Markets Group, Inc.
10.2	Registration Rights Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P., TA Investors LLC, TA Subordinated Debt Fund, L.P., Gleacher Mezzanine Fund I, L.P., Gleacher Mezzanine Fund P, L.P. and the investors listed on Schedule I thereto.
10.3	Stockholder Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.P., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P., TA Investors LLC, TA Subordinated Debt Fund, L.P., Gleacher Mezzanine Fund I, L.P., Gleacher Mezzanine Fund P, L.P. and the investors listed on Schedule I thereto.
10.4	Series A Preferred Stock Stockholder Agreement dated as of November 1, 2002, among TWI Holdings, Inc., Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP, TA IX, L.sP., TA/Atlantic and Pacific IV, L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA/Advent VIII L.P. and TA Investors LLC.
10.5	TWI Holdings, Inc. 2002 Stock Option Plan.
10.6	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and Robert B. Trussell, Jr.
10.7	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and David C. Fogg.
10.8	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and H. Thomas Bryant.
10.9	Amended and Restated Employment and Noncompetition Agreement effective as of November 1, 2002, between Tempur World, Inc. and Jeffrey P. Heath.
10.10	Separation Agreement dated as of July 3, 2003, among TWI Holdings, Inc., Tempur World, Inc. and Jeffrey P. Heath.
10.11	Consultant's Agreement effective as of July 12, 2003, among Tempur-Pedic, Inc., Tempur World, Inc. and Jeffrey P. Heath.
10.12	Employment and Noncompetition Agreement dated as of July 11, 2003, between Tempur World, Inc. and Dale E. Williams.
12.1	Statement regarding computation of ratio of earnings to fixed charges.
21.1	Subsidiaries of TWI Holdings, Inc.
23.1	Consent of Ernst & Young LLP.
23.2	Notice regarding consent of Arthur Andersen LLP.
23.3	Consent of Bingham McCutchen LLP (included in Exhibit 5.1).*
23.4	Consent of Frost Brown Todd LLC (included in Exhibit 5.2).*
23.5	Consent of Wetherington, Melchionna, Terry, Day & Ammar (included in Exhibit 5.3).*
24.1	Power of Attorney of Tempur-Pedic, Inc. (included on the signature pages in Part II hereof).
24.2	Power of Attorney of Tempur Production USA, Inc. (included on the signature pages in Part II hereof).
24.3	Power of Attorney of TWI Holdings, Inc. (included on the signature pages in Part II hereof).
24.4	Power of Attorney of Tempur World, Inc. (included on the signature pages in Part II hereof).

24.5	Power of Attorney of Tempur World Holdings, Inc. (included on the signature pages in Part II hereof).
24.6	Power of Attorney of Tempur-Pedic, Direct Response, Inc. (included on the signature pages in Part II hereof).
24.7	Power of Attorney of Tempur-Medical, Inc. (included on the signature pages in Part II hereof).
25.1	Form T-1 Statement of Eligibility of Trustee.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Clients.
99.4	Form of Letter to DTC Participants.
99.5	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

* To be filed by amendment.

Exhibit 1.1

Tempur-Pedic, Inc. and Tempur Production USA, Inc.

$150,000,000

10 1/4% Senior Subordinated Notes due 2010

PURCHASE AGREEMENT

August 8, 2003

Lehman Brothers Inc.
UBS Securities LLC
Credit Suisse First Boston LLC

c/o Lehman Brothers Inc.
745 Seventh Avenue, 19th Floor
New York, New York 10019

Ladies and Gentlemen:

Tempur-Pedic, Inc., a Kentucky corporation, and Tempur Production USA, Inc., a Virginia corporation (each a "Company," and collectively the "Companies"), propose to issue and sell to the several Initial Purchasers named in Schedule 1 hereto (the "Initial Purchasers") $150,000,000 in aggregate principal amount of their 10 1/4% Senior Subordinated Notes due 2010 (the "Notes") guaranteed (the "Guarantees") by TWI Holdings Inc., a Delaware corporation ("TWI"), Tempur World, Inc., a Delaware corporation, and Tempur World Holdings, Inc., a Delaware corporation, (collectively, the "Parent Guarantors") and Tempur Medical, Inc., a Kentucky corporation, and Tempur-Pedic, Direct Response, Inc., a Kentucky corporation (collectively, the "Subsidiary Guarantors," and together with the Parent Guarantors, the "Guarantors"), pursuant to the terms of an indenture (the "Indenture"), to be dated as of August 15, 2003, between the Companies, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee").

The Notes will be offered and sold to you pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended (the "Securities Act"). The Companies have prepared a preliminary offering memorandum, dated July 25, 2003 (as amended or supplemented, the "Preliminary Offering Memorandum"), and will prepare a final offering memorandum (as amended or supplemented, the "Offering Memorandum"), to be dated August 8, 2003, relating to the Companies, the Notes and the Guarantees. Unless stated to the contrary, any references herein to "amend," "amendment" or "supplement" with respect to the Offering Memorandum shall be deemed to include any information filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date hereof which is incorporated by reference therein.

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Notes (and all securities

issued in exchange therefor or in substitution therefor) shall bear substantially the following legend:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 (A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT, IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES."

You have advised the Companies that you will make offers and sales (the "Exempt Resales") of the Notes purchased hereunder on the terms set forth in the Offering Memorandum solely to (i) persons whom you reasonably believe to be "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs"), (ii) outside the United States to persons other than U.S. Persons in offshore transactions meeting the requirements of Regulation S under the Securities Act ("Regulation S") and (iii) certain persons referred to in the Offering Memorandum who are "institutional accredited investors" within the meaning of Rule 501(a)(1),(2),(3) and (7) under the Securities Act and who have executed and delivered a letter to the Initial Purchasers substantially in the form attached hereto as Exhibit F (such persons specified in clauses (i), (ii) and (iii) being referred to herein as the "Eligible Purchasers"). As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the respective meanings given to them in Regulation S. You will offer the Notes to Eligible Purchasers initially at a price equal to 100% of the principal amount thereof. Thereafter, the offering price may be changed at any time without notice.

In connection with the offering of the Notes, TWI and its subsidiaries intend to enter into amended and restated senior credit facilities, entered into by and among the Companies, the other borrowers named therein, the guarantors named therein and the agents and lenders party thereto (the "Credit Facility"). The net proceeds from the sale of the Notes and the Credit Facility will be used to finance TWI's recapitalization, including the refinancing of existing debt, prefunding of earn-out payments and funding of one or more dividends to TWI equityholders, as described in the "Use of Proceeds" section of the Offering Memorandum. The Credit Facility, and the offering of the Notes, and application of the net proceeds thereof as

provided in the "Use of Proceeds" section of the Offering Memorandum, are collectively referred to herein as the "Transactions."

Holders (including subsequent transferees) of the Notes will have the registration rights set forth in the registration rights agreement (the "Registration Rights Agreement") among the Companies, the Guarantors and the Initial Purchasers, to be dated as of the Closing Date (as defined below), in the form of Exhibit A hereto, for so long as such Notes constitute "Transfer Restricted Securities" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Companies and the Guarantors will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein, (i) a registration statement under the Securities Act (the "Exchange Offer Registration Statement") relating to a separate series of the Companies' 10 1/4% Senior Subordinated Notes due 2010 with substantially identical terms to the Notes (except for transfer restrictions) (the "Exchange Notes") to be offered in exchange for the Notes (such offer to exchange being referred to collectively as the "Registered Exchange Offer") and (ii) if required by the terms of the Registration Rights Agreement, a shelf registration statement pursuant to Rule 415 under the Securities Act (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, the "Registration Statements") relating to the resale by certain holders of the Notes, and to use their reasonable best efforts to cause such Registration Statements to be declared effective. This Agreement, the Notes, the Exchange Notes, the Guarantees, the Exchange Note Guarantees (as defined below), the Indenture and Registration Rights Agreement are hereinafter referred to collectively as the "Operative Documents." This is to confirm the agreements concerning the purchase of the Notes from the Companies by the Initial Purchasers.

SECTION 1. Representations, Warranties and Agreements of the Companies and the Guarantors. The Companies and the Guarantors, jointly and severally, represent, warrant and agree that:

(a) The Preliminary Offering Memorandum and the Offering Memorandum have been or will be prepared by the Companies and Guarantors for use by the Initial Purchasers in connection with the Exempt Resales. No order or decree preventing the use of the Preliminary Offering Memorandum or the Offering Memorandum, or any order asserting that the transactions contemplated by this Agreement are subject to the registration requirements of the Securities Act, has been issued and no proceeding for that purpose has commenced or is pending or, to the knowledge of the Companies or any of the Guarantors, is contemplated.

(b) The Preliminary Offering Memorandum and the Offering Memorandum as of their respective dates did not, and the Offering Memorandum as of the Closing Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements in or omissions from the Preliminary Offering Memorandum and the Offering Memorandum made in reliance upon and in conformity with information relating to the Initial Purchasers furnished to the Companies in writing by or on behalf of the Initial Purchasers expressly for use therein, as specifically identified in Section 8(e) hereof.

(c) TWI, the Companies and each of their respective subsidiaries (as defined in Section 15) have been duly organized, are validly existing and are in good standing under the laws of their respective jurisdictions of organization and are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to be so organized, existing in good standing or duly qualified would not reasonably be expected to have a material adverse effect on the general affairs, management, consolidated financial position, stockholders' equity, results of operations or business of TWI, the Companies and their respective subsidiaries taken as a whole (a "Material Adverse Effect"). TWI, the Companies and each of their respective subsidiaries have all corporate power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged.

(d) TWI has an authorized capitalization as set forth in the Offering Memorandum; all of the issued shares of capital stock of TWI and its subsidiaries (including the Companies) have been duly authorized and validly issued, are fully paid and non-assessable; and all of the issued shares of capital stock of each subsidiary of TWI are owned directly or indirectly by TWI (other than the directors' qualifying shares for foreign subsidiaries), free and clear of all liens, encumbrances, equities or claims, other than liens, encumbrances, equities or claims contemplated under the Credit Facility, other than Permitted Liens (as defined in the Indenture) or such as are otherwise described in the Offering Memorandum, and none of such shares of capital stock were issued in violation in any material respect of preemptive or other similar rights arising by operation of law, under the charter and bylaws of TWI, the Companies and each of their respective subsidiaries or under any agreement to which TWI, the Companies and each of their respective subsidiaries is a party or otherwise.

(e) Each of the Companies and the Guarantors has all requisite corporate power and authority to execute, deliver and perform its respective obligations under this Agreement and each of the other Operative Documents to which it is a party.

(f) This Agreement has been duly and validly authorized, executed and delivered by the Companies and the Guarantors.

(g) The Registration Rights Agreement has been duly and validly authorized by the Companies and the Guarantors and, when duly executed by the proper officers of the Companies and the Guarantors (assuming due authorization, execution and delivery by the Initial Purchasers) and delivered by the Companies and the Guarantors, will constitute a legal, valid and binding agreement of the Companies and the Guarantors, enforceable against the Companies and the Guarantors in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity), and except that rights to indemnification and contribution thereunder may be limited by federal or state securities laws or public policy relating thereto.

(h) The Indenture has been duly and validly authorized by the Companies and the Guarantors and, when duly executed by the proper officers of the Companies and the Guarantors (assuming due authorization, execution and delivery by the Trustee) and delivered by the Companies and the Guarantors, will constitute a legal, valid and binding agreement of the Companies and the Guarantors enforceable against the Companies and the Guarantors in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity). No qualification of the Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), is required in connection with the offer and sale of the Notes contemplated hereby or in connection with the Exempt Resales. The Indenture conforms in all material respects to the requirements of the Trust Indenture Act and the rules and regulations thereunder applicable to an indenture that is qualified thereunder.

(i) The Notes have been duly and validly authorized by the Companies and, when duly executed by the Companies in accordance with the terms of the Indenture, and assuming due authentication of the Notes by the Trustee, when delivered to the Initial Purchasers against payment therefor in accordance with the terms hereof, will have been validly issued and delivered and will constitute legal, valid and binding obligations of the Companies entitled to the benefits of the Indenture and enforceable against the Companies in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(j) The Guarantees have been duly and validly authorized by the Guarantors and when duly endorsed on the Notes in accordance with the terms of the Indenture and, assuming due authentication of the Notes by the Trustee, upon delivery of the Notes to the Initial Purchasers against payment therefor in accordance with the terms hereof, will constitute legal, valid and binding obligations of the Guarantors entitled to the benefits of the Indenture and enforceable against the Guarantors in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(k) The Exchange Notes have been duly and validly authorized by the Companies and if and when duly executed by the Companies in accordance with the terms of the Indenture and, assuming due authentication of the Exchange Notes by the Trustee, if and when delivered in accordance with the Registered Exchange Offer contemplated by the Registration Rights Agreement, will constitute legal, valid and binding obligations of the Companies entitled to the benefits of the Indenture and

enforceable against the Companies in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(l) The guarantees of the Exchange Notes (the "Exchange Note Guarantees") have been duly and validly authorized by the Guarantors and if and when duly endorsed on the Exchange Notes in accordance with the terms of the Indenture and, assuming due authentication of the Exchange Notes by the Trustee, if and when the Exchange Notes are delivered in accordance with the Registered Exchange Offer contemplated by the Registration Rights Agreement, will constitute legal, valid and binding obligations of the Guarantors entitled to the benefits of the Indenture and enforceable against the Guarantors in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(m) TWI and its subsidiaries have all requisite corporate power and authority to enter into the Transactions.

(n) Prior to the Closing under the Credit Facility, the Credit Facility will have been duly and validly authorized by TWI, the Companies and each of the other guarantors named therein and, when duly executed by the proper officers of TWI, the Companies and each of the other guarantors named therein (assuming due authorization, execution and delivery by the other parties thereto) will constitute a legal, valid and binding agreement of each of TWI, the Companies and each of their respective subsidiaries, enforceable against TWI, the Companies and each of their respective subsidiaries in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(o) The Indenture, the Notes, the Guarantees and the Registration Rights Agreement conform, and the Credit Facility will conform, in all material respects to the descriptions thereof in the Offering Memorandum.

(p) The execution, delivery and performance of this Agreement, the other Operative Documents and the Credit Facility by the Companies and the Guarantors and the consummation of the Transactions will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance (other than liens permitted under the Indenture ("Permitted Liens")) upon any property or

assets of TWI, the Companies and each of their respective subsidiaries pursuant to, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement, license or instrument to which TWI, the Companies and each of their respective subsidiaries is a party or by which TWI, the Companies and each of their respective subsidiaries is bound or to which any of the property or assets of TWI, the Companies and each of their respective subsidiaries is subject, (ii) result in any violation of the provisions of the charter or bylaws of TWI, the Companies and each of their respective subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over TWI, the Companies and each of their respective subsidiaries or (iii) assuming the accuracy of the Initial Purchasers' representations herein and compliance by the Initial Purchasers with their obligations hereunder, result in any violation of any of their properties or assets; and except as may be required in connection with (1) the registration of the Notes, the Exchange Notes, the Guarantees and/or the Exchange Note Guarantees under the Securities Act in accordance with the Registration Rights Agreement, (2) qualification of the Indenture under the Trust Indenture Act, (3) compliance with the securities or Blue Sky laws of various jurisdictions and (4) various UCC and other lien filings in connection with the Credit Facility, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement, any of the other Operative Documents or the Transaction Documents by the Companies and the Guarantors and the consummation of the Transactions.

(q) The financial statements (including the related notes) included in the Offering Memorandum comply as to form in all material respects with the requirements of Regulation S-X under the Securities Act and present fairly the financial condition, results of operations and cash flows of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with accounting principles generally accepted in the United States applied on a consistent basis throughout the periods involved. The other financial data, selected pro forma ratios, operating data and statistical information and data included in the Offering Memorandum is presented fairly and has been prepared on a basis consistent in all material respects (except for, with respect to the pro forma information, the pro forma adjustments described in the Offering Memorandum) with such financial statements and the books and records of TWI, the Companies and the other Guarantors.

(r) Except as set forth in the Offering Memorandum, there are no legal or governmental proceedings pending to which TWI, the Companies and each of their respective subsidiaries is a party or of which any property or assets of TWI, the Companies and each of their respective subsidiaries is the subject which, if determined adversely to TWI, the Companies and each of their respective subsidiaries would reasonably be expected to have a Material Adverse Effect, and to the Companies and the Guarantors' knowledge, no such proceedings are threatened or contemplated by governmental authorities or others.

(s) Except as set forth in the Offering Memorandum, there are no contracts, agreements or understandings between the Companies and/or the Guarantors and any

person granting such person the right to require the Companies or the Guarantors to file a registration statement under the Securities Act with respect to any securities of the Companies or the Guarantors owned or to be owned by such person or to require the Companies or the Guarantors to include such securities in the securities to be registered pursuant to the Exchange Offer Registration Statement or the Shelf Registration Statement or in any securities registered or to be registered pursuant to any other registration statement filed by or required to be filed by the Companies or the Guarantors under the Securities Act.

(t) Except as disclosed in the Offering Memorandum, since the date of the latest audited consolidated financial statements of TWI and its subsidiaries included in the Offering Memorandum, none of TWI, the Companies and each of their respective subsidiaries has incurred any liability or obligation, direct or contingent, or entered into any transaction, in each case not in the ordinary course of business, that is material to TWI, the Companies and each of their respective subsidiaries taken as a whole, and there has not occurred, to the knowledge of the Companies and the Guarantors, any development or event involving a Material Adverse Effect and, except as disclosed in or contemplated by the Offering Memorandum, there has been no (i) dividend or distribution of any kind declared, paid or made by the Companies, the Guarantors or their affiliates on any class of their respective capital stock, (ii) issuance of securities by the Companies, the Guarantors or their affiliates (other than the Notes and the Guarantees offered thereby or pursuant to an issuance by the Companies or its affiliates of options to purchase the capital stock of the Companies or its affiliates or exercise of any such options) or (iii) material increase in short-term or long-term debt of the Companies or the Guarantors.

(u) Each of TWI, the Companies and their respective subsidiaries (i) makes and keeps accurate books and records and (ii) maintains a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's authorization and (D) the recorded accountability for its assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(v) (i) Each of TWI, the Companies and their respective subsidiaries has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Exchange Act); (ii) such disclosure controls and procedures are designed to ensure that information required to be disclosed by TWI, the Companies and each of their respective subsidiaries in the reports they file or submit under the Exchange Act is accumulated and communicated to TWI, the Companies and each of their respective subsidiaries management, including their respective principal executive officers and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure; and (iii) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(w) Since the date of the most recent balance sheet of TWI and its consolidated subsidiaries reviewed or audited by, Ernst & Young LLP and the audit committee of the board of directors of TWI (or persons fulfilling the equivalent function), TWI has not been advised of (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the ability of TWI, the Companies and each of their respective subsidiaries to record, process, summarize and report financial data nor any material weaknesses in internal controls; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls of TWI, the Companies and each of their respective subsidiaries.

(x) Since the date of the most recent balance sheet of TWI and its consolidated subsidiaries reviewed or audited by Ernst & Young LLP, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(y) Ernst & Young LLP, who have certified certain financial statements of TWI and its consolidated subsidiaries, whose report appears in the Offering Memorandum and who have delivered the initial letter referred to in Section 7(j) hereof, are independent public accountants as required by the Securities Act and the rules and regulations promulgated thereunder.

(z) The statistical and market-related data included in the Offering Memorandum are based on or derived from sources which the Companies and the Guarantors believe to be reliable and accurate in all material respects.

(aa) Each of TWI, the Companies and their respective subsidiaries has such permits, licenses, patents, franchises, certificates of need and other approvals or authorizations of governmental or regulatory authorities ("Permits") as are necessary under applicable law to own its properties and to conduct its businesses in the manner described in the Offering Memorandum and except as disclosed in or specifically contemplated by the Offering Memorandum and except for any of the foregoing that would not reasonably be expected to have a Material Adverse Effect; each of TWI, the Companies and their respective subsidiaries has fulfilled and performed in all material respects, all of its material obligations with respect to the Permits, and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any such Permits, except as disclosed in the Offering Memorandum; except for any of the foregoing that would not reasonably be expected to have a Material Adverse Effect.

(bb) TWI, the Companies and each of their respective subsidiaries carry, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is, in the judgment of TWI, adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries; all policies of insurance insuring TWI, the Companies and each of their respective subsidiaries or

their respective businesses, assets, employees, officers and directors are in full force and effect in all material respects.

(cc) Other than as disclosed in or contemplated by the Offering Memorandum, restrictions arising from legal restrictions imposed on each subsidiary under the laws of its jurisdiction of organization, any restriction imposed by the merger agreement relating to the 2002 acquisition of Tempur World, Inc., which will terminate upon payment of the earnout payment referred to in the Offering Memorandum, no subsidiary of the Companies is currently prohibited, directly or indirectly, from paying any dividends to the Companies, from making any other distribution on such subsidiary's capital stock, from repaying to the Companies any loans or advances to such subsidiary from the Companies or from transferring any of such subsidiary's property or assets to the Companies or any other subsidiary of the Companies.

(dd) TWI, the Companies and each of their respective subsidiaries own or possess adequate rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses necessary for the conduct of their respective businesses, except where the failure to own or have rights to use would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and have not received any notice of any claim of conflict with, any such rights of others, and neither the Companies nor the Guarantors are aware of any pending or threatened claim to the contrary or any pending or threatened challenge by any other person to the rights of the Companies and its subsidiaries with respect to the foregoing which, if determined adversely to any of the Companies or its subsidiaries would have a Material Adverse Effect.

(ee) There are no contracts which would be required to be described in a prospectus included in a registration statement on Form S-1 under the Securities Act that have not been described in the Offering Memorandum.

(ff) No relationship, direct or indirect, exists between or among the Companies, the Guarantors or any other subsidiary of TWI, on the one hand, and the directors, officers, stockholders, customers or suppliers of TWI, the Companies or their respective subsidiaries on the other hand, which would be required to be described in a prospectus included in a registration statement on Form S-1 under the Securities Act that is not described in the Offering Memorandum.

(gg) No labor disturbance by the employees of TWI, the Companies and each of their respective subsidiaries exists or, to the knowledge of the Companies and the Guarantors, is imminent, that could reasonably be expected to have a Material Adverse Effect.

(hh) Each of TWI, the Companies and their respective subsidiaries is in compliance with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"), except for such instances of non-compliance that would not individually or in the aggregate reasonably be expected to have a Material Adverse

Effect; no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which TWI, the Companies and each of their respective subsidiaries would have any liability; TWI, the Companies and each of their respective subsidiaries have not incurred and do not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); each "pension plan" for which TWI, the Companies and each of their respective subsidiaries would have any liability that is intended to be qualified under Section 401(a) of the Code is to the Company's knowledge so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; and TWI, the Companies and each of their respective subsidiaries have not incurred any unpaid liability to the Pension Benefit Guaranty Corporation (other than for payment of premiums in the ordinary course of business).

(ii) TWI, the Companies and each of their respective subsidiaries have filed all foreign, federal, state and local income and franchise tax returns required to be filed through the date hereof, subject to any permitted extensions, and paid all taxes due thereon, and (x) no tax deficiency has been determined adversely to TWI, the Companies and each of their respective subsidiaries, nor (y) does the Companies or the Guarantors have any knowledge of any tax deficiency, which, in case of (x) or (y), if determined adversely to TWI, the Companies and each of their respective subsidiaries would reasonably be expected to have a Material Adverse Effect.

(jj) Neither TWI, the Companies nor their respective subsidiaries (i) is in violation of its charter and bylaws (or similar organizational documents), (ii) is in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject, except for any of the foregoing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (iii) is in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except for any of the foregoing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(kk) Neither TWI, the Companies nor their respective subsidiaries, nor any director, officer, agent, employee or other person associated with or acting on behalf of TWI, the Companies and each of their respective subsidiaries, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(ll) TWI, the Companies and each of their respective subsidiaries are (i) in compliance with any and all applicable foreign, federal, state and local laws, regulations, ordinance, rule, order, judgment, decree, permit or other legal requirement relating to the protection of human health and safety, the environment, natural resources or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), which compliance includes obtaining, maintaining and complying with all permits and authorizations and approvals required by Environmental Laws to conduct their respective businesses and (ii) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clause (i) or (ii) where such non-compliance with or liability under Environmental Laws would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and neither TWI nor the Companies nor any of their subsidiaries has been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, except with respect to any matters that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(mm) TWI, the Companies and each of their respective subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case, free and clear of all liens, encumbrances and defects except for Permitted Liens such as are described in the Offering Memorandum or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by TWI, the Companies and each of their respective subsidiaries taken as a whole and all assets held under lease by TWI, the Companies and each of their respective subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere in any material respect with the use made and proposed to be made of such assets by TWI, the Companies and each of their respective subsidiaries.

(nn) Immediately after the consummation of the Transactions, the fair value and present fair saleable value of the assets of TWI, the Companies and their subsidiaries (on a consolidated basis), will exceed the sum of their stated liabilities and identified contingent liabilities; none of TWI, the Companies and each of their respective subsidiaries (each on a consolidated basis), is, nor will any of TWI, the Companies and each of their respective subsidiaries (each on a consolidated basis), be, after giving effect to the execution, delivery and performance of this Agreement and the other Operative Documents and the Credit Facility and the consummation of the Transactions, (A) left with unreasonably small capital with which to carry on its business as it is proposed to be conducted, (B) unable to pay its debts (contingent or otherwise) as they mature or (C) otherwise insolvent.

(oo) Neither TWI, the Companies nor their respective subsidiaries is, or, as of the Closing Date (as defined below) after giving effect to the Transactions and the application of the proceeds as described herein, will be, an "investment company" within

the meaning of such term under the Investment Company Act of 1940, as amended (the "Investment Company Act").

(pp) Neither TWI, the Companies nor their respective subsidiaries, nor any other affiliate (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")) of TWI has directly, or through any agent (provided that no representation is made as to the Initial Purchasers or any person acting on their behalf), (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or could be integrated with the offering and sale of the Notes and the Guarantees in a manner that would require the registration of the Notes and the Guarantees under the Securities Act or (ii) engaged in any form of general solicitation or general advertising (within the meaning of Regulation D, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) in connection with the offering of the Notes and the Guarantees. Neither the Companies nor any Guarantor has offered, sold or issued any securities, or securities that are convertible into other securities, with terms that are substantially similar to the Notes and the Guarantees during the six-month period preceding the date of the Offering Memorandum, including any sales pursuant to Section 4(2) of the Securities Act or Regulation D or Regulation S under the Securities Act.

(qq) Each of the Preliminary Offering Memorandum and the Offering Memorandum and any supplement thereto, as of its date, contains the information specified in, and meets the requirements of, Rule 144A(d)(4) under the Securities Act.

(rr) Neither the Companies nor any Guarantor has distributed or, prior to the later to occur of the Closing Date and completion of the distribution of the Notes and the Guarantees, will distribute any offering material in connection with the offering and sale of the Notes other than the Preliminary Offering Memorandum and the Offering Memorandum.

(ss) When issued and delivered pursuant to this Agreement, the Notes will not be of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as securities of the Companies that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a U.S. automated inter-dealer quotation system.

(tt) Assuming that (i) your representations and warranties in Section 2 of this Agreement are true, (ii) you comply with the covenants set forth herein and (iii) each of the Eligible Purchasers is a QIB, a person who acquires the Notes and the Guarantees outside the United States in an "offshore transaction" and is not a "U.S. person" (within the meaning of Regulation S) or an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) and (7) under the Securities Act, it is not necessary in connection with the purchase of the Notes and the Guarantees and the offer and initial resale of the Notes and the Guarantees by you in the manner contemplated by this Agreement and the

Offering Memorandum, to register the Notes and the Guarantees under the Securities Act or to qualify the Indenture under the Trust Indenture Act.

(uu) None of the Companies, the Guarantors or any of their respective affiliates or any person acting on their behalf has engaged or will engage in any directed selling efforts within the meaning of Rule 902(b) of Regulation S with respect to the Notes, and the Companies, the Guarantors and their affiliates and all persons acting on their behalf have complied with and will comply with the offering restrictions requirements of Regulation S in connection with the offering of the Notes outside of the United States and, in connection therewith, the Offering Memorandum will contain the disclosure required by Rule 902(h). The sales of the Notes pursuant to Regulation S are not part of a plan or scheme to evade the registration provision of the Securities Act.

(vv) The Notes sold by the Companies in reliance on Regulation S will be represented upon issuance by a temporary global security that may not be exchanged for definitive securities until the expiration of the 40-day restricted period referred to in Rule 903(c)(3) of the Securities Act and only upon certification of beneficial ownership of such Notes by non-U.S. persons or U.S. persons who purchased such Notes in transactions that were exempt from the registration requirements of the Securities Act.

(ww) Neither TWI, the Companies nor their respective subsidiaries has taken or will take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the Notes to facilitate the sale or resale of the Notes.

(xx) No "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Securities Act (i) has imposed (or has informed the Companies that it is considering imposing) any condition (financial or otherwise) on TWI's or the Companies' retaining any rating assigned as of the date hereof to TWI, the Companies or any of their respective securities or (ii) has indicated to TWI or the Companies that it is considering (A) the downgrading, suspension or withdrawal of, or any review for a possible change that does not indicate the direction of the possible change in, any rating so assigned or (B) any negative change in the outlook for any rating of TWI or the Companies.

(yy) Neither TWI nor the Companies has taken, or will take, any action that might cause this Agreement or the issuance or sale of the Notes and the Guarantees to violate Regulation T (12 C.F.R. Part 220), Regulation U (12 C.F.R. Part 221) or Regulation X (12 C.F.R. Part 224) of the Board of Governors of the Federal Reserve System.

(zz) Each of the Companies and the Guarantors understands that the Initial Purchasers and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Section 7 hereof, counsel to the Companies and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and hereby consents to such reliance.

SECTION 2. Representations, Warranties and Agreements of the Initial Purchasers. Each of the Initial Purchasers, severally and not jointly, represents and warrants to, and agrees with, the Companies and the Guarantors, that:

(a) Such Initial Purchaser is a QIB with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Notes and the Guarantees.

(b) Such Initial Purchaser (i) is not acquiring the Notes and the Guarantees with a view to any distribution thereof or with any present intention of offering or selling any of the Notes and the Guarantees in a transaction that would violate the Securities Act or any state securities laws or any other applicable jurisdiction; (ii) in connection with the Exempt Resales, will solicit offers to buy the Notes and the Guarantees only from, and will offer to sell the Notes and the Guarantees only to, Eligible Purchasers in accordance with this Agreement and on the terms contemplated by the Offering Memorandum; and (iii) will not offer or sell the Notes and the Guarantees, nor has it offered or sold the Notes and the Guarantees by, or otherwise engaged in, any form of general solicitation in connection with the offering of the Notes and the Guarantees.

(c) The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Such Initial Purchaser represents that it has not offered, sold or delivered the Notes and the Guarantees, and will not offer, sell or deliver the Notes and the Guarantees (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Guarantees and the Closing Date (such period, the "Distribution Compliance Period"), within the United States or to, or for the account or benefit of U.S. persons, except in accordance with Rule 144A under the Securities Act. Accordingly, such Initial Purchaser represents and agrees that neither it, its affiliates nor any persons acting on its behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902(c) of Regulation S with respect to the Notes and the Guarantees, and its affiliates and all persons acting on its behalf have complied and will comply with the offering restrictions requirements of Regulation S.

(d) Such Initial Purchaser agrees that, at or prior to confirmation of a sale of Notes and Guarantees (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes and Guarantees from them during the Distribution Compliance Period a confirmation or notice substantially to the following effect:

"The Notes covered hereby have not been registered under the Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, except in

either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act, and in connection with any subsequent sale by you of the Notes covered hereby in reliance on Regulation S during the period referred to above to any distributor, dealer or person receiving a selling concession, fee or other remuneration, you must deliver a notice substantially to the foregoing effect. Terms used above have the meanings assigned to them in Regulation S."

(e) Such Initial Purchaser (i) has not offered or sold, and, prior to the six months after the date of the issue of the Notes, will not offer or sell, any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) has complied with and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom, and (iii) has only communicated or caused to be communicated and will only communicate and cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not apply to the Companies.

(f) Such Initial Purchaser understands that the Companies and, for purposes of the opinions to be delivered to you pursuant to Section 7 hereof, counsel to the Companies and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and hereby consents to such reliance.

The terms used in this Section 2 that have meanings assigned to them in Regulation S are used herein as so defined.

SECTION 3. Purchase of the Notes and the Guarantees by the Initial Purchasers. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Companies agrees to sell the Notes (and cause the Guarantors to issue the Guarantees) to the several Initial Purchasers and each of the Initial Purchasers, severally and not jointly, agrees to purchase the amount of Notes set opposite that Initial Purchaser's name in Schedule 1 hereto. Each Initial Purchaser will purchase such aggregate principal amount of Notes at an aggregate purchase price equal to __% of the principal amount thereof (the "Purchase Price").

The Companies shall not be obligated to deliver any of the Notes or the Guarantees to be delivered on the Closing Date, except upon payment for all the Notes and the Guarantees to be purchased on the Closing Date as provided herein.

SECTION 4. Delivery of and Payment for the Notes and the Guarantees.

(a) Delivery of and payment for the Notes and the Guarantees shall be made at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York NY 10153, at 9:00 A.M., New York City time, on the fifth full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between Lehman Brothers and the Companies. This date and time are sometimes referred to as the "Closing Date."

(b) On the Closing Date, one or more Notes in definitive form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), having an aggregate principal amount corresponding to the aggregate principal amount of Notes sold pursuant to Eligible Resales (collectively, the "Global Notes"), shall be delivered by the Companies to the Initial Purchasers against payment by the Initial Purchasers of the purchase price thereof by wire transfer of immediately available funds as the Companies may direct by written notice delivered to you no later than two business days prior to the Closing Date. The Global Notes in definitive form shall be made available to the Initial Purchasers for inspection not later than 2:00 p.m. on the business day prior to the Closing Date.

SECTION 5. Further Agreements of TWI and the Companies. TWI and the Companies, severally and jointly, agree:

(a) To advise you promptly and, if requested by you, to confirm such advice in writing, (i) of the issuance by the Commission or any state securities commission of any stop order suspending the qualification or exemption from qualification of the Notes and the Guarantees for offering or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose by the Commission or any state securities commission or other regulatory authority, and (ii) during the period referred to in (d) below, the happening of any event that makes any statement of a material fact made in the Preliminary Offering Memorandum or the Offering Memorandum untrue or which requires the making of any additions to or changes in the Preliminary Offering Memorandum or Offering Memorandum in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of TWI and the Companies shall use all reasonable efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of the Notes and the Guarantees under any state securities or Blue Sky laws and, if at any time any state securities commission shall issue any stop order suspending the qualification or exemption of the Notes and the Guarantees under any state securities or Blue Sky laws, TWI or the Companies shall use all reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(b) To furnish to you without charge, as many copies of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments or supplements thereto, as you may reasonably request. The Companies consent to the use of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments and supplements thereto required pursuant to this Agreement, by you in connection with the Exempt Resales that are in compliance with this Agreement.

(c) Not to amend or supplement the Offering Memorandum prior to the Closing Date or during the period referred to in (d) below unless you shall previously have been advised of, and shall not have reasonably objected to, such amendment or supplement within a reasonable time, but in any event not longer than three days after being furnished a copy of such amendment or supplement. The Companies shall promptly prepare, upon any reasonable request by you, any amendment or supplement to the Offering Memorandum that may be necessary or advisable in connection with Exempt Resales.

(d) If, in connection with any Exempt Resales or market making transactions after the date of this Agreement and prior to the consummation of the Registered Exchange Offer, any event shall occur that, in the judgment of the Companies or in your judgment or the judgment of counsel to you, makes any statement of a material fact in the Offering Memorandum untrue or that requires the making of any additions to or changes in the Offering Memorandum in order to make the statements in the Offering Memorandum, in the light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not misleading, or if it is necessary to amend or supplement the Offering Memorandum to comply with applicable law, TWI or the Companies will promptly notify you of such event and prepare an appropriate amendment or supplement to the Offering Memorandum so that, at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, (i) the statements in the Offering Memorandum as amended or supplemented, in the light of the circumstances under which they were made, will not be misleading and (ii) the Offering Memorandum will comply with applicable law.

(e) Promptly from time to time to take such action as you may reasonably request to qualify the Notes and the Guarantees for offering and sale under the state securities or Blue Sky laws of such jurisdictions as you may request (provided, however, that the Companies shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not now so qualified or to take any action that would subject it to general consent to service of process or taxation in any jurisdiction in which it is not now so subject) and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes and the Guarantees.

(f) To use their reasonable best efforts to do and perform all things required to be done and performed under this Agreement by them prior to or after the Closing Date and to satisfy all conditions precedent on its part to the delivery of the Notes and the Guarantees.

(g) Except as contemplated in the Registration Rights Agreement, not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of the Notes and the Guarantees in a manner that would require the registration under the Securities Act of the sale to you or the Eligible Purchasers of the Notes and the Guarantees.

(h) Not to, and to not permit any of its affiliates to, resell any Notes that have been acquired by any of them other than resales in accordance with the Registration Rights Agreement.

(i) Not to, and to not permit any of its affiliates or any person acting on their behalf to, engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offering of the Notes and the Guarantees.

(j) Not to, and to not permit any of its affiliates or any person acting on their behalf to, engage in any directed selling efforts within the meaning of Rule 902(b) of Regulation S with respect to the Notes, and to, and require its affiliates or any person acting on their behalf to, comply with the offering restrictions requirements of Regulation S in connection with the offering of the Notes outside of the United States.

(k) Not to, and to not permit any of its subsidiaries to take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the Notes and the Guarantees to facilitate the sale or resale of the Notes and the Guarantees.

(l) For so long as any Notes remain outstanding and during any period in which the Companies or the Guarantors are not subject to Section 13 or 15(d) of the Exchange Act, to make available to any registered holder or beneficial owner of Notes in connection with any sale thereof and any prospective purchaser of Notes from such registered holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act.

(m) To use their reasonable best efforts to cause the Notes to be eligible for trading in The PORTAL/SM/ Market ("PORTAL"), a subsidiary of The Nasdaq Stock Market, Inc., and to permit the Notes to be eligible for clearance and settlement through DTC.

(n) To apply the net proceeds from the sale of the Notes as set forth in the Offering Memorandum under the section entitled "Use of Proceeds."

(o) For the period that is two years after the Closing Date, to take such steps as shall be necessary to ensure that neither TWI, the Companies and each of their respective subsidiaries shall become an "investment company" within the meaning of such term under the Investment Company Act and the rules and regulations of the Commission thereunder.

(p) For a period of 90 days from the date of the Offering Memorandum, not to, directly or indirectly, sell, contract to sell, grant any option to purchase, issue any instrument convertible into or exchangeable for, or otherwise transfer or dispose of, any debt securities of the Companies or the Guarantors in a public or private offering for cash having a maturity of more than one year from the date of issue of such securities, except

(i) for the Exchange Notes and the Exchange Note Guarantees in connection with the Exchange Offer, (ii) with the prior consent of the Initial Purchasers, which consent shall not be unreasonably withheld or delayed and (iii) any Additional Notes (as defined in the Indenture).

(q) For a period of five years following the Closing Date, to furnish to you copies of all materials furnished by the Companies to their respective stockholders and holders of Notes, and at any times after an initial public offering of equity securities by TWI, copies of materials furnished to TWI's stockholders and all public reports and all reports and financial statements furnished by the Companies to the principal national securities exchange upon which the Companies common stock or Notes may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder.

SECTION 6. Expenses. Each of TWI and the Companies agrees that, whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with: (i) the preparation, printing, filing and distribution of the Preliminary Offering Memorandum and the Offering Memorandum (including, without limitation, financial statements) and all amendments and supplements thereto (but not, however, legal fees and expenses of your counsel incurred in connection therewith), (ii) the preparation, printing (including, without limitation, word processing and duplication costs) and delivery of this Agreement, the Indenture, the Registration Rights Agreement, all Blue Sky Memoranda and all other agreements, memoranda, correspondence and other documents printed and delivered in connection herewith and with the Exempt Resales (but not, however, legal fees and expenses of your counsel incurred in connection with any of the foregoing other than reasonable fees of such counsel plus reasonable disbursements incurred in connection with the preparation, printing and delivery of such Blue Sky Memoranda), (iii) the issuance and delivery by the Companies and the Guarantors of the Notes and the Guarantees, (iv) the qualification of the Notes for offer and sale under the securities or Blue Sky laws of the several states (including, without limitation, the reasonable fees and disbursements of your counsel relating to such registration or qualification), (v) furnishing such copies of the Preliminary Offering Memorandum and the Offering Memorandum, and all amendments and supplements thereto, as may be reasonably requested for use in connection with the Exempt Resales, (vi) the preparation of certificates for the Notes (including, without limitation, printing), (vii) the fees, disbursements and expenses of the Companies' counsel and accountants and the Trustee, (viii) all expenses and listing fees in connection with the application for quotation of the Notes in PORTAL, (ix) the costs and expenses of the Companies relating to investor presentations on any road show undertaken in connection with the offering of the Notes, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Companies, travel and lodging expenses of the representatives and officers of the Companies and any such consultants, and the cost of any aircraft chartered in connection with the road show, (x) fees charged by any rating agency and other related expenses, if any, all fees and expenses (including fees and expenses of counsel) of the Companies in connection with approval of the Notes by DTC for "book-entry" transfer, and (xi) the performance by the Companies and the Guarantors of their other obligations under this Agreement.

SECTION 7. Conditions of Initial Purchasers' Obligations. The respective obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and on the Closing Date, of the representations and warranties of the Companies and the Guarantors contained herein, to the performance by each of the Companies and the Guarantors of its obligations hereunder, and to each of the following additional terms and conditions.

(a) The Offering Memorandum shall have been printed and copies distributed to you not later than 9:00 A.M., New York City time, on August 15, 2003, or at such later date and time as you may approve in writing, and no stop order suspending the qualification or exemption from qualification of the Notes in any jurisdiction shall have been issued and no proceeding for that purpose shall have been commenced or shall be pending or threatened.

(b) No Initial Purchaser shall have discovered and disclosed to TWI or the Companies on or prior to such Closing Date that the Offering Memorandum or any amendment or supplement thereto contains an untrue statement of a fact which, in the reasonable opinion of Weil, Gotshal & Manges LLP, counsel for the Initial Purchasers, is material or omits to state a fact which, in the reasonable opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the other Operative Documents, the Transaction Documents, the Offering Memorandum, and all other legal matters relating to this Agreement and the Transactions shall be reasonably satisfactory in all material respects to the Initial Purchasers, and TWI and the Companies shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) Bingham McCutchen LLP shall have furnished to the Initial Purchasers its written opinion, as counsel to the Companies and the Guarantors, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and Weil Gotshal & Manges LLP, substantially in the form attached hereto as Exhibit B.

(e) Frost Brown Todd LLC shall have furnished to the Initial Purchasers its written opinion, as counsel to Tempur-Pedic, Inc. and the Subsidiary Guarantors, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and Weil Gotshal & Manges LLP, substantially in the form attached hereto as Exhibit C.

(f) Wetherington, Melchionna, Terry, Day & Ammar shall have furnished to the Initial Purchasers its written opinion, as counsel to Tempur Production USA, Inc., addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and Weil Gotshal & Manges LLP, substantially in the form attached hereto as Exhibit D.

(g) The Companies shall have requested and caused one or more special counsel for each of the subsidiaries listed on Schedule 2 hereto, to furnish to the Initial Purchasers its or their opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and Weil Gotshal & Manges LLP, substantially in the form attached hereto as Exhibit E.

(h) The Initial Purchasers shall have received from Weil, Gotshal & Manges LLP, counsel for the Initial Purchasers, such opinion or opinions, dated as of the Closing Date, with respect to the issuance and sale of the Notes and the Guarantees, the Offering Memorandum and other related matters as the Initial Purchasers may reasonably require, and the Companies shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(i) Each of the Companies, the Guarantors and the Trustee shall have entered into the Indenture and the Initial Purchasers shall have received counterparts, conformed as executed, thereof.

(j) Each of the Companies, the Guarantors and the Initial Purchasers shall have entered into the Registration Rights Agreement and the Initial Purchasers shall have received counterparts, conformed as executed, thereof.

(k) The Notes shall have been approved for trading in PORTAL and shall be eligible for clearance and settlement through DTC.

(l) At the time of execution of this Agreement, the Initial Purchasers shall have received from Ernst & Young LLP, a letter, in form and substance satisfactory to the Initial Purchasers, addressed to the Initial Purchasers and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Offering Memorandum, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to initial purchasers.

(m) With respect to the letter of Ernst & Young LLP, referred to in the preceding paragraph and delivered to the Initial Purchasers concurrently with the execution of this Agreement (the "initial letter"), the Initial Purchasers shall have received a letter (the "bring-down letter") of such accountants, addressed to the Initial Purchasers and dated as of the Closing Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Offering Memorandum, as of a

date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(n) The Initial Purchasers shall have received (i) a certificate from the Companies, dated as of the Closing Date, signed by its Chief Executive Officer and Chief Financial Officer and (ii) a certificate from each Guarantor, dated the Closing Date, signed by its Chief Executive Officer and Chief Financial Officer, stating, as applicable, that:

(A) The representations and warranties of the Companies and the Guarantors contained herein, as applicable, are true and correct as if made on and as of the Closing Date (other than to the extent any such representation or warranty is made expressly to a certain date), and the Companies and the Guarantors, as applicable, have performed all covenants and agreements and satisfied all conditions on their part to be performed or satisfied hereunder, to the extent a party hereto, at or prior to the Closing Date;

(B) At the Closing Date, since the date hereof or since the date of the most recent financial statements in the Offering Memorandum, except as described in the Offering Memorandum to the knowledge of such person after reasonable inquiry, no event or events have occurred, nor has any information become known that, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, stockholders' equity, results of operations, business or prospects of TWI, the Companies and each of their respective subsidiaries;

(C) They have carefully examined the Preliminary Offering Memorandum and the Offering Memorandum and, in their opinion, the Preliminary Offering Memorandum and Offering Memorandum, as of their respective dates, did not, and the Offering Memorandum, as of the Closing Date, does not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and since the date of the Offering Memorandum, no event has occurred which should have been set forth in a supplement or to the Offering Memorandum; and

(D) To the knowledge of such persons after due inquiry, the issuance and sale of the Notes and Guarantees by the Companies and the Guarantors hereunder has not been enjoined (temporarily or permanently) by any court or governmental body or agency.

(o) (i) Neither TWI, the Companies nor their respective subsidiaries shall have sustained since the date of the latest audited financial statements included in the

Offering Memorandum (exclusive of any amendment or supplement thereto after the date hereof) any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Offering Memorandum or (ii) since such date there shall not have been any change in the capital stock or long-term debt of TWI, the Companies and each of their respective subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of TWI, the Companies and each of their respective subsidiaries, otherwise than as set forth or contemplated in the Offering Memorandum, the effect of which, in any such case described in clause (i) or (ii), is, in the reasonable judgment of Lehman Brothers, so material and adverse as to make it impracticable or inadvisable to proceed with the offering or the delivery of the Notes and the Guarantees being delivered on such Closing Date on the terms and in the manner contemplated herein and in the Offering Memorandum.

(p) Subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded TWI's or the Companies' debt securities by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Securities Act and (ii) no such organization shall have publicly announced or privately informed TWI or the Companies that it has under surveillance or review, with possible negative implications, its rating of any of TWI's or the Companies' debt securities.

(q) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of TWI or the Companies on any exchange or in the over-the-counter market, shall have been suspended or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) or there shall have occurred any other calamity or crisis, including without limitation as a result of terrorist activities after the date hereof, as to make it, in the judgment of Lehman Brothers, impracticable or inadvisable to proceed with the offering or delivery of the Notes and the Guarantees being delivered on such Closing Date on the terms and in the manner contemplated in the Offering Memorandum.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

SECTION 8. Indemnification and Contribution.

(a) The Companies and the Guarantors shall jointly and severally indemnify and hold harmless each Initial Purchaser, its directors, officers and employees and each person, if any, who controls any Initial Purchaser within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of the Notes and the Guarantees), to which that Initial Purchaser, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Offering Memorandum, the Offering Memorandum or in any amendment or supplement thereto or (B) in any Blue Sky application or other document prepared or executed by the Companies or the Guarantors (or based upon any written information furnished by the Companies or the Guarantors for use therein) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application") or (C) in any materials or information provided to investors by, or with the written approval of, the Companies in connection with the marketing of the offering of the Notes ("Marketing Materials"), including any roadshow or investor presentations made to investors by TWI or the Companies (whether in person or electronically), (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum, the Offering Memorandum or in any amendment or supplement thereto, or in any Blue Sky Application or Marketing Materials, any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Initial Purchaser in connection with, or relating in any manner to, the Notes and the Guarantees or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Companies and the Guarantors shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Initial Purchaser through its gross negligence or willful misconduct), and shall reimburse each Initial Purchaser and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Companies and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Offering Memorandum or the Offering Memorandum, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Initial Purchasers furnished to the Companies through the Initial Purchasers by or on behalf of any Initial Purchasers specifically for inclusion therein

which information consists solely of the information specified in Section 8(e); and provided further that with respect to any such untrue statement or omission made in the Preliminary Offering Memorandum, the foregoing indemnity shall not inure to the benefit of the Initial Purchasers (or any person who controls any Initial Purchaser or any officer or director thereof) from whom the person asserting such loss, claim, damage, liability or action purchased the Notes, to the extent that such sale was an initial resale by such Initial Purchaser and any such loss, claim, damage, liability or action of such Initial Purchaser is a result of the fact that both (i) to the extent required by applicable law, a copy of the Offering Memorandum was not sent or given to such person at or prior to the written confirmation of the sale of such Notes to such person and (ii) the untrue statement or omission in the Preliminary Offering Memorandum was corrected in the Offering Memorandum unless, in either case, such failure to deliver the Offering Memorandum was a result of noncompliance by the Companies with Section 5(c). The foregoing indemnity agreement is in addition to any liability which the Companies and the Guarantors may otherwise have to any Initial Purchaser or to any director, officer, employee or controlling person of that Initial Purchaser.

(b) Each Initial Purchaser shall, severally and not jointly, indemnify and hold harmless the Companies, the Guarantors, each of their respective directors, officers, and each person, if any, who controls the Companies or the Guarantors within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Companies, the Guarantors or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum, the Offering Memorandum or in any amendment or supplement thereto, or in any Blue Sky Application or (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum, the Offering Memorandum or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Initial Purchaser furnished to TWI or the Companies through Lehman Brothers by or on behalf of that Initial Purchaser specifically for inclusion therein, and shall reimburse the Companies, the Guarantors, and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Companies, the Guarantors or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Initial Purchaser may otherwise have to the Companies, the Guarantors or any such director, officer or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action;

provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that Lehman Brothers shall have the right to employ counsel to represent jointly Lehman Brothers and those other Initial Purchasers and their respective directors, officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Initial Purchasers against TWI or the Companies under this Section 8 if, in the reasonable judgment of Lehman Brothers, it is advisable for Lehman Brothers and those Initial Purchasers, directors, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by TWI or the Companies. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include any findings of fact or admissions of fault or culpability as to the indemnified party or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by TWI or the Companies on the one hand and the Initial Purchasers on the other from the offering of the Notes and the Guarantees or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the

relative benefits referred to in clause (i) above but also the relative fault of TWI or the Companies, on the one hand, and the Initial Purchasers on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Companies on the one hand and the Initial Purchasers on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes and the Guarantees purchased under this Agreement (before deducting expenses) received by TWI or the Companies, on the one hand, and the total discounts and commissions received by the Initial Purchasers with respect to the Notes and the Guarantees purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Notes and the Guarantees under this Agreement. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by TWI or the Companies or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Companies, the Guarantors and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending or preparing to defend any such action or claim. Notwithstanding the provisions of this Section 8(d), no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Notes purchased by it was resold to Eligible Purchasers exceeds the amount of any damages which such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective purchase obligations and not joint.

(e) The Initial Purchasers severally confirm and the Companies and the Guarantors acknowledge that the last sentence on the cover page of the Offering Memorandum, and the first sentence of the fifth and sixth paragraphs under the section entitled "Plan of Distribution" in the Offering Memorandum constitute the only information concerning the Initial Purchasers furnished in writing to the Companies by or on behalf of the Initial Purchasers specifically for inclusion in the Offering Memorandum.

SECTION 9. Defaulting Initial Purchasers.

If, on the Closing Date, any Initial Purchaser defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Initial Purchasers shall be obligated to purchase the Notes that the defaulting Initial Purchaser agreed but failed to purchase on such Closing Date in the respective proportions which the amount of the Notes set forth opposite the name of each remaining non-defaulting Initial Purchaser in Schedule 1 hereto bears to the total amount of Notes set forth opposite the names of all the remaining non-defaulting Initial Purchasers in Schedule 1 hereto; provided, however, that the remaining non-defaulting Initial Purchasers shall not be obligated to purchase any of the Notes on such Closing Date if the total amount of the Notes which the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase on such date exceeds 10% of the total amount of Notes to be purchased on such Closing Date, and any remaining non-defaulting Initial Purchaser shall not be obligated to purchase more than 110% of the amount of Notes which it agreed to purchase on such Closing Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Initial Purchasers, or those other Initial Purchasers satisfactory to Lehman Brothers who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all of the Notes to be purchased on such Closing Date. If the remaining Initial Purchasers or other Initial Purchasers satisfactory to Lehman Brothers do not elect to purchase the Notes which the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase on such Closing Date, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or the Companies, except that the Companies will continue to be liable to the non-defaulting Initial Purchasers for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Initial Purchaser" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 9, purchases the Notes which a defaulting Initial Purchaser agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Initial Purchaser of any liability it may have to the Companies and the Guarantors for damages caused by its default. If other Initial Purchasers are obligated or agree to purchase the Notes of a defaulting or withdrawing Initial Purchaser, either Lehman Brothers or the Companies may postpone the Closing Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Companies or counsel for the Initial Purchasers may be necessary in the Offering Memorandum or in any other document or arrangement.

SECTION 10. Termination. The obligations of the Initial Purchasers hereunder may be terminated by Lehman Brothers by notice given to and received by the Companies prior to delivery of and payment for the Notes if, prior to that time, any of the events described in Sections 7(n), 7(o) and 7(p) shall have occurred or if the Initial Purchasers shall decline to purchase the Notes for any reason permitted under this Agreement.

SECTION 11. Reimbursement of Initial Purchasers' Expenses. If the Companies and the Guarantors shall fail to deliver the Notes and the Guarantees to the Initial Purchasers by reason of any failure, refusal or inability on the part of the Companies and the Guarantors to perform any agreement on its part to be performed, or because any other condition of the Initial Purchasers' obligations hereunder required to be fulfilled by the Companies and the

Guarantors is not fulfilled other than any of the conditions set forth in Sections 7(q), the Companies and the Guarantors will reimburse the Initial Purchasers for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Initial Purchasers in connection with this Agreement and the proposed purchase of the Notes and the Guarantees, and upon demand the Companies and the Guarantors shall pay the full amount thereof to Lehman Brothers.

SECTION 12. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Initial Purchasers, shall be delivered or sent by mail, telex or facsimile transmission to the care of Lehman Brothers Inc., 745 Seventh Avenue, 19th Floor, New York, New York 10019, Attention: Alex Sade (Fax: (646) 758-1125), with a copy to Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attention: Jeremy Dickens, Esq. (Fax: 212-310-8007) and, in the case of any notice pursuant to Section 8(d), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 399 Park Avenue, New York, New York (Fax: (212) 526-2648);

(b) if to the Companies and the Guarantors, shall be delivered or sent by mail, telex or facsimile transmission to the Companies and the Guarantors, 1713 Jaggie Fox Way, Lexington Kentucky 40511, Attention: Thomas Bryant (Fax: (859) 514-4422), with a copy to Bingham McCutchen LLP, 150 Federal Street, Boston, Massachusetts 02110-1726, Attention: John Utzschneider, Esq. (Fax: (617) 951-8736);

provided, however, that any notice to an Initial Purchaser pursuant to Section 8(d) shall be delivered or sent by mail, telex or facsimile transmission to such Initial Purchaser at its address set forth in its acceptance telex to Lehman Brothers, which address will be supplied to any other party hereto by Lehman Brothers upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Companies shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers by Lehman Brothers.

SECTION 13. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Companies, the Guarantors and their respective personal representatives and successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (a) the representations, warranties, indemnities and agreements of the Companies and the Guarantors contained in this Agreement shall also be deemed to be for the benefit of the directors, officers, employees of the Initial Purchasers and each person or persons, if any, who control any Initial Purchasers within the meaning of Section 15 of the Securities Act and (b) the indemnity agreement of the Initial Purchasers contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors, officers and any person controlling the Companies and the Guarantors within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 13, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

SECTION 14. Survival. The respective indemnities, representations, warranties and agreements of the Companies, the Guarantors and the Initial Purchasers contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and the Guarantees and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

SECTION 15. Definition of the Terms "Business Day" and "Subsidiary." For purposes of this Agreement, (a) "business day" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "subsidiary" has the meaning set forth in Rule 405 of the Securities Act.

SECTION 16. Jurisdiction. Each of the parties hereto irrevocably consents to the jurisdiction of the courts of the State of New York and the courts of the United States of America located in the Borough of Manhattan, City and State of New York, over any suit, action or proceeding with respect to this Agreement or the transactions contemplated hereby. Each of the parties hereto waives any objection that it may have to the venue of any suit, action or proceeding with respect to this Agreement or the transactions contemplated hereby in the courts of the State of New York or the courts of the United States of America, in each case, located in the Borough of Manhattan, City and State of New York or that such suit, action or proceeding brought in the courts of the State of New York or United States of America, in each case, located in the Borough of Manhattan, City and State of New York was brought in an inconvenient court and agrees not to plead or claim the same.

SECTION 17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

SECTION 18. Counterparts. This Agreement may be executed in multiple counterparts and, if executed in counterparts, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

SECTION 19. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

If the foregoing correctly sets forth the agreement among the Companies, the Guarantors and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

Tempur-Pedic, Inc.

By: /s/ H. Thomas Bryant

Name: H. Thomas Bryant
Title: Chief Executive Officer

Tempur Production USA, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President

Tempur World, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

TWI Holdings Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur World Holdings, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur-Pedic, Direct Response, Inc.

By: /s/ Jeffrey Lillich

Name: Jeffrey Lillich
Title: Chief Financial Officer and Secretary

Tempur Medical, Inc.

By: /s/ Jeffrey Lillich

Name: Jeffrey Lillich
Title: Chief Financial Officer and Secretary

Accepted:

Lehman Brothers Inc.

By: /s/ Michael A. Goldberg

Authorized Representative

For itself and as representative
of the several Initial Purchasers named
in Schedule 1 hereto

SCHEDULE 1

Initial Purchasers	Principal Amount of Notes
Lehman Brothers Inc.	$ 64,500,000
UBS Securities LLC.....	55,500,000
Credit Suisse First Boston LLC.....	30,000,000
Total	$ 150,000,000

SCHEDULE 2

Denmark

Germany

Spain

United Kingdom

Japan

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of October 4, 2002, is by and among (i) Fagerdala Holding B.V., a Netherlands corporation; Fagerdala Industri A.B., a Swedish corporation; Chesterfield Properties Limited, a Nevis corporation; Viking Investments S.a.r.l., a Luxembourg corporation; Robert B. Trussell, Jr.; David Fogg; Jeffrey P. Heath; and Thomas Bryant (each, a "Management Shareholder" and, collectively, the "Management Shareholders"); (ii) TWI Holdings, Inc., a Delaware corporation (the "Parent"); (iii) TWI Acquisition Corp., a Delaware corporation and wholly owned Subsidiary of the Parent (the "Purchaser"); and (iv) Tempur World, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties hereto desire that the Purchaser be merged into the Company; and

WHEREAS, the respective Boards of Directors of the Parent, the Purchaser and the Company have approved the merger of the Purchaser with and into the Company, as set forth below (the "Merger"), in accordance with the General Corporation Law of the State of Delaware (the "GCL") and upon the terms and subject to the conditions set forth in this Agreement, whereby (i) each issued and outstanding share of Common Stock, par value $0.01 per share, of the Company (each, a "Common Share" and collectively the "Common Shares") not owned directly or indirectly by the Parent, the Purchaser or the Company, except Common Shares held by Dissenting Shareholders (as defined below), will be converted into the right to receive the Common Share Merger Consideration (as defined below) and (ii) each issued and outstanding share of Series A Convertible Preferred Stock, par value $1.00 per share, of the Company (each, a "Preferred Share," collectively the "Preferred Shares" and together with the Common Shares, the "Shares") not owned directly or indirectly by the Parent, the Purchaser or the Company except Preferred Shares held by Dissenting Shareholders, will be converted into the right to receive the Preferred Share Merger Consideration (as defined below);

WHEREAS, the Parent, the Purchaser, the Company and the Management Shareholders desire to make certain representations, warranties, covenants and agreements in connection with the merger of the Purchaser with and into the Company pursuant to the Merger and also to prescribe various conditions to the Merger; and

WHEREAS, Fagerdala Holding B.V., Fagerdala Industri A.B., Chesterfield Properties Limited, Viking Investments S.a.r.l., GE Capital Equity Investment, Inc., MONY Life Insurance Company and Palmetto Partners, Ltd. (collectively, the "Consenting Shareholders") have executed the Support Agreements attached hereto as Annex A (the "Support Agreements"), pursuant to which the Consenting Shareholders have agreed, in accordance with the terms thereof, to approve and adopt this Agreement and the Merger and the written consents attached hereto as Annex B (the "Written Consents"), pursuant to which the Consenting Shareholders have approved and adopted this Agreement and Plan of Merger on the terms and conditions set forth in such Written Consent.

WHEREAS, the Company, the Purchaser and certain Management Shareholders have entered into employment agreements effective as of the Closing Date; and

WHEREAS, certain capitalized terms used in this Agreement have the meaning as set forth or referred to in Article I hereof,

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the Purchaser, the Parent, the Company and the Management Shareholders agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 Certain Definitions. As used in this Agreement:

"Additional Payment" means (a) if Company EBITDA is less than $70,000,000 or Company Consolidated Net Revenues are less than $336,700,000, Zero Dollars ($0.00); and (b) if Company EBITDA is $70,000,000 or more and Company Consolidated Net Revenues are at least $336,700,000, the following formula:

($10,000,000 + (3x(A-$70,000,000)))/Adjusted Diluted Shares, where:

"A" is Company EBITDA, provided that "A" shall in no event exceed $80,000,000.

"Additional Payment Date" means the date which is 15 days after final determination of the Additional Payment is made under Section 3.06(b).

"Additional Payment Restriction Period" means the period beginning on the Closing Date and ending on the earlier to occur of (a) in the event of a final determination, pursuant to Section 3.06, that no Additional Payments are payable by the Surviving Corporation, the date on which such determination is made, and (b) in the event of a final determination, pursuant to Section 3.06, that Additional Payments are payable by the Surviving Corporation, the date on which such Additional Payments, and all interest accrued and payable on any Deferred Additional Payments pursuant to Section 3.06(c), shall have been paid in full in cash.

"Adjusted Diluted Shares" means (i) the number of As-Converted Common Shares outstanding immediately prior to the Effective Time plus (ii) the number of Common Shares subject to being issued pursuant to the Management Options that are outstanding immediately prior to the Effective Time (without giving effect to the termination of such Management Options pursuant to Section 2.07).

"Adjusted Spread" has the meaning given thereto in Section 3.06(c) hereof.

"Affiliate", as applied to any Person, shall mean any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

"Aggregate Merger Consideration" means the sum of (a) the product of (i) the Common Share Merger Consideration and (ii) the number of Common Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time and (b) the product of (i) the Preferred Share Merger Consideration and (ii) the number of Preferred Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time.

"Agreement" has the meaning given thereto in the preamble hereof.

"Antitrust Laws" means any and all antitrust, competition, merger or trade regulatory laws, rules or regulations of any Governmental Entity.

"Applicable Rate" has the meaning given thereto in Section 3.06(c).

"Arbitrator" has the meaning given thereto in Section 3.05(d)(iii) hereof.

"As-Converted Common Shares" means, as of any time, the Common Shares outstanding at such time (including the Rollover Shares and the Common Shares issued in exchange for cancellation of the Exchange Options) plus the Common Shares issuable upon conversion of the Preferred Shares outstanding at such time. For purposes of this Agreement, whenever reference is made to "As-Converted Common Shares" as of any time, each holder of a Preferred Share will be deemed to hold the number of Common Shares then issuable upon conversion of such holder's Preferred Shares.

"Audited Balance Sheet" has the meaning given thereto in Section 4.06(a) hereof.

"Audited Financial Statements" has the meaning given thereto in Section 4.06(a) hereof.

"Avalon Agreement" means the letter agreement dated March 20, 2002 among Avalon Group, Ltd., Avalon Securities, Ltd. and the Company.

"Avalon Fee" means all costs, fees, expenses, commissions or other amounts payable by the Company or any of its Subsidiaries to Avalon Group, Ltd. and/or Avalon Securities, Ltd. pursuant to the Avalon Agreement.

"Board" means the Board of Directors of the Company.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the Commonwealth of Kentucky.

"CADE" has the meaning given thereto in Section 6.04(c) hereof.

"Calculation Date" has the meaning given thereto in Section 3.05(a) hereof.

"Calculation Date Net Working Capital" has the meaning given thereto in Section 3.05(a) hereof.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof; (b) commercial paper maturing no more than one year from the date of acquisition thereof and currently having the highest rating obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.; (c) certificates of deposit maturing no more than one year from the date of acquisition thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than $300,000,000 and having a senior unsecured rating of 'A' or better by a nationally recognized rating agency (an "A-Rated Bank"); (d) time deposits maturing no more than 30 days from the date of creation thereof with A-Rated Banks; and (e) mutual funds that invest solely in one or more of the investments described in clauses (a) through (d) above.

"CERCLA" has the meaning given thereto in Section 4.19(a)(i) hereof.

"Certificate of Net Debt" has the meaning given thereto in Section 7.03(l) hereof.

"Certificates" has the meaning given thereto in Section 3.02(a) hereof.

"Claim" has the meaning given thereto in Section 9.03(a) hereof

"Closing" has the meaning given thereto in Section 2.02 hereof.

"Closing Date" has the meaning given thereto in Section 2.02 hereof.

"Closing Date Transfer Taxes" has the meaning given thereto in Section 9.02(a) hereof.

"Closing Payment Amount" means ($350,000,000 - A - B + C)/Adjusted Diluted Shares, where:

"A" is Net Debt;

"B" is $2,800,000;

"C" is the aggregate exercise price paid, payable or required to be paid by holders of the Management Options upon the exercise of the Management Options outstanding immediately prior to the Effective Time without giving effect to the termination of Management Options pursuant to Section 2.07, whether or not such exercise price is actually paid pursuant to this Agreement.

"Code" means the Internal Revenue Code of 1986, any successor statute of similar import, and the rules and regulations thereunder, collectively and as from time to time amended and in effect.

"Commitment Letters" has the meaning given thereto in Section 5.07 hereof.

"Common Payee" and "Common Payees" have the meaning given thereto in Section 3.03(f) hereof.

"Common Share" and "Common Shares" have the meaning given thereto in the recitals hereof.

"Common Share Merger Consideration" means the sum of (i) the Initial Common Share Closing Payment, payable in cash at the Closing, (ii) the Initial Escrow Payment and the Company Adjustment Payment, payable in cash on the Initial Escrow Payment Date, (iii) the Subsequent Escrow Payments, payable in cash on the Subsequent Escrow Payment Dates, and (iv) the Additional Payment, payable in the manner, and subject to the restrictions, specified in Section 3.06(c) on the Additional Payment Date.

"Common Share Percentage" means a fraction, the numerator of which is the number of As-Converted Common Shares outstanding immediately prior to the Effective Time minus the Rollover Shares and the denominator of which is the number of Adjusted Diluted Shares.

"Common Shareholders" means the holders of Common Shares that are outstanding and not owned by the Company, the Parent or the Purchaser immediately prior to the Effective Time, including Common Shares issued for Exchange Options.

"Company" has the meaning given thereto in the preamble hereof.

"Company Adjustment Amount" has the meaning given thereto in Section 3.05(e).

"Company Adjustment Payment" means (a) the Company Adjustment Amount divided by (b) the number of As-Converted Common Shares outstanding and not owned by the Parent, the Purchaser, or the Company immediately prior to the Effective Time.

"Company Consolidated Net Revenues" means the Consolidated Net Revenues of the Surviving Corporation for calendar year 2003.

"Company EBITDA" means the EBITDA of the Surviving Corporation for calendar year 2003.

"Company Representatives" has the meaning given thereto in Section 6.02 hereof.

"Company Transaction Expenses" means all costs, fees, expenses or commissions incurred by the Company or any of its Subsidiaries prior to the Closing in connection with the Merger and the transactions contemplated hereby and by the Transaction Documents, including without limitation, broker's, finder's or placement fees or commissions, attorneys' fees, accountants' fees, fees of other professionals and the Avalon Fee.

"Competing Transaction" has the meaning given thereto in Section 6.08 hereof.

"Confidentiality Agreement" has the meaning given thereto in Section 10.01(a) hereof.

"Consent" has the meaning given thereto in Section 4.05(b) hereof.

"Consenting Shareholders" has the meaning given thereto in the recitals hereof.

"Consolidated Net Revenues" means, with respect to any Person for any fiscal period, the consolidated revenues of such Person, net of any returns, allowances and discounts, for such period determined in accordance with GAAP.

"Contribution Agreement" means the Contribution Agreement, dated October 4, 2002, among the Parent, TA IX L.P., TA/Atlantic and Pacific IV L.P., TA/Advent VIII L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA Investors LLC, Friedman Fleischer & Lowe Capital Partners, LP, FFL Executive Partners, LP and certain managers and shareholders of the Company.

"Danish Environmental Claims" has the meaning given thereto in Section 9.02(a).

"Deductible" has the meaning given thereto in Section 9.02(e) hereof.

"Deferred Additional Payment" has the meaning given thereto in Section 3.06(c).

"Dent-A-Med Inc. Facility" means the factoring facility in place as of the date hereof among the Company and certain of its Subsidiaries and Dent-A-Med Inc.

"Disposition Event" has the meaning set forth in the Certificate of Incorporation of the Parent as of the Closing Date.

"Dissenting Shares" has the meaning given thereto in Section 3.01(b) hereof.

"DOJ" has the meaning given thereto in Section 6.04(a) hereof.

"EBITDA" means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period determined in accordance with GAAP, minus (b) the sum of (i) interest income, and (ii) gain from extraordinary items for such period, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes net of any income tax credits, (ii) interest expense (cash or non-cash and including capitalized interest), (iii) any aggregate net loss net of any aggregate net gain during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), (iv) loss from extraordinary items for such period (provided, that any Kruse Restructuring Costs for such period shall be included in this clause (iv) only to the extent of the excess, if any, of (A) the sum of the Kruse Restructuring Costs plus the consolidated net losses of the Kruse Companies (exclusive of the Kruse Restructuring Costs) for such fiscal period over (B) the consolidated net losses of the Kruse Companies (exclusive of any Kruse Restructuring Costs) for the last twelve full calendar months ended prior to the date on which the operations of the Kruse Companies are discontinued or the Kruse Companies are sold), (v) the amount of non-cash charges (including depreciation and amortization and non-cash losses relating to foreign currency) for such period net of any other non-cash gains (including non-cash gains relating to foreign currency) that have been added in determining consolidated net income, (vi) amortized debt discount for such period, (vii) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person of any capital stock or other equity interests, or warrants, options or similar rights to acquire capital stock or other

equity interests, (viii) the amount of any deduction, loss or charge relating to any costs, expenses or charges of such Person incurred or arising (whether or not capitalized) in connection with (A) the transactions contemplated by this Agreement (including, without limitation, the costs and expenses of implementing the restructuring of the Company's European Subsidiaries as described in Schedule 7.03(o) prior to the Closing) and all costs incurred pursuant to Section 3.05(c), or (B) any amendment, termination, refinancing or replacement of, or waiver or other modification of, the TWI Credit Agreement, the Redemption Agreements or the Securities Purchase Agreements, and (ix) any payments to TA Associates, Inc. or Friedman Fleischer & Lowe, LLC or their respective Affiliates or costs, expenses or charges incurred or arising in connection with any such payments (other than reimbursement of out-of-pocket expenses associated with attendance at board meetings and service as a director), in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income or deficit of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries, (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions, (3) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period, (4) any write-up of any assets, (5) any net gain from the collection of the proceeds of life insurance policies, (6) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person or any of its Subsidiaries, (7) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, and (8) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

"EBITDA Statement" has the meaning given thereto in Section 3.06(a) hereof.

"Effective Time" has the meaning given thereto in Section 2.02 hereof.

"Environmental Laws" has the meaning given thereto in Section 4.19(a)(i) hereof.

"ERISA" has the meaning given thereto in Section 4.16(c) hereof.

"Escrow Adjustment Amount" means $1,200,000.

"Escrow Adjustment Funding Payment" means (a) the Escrow Adjustment Amount divided by (b) the number of As-Converted Common Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time.

"Escrow Agent" has the meaning given thereto in Section 3.04(a) hereof.

"Escrow Agreement" means the Escrow Agreement among the Parent, the Company, the Payee Representatives and the Escrow Agent substantially in the form of Annex C hereto.

"Escrow Amount" means the sum of the Escrow Indemnification Amount and the Escrow Specified Amount.

"Escrow Indemnity Funding Payment" means (i) the Escrow Amount divided by (ii) the number of Common Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time.

"Escrow Indemnification Amount" means $12,800,000.

"Escrow Indemnification Funds" has the meaning given thereto in Section 9.02(d).

"Escrow Specified Amount" means $16,100,000.

"Escrow Specified Release Date" has the meaning given thereto in Section 9.07(b).

"Exchange Fund" has the meaning given thereto in Section 3.02(a).

"Exchange Options" has the meaning given thereto in Section 2.07.

"Final Closing Statement" has the meaning given thereto in Section 3.05(c) hereof.

"Final Net Working Capital Adjustment" has the meaning given thereto in Section 3.05(e) hereof.

"Final Resolution" has the meaning given thereto in Section 9.02(c).

"Financing Documents" means the credit agreements, loan agreements, notes, security agreements, pledge agreements, guarantees, mortgages, escrow agreements, warrants, and all other agreements, instruments, certificates, consents, assignments and other documents executed and/or delivered in connection with the Senior Credit Facility or the Mezzanine Credit Facility.

"FCA" has the meaning given thereto in Section 6.04(b) hereof.

"FTC" has the meaning given thereto in Section 6.04(a) hereof.

"GAAP" means generally accepted accounting principles in the United States of America, as of the date hereof, applied in a manner consistent with the application of such principles by the Company in the preparation of the Audited Financial Statements.

"GCL" has the same meaning given thereto in the recitals hereof.

"Governmental Entity" has the meaning given thereto in Section 4.05(b) hereof.

"Hazardous Substances" has the meaning given thereto in Section 4.19(a)(ii) hereof.

"HSR Act" has the meaning given thereto in Section 4.05(b) hereof.

"Indebtedness" means, as applied to any Person, all indebtedness of such Person for borrowed money (excluding, in case of the Company, the Additional Payments), whether current or funded, or secured or unsecured (excluding, in case of the Company or any of its Subsidiaries, any indebtedness with respect to the Dent-A-Med Inc. Facility (in an amount not to exceed $1,750,000)), including, without limitation, (a) all indebtedness of such Person for the deferred purchase price of

property or services represented by a note or other security, including, without limitation, any related party notes payable, (b) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (c) all indebtedness of such Person secured by a purchase money mortgage or other lien to secure all or part of the purchase price of property subject to such mortgage or lien, (d) all obligations under leases which shall have been or must be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such Person is liable as lessee, (e) any liability of such Person in respect of banker's acceptances or letters of credit, to the extent of amounts drawn thereunder, (f) any liability of such Person for deferred compensation payable to any current or former officer, director, employee or consultant, (g) any amounts owed with respect to overdrafts, (h) any liability in respect of interest, fees or other charges in respect of any indebtedness referred to above and (i) all indebtedness referred to above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

"Indemnified Party" has the meaning given thereto in Section 9.03(a) hereof.

"Indemnifying Party" has the meaning given thereto in Section 9.03(a) hereof.

"Initial Adjustment Deduction" means (a) the Initial Net Working Capital Adjustment divided by (b) the Adjusted Diluted Shares.

"Initial Common Share Closing Payment" means (a) the Closing Payment Amount minus (b) the sum of (i) the Initial Adjustment Deduction, (ii) the Escrow Indemnity Funding Payment, and (iii) the Escrow Adjustment Funding Payment.

"Initial Closing Statement" has the meaning given thereto in Section 3.05(a) hereof.

"Initial Company Escrow Release" has the meaning given thereto in Section 3.05(e) hereof.

"Initial Escrow Payment" means (a) the Initial Shareholder Escrow Release divided by (b) the number of As-Converted Common Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time.

"Initial Escrow Payment Date" means the date provided in Section 3.05(e) for the payment of the Initial Escrow Payments and the Company Adjustment Payments.

"Initial Net Working Capital Adjustment" has the meaning given thereto in Section 3.05(b) hereof.

"Initial Preferred Share Closing Payment" means (a) the sum of (i) the Closing Payment Amount minus (ii) the sum of (A) the Initial Adjustment Deduction and (B) the Escrow Adjustment Funding Payment multiplied by (b) the number of Common Shares into which each Preferred Share is convertible immediately prior to the Effective Time.

"Initial Shareholder Escrow Release" has the meaning given thereto in Section 3.05(e) hereof.

"Initial Spread" has the meaning given thereto in Section 3.06(c).

"Interim Balance Sheet" has the meaning given thereto in Section 4.06(a) hereof.

"Interim Financial Statements" has the meaning given thereto in Section 4.06(a) hereof.

"Interest Rate Cap Criteria" has the meaning given thereto in Section 3.06(c).

"Knowledge" means actual knowledge, after a commercially reasonable internal investigation made to the appropriate employees of the Company, Tempur World Holdings, Inc., Tempur Production USA, Inc. Tempur-Pedic, Inc. or any Subsidiary, division or business unit of the Company, as the case may be, of a particular fact being known by, with respect to the Company, Tempur World Holdings, Inc., Tempur Production USA, Inc. or Tempur-Pedic, Inc., any of (a) the directors of the Company serving on the date hereof, (b) the following officers of the Company: Robert B. Trussell, Jr., Jeffrey P. Heath, Thomas Bryant, and David Fogg, (c) with respect to information concerning any Subsidiary, division or business unit of the Company, the president or most senior executive of such Subsidiary, division or business unit, and (d) any person succeeding, prior to the Closing, to the position on the date hereof of any of the persons indicated in clauses (b) and (c) above.

"Kruse Companies" means Kruse Polstermoebel System GmbH and its Subsidiaries.

"Kruse Restructuring Costs" means, with respect to any period in which the operations of the Kruse Companies are discontinued or the Kruse Companies are sold, the aggregate amount of all losses, costs and expenses incurred in connection with such discontinuance or sale.

"Liens" means liens, security interests, options, rights of first refusal, easements, mortgages, charges, pledges, deeds of trust, rights-of-way, restrictions, encroachments, licenses, leases, permits, security agreements, or any other encumbrances, restrictions or limitations on the use of real or personal property, whether or not they constitute specific or floating charges.

"Loss" and "Losses" have the meaning given thereto in Section 9.02(a) hereof.

"Management Options" has the meaning given thereto in Section 2.07 hereof.

"Management Shareholder" and "Management Shareholders" have the meanings given thereto in the preamble hereof.

"Management Shareholder Permitted Liens" means restrictions on transfer under the Securities Act.

"Material Adverse Effect" means, with respect to a specific Person, any development, condition or circumstance having an effect on the business, assets, financial condition or results of operations of such Person or any of its Subsidiaries, that is materially adverse to such Person and its Subsidiaries taken as a whole.

"Material Contract" has the meaning given thereto in Section 4.11(a) hereof.

"Merger" has the meaning given thereto in the recitals hereof.

"Merger Consideration" means, with respect to each Common Share, the Common Share Merger Consideration, and with respect to each Preferred Share, the Preferred Share Merger Consideration.

"Mezzanine Credit Facility" means the aggregate $50,000,000 credit facility to be available to the Surviving Corporation and its Subsidiaries on substantially the terms set forth in the commitment letter dated September 19, 2002 issued by Gleacher Mezzanine LLC (as general partner of Gleacher Mezzanine Fund I, L.P., and Gleacher Mezzanine Fund P, L.P.) to TA Associates, Inc. and Friedman Fleischer & Lowe LLC and the commitment letter dated September 19, 2002 issued by TA Associates, Inc. (as general partner of certain funds) to TA Associates, Inc. and Friedman Fleischer & Lowe, LLC.

"Net Debt" means (a) the sum of (i) the Indebtedness of the Company and its Subsidiaries, (ii) to the extent not included in clause (i), the amounts owed by the Company and its Subsidiaries to the states of California and Florida for sales and use tax for periods prior to the Closing Date as agreed to in writing by the Company or any of its Subsidiaries and each such state prior to the date hereof pursuant to the tax settlement agreements described on Schedule B and as otherwise agreed to in writing by the Company or any of Subsidiaries and any such state after the date hereof and prior to the Closing Date (a copy of which shall be provided to the Parent and the Purchaser prior to the Closing Date), and (iii) to the extent not included in clause (i), the Company Transaction Expenses minus (b) the sum of the cash (less outstanding checks or wire payments of the Company and its Subsidiaries) and Cash Equivalents of the Company and its Subsidiaries, in each case on a consolidated basis as of the Closing Date immediately prior to giving effect to the Closing.

"Net Working Capital" means, as at any date, (a) accounts receivable, inventory, current prepaid expenses and other current assets (excluding cash and Cash Equivalents) of the Company and its Subsidiaries on a consolidated basis as of such date minus (b) accounts payable, current accrued expenses (excluding any accrued expenses relating to the items described on Schedule A) and current accrued Tax liabilities (excluding accrued income Tax liabilities and accrued Tax liabilities relating to items described on Schedule A), other than Indebtedness, of the Company and its Subsidiaries on a consolidated basis as of such date, all calculated in accordance with GAAP.

"Net Working Capital Target" has the meaning given thereto in Section 3.05(b) hereof.

"Non-Specified Item" shall have the meaning given thereto in Section 9.07(b) hereof.

"Notice of Offering" means that notice of offering to be distributed by Parent promptly following the execution of this Agreement pursuant to which Common Shareholders who are accredited investors (as such term is defined under Regulation D under the Securities Act) will be offered the opportunity to exchange their Common Shares for Parent Class A Common Stock in accordance with the Contribution Agreement.

"Notices" shall have the meaning given thereto in Section 10.03 hereof.

"Option" means an option to purchase Common Shares granted pursuant to the Option Plan.

"Option Plan" means the Company's Stock Option Plan, as amended from time to time.

"Parent" has the meaning given thereto in the preamble hereof.

"Parent Class A Common Stock" has the meaning given thereto in Section 5.06 hereof.

"Parent Class B-1 Common Stock" has the meaning given thereto in Section 5.06 hereof.

"Parent Preferred Stock" has the meaning given thereto in Section 5.06 hereof.

"Payee" and "Payees" have the meaning given thereto in Section 3.03(f) hereof.

"Payee Representatives" has the meaning given thereto in Section 10.12 hereof.

"Paying Agent" has the meaning given thereto in Section 3.02(a) hereof.

"Permits" has the meaning given thereto in Section 4.13.

"Permitted Liens" means (a) Liens for Taxes or assessments or other governmental charges not yet due and payable; (b) pledges or deposit of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which the Company or any of its Subsidiaries is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics' or similar Liens arising in the ordinary course of business, so long as such Liens attach only to equipment, fixtures or real property of the Company or any of its Subsidiaries; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of $50,000 at any time, so long as such Liens attach only to inventory of the Company or any of its Subsidiaries; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which the Company or any of its Subsidiaries is a party; (g) zoning restrictions or recorded easements affecting the use of any Real Property or other minor irregularities in title (including leasehold title) thereto, so long as the same do not impair the use, value, or marketability of such Real Property; (h) Liens presently existing or hereafter created pursuant to the TWI Credit Agreement; (i) any leases or subleases entered into in the ordinary course of business by the Company or any of its Subsidiaries as lessor with respect to excess or unused owned or leased real property; and (j) Liens identified on Schedule 4.09 as "Permitted Liens" which will be released as of the Closing.

"Person" or "person" means individuals, corporations, limited liability companies, partnerships, trusts, other entities and groups (which term shall include a "group" as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended).

"Preferred Payee" and "Preferred Payees" have the meaning given thereto in Section 3.03(f) hereof.

"Preferred Share" and "Preferred Shares" have the meaning given thereto in the recitals hereof.

"Preferred Share Merger Consideration" means the sum of (i) the Initial Preferred Share Closing Payment, payable in cash at the Closing, (ii) the sum of (A) the Initial Escrow Payment and (B) the Company Adjustment Payment multiplied by the number of Common Shares into which each Preferred Share is convertible immediately prior to the Effective Time, payable in cash on the Initial Escrow Payment Date, and (iii) the Additional Payment multiplied by the number of Common Shares into which each Preferred Share is convertible immediately prior to the Effective Time, payable in the manner, and subject to the restrictions, specified in Section 3.06(c) on the Additional Payment Date.

"Pro Rata Portion" has the meaning given thereto in Section 9.02(d) hereof.

"Purchaser" has the meaning given thereto in the preamble hereof.

"Purchaser Indemnified Parties" has the meaning given thereto in Section 9.02(a) hereof.

"Purchaser Representatives" has the meaning given thereto in Section 6.02 hereof.

"Real Property" has the meaning given thereto in Section 4.09 hereof.

"Redemption Agreement" means the Stock Redemption Agreement, dated September 25, 2001 among the Company, MONY Life Insurance Company, GE Capital Equity Investment, Inc., Palmetto Partners, Ltd., Fagerdala Holding B.V., Robert B. Trussell, Jr. and certain of the Company's other stockholders.

"Refinancing Credit Facility" means any credit agreement or facility which refinances any of the Indebtedness represented by the Senior Credit Facility or the Mezzanine Credit Facility.

"Reiners Claims" has the meaning given thereto in Section 9.02(a).

"Reset Date" has the meaning given thereto in Section 3.06(c).

"Rollover Shares" means the aggregate number of Common Shares contributed to the Parent by the holders thereof pursuant to the Contribution Agreement.

"RCRA" has the meaning given thereto in Section 4.19(a)(i).

"SARA" has the meaning given thereto in Section 4.19(a)(i).

"Securities Act" has the meaning given thereto in Section 4.05(b) hereof.

"Securities Purchase Agreements" means the Securities Purchase Agreement, dated September 25, 2001, among the Company, MONY Life Insurance Company, GE Capital Equity Investment, Inc. and Palmetto Partners, Ltd. and the Securities Purchase Agreement, dated March 25, 2002, between the Company and GE Capital Equity Investment, Inc.

"Senior Credit Facility" means the senior credit agreement among certain Subsidiaries of the Company and their senior lenders to be entered into on the Closing Date, the proceeds of which will be used in part to finance a portion of the Aggregate Merger Consideration, including any amendment and restatement of the TWI Credit Agreement made as of the Closing Date.

"Shares" has the meaning given thereto in the recitals hereof.

"Shareholders" means, collectively, the holders of the Shares issued and outstanding immediately prior to the Effective Time, other than Shares held by the Company, the Parent, the Purchaser and their respective Subsidiaries.

"Specified Claims" has the meaning given thereto in Section 9.02(a).

"Specified Item" has the meaning given thereto in Section 9.07(b).

"Subsequent Escrow Payments" means the payment(s) of (i) the portion(s), if any, of the Escrow Indemnification Amount and the Escrow Specified Amount payable to the Common Payees under the Escrow Agreement divided by (ii) the number of Common Shares outstanding and not owned by the Parent, the Purchaser or the Company immediately prior to the Effective Time.

"Subsequent Escrow Payment Date" means each date on which a Subsequent Escrow Payment is to be made pursuant to the terms of the Escrow Agreement.

"Subsidiary" or "Subsidiaries" means, with respect to a specific Person, every corporation, limited liability company, partnership, or other business organization or entity of which such Person owns, directly or through its Subsidiaries, (a) more than 50% of (i) the total combined voting power of all classes of voting securities of such entity, (ii) the total combined equity interest therein, or (iii) the capital or profits interests therein, in the case of a partnership or limited liability company; or (b) otherwise has the power to vote or direct the voting of sufficient securities to elect the majority of the board of directors or similar governing body of such entity.

"Substantial Loss" has the meaning given thereto in Section 9.02(e) hereof.

"Support Agreements" has the meaning given thereto in the recitals hereof.

"Surviving Corporation" has the meaning given thereto in Section 2.01 hereof.

"Surviving Corporation's Proposed Calculation" has the meaning given thereto in Section 3.05(c) hereof.

"Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, worker's compensation, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Returns" means any return, declaration, report, estimate, claim for refund, or information return, statement or document filed or required to be filed in connection with the determination, assessment or collection of any Taxes or the administration of any law, regulation or administrative requirements relating to any Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third-Party Claim" has the meaning given thereto in Section 9.03(b) hereof.

"Transaction Documents" means, collectively, this Agreement, the Contribution Agreement, the Support Agreements, the Written Consents and the Escrow Agreement.

"Treasury Rate" has the meaning given thereto in Section 3.06(c).

"TWI Credit Agreement" means the Credit Agreement, dated September 25, 2001, as amended March 29, 2002, by and among the Company, the Borrowers referred to therein, the Other Credit Parties referred to therein, the Lenders referred to therein, Nordea Unibank A/S, as European Loan Agent, and General Electric Capital Corporation, as U.S. Revolver Agent and Administrative Agent.

"U.S. Plan" has the meaning given thereto in Section 4.16(c) hereof.

"Violation" has the meaning given thereto in Section 4.05(a) hereof.

"Written Consents" has the meaning given thereto in the recitals hereof.

ARTICLE II
THE MERGER

SECTION 2.01 The Merger. Upon the terms and subject to the satisfaction or waiver of the conditions of this Agreement, and in accordance with the applicable provisions of this Agreement and the GCL, at the Effective Time the Purchaser shall be merged with and into the Company. Following the Merger, the separate corporate existence of the Purchaser shall cease and the Company shall continue as the surviving corporation and shall succeed to and assume all the rights and obligations of the Purchaser in accordance with the GCL. In its capacity as the surviving corporation of the Merger, the Company is sometimes referred to herein as the "Surviving Corporation."

SECTION 2.02 Closing Effective Time. The closing of the Merger (the "Closing") will take place as promptly as practicable following the satisfaction or waiver of the conditions set forth in Sections 7.01, 7.02 and 7.03 of this Agreement (other than the delivery of customary closing documents) (the "Closing Date"), at a place, date and time to be mutually agreed upon by the parties hereto as soon as practicable after all of the conditions to the consummation of the Merger set forth in Article VII have been satisfied or waived; provided, however that the Closing shall occur on a date which is not more than five (5) days before or after the last Business Day of a month. Immediately following the Closing, the parties hereto shall cause the Merger to become effective by filing a Certificate of Merger with the Secretary of State of the State of Delaware, in accordance with

the relevant provisions of the GCL (the effective time of the Merger as specified in the Certificate of Merger being the "Effective Time") and shall make all other filings or recordings required under the GCL.

SECTION 2.03 Effects of the Merger.

(a) The Merger shall have the effects set forth in this Agreement and the GCL.

(b) The Certificate of Incorporation of the Purchaser, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation, until thereafter amended in accordance with the provisions thereof and hereof and applicable law; provided that Article First of the Certificate of Incorporation shall be amended to read as follows: "The name of the Corporation is Tempur World, Inc."

(c) Subject to the provisions of Section 6.06 of this Agreement, the By-Laws of the Purchaser in effect at the Effective Time shall be the By-Laws of the Surviving Corporation until amended in accordance with the provisions thereof and applicable law.

(d) Subject to applicable law, the directors of the Purchaser immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

(e) The officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

SECTION 2.04 Additional Actions. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any further deeds, bills of sale, assignments or assurances in law or any other acts are necessary or desirable to (a) vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its rights, title or interest in, to or under any of the rights, properties or assets of the Company or its Subsidiaries, or (b) otherwise carry out the provisions of this Agreement, the Company and its officers and directors shall be deemed to have granted the Surviving Corporation an irrevocable power of attorney, coupled with an interest, to execute and deliver all such deeds, bills of sale, assignments or assurances in law and to take all acts necessary, proper or desirable to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Corporation and otherwise to carry out the provisions of this Agreement, and the officers and directors of the Surviving Corporation are authorized in the name of the Company or otherwise to take any and all such action.

SECTION 2.05 Conversion of Shares. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, (a) each Common Share issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares and Common Shares held by the Company, the Parent (including the Rollover Shares), the Purchaser and their respective Subsidiaries) shall be converted into the right to receive the Common Share Merger Consideration, (b) each Preferred Share issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares and Preferred Shares held by the Company, the Parent, the

Purchaser and their respective Subsidiaries) shall be converted into the right to receive the Preferred Share Merger Consideration, and (c) each Common Share or Preferred Share owned by the Company, the Parent or one of their respective Subsidiaries shall be canceled without payment and without surrender of the certificate formerly representing such Common Shares or Preferred Shares. All such Common Shares and Preferred Shares, when so converted, shall no longer be outstanding and shall be deemed to have been automatically cancelled and each holder of a certificate or certificates which immediately prior to the Effective Time represented any such Common Shares or Preferred Shares shall cease to have any rights with respect thereto, except the right to receive the applicable Merger Consideration, without interest.

SECTION 2.06 Conversion of Purchaser Stock. At the Effective Time, each share of common stock, par value $0.01 per share, of the Purchaser issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one validly issued, fully paid and non-assessable share of common stock, par value $0.01 per share, of the Surviving Corporation.

SECTION 2.07 Company Stock Options. As soon as practicable following the date of this Agreement, the Company shall take such actions as are reasonably required to provide that immediately prior to the Effective Time, each then outstanding Option, whether or not then exercisable, other than Options held by the individuals listed on Schedule 2.07 shall (a) accelerate and fully and immediately vest, and (b) be simultaneously canceled in exchange for Common Shares pursuant to the terms of the Option Plan. The outstanding Options to be canceled in exchange for Common Shares pursuant to the immediately preceding sentence are referred to as the "Exchange Options" and shall not be deemed to be Options issued and outstanding immediately prior to the Effective Time; provided, however, that the Common Shares issued in connection with the cancellation of the Exchange Options shall be deemed to be outstanding immediately prior to the Effective Time and shall be subject to the provisions of Section 2.05 and the other relevant provisions of this Agreement. Prior to taking the actions described above in this Section 2.07, the Company shall have entered into agreements with the holders of the Options listed on Schedule 2.07 (the "Management Options") terminating the Management Options effective upon the Effective Time. For purposes of this Agreement, the Management Options shall be deemed to be Options outstanding immediately prior to the Effective Time.

ARTICLE III
DISSENTING SHARES; PAYMENT FOR SHARES; ADJUSTMENTS TO PAYMENT FOR SHARES

SECTION 3.01 Appraisal Rights; Dissenting Shares.

(a) As soon as practicable after the date hereof, the Parent shall prepare a notice of appraisal rights containing the information required by Section 262 of the GCL and deliver such notice to the Company. Within three (3) business days after the date of delivery of such notice, the Company shall mail to each record holder of Certificates as of a record date fixed in accordance with Section 262 of the GCL a copy of such notice. Within ten (10) days after the Effective Time, the Surviving Corporation shall cause the Paying Agent to mail to each holder of Certificates that immediately prior to the Effective Time represented Dissenting Shares a notice of appraisal rights containing the information required by Section 262 of the GCL.

(b) Notwithstanding anything in this Agreement to the contrary, Shares outstanding immediately prior to the Effective Time and held by a holder who has demanded appraisal for such Shares or is otherwise entitled to appraisal rights in accordance with Section 262 of the GCL, if such Section 262 provides for appraisal rights for such shares in the Merger ("Dissenting Shares"), shall not be converted into the right to receive the Merger Consideration as provided in Section 2.05, unless and until such holder fails to perfect or withdraws or otherwise loses his right to appraisal and payment under the GCL. If, after the Effective Time, any such holder fails to perfect or withdraws or loses his right to appraisal, such Dissenting Shares shall thereupon be treated as if they had been converted as of the Effective Time into the right to receive the Merger Consideration, if any, to which such holder is entitled, without interest or dividends thereon. The Company shall give the Purchaser prompt notice of any demands received by the Company for appraisal of Shares and the Purchaser shall have the right to participate in all negotiations and proceedings with respect to such demands. Prior to the Effective Time, the Company shall not, except with the prior written consent of the Purchaser, make any payment with respect to, or settle or offer to settle, any such demands.

SECTION 3.02 Payment of Initial Common Share Closing Payment and Initial Preferred Share Closing Payment.

(a) From and after the Effective Time, Fifth Third Bank, or such other bank or trust company as shall be mutually acceptable to the Purchaser and the Company, shall act as paying agent (the "Paying Agent") in effecting the payment of the Initial Common Share Closing Payments and the Initial Preferred Share Closing Payments in respect of certificates (the "Certificates") that, prior to the Effective Time, represented Common Shares or Preferred Shares entitled to payment of the applicable Merger Consideration pursuant to Section 2.05. At the Effective Time, the Purchaser shall deposit, or cause to be deposited, in trust with the Paying Agent the aggregate Initial Common Share Closing Payments and the aggregate Initial Preferred Share Closing Payments to which holders of Common Shares and Preferred Shares shall be entitled at the Effective Time pursuant to Section 2.05 (such cash being hereinafter referred to as the "Exchange Fund"). The Exchange Fund shall be invested by the Paying Agent as directed by the Parent, provided that such investments shall be (i) securities issued directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition, (ii) certificates of deposit, eurodollar time deposits and bankers' acceptances with maturities not exceeding six months and overnight bank deposits with any commercial bank, depository institution or trust company incorporated or doing business under the laws of the United States of America, any state thereof or the District of Columbia, provided that such commercial bank, depository institution or trust company has, at the time of investment, (A) capital and surplus exceeding $250 million and (B) outstanding short-term debt securities which are rated at least A-1

by Standard & Poor's Rating Group Division of The McGraw-Hill Companies, Inc. or at least P-1 by Moody's Investors Service, Inc. and (iii) money market mutual or similar funds having assets in excess of $1 billion. Any net profit resulting from, or interest or income produced by, such investments will be payable to the Parent upon the Parent's request.

(b) Promptly after the Effective Time, the Paying Agent shall mail to each record holder of Certificates (i) a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates and a properly completed letter of transmittal to the Paying Agent and which shall contain a representation and warranty of the holder as to title to, and the absence of any Liens on, the Common Shares or Preferred Shares represented by the Certificates and authority of the holder to execute and deliver the letter of transmittal and deliver the Certificates), and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Initial Common Share Closing Payments or the Initial Preferred Share Closing Payments, as applicable. Such letter of transmittal and instructions shall be in substantially the form of Annex 3.02(a) (as to Common Shares) and Annex 3.02(b) (as to Preferred Shares). The Parent shall instruct the Paying Agent to make such letters of transmittal available at the location of the Closing, and shall cause the Paying Agent to be available at such location to receive, from record holders of Certificates wishing to surrender them, such letters of transmittal along with the related Certificates, and shall instruct the Paying Agent to pay on the Closing Date the Initial Common Share Closing Payments or the Initial Preferred Share Closing Payments, as applicable, to all holders of Certificates that have provided to the Paying Agent all documents required under this Section 3.02(b) at least 3 Business Days in advance of the Closing Date. Upon the surrender of each such Certificate and a properly completed letter of transmittal, the Paying Agent shall, in consideration for the shares represented by such Certificates, (A) pay the holder of each such Certificate for Preferred Shares the Initial Preferred Share Closing Payment multiplied by the number of Preferred Shares formerly represented by such Certificate, in consideration therefor, and such Certificate shall forthwith be canceled and (B) pay the holder of each such Certificate for Common Shares the Initial Common Share Closing Payment multiplied by the number of Common Shares formerly represented by such Certificate, in consideration therefor, and such Certificate shall forthwith be canceled. Until so surrendered, each such Certificate (other than Certificates representing Dissenting Shares and Certificates representing Shares held by the Parent (including Rollover Shares), the Purchaser, the Company or their respective Subsidiaries) shall represent solely the right to receive the aggregate Merger Consideration relating thereto. No interest or dividends shall be paid or accrued on the Merger Consideration. If the Initial Common Share Closing Payments or Initial Preferred Share Closing Payments (or any portion thereof) are to be delivered to any person other than the person in whose name the Certificate formerly representing Shares surrendered therefor is registered, it shall be a condition to such right to receive such Initial Common Share Closing Payments or Initial Preferred Share Closing Payments that the Certificate so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person surrendering such Shares shall pay to the Paying Agent any transfer or other taxes required by reason of the payment of the Initial Common Share Closing Payments or Initial Preferred Share Closing Payments to a person other than the registered holder of the Certificate surrendered, or shall establish to the satisfaction of the Paying Agent that such tax has been paid or is not applicable.

SECTION 3.03 General Provisions Regarding Payment for Shares.

(a) Promptly following the date which is 180 days after the Effective Time, the Paying Agent shall deliver to the Surviving Corporation all cash, Certificates and other documents in its possession relating to the transactions described in this Agreement, and the Paying Agent's duties shall terminate. Thereafter, holders of Shares shall look only to the Surviving Corporation for payment of the Merger Consideration in respect thereof (subject to applicable abandoned property, escheat and similar laws), in each case, without interest or dividends thereon, provided that the Initial Escrow Payment and Subsequent Escrow Payments shall be made by the Escrow Agent from the Escrow Adjustment Amount and the Escrow Amount in accordance with the terms of the Escrow Agreement.

(b) None of the Purchaser, the Surviving Corporation or the Paying Agent shall be liable to any person in respect of any Shares (or dividends or distributions with respect thereto) or cash deposited by the Purchaser with the Paying Agent that is delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificates shall not have been surrendered prior to seven years after the Effective Time (or immediately prior to such earlier date on which any cash would otherwise escheat to or become the property of any Governmental Entity), any such cash in respect of such Certificate shall, to the extent permitted by applicable law, become the property of the Purchaser, free and clear of all claims or interest of any person previously entitled thereto.

(c) The Purchaser and the Paying Agent shall be entitled to deduct and withhold from the consideration otherwise payable or issuable pursuant to this Agreement to any holder of Shares such amounts as the Purchaser or the Paying Agent is required to deduct and withhold with respect to such payment or issuance under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holders of Shares in respect of which such deduction and withholding was made.

(d) All cash paid upon surrender of Certificates in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to the Common Shares and Preferred Shares formerly represented thereby, other than the right to receive (i) with respect to each Common Share, the Common Share Merger Consideration in excess of the Initial Common Share Closing Payment, and (ii) with respect to each Preferred Share, the Preferred Share Merger Consideration in excess of the Initial Preferred Share Closing Payment. After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of any Common Shares or Preferred Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates formerly representing Common Shares or Preferred Shares are presented to the Surviving Corporation or the Paying Agent, they shall be surrendered and canceled in return for the payment of (x) with respect to each Common Share relating thereto, the Initial Common Share Closing Payment (and (i) if the Initial Escrow Payment Date has occurred, the payment by the Escrow Agent of the Initial Escrow Payment and the payment by the Surviving Corporation of the Company Adjustment Payment, (ii) if any Subsequent Escrow Payment Dates have occurred, the payment by the Escrow Agent of the Subsequent Escrow Payments payable with respect to such dates, and (iii) if the Additional Payment Date has occurred, the payment by the Surviving Corporation of the Additional Payment) deliverable in respect thereof as determined in accordance herewith, and (y) with respect to each Preferred Share relating thereto, the Initial Preferred Share Closing Payment (and (i) if the Initial Escrow Payment Date has occurred, the

payment by the Escrow Agent of the Initial Escrow Payment and the payment by the Surviving Corporation of the Company Adjustment Payment and (ii) if the Additional Payment Date has occurred, the payment by the Surviving Corporation of the Additional Payment) deliverable in respect thereof as determined in accordance herewith, subject in each case to applicable law in the case of Dissenting Shares.

(e) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and subject to such other conditions as the Board of Directors of the Surviving Corporation may impose, the Surviving Corporation or the Paying Agent shall pay, (x) in exchange for each Common Share represented by such lost, stolen or destroyed Certificate, the Initial Common Share Closing Payment (and (i) if the Initial Escrow Payment Date has occurred, the Escrow Agent shall pay the Initial Escrow Payment and the Surviving Corporation shall pay the Company Adjustment Payment, (ii) if any Subsequent Escrow Payment Dates have occurred, the Escrow Agent shall pay the Subsequent Escrow Payments payable with respect to such dates, and (iii) if the Additional Payment Date has occurred, the Surviving Corporation shall pay the Additional Payment) deliverable in respect thereof as determined in accordance herewith, and (y) in exchange for each Preferred Share represented by such lost, stolen or destroyed Certificate, the Initial Preferred Share Closing Payment (and (i) if the Initial Escrow Payment Date has occurred, the payment by the Escrow Agent of the Initial Escrow Payment and the payment by the Surviving Corporation of the Company Adjustment Payment and (ii) if the Additional Payment Date has occurred, the payment by the Surviving Corporation of the Additional Payment) deliverable in respect thereof as determined in accordance herewith. When authorizing such payment of the Merger Consideration or portion thereof in exchange therefor, the Board of Directors of the Surviving Corporation (or any authorized officer thereof) may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed Certificate to give the Surviving Corporation a bond in such sum as the Board of Directors may direct as indemnity against any claim that may be made against the Surviving Corporation with respect to the Certificate alleged to have been lost, stolen or destroyed.

(f) The Initial Escrow Payments shall be paid by the Escrow Agent only to the Persons to whom the Initial Common Share Closing Payments were paid or such Persons' written designees (each, a "Common Payee" and, collectively, the "Common Payees") and the Persons to whom the Initial Preferred Share Closing Payments were paid or such Persons' written designees (each, a "Preferred Payee" and, collectively, the "Preferred Payees" and collectively with the Common Payees, the "Payees"), as applicable, the Subsequent Escrow Payments shall be paid by the Escrow Agent only to the Common Payees and the Company Adjustment Payments and the Additional Payments shall be paid by the Surviving Corporation or its Affiliate only to the Common Payees and the Preferred Payees, provided that in each case where any such Payee is a written designee in accordance with this Section 3.03(f), the Surviving Corporation shall have received evidence reasonably satisfactory to it that such designee is rightfully entitled to the Initial Escrow Payments, the Company Adjustment Payments, the Subsequent Escrow Payments and the Additional Payments, as applicable.

SECTION 3.04 Escrowed Funds.

(a) From and after the Effective Time, Fifth Third Bank, or such other bank or trust company as shall be mutually acceptable to the Purchaser and the Company, shall act as escrow agent (the "Escrow Agent") in effecting any payments of the Initial Escrow Payments, the Initial Company Escrow Release, the Subsequent Escrow Payments and any disbursements to the Purchaser Indemnified Parties in connection with indemnification claims under Article IX hereof. At the Effective Time, the Purchaser shall deposit, or cause to be deposited, in trust with the Escrow Agent the Escrow Adjustment Amount and the Escrow Amount, pursuant to the terms of the Escrow Agreement.

(b) The Initial Escrow Payments and the Initial Company Escrow Release shall be calculated and paid in the amounts and at the times determined in accordance with Section 3.05 below.

(c) All Subsequent Escrow Payments shall be paid at the times determined in accordance with the Escrow Agreement.

(d) Notwithstanding any provision of this Agreement to the contrary, the Escrow Agreement shall govern the allocation and payment of interest earned on the Escrow Amount and the Escrow Adjustment Amount.

SECTION 3.05 Initial Adjustment; Subsequent Adjustment.

(a) At the Closing, the Company shall have prepared and delivered to the Purchaser (i) an unaudited consolidated balance sheet of the Company as of the close of business on the last day of the month immediately preceding the month in which the Closing Date occurs or, in the event the Closing Date occurs prior to the 21st day of the month, the last day of the month that is two months prior to the month in which the Closing Date occurs (the "Calculation Date"), prepared in accordance with GAAP, except for normal recurring year-end adjustments and the absence of footnotes (the "Initial Closing Statement"), and (ii) a certificate of the Chief Executive Officer and Chief Financial Officer of the Company, (A) certifying that the Initial Closing Statement was prepared on the basis described in clause (i) above and (B) containing the Company's calculation based on the Initial Closing Statement of the Net Working Capital as of the Calculation Date (the "Calculation Date Net Working Capital").

(b) If the Calculation Date Net Working Capital is less than $42,000,000 (the "Net Working Capital Target"), then the amount of such shortfall shall be the "Initial Net Working Capital Adjustment." If the Calculation Date Net Working Capital is equal to or greater than the Net Working Capital Target, the Initial Net Working Capital Adjustment shall be zero. The amount of the Initial Net Working Capital Adjustment determined pursuant to this paragraph (b) shall be used to calculate the Initial Adjustment Deduction at Closing, which in turn shall be used to calculate the Initial Common Share Closing Payment and the Initial Preferred Share Closing Payment at Closing.

(c) Within one hundred twenty (120) days after the Closing Date, the Surviving Corporation shall cause to be prepared and delivered to the Parent an audited consolidated balance sheet (audited by the Louisville, Kentucky office and/or Cincinnati, Ohio office of Ernst & Young, LLP) as of the Closing Date, immediately prior to giving effect to the Closing, prepared in accordance with GAAP, except for normal recurring year-end adjustments and the absence of

footnotes (the "Final Closing Statement"), provided that in the event that Closing does not occur on the last Business Day of the month but occurs on a date which is no more than five (5) days before or after such last Business Day of a month, then for purposes of this Section 3.05, the Closing Date shall be deemed to be such last Business Day of the month. The Surviving Corporation shall bear the cost of the preparation of the Final Closing Statement. The Surviving Corporation shall permit the accountants for the Parent and the Payee Representatives at the earliest practicable date to review and make copies of all work papers, schedules and calculations used in the preparation of the Final Closing Statement, subject to the execution by the Parent and the Payee Representatives of any customary release or indemnification agreement required by and for the benefit of the Louisville, Kentucky office and/or Cincinnati, Ohio office of Ernst & Young, LLP. Inventories included in the Final Closing Statement shall be valued on the basis of a physical inventory conducted by the Company and the Parent on or about the Closing Date. When the Surviving Corporation delivers the Final Closing Statement, the Surviving Corporation shall also deliver a certificate (i) certifying that the Final Closing Statement was prepared in accordance with GAAP in accordance with the procedures set forth in paragraph (a) above and (ii) containing the Surviving Corporation's calculations, based on the Final Closing Statement (the "Surviving Corporation's Proposed Calculation") of the Net Working Capital as of the Closing Date. A copy of the Final Closing Statement shall be provided to the Preferred Payees promptly upon its completion.

(d) In the event that neither Parent nor any Payee Representative has disputed, within thirty (30) days after receipt of the Final Closing Statement, the Surviving Corporation's Proposed Calculation of the Net Working Capital as of the Closing Date, such Surviving Corporation's Proposed Calculation shall be final and binding on the Payee Representatives, the Payees, the Parent and the Surviving Corporation. In the event that the Parent or either Payee Representative disputes the Surviving Corporation's Proposed Calculation of the Net Working Capital as of the Closing Date, the Surviving Corporation agrees to make available to the Parent, upon request, all books, records, financial statements, work papers, schedules and calculations related thereto. Any dispute regarding the calculation of the Net Working Capital as of the Closing Date arising under this Section 3.05(d) is to be resolved in the following manner:

(i) The Parent or the Payee Representatives, as applicable, or either Payee Representative shall, within thirty (30) days after receipt of the Final Closing Statement, notify the Surviving Corporation in writing of any such dispute, which notice shall specify in reasonable detail the nature of the dispute;

(ii) During the 30-day period following the Surviving Corporation's receipt of such notice, the Payee Representatives, the Parent and the Surviving Corporation shall attempt to resolve such dispute and to determine the appropriate calculations of the Net Working Capital as of the Closing Date; and

(iii) If at the end of the 30-day period specified in subsection (ii) above, the Payee Representatives, the Parent and the Surviving Corporation shall have failed to reach a written agreement with respect to such dispute or the Parent and/or the Payee Representatives, as applicable, have not withdrawn all objections, the matter shall be referred to Deloitte & Touche, or other reputable accounting firm acceptable to the Parent and the Payee Representatives that does not have a relationship with the Parent, the Purchaser, the Surviving Corporation, any of the Payee

Representatives or their respective Affiliates (the "Arbitrator"), which shall act as an arbitrator and shall issue its report resolving all disputes as to the calculation of the Net Working Capital as of the Closing Date within sixty (60) days after such dispute is referred to it. The Net Working Capital as of the Closing Date, as agreed to by the Parent, the Surviving Corporation and the Payee Representatives or determined by the Arbitrator, shall be final and binding on the Parent, Surviving Corporation, the Payee Representatives and the Payees. Each of the parties to any dispute shall bear all of its costs and expenses related to such dispute, except that the fees and expenses of the Arbitrator hereunder with respect to such dispute shall be borne by either the Surviving Corporation or the Payee Representatives, whichever party's estimate of the Net Working Capital as of the Closing Date was farthest from that determined by agreement of such parties or by the Arbitrator. This provision for arbitration shall be specifically enforceable by the Surviving Corporation and the Payee Representatives, and the decision of the Arbitrator in accordance with the provisions hereof shall be final and binding and there shall be no right of appeal therefrom.

(e) Upon the determination, pursuant to paragraph (d) of this Section 3.05, of the Final Closing Statement and the Net Working Capital as of the Closing Date, the Final Net Working Capital Adjustment, the Initial Escrow Payment, the Initial Company Escrow Release and the Company Adjustment Amount shall be calculated pursuant to this paragraph (e). If the Net Working Capital as of the Closing Date is less than the Net Working Capital Target, then the amount of such shortfall shall be the "Final Net Working Capital Adjustment." If the Net Working Capital as of the Closing Date is equal to or greater than the Net Working Capital Target, the Final Net Working Capital Adjustment shall be zero. The "Initial Company Escrow Release" shall equal (A) if (i) the Common Share Percentage multiplied by (ii) the Final Net Working Capital Adjustment exceeds (x) the Common Share Percentage multiplied by (y) the Initial Net Working Capital Adjustment, the amount of such excess, and (B) if the Final Net Working Capital Adjustment equals or is less than the Initial Net Working Capital Adjustment, zero. The "Initial Shareholder Escrow Release" shall equal (A) if the Final Net Working Capital Adjustment is less than or equal to the Initial Net Working Capital Adjustment, the Escrow Adjustment Amount, (B) if (i) the Common Share Percentage multiplied by (ii) the Final Net Working Capital Adjustment exceeds (x) the Common Share Percentage multiplied by (y) the Initial Net Working Capital Adjustment by an amount equal to or in excess of the Escrow Adjustment Amount, zero, and (C) if (i) the Common Share Percentage multiplied by (ii) the Final Net Working Capital Adjustment exceeds (x) the Common Share Percentage multiplied by (y) the Initial Net Working Capital Adjustment by an amount less than the Escrow Adjustment Amount, the difference between such excess and the Escrow Adjustment Amount. The "Company Adjustment Amount" shall equal (A) if (i) the Common Share Percentage multiplied by (ii) the Final Net Working Capital Adjustment is less than (x) the Common Share Percentage multiplied by (y) the Initial Net Working Capital Adjustment, the amount of such shortfall, and (B) if the Final Net Working Capital Adjustment exceeds or equals the Initial Net Working Capital Adjustment, zero. The Initial Shareholder Escrow Release as determined pursuant to this paragraph (e) shall be used to calculate the Initial Escrow Payment. The Company Adjustment Amount as determined pursuant to this paragraph (e) shall be used to calculate the Company Adjustment Payment. Promptly upon the final determination of the Net Working Capital as of the Closing Date in accordance with paragraph (d) above, (i) the Parent, the Surviving Corporation and the Payee Representatives agree to execute and deliver to the Escrow Agent written disbursement instructions authorizing the Escrow Agent to make promptly (x) the Initial Escrow Payments, if any, to the Payees and (y) the Initial Company Escrow Release, if any, to the Surviving

Corporation, in accordance with the terms of the Escrow Agreement and (ii) the Surviving Corporation shall promptly pay the Company Adjustment Payments (if any) to the Payees. The Initial Company Escrow Release, if any, shall be paid by the Escrow Agent from the Escrow Adjustment Amount and, to the extent that the Escrow Adjustment Amount is not sufficient to pay the Initial Company Escrow Release, from the Escrow Indemnification Amount.

SECTION 3.06 Payment of Additional Payments.

(a) As soon as practicable following the completion of the Surviving Corporation's financial statement audit for calendar year 2003, but in any event by no later than March 31, 2004, Parent shall, and shall cause the Surviving Corporation to promptly deliver to the Payee Representatives and each of the Preferred Payees a balance sheet and related statements of operations, retained earnings and cash flows for calendar year 2003, prepared in accordance with GAAP and audited by Ernst & Young LLP. Such financial statements shall also be accompanied by a detailed schedule in the form of the attached Annex 3.06(a) setting forth Company EBITDA and Company Consolidated Net Revenues (the "EBITDA Statement"), which shall have been audited by Ernst & Young LLP. Parent shall, and shall cause the Surviving Corporation to, deliver a copy of the EBITDA Statement to each of the Preferred Payees.

(b) In the event neither of the Payee Representatives has disputed, within forty (40) days after receipt of the EBITDA Statement, the calculation of Company EBITDA or Company Consolidated Net Revenues, such calculation shall be final and binding on all Payees, the Surviving Corporation and the Parent, and the Surviving Corporation shall, and the Parent shall cause the Surviving Corporation to, pay the Additional Payments to the Payees, in the manner specified in Section 3.06(c), promptly after the earlier of the receipt by the Surviving Corporation of written statements from all of the Payee Representatives confirming that they do not dispute such calculations and the expiration of such 40-day period. In the event either of the Payee Representatives disputes the calculation of Company EBITDA or Company Consolidated Net Revenues, the Parent shall cause the Surviving Corporation to make available to the Payee Representatives, upon request, all books, records, financial statements, work papers, schedules and calculations related thereto. Any dispute regarding the calculation of Company EBITDA or Company Consolidated Net Revenues arising under this Section 3.06(b) is to be resolved in the following manner:

(i) Either of the Payee Representatives shall, within thirty (30) days after receipt of the EBITDA Statement, notify the Surviving Corporation in writing of any such dispute, which notice shall specify in reasonable detail the nature of the dispute;

(ii) During the 10-day period following the Surviving Corporation's receipt of such notice, the Payee Representatives, the Parent and the Surviving Corporation shall attempt to resolve such dispute and to determine the appropriate calculation of Company EBITDA and/or Company Consolidated Net Revenues, as applicable; and

(iii) If at the end of the 10-day period specified in subsection (ii) above, the Payee Representatives, Parent and the Surviving Corporation shall have failed to reach a written agreement with respect to such dispute or the Payee Representatives have not withdrawn their objection, the matter shall be referred to the Arbitrator which shall act as an arbitrator and shall issue

its report resolving all disputes as to the calculation of Company EBITDA and/or Company Consolidated Net Revenues, as applicable, within thirty-five (35) days after such dispute is referred to it. Company EBITDA and/or Company Consolidated Net Revenues, as applicable, as agreed to by the Parent, the Surviving Corporation and the Payee Representatives or determined by the Arbitrator, shall be final and binding on the Surviving Corporation, the Parent, the Payee Representatives and the Payees. Each of the parties to any dispute shall bear its costs and expenses incurred in connection with any arbitration related to such dispute, except that the fees and expenses of the Arbitrator hereunder with respect to such dispute shall be borne by either the Surviving Corporation or the Payee Representatives, whichever party's estimate of Company EBITDA and/or Company Consolidated Net Revenues, as applicable, was farthest from that determined by agreement of such parties or by the Arbitrator. This provision for arbitration shall be specifically enforceable by the Surviving Corporation and the Payee Representatives, and the decision of the Arbitrator in accordance with the provisions hereof shall be final and binding and there shall be no right of appeal therefrom. Within fifteen (15) days after the final determination of Company EBITDA and/or Company Consolidated Net Revenues, as applicable, the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, pay the Additional Payments to each of the Payees, in the manner, and subject to the restrictions, specified in Section 3.06(c).

(c) The Surviving Corporation shall pay the Additional Payments, if any, and the Parent shall cause the Additional Payments, if any, to be made to the Payees by check or wire transfer; provided, that in the event that any cash payment by the Surviving Corporation of any portion of the aggregate Additional Payments (or the distribution to the Surviving Corporation by any of its Subsidiaries of funds to make any portion of such cash payment) is, at the time such payment would otherwise be due hereunder, prohibited by the terms of the Senior Credit Facility, the Mezzanine Credit Facility or any Refinancing Credit Facility (each as amended and in effect from time to time), the Surviving Corporation shall be entitled to pay the aggregate Additional Payments payable to each Payee by delivering to each Payee a check or wire transfer in an amount equal to that portion of the aggregate Additional Payments payable to such Payee which are not so prohibited, and the balance of the aggregate Additional Payments payable to such Payee shall be deferred in accordance with this Section 3.06(c). The proportion of the cash portion (if any) to the deferred portion of the aggregate Additional Payments payable to each Payee shall be identical for each Payee. Such deferred portion of the aggregate Additional Payments (the "Deferred Additional Payments") shall bear interest from the Additional Payment Date at an initial rate equal to the Treasury Rate as of the Additional Payment Date plus the Initial Spread, and such interest rate shall be reset as of the last day of each six-month interval after such date (each, a "Reset Date") at the Applicable Rate (as hereinafter defined) in effect at such Reset Date until paid in full. As used herein, the "Applicable Rate" shall mean, as of any Reset Date, the sum of (i) the Treasury Rate on such Reset Date plus (ii) the Adjusted Spread (as hereinafter defined) for such Reset Date; provided, that during such periods as the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Credit Facility meet the Interest Rate Cap Criteria, the Applicable Rate shall not exceed 15-1/2% or be less than 12-1/2%. The "Treasury Rate" shall mean, with respect to any date, the yield to maturity on a 1-year U.S. Treasury Note issued on such date, or if no 1-year U.S. Treasury Notes were issued on such date, on the date on which 1-year U.S. Treasury Notes were most recently issued. The "Adjusted Spread" shall mean, as of any Reset Date, the sum of (i) the Initial Spread plus (ii) the lesser of (A) 3% or (B) the product (calculated as a percentage) of 0.75 multiplied by the number of Reset Dates that have occurred on or prior to such Reset Date. The "Initial Spread" shall mean the difference between (i) 12-1/2% and (ii) the Treasury Rate as of the Closing Date. The

"Interest Rate Cap Criteria" shall mean that the financing agreements under the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Credit Facility provide for all of the following terms: absent an event of default, (x) no excess cash flow of the Surviving Corporation and its Subsidiaries for the calendar year 2003 will be required to be applied as a mandatory prepayment of the indebtedness owed under such financing agreements unless the Deferred Additional Payments have been paid in full in cash, (y) the percentages of excess cash flow of the Surviving Corporation and its Subsidiaries required to be applied to mandatory prepayments under such financing agreements will be the same as those set forth in the Commitment Letters and (z) any excess cash flow of the Surviving Corporation and its Subsidiaries for any period after the calendar year 2003 required to be applied as a mandatory prepayment of the indebtedness under such financing agreements will be calculated after deduction of, or reduced by the amount of, the interest on the Deferred Additional Payments accrued during such period. The Deferred Additional Payments (plus accrued interest thereon) shall (i) be payable in such installments and at such times as are permitted under the terms of the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Credit Facility (as amended and in effect from time to time) and (ii) be subordinated to the indebtedness of the Surviving Corporation and its Subsidiaries under the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Credit Facility (each as amended and in effect from time to time) on terms satisfactory to the holders of indebtedness under such facilities. The Payee Representatives will execute such subordination agreements as are required from time to time by the holders of indebtedness under the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Credit Facility to evidence the terms of such subordination. The right to receive any Deferred Additional Payments shall not be assignable except by operation of law without the prior written consent of the Surviving Corporation, which may be withheld in its absolute discretion. The Surviving Corporation shall not have any right of offset against any Additional Payment payable to a Payee if such Payee does not owe any amount to the Surviving Corporation.

(d) The parties hereto acknowledge and agree that (i) the provisions of the Additional Payment definition are based on GAAP and (ii) Company EBITDA and Company Consolidated Net Revenues shall be calculated without regard to any changes to the accounting practice and procedures of the Company that are implemented by the Parent or the Surviving Corporation after the Closing Date. In the event that the Parent or the Surviving Corporation sells or disposes of any subsidiary or division between the Closing Date and December 31, 2003, the Surviving Corporation and the Purchaser Representatives shall agree on adjustments to Company EBITDA and Company Consolidated Net Revenues to reflect the changes to Company EBITDA and Company Consolidated Net Revenues that result from such sale or disposition. The Parent and the Purchaser further covenant and agree that during the Additional Payment Restriction Period, (A) no loans, distributions or other payments shall be made by the Parent or any of its Subsidiaries to any Investor (as defined in the Contribution Agreement) or their respective Affiliates (other than transaction fees and costs paid at the Closing and other than reimbursement of reasonable out-of-pocket expenses incurred by them from time to time after the Closing), (B) neither the Parent nor the Surviving Corporation will close any Disposition Event (other than pursuant to a foreclosure or the exercise of other remedies after default by the holders of indebtedness under the Senior Credit Facility, the Mezzanine Credit Facility and any Refinancing Facility and other than any Disposition Event in connection with the closing of which all of the Additional Payments, together with any interest accrued with respect thereto, are paid in full in cash), (C) the Parent shall not pay any dividends on any of its capital stock and (D) neither the Parent nor any of its Subsidiaries shall

repurchase, redeem or otherwise acquire any equity interest of the Parent or any of its Subsidiaries; provided, however, that the Parent or any of its Subsidiaries may purchase any equity interests held by an employee in connection with termination of such employee's employment with the Parent or any of its Subsidiaries. From and after the date on which any interest begins to accrue on the Deferred Additional Payments, until the date on which all payments of the Deferred Additional Payments (including all interest due and payable thereon) have been made in cash, the Surviving Corporation shall deliver to the Payee Representatives and each of the Preferred Payees copies of the audited annual financial statements and unaudited quarterly financial statement of the Surviving Corporation promptly after such financial statements become available, subject to receipt by the Surviving Corporation of a confidentiality agreement in the form of Annex 3.06(d) hereto, signed by the Payee Representatives and each of the Preferred Payees.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchaser that, except as set forth in the Schedules hereto, as of the date hereof (or such other later date as is specified) and as of the Closing Date:

SECTION 4.01 Organization and Qualification; Subsidiaries. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Set forth on Schedule 4.01 is a list of all of the Company's Subsidiaries specifying the jurisdiction of its incorporation. Each of the Subsidiaries listed on Schedule 4.01 is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Company and each of its Subsidiaries has the requisite corporate power to own, operate or lease its properties and to carry on its business as it is now being conducted, and is duly qualified or licensed to do business, and is in good standing, in each jurisdiction in which the nature of its business or the properties owned, operated or leased by it makes such qualification, licensing or good standing necessary.

SECTION 4.02 Charter and By-Laws. The Company has heretofore made available to the Purchaser a complete and correct copy of the charter and the by-laws or comparable organizational documents, each as amended to the date hereof, of the Company and each of its Subsidiaries.

SECTION 4.03 Capitalization; Subsidiaries.

(a) The authorized capital stock of the Company consists of (i) 1,100,000 Preferred Shares, (ii) 2,200,000 shares of Series B Preferred Stock, par value $1.00 per Share, (iii) 500,000 shares of Series C Preferred Stock, par value $1.00 per Share, and (iv) 11,000,000 Common Shares. As of the date hereof, 7,383,079.5 Common Shares are issued and outstanding and owned of record as set forth on Schedule 4.03(a)(i), and 1,616,952.5 Common Shares are in the Company's treasury, and 734,214 Preferred Shares are issued and outstanding and owned of record as set forth on Schedule 4.03(a)(i). Each Preferred Share is convertible into one Common Share. The Company has 1,000,000 Common Shares reserved for issuance pursuant to the Option Plan. Schedule 4.03(a)(ii) sets forth the name of each holder of an outstanding Option under the Option

Plan, and with respect to each Option held by any such holder, the grant date, exercise price and number of Common Shares for which such Option is exercisable. As of the date hereof, except as set forth on Schedule 4.03(a)(iii), the Company has no outstanding options that would allow other Persons to purchase shares of its capital stock other than those granted and outstanding under the Option Plan. All of the outstanding Common Shares and Preferred Shares are, and all Common Shares which may be issued pursuant to the exercise of outstanding Options will be, when issued in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and nonassessable. There are no bonds, debentures, notes or other indebtedness having general voting rights (or convertible into securities having such rights) of the Company or any of its Subsidiaries issued and outstanding. Except as set forth on Schedule 4.03(a)(ii) and except as contemplated by this Agreement, or between the Company and one or more of its direct or indirect wholly owned Subsidiaries, there are no existing options, warrants, calls, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the issued or unissued capital stock of the Company or any of its Subsidiaries, obligating the Company or any of its Subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock of, or other equity interest in or voting security of, the Company or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or voting securities and neither the Company nor any of its Subsidiaries is obligated to grant or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment.

(b) Except as set forth on Schedule 4.03(b), the Company has no Subsidiaries, owns or holds of record and/or beneficially no shares or other securities of any class in the capital of any corporations, and owns no legal and/or beneficial interests in any partnerships, limited liability companies, business trusts or joint ventures or in any other unincorporated trade or business enterprises.

(c) Each of the outstanding shares of capital stock of each of the Company's Subsidiaries is owned of record and beneficially as set forth on Schedule 4.03(b) and is duly authorized, validly issued, fully paid and nonassessable, and such shares of the Company's Subsidiaries as are owned by the Company or by a Subsidiary of the Company are owned in each case free and clear of any Lien except Permitted Liens.

SECTION 4.04 Authority Relative to this Agreement. The Company represents and warrants to the Purchaser, as of the date hereof, that: (i) it has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby; (ii) its execution and delivery of this Agreement and each of the Transaction Documents to which it is a party and its consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all necessary corporate proceedings on the part of the Company (including, without limitation, unanimous approval by the Board of Directors of the Company and approval and adoption of this Agreement and the Merger by the Consenting Stockholders pursuant to the Written Consents); (iii) this Agreement and the other Transaction Documents to which it is a party have been (or upon execution and delivery thereof will be) duly and validly executed and delivered by the Company and, assuming the due and valid authorization, execution and delivery of this Agreement and the other Transaction Documents to which it is a party by each other Person party thereto (other than the Company), this Agreement and such other Transaction Documents constitute (or upon such execution and delivery will constitute) a valid and binding obligation of the

Company, enforceable against it in accordance with their terms, except that such enforceability (A) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (B) is subject to general principles of equity.

SECTION 4.05 No Conflict; Required Filings and Consents.

(a) None of the execution and delivery of this Agreement or the other Transaction Documents to which it is a party by the Company, the consummation by the Company of the Merger or any other transactions contemplated hereby and thereby, or compliance by the Company with any of the provisions hereof will (i) conflict with or violate the Certificate of Incorporation or Bylaws of the Company or the comparable organizational documents of any of its Subsidiaries, (ii) conflict with or violate any statute, ordinance, rule, regulation, order, judgment or decree applicable to the Company or its Subsidiaries, or by which any of them or any of their respective properties or assets may be bound, or (iii) except as set forth on Schedule 4.05(a), result in a violation or breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in any loss of any material benefit, or the creation of any Lien on any of the property or assets of the Company or any of its Subsidiaries (any of the foregoing referred to in clause (ii) or this clause (iii) being a "Violation") pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective properties may be bound or affected.

(b) None of the execution and delivery of this Agreement or the other Transaction Documents to which it is a party by the Company, the consummation by the Company of the Merger or any other transaction contemplated hereby or thereby or compliance by the Company and its Subsidiaries with any of the provisions hereof will require the Company or any of its Subsidiaries to make or obtain any consent, waiver, approval, authorization or permit of, or registration or filing with or notification to (any of the foregoing being a "Consent") any government or subdivision thereof, domestic, foreign or supranational or any administrative, governmental or regulatory authority, agency, commission, tribunal or body, domestic, foreign or supranational (a "Governmental Entity") or any third party, except for (i) compliance with any applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), (ii) the filing of a certificate of merger pursuant to the GCL, (iii) compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and any requirements of any foreign or supranational Antitrust Laws, and (iv) other Consents identified in Schedule 4.05(b).

SECTION 4.06 Financial Statements.

Except as set forth on Schedule 4.06:

(a) The Purchaser has heretofore been furnished with complete and correct copies of (i) the audited consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2001, (the "Audited Balance Sheet") and the related audited consolidated statements of income and cash flows of the Company and its Subsidiaries for the twelve-month period then ended; (ii) the audited consolidated balance sheet of the Company and its

Subsidiaries as at December 31, 2000, and the audited consolidated statements of income and cash flows of the Company and its Subsidiaries for the twelve-month period ended December 31, 2000 (such financial statements together with the financial statements referenced in clause (i) of this Section 4.06(a), collectively are referred to as the "Audited Financial Statements"); (iii) the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries as at July 31, 2002 (the "Interim Balance Sheet") and the related unaudited consolidated and consolidating statements of income and cash flows of the Company and its Subsidiaries for the seven-month period then ended (the "Interim Financial Statements"), each of such balance sheets and related statements being attached hereto as Schedule 4.06(a);

(b) Each of the financial statements delivered under Section 4.06(a) hereof was prepared in accordance with U.S. generally accepted accounting principles applied on a basis consistent with prior periods except as otherwise stated therein. Each of the balance sheets of the Company included in such financial statements truly and accurately presents the financial condition of the Company and its Subsidiaries as at the close of business on the date thereof in accordance with U.S. generally accepted accounting principles, subject, in the case of the Interim Financial Statements, to normal year-end adjustments and the absence of footnotes. Each of the statements of income and cash flows of the Company and its Subsidiaries included in such financial statements truly and accurately presents the results of operations of the Company and its Subsidiaries for the fiscal periods then ended in accordance with U.S. generally accepted accounting principles, subject, in the case of the Interim Financial Statements, to normal year-end adjustments and the absence of footnotes.

SECTION 4.07 Material Adverse Change. Except as set forth in Schedule 4.07, there has been no change in the financial condition or operations of the Company or its Subsidiaries since December 31, 2001 which has had or is reasonably likely to have a Material Adverse Effect on the Company.

SECTION 4.08 Absence of Certain Developments. Except as set forth on Schedule 4.08 and except as expressly contemplated by or disclosed in this Agreement (including, without limitation, any of the schedules and annexes hereto), since December 31, 2001, neither the Company nor any of its Subsidiaries has engaged in any material transaction outside the ordinary course of business consistent with past practice or:

(a) Incurred any Indebtedness, except borrowings from banks (or other financial institutions) necessary to meet ordinary course working capital requirements and to finance capital expenditures in the ordinary course of business consistent with past practice;

(b) Mortgaged, pledged or subjected to any Lien, other than a Permitted Lien, any asset or related group of assets having a net book value in excess of $100,000 individually or $500,000 in the aggregate;

(c) Sold, leased, assigned or transferred any tangible asset or related group of assets having a net book value in excess of $100,000 individually or $500,000 in the aggregate except for the sale of inventory and obsolete or used machinery and equipment in the ordinary course of business consistent with past practice;

(d) Sold, leased, assigned or transferred any interest in real estate having a net book value in excess of $100,000 individually or $500,000 in the aggregate;

(e) Sold, licensed, assigned or transferred any patents, trademarks, trade names, copyrights, trade secrets, technology, know-how, processes or other intangible assets having a fair market value in excess of $100,000 individually or $500,000 in the aggregate;

(f) Waived or relinquished any right or claim or related group of rights or claims except any such item which the Company believes has a fair value of less than $100,000 individually or $500,000 in the aggregate;

(g) Except for the issuance of Common Shares upon the exercise of outstanding Options and the grant of Options pursuant to the Option Plan, (i) issued or sold any of its Common Shares, Preferred Shares or other equity securities or any warrants, options or other rights to acquire its Common Shares, Preferred Shares or other equity securities of the Company, or (ii) purchased or redeemed or agreed to purchase or redeem any Common Shares, Preferred Shares or other equity securities;

(h) Made or entered into any binding commitment for any capital expenditures or related group of capital expenditures in excess of $50,000 individually;

(i) Modified or amended in any material manner or terminated or entered into any Material Contract, except in the ordinary course of business consistent with past practice;

(j) Granted any increase in the base compensation of, or made any other material change in the employment terms for, any of its directors, officers, and employees other than normal periodic increases or changes reflecting or based upon changed responsibilities or duties made in the ordinary course of business consistent with past practice or changes made pursuant to any collective bargaining agreements or existing contracts;

(k) Adopted, modified, or terminated any bonus, profit-sharing, incentive, severance or other plan or contract for the benefit of any of its directors, officers, and employees, other than for changes which are required by law or a collective bargaining agreement; or

(l) Declared or paid any dividend or other distribution with respect to the Shares.

SECTION 4.09 Title to Assets; Real Property; Leases. Except as disclosed on Schedule 4.09 attached hereto, the Company and its Subsidiaries have (a) good and legal title to (in the case of fee interests in real property), (b) valid leasehold interests in (in the case of leasehold interests in real or personal property) or (c) good title to (in the case of all other personal property) all of the assets reflected in the Interim Balance Sheet, subject to no Liens other than Permitted Liens. All such properties and assets are adequate and sufficient to carry on the business of the Company and its Subsidiaries as presently conducted. Schedule 4.09 sets forth a complete and correct list of all capital assets of the Company or any of its Subsidiaries having a book value in excess of $100,000 and all real property owned or leased by the Company or any of its Subsidiaries (the "Real Property"). As of October 1, 2002, the total amount of capital expenditure commitments of the Company and its Subsidiaries for the period from October 1, 2002 through December 31, 2002 is $996,619.49. There are no material defects in any such capital assets or Real Property, as to

title or condition, not described on Schedule 4.09. Neither the Company nor any of its Subsidiaries has received any written notice that either the whole or any portion of the Real Property is to be condemned, requisitioned or otherwise taken by any public authority. To the Company's Knowledge, there are no public improvements that may result in special assessments against or otherwise affect any of the Real Property. The Company and each of its Subsidiaries enjoys peaceful and undisturbed possession, and is in material compliance with the terms, (i) of all leases of real property on which facilities operated by it are situated requiring annual rental payments in excess of $100,000, each of which is listed on Schedule 4.09 hereto, and (ii) of all leases of personal property requiring annual lease payments from or to the Company or any of its Subsidiaries in excess of $100,000, each of which is listed on Schedule 4.11(a) hereto, and all leases described in clauses (i) and (ii) above are valid and in full force and effect. Complete and correct copies of all such leases have been delivered to the Purchaser.

SECTION 4.10 Tax Matters. Except as set forth on Schedule 4.10, the Company and its Subsidiaries have filed with the appropriate Governmental Entities all income Tax Returns and other Tax Returns required to be filed by them on or before the date hereof. All Tax Returns for the Company and its Subsidiaries in respect of all years not barred by the statute of limitations have heretofore been made available by the Company to the Purchaser and such returns are true, correct, and complete in all material respects. Except as set forth on Schedule 4.10 or Schedule 4.14:

(a) All Taxes upon the Company or any of its Subsidiaries or any of their properties, assets, revenues and franchises which are owed prior to the Closing Date by the Company or any of its Subsidiaries with respect to any period ending on or before the Closing Date have been paid, other than those currently payable without penalty or interest which will be accurately reflected on the Final Closing Statement;

(b) The provisions for Taxes on the Interim Balance Sheet are sufficient in accordance with GAAP for all accrued and unpaid Taxes as of the date thereof;

(c) The Company and each of its Subsidiaries has withheld and paid, or properly accrued in accordance with GAAP, all Taxes required to be withheld or paid in connection with amounts paid or owing to any employee, creditor, independent contractor or third party;

(d) No Tax Return of the Company or any of its Subsidiaries is currently under audit by the U.S. Internal Revenue Service or any other governmental agency or other taxing authority;

(e) Neither the U.S. Internal Revenue Service nor any other governmental agency or taxing authority is now asserting in writing or, to the Company's Knowledge, threatening to assert against the Company or any of its Subsidiaries, any deficiency or claim for additional Taxes or any adjustment that would have an adverse effect on the Company or any of its Subsidiaries, except for any such claim or deficiency for which adequate reserves have been established in accordance with GAAP, which reserves will be reflected on the Final Closing Statement;

(f) Neither the Company nor any of its Subsidiaries has waived, or agreed to the extension of, the statute of limitations with respect to any Taxes or Tax Return, which is currently in effect;

(g) Neither the Company nor any of its Subsidiaries has any liability for Taxes for any Person (other than the Company and its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign income Tax law) or as a transferee or successor by contract or otherwise;

(h) The reserves for accrued and unpaid state sales and use Taxes relating to sales by the Company and its Subsidiaries on a drop shipment basis to be set forth in the Final Closing Statement are sufficient in accordance with GAAP for the payment of all liabilities of the Company and its Subsidiaries for such Taxes through the Closing Date;

(i) Neither the Company nor any Subsidiary has made any payments, nor is the Company or any Subsidiary obligated to make any payments, nor is the Company or any Subsidiary a party to any agreement, plan or arrangement that could obligate any of them to make any payments, that will not be deductible pursuant to Section 280G or Section 162(m) of the Code; and

(j) the Company and its Subsidiaries have maintained their respective records with respect to Taxes in a commercially reasonable manner.

SECTION 4.11 Contracts and Commitments.

(a) Except as set forth on Schedule 4.08, Schedule 4.09, Schedule 4.11(a) or Schedule 4.16(a), neither the Company nor any of its Subsidiaries is a party to, nor are any assets or properties of the Company or any of its Subsidiaries bound or subject to, any: (i) bonus, pension, profit sharing, retirement or other form of deferred compensation plan which may provide compensation or benefits of at least $100,000 or which when aggregated with all such other plans not included on such schedules may provide compensation or benefits of at least $500,000; (ii) stock purchase, stock option, stock appreciation or similar plan; (iii) contract for the employment or engagement as a consultant of any officer, individual employee or other person on a full-time, part-time or consulting basis involving an annual compensation commitment by the Company or any of its Subsidiaries in excess of $100,000; (iv) contract, agreement or indenture relating to Indebtedness in excess of $1,000,000 or to mortgaging, pledging or otherwise placing a Lien (other than a Permitted Lien) on any portion of the Company's assets; (v) guaranty of any obligation for borrowed money in excess of $1,000,000; (vi) lease, contract or agreement under which it is lessee of, or holds or operates, any personal property owned by any other party, for which the annual rental exceeds $100,000, (vii) contract or group of related contracts with the same party for the purchase of inventories, supplies or services, under which the undelivered balance of such inventories, supplies or services has a selling price in excess of $100,000, other than contracts which are terminable by the Company or one of its Subsidiaries upon 30 days' notice or less without the payment of any termination fee or penalty; (viii) contract or group of related contracts with the same party for the sale of products or services under which the undelivered balance of such products or services has a sales price in excess of $100,000, other than contracts which are terminable by the Company or one of its Subsidiaries upon 30 days' notice or less without the payment of any termination fee or penalty; (ix) contract which prohibits or limits the Company or a Subsidiary in any material respect from freely engaging in business in the United States or anywhere else in the world; (x) joint venture, partnership or strategic alliance contract or agreement relating to the assets, properties or business of the Company or any of its Subsidiaries or by or to which any of them or any of their assets or properties are bound or subject; (xi) distribution, sales representative and sales agency

contract or agreement, other than those which are terminable by the Company or one of its Subsidiaries upon 30 days' notice or less without the payment of any termination fee or penalty; (xii) contract for the sale of any assets or properties of the Company or any of its Subsidiaries other than in the ordinary course of business or for the grant to any Person of any preferential rights to purchase any of such assets or properties; (xiii) any contract or agreement pursuant to which the Company or one of its Subsidiaries is indemnified by a third party; (xiv) any other contract or commitment (A) involving the payment by or to the Company or any of its Subsidiaries of $500,000 or more (whether in cash or other assets) in any 12 month period or $2,000,000 or more (whether in cash or other assets) in the aggregate over the remaining life of the contract or (B) the termination of which or loss of the benefits thereunder would have a Material Adverse Effect on the Company. As used in this Section 4.11, "contract" means and includes every contract, agreement, arrangement, commitment or understanding of any kind, written or oral, which is legally enforceable by or against the Company or any of its Subsidiaries. "Material Contract" means any contract of a type referred to in any of clauses (i) through (xiv) of this Section 4.11(a).

(b) The Purchaser or the Parent either has been supplied with, or has been given access to, a true and correct copy of (i) all written contracts which are referred to on Schedule 4.11(a) and Schedule 4.09, together with all written amendments, waivers or other changes thereto and (ii) all arbitration decisions and grievance settlements related to collective bargaining agreements and contracts with any labor union. Schedule 4.11(a) and Schedule 4.09 set forth a true, complete and correct description of the material terms of all oral contracts (other than oral contracts for the delivery of products or services in an amount of less than $25,000) listed thereon.

(c) Each contract listed on Schedule 4.11(a) or Schedule 4.09 is (i) a legal, valid and binding obligation of, and enforceable against, and following consummation of the transactions contemplated hereby will continue to be a legal, valid and binding obligation of, and enforceable against, the Company or its Subsidiary, and (ii) to the Company's Knowledge, a legal, valid and binding obligation of, and enforceable against, and following consummation of the transactions contemplated hereby will continue to be a legal, valid and binding obligation of, and enforceable against, the other party. Except for such defaults as are described on Schedule 4.07, neither the Company nor its Subsidiaries, nor to the Company's Knowledge any other party, are in default, breach or violation (or would be in default, breach or violation with notice or lapse of time, or both) under any contract listed on Schedule 4.11(a) or Schedule 4.09. The Company and each of its Subsidiaries have in all material respects performed all obligations required to be performed by any of them to date under each such contract.

SECTION 4.12 Intellectual Property

(a) Schedule 4.12(a)(i) sets forth a complete and accurate list of all patents, trademarks, trade names, brand names and copyrights owned by or registered in the name of the Company or any of its Subsidiaries, all applications therefor, and all licenses (as licensee or licensor) and other agreements relating thereto. Schedule 4.12(a)(ii) sets forth a complete and accurate list of all agreements relating to other patents, trademarks, trade names, brand names, copyrights, trade secrets, technology, know-how and processes which the Company or any of its Subsidiaries is licensed or authorized by others to use or which the Company or any of its Subsidiaries has licensed or authorized for use by others. Except as otherwise described in Schedule 4.12(b), the Company or

one of its Subsidiaries is the sole and exclusive owner of the patents, trademarks, trade names, brand names and copyrights listed on Schedule 4.12(a)(i), free and clear of any Liens other than Permitted Liens, and has the right to use, free and clear of any material obligations to pay royalties or any other similar obligations or restrictions (other than to the Company or another of its Subsidiaries), and free and clear of all Liens other than Permitted Liens, all (if any) patents, trade secrets, trademarks, trade names, brand names, copyrights, trade secrets, technology, know-how and processes listed on Schedule 4.12(a)(ii), and all other trade secrets, technology, know-how and processes used in or necessary for the ordinary course of business of the Company and its Subsidiaries as now conducted or as currently proposed to be conducted, and the consummation of the transactions contemplated hereby will not impair any such right. Neither the Company nor any of its Subsidiaries is in default in any material respect under or in relation to any of the licenses or agreements referred to in this Section 4.12(a).

(b) Except as set forth on Schedule 4.12(b), neither the Company nor any of its Subsidiaries, has received any written claim by or demand of any Person pertaining to, and there is no pending or, to the Company's Knowledge, threatened action, suit, proceeding or investigation relating to any rights of the Company or any of its Subsidiaries in respect of any patents, trade secrets, trademarks, trade names, brand names, copyrights, technology, know-how or processes used in the business or operations of the Company or any of its Subsidiaries, or challenging or questioning the validity or effectiveness of any license or agreement referred to in Section 4.12(a).

(c) Except as set forth on Schedule 4.12(b), no patent, trade secret, trademark, trade name, brand name, copyright, technology, know-how or processes owned or used by the Company or any of its Subsidiaries (i) is, to the Company's Knowledge, being infringed by any Person, or (ii) to the Company's Knowledge, infringes any patent, trade secret, trademark, trade name, brand name, copyright, technology, know-how, process or other intellectual property right of any Person.

(d) Schedule 4.12(d) sets forth a list of all employees, consultants and agents of the Company or any of its Subsidiaries to whom the Company or any of its Subsidiaries has provided information regarding, or access to, the viscoelastic foam formula of the Company and/or its Subsidiaries. Except as noted in Schedule 4.12(d), each such person is subject to a valid and binding confidentiality agreement with the Company or one of its Subsidiaries which requires that such person keep such information confidential.

SECTION 4.13 Permits, Licenses, Etc. The Company and its Subsidiaries have and maintain, and the permits listed on Schedule 4.13 include, all franchises, licenses, permits and other authorizations from all governmental or regulatory authorities (collectively, the "Permits") as are necessary or desirable for the conduct of the business of the Company and its Subsidiaries as presently conducted or proposed to be conducted. All of the Permits are in full force and effect, and the Company and each of its Subsidiaries is in material compliance with the terms of such Permits. Except as expressly designated on Schedule 4.13, none of the Permits will be terminated, and none of the Company's or any of its Subsidiaries' rights with respect to such Permits will be materially adversely affected, by reason of the transactions hereunder or contemplated hereby, and true and complete copies of such Permits have previously been delivered or made available to the Purchaser.

SECTION 4.14 Litigation. Except as set forth on Schedule 4.14, as of the date of this Agreement, there are no actions, suits or proceedings pending or, to the Company's Knowledge, threatened against the Company or any of its Subsidiaries (or, in each case, in which the Company or its Subsidiaries is a party or to which any of their assets or properties are subject), at law or in equity, or before or by any foreign, federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign. Except as set forth on Schedule 4.14, neither the Company nor any of its Subsidiaries is subject to any outstanding judgment, injunction, order or decree of any court or Governmental Entity to which the Company or its Subsidiaries is a party.

SECTION 4.15 Notice of Offering. None of the information supplied or to be supplied by the Company in writing for inclusion or incorporation by reference in the Notice of Offering will, at the time such information is provided to the Parent, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.16 Employee Benefit Plans.

(a) Except for the arrangements set forth on Schedule 4.16(a), neither the Company nor any of its Subsidiaries now maintains or contributes to, nor does it have any outstanding liability to or in respect of or obligation under, any pension, profit-sharing, deferred compensation, bonus, stock option, share appreciation right, severance, group or individual health, dental, medical, life insurance, survivor benefit, or similar plan, policy or arrangement for the benefit of any director, officer, consultant or employee, whether active or terminated, of the Company or any of its Subsidiaries. Each of the arrangements set forth on Schedule 4.16(a) is hereafter referred to as an "Employee Benefit Plan", except that any such arrangement which is a multi-employer plan shall be treated as an Employee Benefit Plan only for purposes of Sections 4.16(d)(ii), (vi) and (viii) and 4.16(g) below.

(b) The Company has heretofore delivered to the Purchaser true, correct and complete copies of each Employee Benefit Plan, and with respect to each Employee Benefit Plan true, correct and complete copies of (a) any associated trust, custodial, insurance or service agreements, (b) any annual report, actuarial report, or disclosure materials (including specifically any summary plan descriptions) submitted to any governmental agency or distributed to participants or beneficiaries thereunder in the current or any of the three (3) preceding calendar years and (c) the most recently received Internal Revenue Service determination letters and any governmental advisory opinions, rulings, compliance statements, closing agreements, or similar materials specific to such Employee Benefit Plan.

(c) Each Employee Benefit Plan is and has heretofore been maintained and operated in all material respects in compliance with the terms of such Employee Benefit Plan and with the requirements prescribed (whether as a matter of substantive law or as necessary to secure favorable tax treatment) by any and all statutes, governmental or court orders, or governmental rules or regulations in effect from time to time, including but not limited to, with respect to any Employee Benefit Plan of the Company or any of its Subsidiaries applicable to any employees based in the U.S. (a "U.S. Plan"), the Employee Retirement Income Security Act of 1974, as amended,

("ERISA") and the Code and applicable to such Employee Benefit Plan. Each U.S. Plan which is intended to qualify under Section 401(a) of the Code is expressly identified as such on Schedule 4.16(a) and, to the Knowledge of the Company, nothing has occurred which would likely adversely affect the qualified status of such U.S. Plans or could reasonably require action under the compliance resolution programs of the Internal Revenue Service to preserve such qualification. No U.S. Plan is, or is associated with, a trust or other entity intended to qualify as a "voluntary employee benefit association" within the meaning of Section 501(c)(9) of the Code.

(d) Except as set forth on Schedule 4.16(d):

(i) there is no pending or threatened legal action, proceeding or investigation, other than routine claims for benefits, concerning any Employee Benefit Plan or to the Knowledge of the Company any fiduciary or service provider thereof with respect to such Employee Benefit Plans and, to the Knowledge of the Company, there is no reasonable basis for any such legal action or proceeding;

(ii) no liability (contingent or otherwise) to the Pension Benefit Guaranty Corporation or any multi-employer plan has been incurred by the Company, any of its Subsidiaries or any affiliate thereof (other than insurance premiums satisfied in due course);

(iii) no Employee Benefit Plan, or any retirement plan of an affiliate of the Company, is subject to Title IV of ERISA;

(iv) no U.S. Plan nor, to the Knowledge of Company, any party in interest with respect thereof, has engaged in a non-exempt prohibited transaction which could subject the Company or any of its Subsidiaries directly or indirectly to liability under Section 409 or 502(i) of ERISA or Section 4975 of the Code;

(v) no written communication, report or disclosure has been made by or on behalf of the Company or any Subsidiary which, at the time made, did not accurately reflect, in all material respects, the terms and operations of any Employee Benefit Plan;

(vi) no Employee Benefit Plan provides welfare benefits subsequent to termination of employment to employees or their beneficiaries except to the extent required by applicable national or state laws (including, with respect to any U.S. Plans, Title I, Part 6 of ERISA);

(vii) neither the Company nor any Subsidiary has announced its intention, or undertaken (whether or not legally bound) to materially modify or terminate any Employee Benefit Plan or adopt any arrangement or program which, once established, would come within the definition of an Employee Benefit Plan; and

(viii) the Company has not undertaken to maintain any Employee Benefit Plan for any period of time and by its terms each Employee Benefit Plan is terminable at the sole discretion of the sponsor thereof, subject only to such constraints as may imposed by applicable law.

(e) With respect to each Employee Benefit Plan for which a separate fund of assets is or is required to be maintained, full and timely payment has been made of all amounts required of

the Company or any of its Subsidiaries, under the terms of each such Employee Benefit Plan or applicable law, as applied through the Closing Date. No Employee Benefit Plan is subject to the provisions of Section 302 of ERISA and Section 412 of the Code. The current value of the assets of each Employee Benefit Plan subject to Section 401(a) of the Code, as of the end of the most recently ended plan year of that Employee Benefit Plan, equals the current value of all benefits liabilities under that Employee Benefit Plan.

(f) Except as set forth on Schedule 4.16(f), the execution of this Agreement and the consummation of the transactions contemplated herein will not, by itself or in combination in any other event (regardless of whether that other event has occurred or will occur), result in any payment (whether of severance pay or otherwise) becoming due from or under any Employee Benefit Plan to any current or former director, officer, consultant or employee of the Company or any of its Subsidiaries or result in the acceleration of vesting, acceleration of payment or increase in the amount of any benefit payable to or in respect of any such current or former director, officer, consultant or employee.

(g) No Employee Benefit Plan is a multi-employer plan.

(h) For purposes of this Section 4.16, "multi-employer plan", "party in interest"' "current value", "reportable event" and "benefit liability" have the same meaning assigned such terms under Sections 3, 4043(c) or 4001(a) of ERISA, and "affiliate" means any entity which under Section 414 of the Code is treated as a single employer.

SECTION 4.17 Insurance. Schedule 4.17 lists all insurance policies maintained by the Company and its Subsidiaries and their respective coverage and expiration dates. All of such insurance policies (a) are in full force and effect, (b) are sufficient for compliance by the Company and its Subsidiaries with all requirements of law and all agreements to which the Company or any of its Subsidiaries is a party and (c) will not terminate or lapse by reason of the transactions contemplated by this Agreement. Neither the Company nor any of its Subsidiaries is in default with respect to its obligations under any of such insurance policies. No written notice of cancellation or termination or rejection of any claim or denial of coverage has been received by the Company or its Subsidiaries with respect to any such policy in the last three years (or such shorter period as such entity has been in existence or has been a Subsidiary of the Company). The Company and each of its Subsidiaries has been covered during the past five years (or such shorter period as such entity has been in existence or has been a Subsidiary of the Company) by insurance in scope and amount customary and reasonable for the businesses in which they have engaged during such period.

SECTION 4.18 Compliance with Laws. Except as set forth on Schedule 4.18, Schedule 4.10, Schedule 4.08, Schedule 4.14 or Schedule 4.19, the Company and each of its Subsidiaries is in material compliance with every statute, rule, restriction, law, regulation, order, judgment or decree of any Governmental Entity applicable to it or by which it is bound. Except as set forth on Schedule 4.18, Schedule 4.10, Schedule 4.08, Schedule 4.14, or Schedule 4.19, neither the Company nor any Subsidiary has received from any governmental or regulatory authority any written notice alleging any material violation of law or claiming any material liability of the Company or any of its Subsidiaries as a result of any such alleged material violation.

SECTION 4.19 Environmental Compliance.

(a) The representations and warranties in this Section 4.19 are the exclusive representations and warranties of the Company relating to compliance with Environmental Laws or contamination from Hazardous Substances. Except as set forth on Schedule 4.19:

(i) the Company and each of its Subsidiaries has been issued and is in material compliance with all permits, certificates, approvals, licenses and other authorizations issued by a Government Entity relating to environmental matters and required under applicable Environmental Laws for the conduct of its business, including the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Water Pollution Control Act, the Solid Waste Disposal Act, as amended, the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Danish Contaminated Soil Act, or any supranational, national, state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws").

(ii) neither the Company nor any of its Subsidiaries is in violation or, to the Company's Knowledge, alleged violation of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation those arising under any applicable Environmental Laws;

(iii) neither the Company nor any of its Subsidiaries has received notice from any Governmental Entity, (A) that the Company or any of its Subsidiaries has been identified by such Governmental Entity as having potential liability under any Environmental Law, including, without limitation, any such notice from the United States Environmental Protection Agency that the Company or any of its Subsidiaries has been identified as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); (B) that any hazardous waste regulated by any Environmental Laws (including, without limitation, as defined by 42 U.S.C. Section6903(5)), any hazardous substance regulated by any Environmental Laws (including, without limitation, as defined by 42 U.S.C. Section9601(14)), any pollutant or contaminant regulated by any Environmental Laws (including, without limitation, as defined by 42 U.S.C. Section9601(33)) or any toxic substance, oil or hazardous material or other chemical or substance (including, without limitation, asbestos in any form, urea formaldehyde or polychlorinated biphenyls) regulated by any Environmental Laws ("Hazardous Substances") which the Company or any of its Subsidiaries has generated, transported or disposed of has been found at any site at which a Governmental Entity has conducted or has ordered that the Company or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (C) that the Company or any of its Subsidiaries is or shall be a named party to any claim, action, cause of action, complaint, (contingent or otherwise) legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances;

(iv) all real properties presently owned, leased or operated by the Company or any of its Subsidiaries are free from contamination of every kind, including without limitation, groundwater, surface water, soil, sediment and air contamination, and such properties and the buildings and equipment thereon do not contain any Hazardous Substances, except in each case to the extent that the presence of Hazardous Substances on such properties does not materially violate any applicable Environmental Laws;

(v) there have been no material releases (i.e., any past or present releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping) or threatened releases of Hazardous Substances, except in accordance with applicable Environmental Laws, on, upon, into or from any real property presently owned, leased or operated by the Company or any of its Subsidiaries, or to the Company's actual knowledge, formerly owned, leased or operated by the Company or any of its Subsidiaries, for which the Company or any of its Subsidiaries may be liable; and

(vi) no real property presently owned, leased or operated by the Company or any of its Subsidiaries and, to the Company's actual knowledge no real property formerly owned, leased or operated by the Company or any of its Subsidiaries, is subject to any clean-up obligations or real property transfer requirements under applicable Environmental Laws by virtue of the transactions set forth herein and contemplated hereby.

(b) Attached as part of Schedule 4.19 is a list of all documents, reports, site assessments, data, communications or other materials, in the possession of the Company or any of its Subsidiaries or to which any of them has access, which contain any material information with respect to potential environmental liabilities associated with any real property presently or formerly owned, leased or operated by the Company or any of its Subsidiaries and relating to violations of Environmental Laws or potential liability associated with the environmental condition of such properties. The Company has furnished to the Purchaser complete and accurate copies of all of the documents, reports, site assessments, data, communications and other materials listed on Schedule 4.19 hereto.

SECTION 4.20 Affiliated Transactions. Except for the Company's employee benefit plans or as set forth on Schedule 4.20, Schedule 4.08 or Schedule 4.11(a), no officer, director, or Management Stockholder of the Company or, to the Company's Knowledge, any individual in such officer's or director's immediate family or any Affiliate of any such person is a party to any agreement, contract, commitment or transaction with the Company or any of its Subsidiaries or has any interest in any real or personal property used by the Company or any of its Subsidiaries other than arrangements with employees that are available to similarly situated employees.

SECTION 4.21 Brokers. Except as set forth on Schedule 4.21, none of the Company, any of its Subsidiaries, or any of their respective officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.

SECTION 4.22 Labor Relations. The Company and its Subsidiaries are in material compliance with all applicable European Union, national, federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours, and

nondiscrimination in employment, and are not engaged in any unfair labor practice. There is no charge pending or, to the Company's Knowledge, threatened, against or with respect to the Company or any of its Subsidiaries before any court or agency alleging unlawful discrimination in employment practices, and there is no charge of or proceeding with regard to any unfair labor practice against any of them pending before the National Labor Relations Board or any equivalent foreign regulatory agency. There is no labor strike, dispute, slow-down, or work stoppage pending, or to the Company's Knowledge, threatened against or involving the Company or any of its Subsidiaries. No employees of the Company or any of its Subsidiaries are party to a collective bargaining agreement, and no such collective bargaining agreement is currently being negotiated. No one has petitioned and no one is now petitioning for union representation of any employees of the Company or any Subsidiary, excluding any workers council provisions under any applicable laws. Neither the Company nor any of its Subsidiaries has experienced any work stoppage or other material labor difficulty within the five years preceding the Closing.

SECTION 4.23 Suppliers and Customers. Schedule 4.23 hereto sets forth (a) the ten (10) largest suppliers of the Company and its Subsidiaries, taken as a whole, based on the dollar amount of purchases for the twelve months ending December 31, 2001, and (b) the ten (10) largest customers of the Company's and its Subsidiaries' products, taken as a whole, based on the dollar amount of sales for the twelve months ending December 31, 2001. The relationships of the Company or any of its Subsidiaries with such suppliers and customers are good commercial working relationships and, except as set forth on Schedule 4.23, no such supplier or customer has, during the last twelve (12) months, cancelled or otherwise terminated, or threatened to cancel or otherwise to terminate, its relationship with the Company or such Subsidiary or decreased materially, or threatened to decrease or limit materially, its services, supplies or materials for use by the Company or such Subsidiary or its usage or purchase of the services or products of the Company or such Subsidiary, except for normal cyclical changes related to customers' businesses. To the Company's Knowledge, no such supplier, or customer intends to cancel or otherwise substantially modify its relationship with the Company or any of its Subsidiaries or to decrease materially or limit its services, supplies or materials to the Company or any of its Subsidiaries, or its usage or purchase of the services or products of the Company or any of its Subsidiaries.

SECTION 4.24 Solvency. Prior to consummation of the transactions contemplated hereby, the Company is solvent, has tangible and intangible assets having a fair value in excess of the amount required to pay its probable liabilities and its existing debts as they become absolute and matured, and has access to adequate capital for the conduct of its business and the ability to pay its debts from time to time incurred in connection therewith as such debts mature.

SECTION 4.25 Accounts Receivable. All accounts and notes receivable reflected on the Interim Balance Sheet, and all accounts and notes receivable arising subsequent to the date of the Interim Balance Sheet, have arisen in the ordinary course of business, represent valid obligations owing to the Company and its Subsidiaries and have been collected or are collectible in the aggregate recorded amounts thereof in accordance with their terms, net of the reserve for uncollected accounts to be set forth on the Final Closing Statement.

SECTION 4.26 Inventory. The inventory and supplies of the Company and its Subsidiaries are adequate for present needs, and are in usable and saleable condition in the ordinary

course of business, subject only to appropriate reserves for obsolescence to be reflected on the Final Closing Statement.

SECTION 4.27 No Undisclosed Liabilities. Except to the extent (a) reflected or reserved against in the Interim Balance Sheet, (b) incurred in the ordinary course of business after the date of the Interim Balance Sheet and either discharged at or prior to Closing or reflected on the Final Closing Statement, or (c) described on any Schedule hereto, the Company and its Subsidiaries have no liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise (including without limitation as a guarantor or otherwise with respect to obligations of others), other than performance obligations with respect to contracts that would not be required to be reflected or reserved against on a balance sheet prepared in accordance with generally accepted accounting principles or in the footnotes thereto.

SECTION 4.28 Indebtedness; Company Transaction Expenses. Except for Indebtedness described on Schedule 4.28 hereto, the Company and its Subsidiaries have no Indebtedness outstanding at the date hereof. As of the Closing Date, the Company and its Subsidiaries will have no outstanding Indebtedness or unpaid Company Transaction Expenses other than as described on the Certificate of Net Debt.

SECTION 4.29 Bank Accounts, Signing Authority, Powers of Attorney. Except as set forth on Schedule 4.29 hereto, neither the Company nor any of its Subsidiaries has an account or safe deposit box in any bank and no Person has any power, whether singly or jointly, to sign any checks on behalf of the Company or any of its Subsidiaries, to withdraw any money or other property from any bank, brokerage or other account of the Company or any of its Subsidiaries or to act under any power of attorney granted by the Company or any of its Subsidiaries at any time for any purpose. Schedule 4.29 also sets forth the names of all persons authorized to borrow money or sign notes on behalf of the Company or any of its Subsidiaries.

ARTICLE IV(A)
REPRESENTATIONS AND WARRANTIES
OF MANAGEMENT SHAREHOLDERS

Each of the Management Shareholders, severally and not jointly, represents and warrants to the Purchaser as of the date hereof (or such later date as is specified) and as of the Closing Date that: (i) except as set forth on Schedule 4A, such Management Shareholder has (A) sole record and beneficial ownership of the number and class or series of Shares set forth for such Shareholder on Schedule 4.03(a)(i), in each case free and clear of any Lien, other than Management Shareholder Permitted Liens, and (B) the unqualified right to sell, assign, transfer and deliver such Shares in connection with the consummation of the Merger; (ii) such Management Shareholder has all necessary corporate or applicable entity power and authority, if applicable, to execute and deliver this Agreement and the other Transaction Documents to which such Person is a party and to consummate the transactions contemplated hereby and thereby; (iii) the execution and delivery of this Agreement, and each of the Transaction Documents to which such Person is a party, by such Management Shareholder and the consummation by such Management Shareholder of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all necessary corporate or applicable entity proceedings, if applicable, on the part of such Management Shareholder, other than approval and adoption of this Agreement and the Merger by

the stockholders of the Company; and (iv) this Agreement and the other Transaction Documents to which such Person is a party has been (or upon execution and delivery thereof will be) duly and validly executed and delivered by such Management Shareholder and, assuming the due and valid authorization, execution and delivery of this Agreement and the other Transaction Documents to which such Person is a party by each other Person party thereto (other than such Management Shareholder), this Agreement and such other Transaction Documents constitute (or upon such execution and delivery will constitute) a valid and binding obligation of such Management Shareholder enforceable against it in accordance with their terms, except that such enforceability (A) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (B) is subject to general principles of equity.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE PARENT AND THE PURCHASER

The Parent and the Purchaser jointly and severally represent and warrant to the Company that, as of the date hereof (or such other later date as is specified):

SECTION 5.01 Organization and Qualification. The Parent and the Purchaser are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware. The Parent and the Purchaser have the requisite corporate power and authority to own, operate or lease their properties and to carry on their businesses as they are now being conducted and to enter into this Agreement and to perform all of their obligations hereunder.

SECTION 5.02 Authority Relative to this Agreement. Each of the Parent and the Purchaser has all necessary corporate power and authority to execute this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Parent and the Purchaser and the consummation by the Parent and the Purchaser of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary corporate proceedings on the part of the Parent and the Purchaser. This Agreement has been duly executed and delivered by the Parent and the Purchaser and, assuming the due and valid authorization, execution and delivery by the Company and the Management Shareholders, such agreement constitutes a valid and binding obligation of the Parent and the Purchaser enforceable against them in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

SECTION 5.03 No Conflict; Required Filings and Consents.

(a) None of the execution and delivery of this Agreement by the Parent and the Purchaser, the consummation by the Purchaser of the Merger or any other transactions contemplated hereby or compliance by the Parent and the Purchaser with any of the provisions hereof will (i) conflict with or violate the organizational documents of the Parent or the Purchaser, (ii) conflict with or violate any statute, ordinance, rule, regulation, order, judgment or decree applicable to the Parent or any of its Subsidiaries, or by which any of them or any of their respective properties or assets may be bound or affected, or (iii) result in a Violation pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the

Parent or any of its Subsidiaries is a party or by which any of their respective properties or assets may be bound or affected, except for any such actions which would not have a material adverse effect on the ability of the Parent or the Purchaser to consummate the transactions contemplated hereby.

(b) None of the execution and delivery of this Agreement by the Parent and the Purchaser, the consummation by the Purchaser of the Merger or any other transactions contemplated hereby or compliance by the Parent and the Purchaser with any of the provisions hereof will require any Consent of any Governmental Entity or third party, except for (i) compliance with any applicable requirements of the Securities Act, (ii) the filing of a Certificate of Merger pursuant to the GCL, (iii) compliance with the HSR Act and any requirements of any foreign or supranational Antitrust Laws, and (iv) Consents the failure of which to obtain or make would not have a material adverse effect on the ability of the Parent or the Purchaser to consummate the transactions contemplated hereby.

SECTION 5.04 Conduct of Business. The Purchaser and the Parent are newly formed corporations which have not conducted any business other than in connection with the transactions contemplated by this Agreement.

SECTION 5.05 Solvency. Assuming the correctness of the representations and warranties in Article IV hereof, the Surviving Corporation and its Subsidiaries will immediately after the Closing and immediately after the Effective Time be solvent and capable of meeting their obligations as they become due, have assets exceeding their liabilities and have a reasonable amount of capital for the conduct of their business.

SECTION 5.06 Capitalization. On the Closing Date, the authorized capital stock of the Parent will consist of 250,000 shares of preferred stock, $0.01 par value per share, of which 180,000 shares have been designated as Series A preferred stock (the "Parent Preferred Stock"), 25,000 shares of Class A common stock, $0.01 par value per share (the "Parent Class A Common Stock"), 300,000 shares of Class B-1 voting common stock, $0.01 par value per share (the "Parent Class B-1 Common Stock") and 25,000 shares of Class B-2 non-voting common stock, $0.01 par value per share. On the Closing Date, after giving effect to the transactions contemplated hereby, the Parent will have no outstanding capital stock other than the shares of Parent Preferred Stock to be issued pursuant to Sections 2.1(b) and 2.2(c) of the Contribution Agreement, the shares of Parent Class A Common Stock to be issued pursuant to Sections 2.1(a), 2.2(a) and 2.2(b) of the Contribution Agreement and the shares of Parent Class B-1 Common Stock to be issued pursuant to Sections 2.1(c) of the Contribution Agreement, all of which will be duly authorized, validly issued, fully paid, and non-assessable. The authorized capital stock of the Purchaser consists of 3,000 shares of common stock, $0.01 par value per share. There are no bonds, debentures, notes or other indebtedness having general voting rights (or convertible into securities having such rights) of the Parent or any of its Subsidiaries issued and outstanding. Except for this Agreement, the Contribution Agreement, the Parent's Stock Option Plan, the Notice of Offering and the commitment letters relating the Mezzanine Credit Facility, there are no existing options, warrants, calls, subscriptions or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of the Parent or any of its Subsidiaries, obligating the Parent or any of its Subsidiaries to purchase, redeem, issue, transfer or sell, or cause to be purchased, redeemed, issued, transferred or sold, any shares of capital stock of, or other equity interest in or

voting security of, the Parent or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or voting securities, and neither the Parent nor any of its Subsidiaries is obligated to grant or to enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment.

SECTION 5.07 Financing. The Parent and its Affiliates have received the written commitments, true, correct and complete copies of which are attached hereto as Annex 5.07 (the "Commitment Letters"), to obtain, subject to the terms and conditions therein, the funds necessary for the consummation of the transactions contemplated hereby, including payment of the Merger Consideration with respect to all Shares not owned, directly or indirectly, by the Parent or the Company prior to the Closing Date and all related costs and expenses. The Parent or its Affiliates have paid all commitment fees required to be paid and taken all other actions required to cause such Commitment Letters to be effective and to constitute the valid commitment of the issuer(s) of such letters, and each such Commitment Letter is a valid and binding commitment of the Affiliates of the Parent party thereto and, to the knowledge of the Parent, the issuer thereof. Neither the Parent nor its Affiliates has any knowledge, as of the date hereof, of any fact that is in the control of the Parent or the Purchaser that would cause the commitments provided in the Commitment Letters to be terminated prior to October 31, 2002.

SECTION 5.08 Interest in Other Entities. Neither the Parent nor the Purchaser owns, directly or indirectly, beneficially or of record, any stock, partnership interest, option, warrant or other equity interest in any Person other than the Purchaser and, following the consummation of the transactions contemplated by this Agreement, the Company and its Subsidiaries.

SECTION 5.09 Notice of Offering. None of the information supplied or to be supplied by the Parent or the Purchaser or their respective Affiliates in writing for inclusion in the Notice of Offering will, at the times provided to the Parent, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 5.10 Litigation. There is no suit, claim, action, proceeding, judgment, writ, order, injunction or decree pending or, to the knowledge of the Parent or the Purchaser, threatened against or affecting the consummation by the Parent or the Purchaser of the transactions contemplated hereby or by the Transaction Documents to which either of them is a party, at law or in equity or before any governmental authority or instrumentality or before any arbitrator of any kind, except for those that would not have a material adverse effect on the Parent's or the Purchaser's financial condition or results of operations, assuming the consummation of the transactions contemplated hereby and by the other Transaction Documents, or the ability of either the Parent or the Purchaser to consummate the transactions contemplated hereby, or by the other Transaction Documents.

SECTION 5.11 Broker's Fees. Neither the Parent nor the Purchaser nor any Person on the Parent's or the Purchaser's behalf has retained any broker, finder or agent or agreed to pay any brokerage fee, finder's fee or commission with respect to the transactions contemplated by this Agreement.

SECTION 5.12 Ownership of Purchaser. The Parent owns beneficially and of record all of the shares and interests in the Purchaser, free and clear of any Liens, proxies, voting trusts or restrictions whatsoever, except restrictions on transfer under any applicable securities laws. There are no outstanding options, warrants, conversion or other rights or agreements of any kind (except as contemplated hereby) for the purchase from, or the sale or issuance by, the Parent of any interest or stock in the Purchaser. Each of the outstanding shares of capital stock of the Purchaser is duly authorized, validly issued, fully paid and non-assessable. The Parent is not a party to any obligation (contingent or otherwise) to buy or sell the Purchaser, except to the extent of any pledge of the capital stock of the Purchaser required in connection with the Senior Credit Facility.

ARTICLE VI
COVENANTS

SECTION 6.01 Conduct of Business of the Company. Except as provided in Section 6.08 hereof or as otherwise contemplated by this Agreement (including without limitation, any schedules or annexes hereto) or with the written consent of the Purchaser, during the period from the date of this Agreement to the Closing Date, the Company will (and each of the Management Shareholders will cause the Company to), and will cause each of its Subsidiaries to, conduct its operations only in the ordinary course of business consistent with past practice and will (and each of the Management Shareholders will cause the Company to) use all commercially reasonable efforts, and will cause each of its Subsidiaries to use all commercially reasonable efforts, to preserve intact the business organization of the Company and each of its Subsidiaries, to keep available the services of its and their present officers and key employees and to preserve the goodwill of those having business relationships with it. Without limiting the generality of the foregoing, and except as provided in Section 6.08 hereof, as otherwise contemplated by this Agreement (including without limitation, Schedule 7.03(o) and any other schedules or annexes hereto) or with the written consent of the Purchaser, the Company will not (and each of the Management Shareholders will cause the Company to not), and will not permit any of its Subsidiaries to, prior to the Closing Date:

(a) Adopt any amendment to its charter or by-laws or comparable organizational documents;

(b) Except for issuances of capital stock of the Subsidiaries to the Company or a wholly owned subsidiary of the Company, and other than the issuance of Common Shares pursuant to the exercise of Options outstanding on the date hereof, issue, reissue, pledge or sell, or authorize the issuance, reissuance, pledge or sale of (i) additional Shares or other shares of capital stock of any class, or securities convertible into Shares or other capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, or (ii) any other securities in respect of, in lieu of, or in substitution for, Shares outstanding on the date hereof;

(c) Declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock other than between any of the Company and its wholly owned Subsidiaries.

(d) Split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem, purchase or otherwise acquire, any Shares or any other capital stock;

(e) Make any loans, advances or capital contributions to, or investments in, any other Person in excess of $100,000, except for loans, advances, capital contributions or investments between any Subsidiary of the Company and the Company or another wholly owned subsidiary of the Company;

(f) Merge with any other Person or permit any other Person to merge into it, consolidate or combine with any Person, or sell all or substantially all of its assets;

(g) Sell or otherwise dispose of any capital asset with a market value in excess of $100,000 individually or $500,000 in the aggregate, or purchase, sell or otherwise dispose of any capital asset other than in the ordinary course of business;

(h) Enter into, establish, adopt, amend or renew any employment, consulting, severance or similar agreements or arrangements with any director, officer or employee; grant any salary or wage increase (other than in the ordinary course of business consistent with past practice or as may be required by law); or establish, adopt, amend, or increase benefits under, any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, welfare benefit contract, plan or arrangement (other than in the ordinary course of business consistent with past practice or as may be required by law);

(i) Enter into any labor or collective bargaining agreement, memorandum of understanding, grievance settlement or any other agreement or commitment to or relating to any labor union, except in the ordinary course of business consistent with past practice;

(j) Take any action that would or might be expected to (i) result in any inaccuracy of any representation or warranty herein that would allow for the termination of this Agreement, (ii) cause any of the conditions precedent to the transactions contemplated by this Agreement to fail to be satisfied, (iii) fail to comply in any material respect with any laws, regulations, ordinances or governmental actions applicable to it or to the conduct of its business or (iv) cause any of the insurance policies required to be disclosed on Schedule 4.17 to cease to be in effect, unless such policies are replaced with replacement policies containing substantially similar provisions; or

(k) Agree to take any of the foregoing actions prohibited under this Section.

SECTION 6.02 Access to Information. From the date of this Agreement until the Closing, upon reasonable notice, the Company will (and each of the Management Shareholders will cause the Company to), and will cause its Subsidiaries, and each of their respective Affiliates, officers, directors, counsel, employees, advisors and representatives (collectively, the "Company Representatives") to, give the Purchaser and its Affiliates, officers, directors, employees, counsel, advisors and representatives (collectively, the "Purchaser Representatives") full access (subject, however, during the term of this Agreement and following any termination hereof, to the Purchaser keeping and causing its Subsidiaries and Affiliates to keep such information confidential in a manner consistent with existing confidentiality and similar non-disclosure obligations, including those contained in the Confidentiality Agreement, and the preservation of attorney client and work product privileges), during normal business hours, to the offices and other facilities and to the books and records of the Company and its Subsidiaries and will (and each of the Management Shareholders

will cause the Company to) cause the Company Representatives to furnish the Purchaser and the Purchaser Representatives to the extent available with such financial and operating data and such other information with respect to the business and operations of the Company and its Subsidiaries as the Purchaser may from time to time reasonably request; provided that if the Company determines in good faith that any such data or information is competitively sensitive, then during the period prior to the Closing Date, the Purchaser will take such steps as are reasonable and appropriate to limit the dissemination of such information to only such Purchaser Representatives as are necessary to have access to such information for purposes of this transaction. Prior to the Closing Date, neither the Purchaser nor the Purchaser Representatives shall contact or in any manner communicate with the employees, customers, lessors or suppliers of the Company and its Subsidiaries with respect to any matter related to the transactions contemplated hereby, except with the prior written consent of the Company. In the event of the termination of this Agreement, each party hereto shall return to the other party upon its written request all confidential information previously furnished in connection with the transactions contemplated by this Agreement.

SECTION 6.03 Cooperation. Subject to the terms and conditions herein provided and to applicable legal requirements, each of the parties hereto agrees to use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, and to assist and cooperate with the other party hereto in doing, as promptly as practicable, all things necessary, proper or advisable under applicable laws and regulations to ensure that the conditions set forth in Article VII are satisfied and to consummate and make effective the transactions contemplated by the Merger and this Agreement on or before November 5, 2002.

SECTION 6.04 Consents.

(a) Within five (5) Business Days following the date hereof, the Parent, the Purchaser and the Company shall prepare and file or cause to be prepared and filed on their respective behalf with the United States Federal Trade Commission ("FTC") and the United States Department of Justice ("DOJ") all reports or other documents required to be filed by or on behalf of them under the HSR Act and the Premerger Notification Rules promulgated thereunder concerning the transactions contemplated hereby. Each of the Parent, the Purchaser and the Company shall respond promptly to any request for additional information that may be issued by either the FTC or the DOJ and shall use commercially reasonable efforts to assure that the waiting period required by the HSR Act has expired or been terminated prior to the date that is 30 days following the date that all reports or other documents required to be filed with the FTC and the DOJ have been submitted. Each of the Parent, the Purchaser and the Company shall provide the others with copies of all documents and other information provided to the FTC and the DOJ, subject to the limitations and conditions set forth in Section 6.02.

(b) Within five (5) Business Days following the date hereof, the Parent, the Purchaser and the Company shall prepare and file or cause to be prepared and filed on their respective behalf with the Finnish Competition Authority ("FCA") all reports or other documents required to be filed by them under the Finnish Act on Competition Restrictions and the rules and regulations promulgated thereunder concerning the transactions contemplated hereby. Each of the Parent, the Purchaser and the Company shall respond promptly to any request for additional information that may be issued by the FCA and shall use commercially reasonable efforts to assure that the waiting period required by the Finnish Act on Competition Restrictions has expired or been

terminated prior to the date that is 30 days following the date that all reports or other documents required to be filed with the FCA have been submitted. Each of the Parent, the Purchaser and the Company shall provide the others with copies of all documents and other information provided to the FCA, subject to the limitations and conditions set forth in Section 6.02.

(c) Within fifteen (15) days following the date hereof, the Parent, the Purchaser and the Company shall prepare and file or cause to be prepared and filed on their respective behalf with the Brazilian Administrative Council for Economic Defence ("CADE") all reports or other documents required to be filed by them under Brazilian Law No. 8,884 of June 11, 1994 and the rules and regulations promulgated thereunder concerning the transactions contemplated hereby. Each of the Parent, the Purchaser and the Company shall respond promptly to any request for additional information that may be issued by the CADE and shall use commercially reasonable efforts to assure that the transactions contemplated hereby are approved or cleared by the CADE; provided, that such approval or clearance shall not be a required approval or clearance for purposes of Sections 7.01(b) or 8.01(c)(ii) of this Agreement. Each of the Parent, the Purchaser and the Company shall provide the others with copies of all documents and other information provided to the CADE, subject to the limitations and conditions set forth in Section 6.02.

(d) Each of the Purchaser, the Parent and the Company will use its commercially reasonable efforts to obtain as promptly as practicable all Consents of any Governmental Entity or any other person required in connection with, and waivers of any Violations that may be caused by, the consummation of the transactions contemplated by this Agreement. Each of the Parent, the Purchaser and the Company shall provide the others with copies of all documents and other information provided in connection with such Consents and waivers, subject to the limitation and conditions set forth in Section 6.02.

(e) Any party hereto shall promptly inform the others of any material communication from the FTC, the DOJ, the FCA, the CADE or any other Governmental Entity regarding any of the transactions contemplated by this Agreement. If any party hereto or any Affiliate thereof receives a request for additional information or documentary material from any such government or authority with respect to the transactions contemplated by this Agreement, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response in compliance with such request. The Parent and the Purchaser will advise the Company promptly in respect of any understandings, undertakings or agreements (oral or written) which the Parent or the Purchaser proposes to make or enter into with the FTC, the DOJ, the FCA, the CADE or any other Governmental Entity in connection with the transactions contemplated by this Agreement.

SECTION 6.05 Public Announcements. Prior to the Effective Time, except as required by applicable law, no party hereto shall issue any press release or otherwise make any public statement with respect to this Agreement and the transactions contemplated hereby without the prior written consent of the other parties hereto. With respect to any public statement of any party that does not require the consent of the other parties, the party making such statement shall, prior to public disclosure thereof, first consult with and provide the other party a reasonable opportunity to review the contents of such statement. After the Effective Time, no party hereto shall issue any press release (or otherwise make any public statement) disclosing the Aggregate Merger Consideration or the price paid per share for the Common Shares or the Preferred Shares pursuant to

the Merger, without the prior written consent of the other parties, such consent not to be unreasonably withheld, unless such price has already become publicly available other than through a breach of this provision by the disclosing party.

SECTION 6.06 Indemnification.

(a) The Parent and the Purchaser agree that all rights to indemnification now existing in favor of any director or officer of the Company and its Subsidiaries as provided in their respective charters or by-laws or in any agreement disclosed on Schedule 4.11(a) between any such officer or director and the Company or one of its Subsidiaries, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time; provided that in the event any claim or claims are asserted or made within such six-year period, all rights to indemnification in respect of any such claim or claims shall continue until final disposition of any and all such claims. The Surviving Corporation shall honor all rights to indemnification referred to in the preceding sentence. Without limitation of the foregoing, in the event any current or former officer or director of the Company and its Subsidiaries is or becomes involved in any capacity in any action, proceeding or investigation in connection with any matter, including, without limitation, the transactions contemplated by this Agreement, occurring prior to, and including, the Effective Time, the Surviving Corporation will cause to be paid in accordance with the applicable charters, by-laws and agreements, as incurred, such officer's or director's legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith. The Surviving Corporation shall pay all reasonable expenses, including attorneys' fees, that may be incurred by any applicable officer or director in enforcing the indemnity and other obligations provided for in this Section 6.06, subject to the limitations of the GCL to the extent applicable.

(b) The Surviving Corporation shall cause to be maintained in effect, for not less than six years from the Effective Time for the benefit of all current and former directors and officers of the Company, the current policies of the directors' and officers' liability insurance maintained by the Company; provided that the Surviving Corporation may substitute therefor other policies not less advantageous (other than to a de minimus extent) to the beneficiaries of the current policies and provided that such substitution shall not result in any gaps or lapses in coverage with respect to matters occurring prior to the Effective Time; and provided, further, that the Surviving Corporation shall not be required to pay an annual premium in excess of the last annual premium paid by the Company prior to the date hereof and if the Surviving Corporation is unable to obtain the insurance required by this Section 6.06(b) it shall obtain as much comparable insurance as possible for an annual premium equal to such maximum amount.

(c) The provisions of this Section 6.06 are intended for the benefit of, and shall be enforceable by, all current or former officers and directors of the Company and of its Subsidiaries, and such directors' or officers' heirs and personal representatives, and such persons shall be entitled to reimbursement by the Parent or the Purchaser of all fees and expenses (including reasonable attorneys' fees) incurred to enforce the terms of this section. In the event the Purchaser or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all its properties and assets to any person, then the obligations of the Purchaser or the Surviving Corporation set forth in this Section 6.06 shall survive such consolidation, merger or transfer.

SECTION 6.07 Notification of Certain Matters. Each of the Parent, the Purchaser, the Company and the Management Shareholders shall promptly notify the others of (a) (i) it becoming aware of any fact or event which would be reasonably likely to demonstrate that any representation or warranty of any party hereto contained in this Agreement was or is untrue or inaccurate in any material respect as of the date of this Agreement or (ii) the occurrence or non-occurrence of any fact or event which would be reasonably likely to cause any material covenant, condition or agreement of any party hereto under this Agreement not to be complied with or satisfied in all material respects and (b) any failure of any party hereto to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder in any material respect; provided, however, that no such notification shall affect the representations or warranties of any party hereto or the conditions to the obligations of any party hereunder.

SECTION 6.08 No Solicitation. The Company agrees that, during the term of this Agreement it shall not, and shall not authorize, support or encourage any of its Subsidiaries or any of its or its Subsidiaries' directors, officers, employees, agents or representatives, directly or indirectly, to solicit, initiate, encourage, facilitate or furnish or disclose non-public information in furtherance of, any inquiries or the making of any proposal with respect to any recapitalization, merger, consolidation or other business combination involving the Company, or acquisition of any capital stock (other than upon exercise of the Options which are outstanding as of the date hereof) or any portion of the assets (except for acquisitions of assets in the ordinary course of business consistent with past practice) of the Company or any of its Subsidiaries, or any combination of the foregoing (a "Competing Transaction"), or negotiate, or otherwise engage in discussions with any person (other than the Purchaser or its directors, officers, employees, agents and representatives) for the purpose of facilitating any Competing Transaction or enter into any agreement, arrangement or understanding requiring it to abandon, terminate or fail to consummate the Merger or any other transactions contemplated by this Agreement.

SECTION 6.09 Cooperation for Financing. The Company agrees that, during the term of this Agreement, it shall provide reasonable cooperation to the Parent and the Purchaser to facilitate the efforts of the Parent and the Purchaser to obtain the financing contemplated by the Commitment Letters.

SECTION 6.10 Stock Option Plan. The Parent shall adopt a Stock Option Plan in substantially the form of the attached Annex 6.10.

SECTION 6.11 Stockholder Approval. To the extent such approval has not already been obtained, the Company, acting through its Board of Directors, shall in accordance with applicable law and its certificate of incorporation and bylaws, use its commercially reasonable efforts to obtain the necessary approval of the Merger by its Shareholders.

SECTION 6.12 Notice of Offering. Promptly following the date of this Agreement, the Parent shall distribute the Notice of Offering to those Common Shareholders who are accredited investors (as such term is defined in Regulation D under the Securities Act). The parties hereto shall use commercially reasonably efforts to cooperate with the Parent to timely distribute the Notice of Offering, and to ensure that the Notice of Offering complies, as to form and content, with all applicable securities laws.

SECTION 6.13 Solvency Opinion. In the event the lenders to the Parent or the Purchaser require a solvency opinion in connection with funding any of the proceeds required to consummate the transactions contemplated by this Agreement, the Parent and the Purchaser will ensure that a draft of such solvency opinion is provided to the Board and counsel to the Company for their review and comment not less than three days prior to the formal delivery thereof and will provide that such solvency opinion is addressed to and delivered to the Board.

ARTICLE VII
CONDITIONS TO CONSUMMATION OF THE MERGER

SECTION 7.01 Conditions Precedent - Parent, Purchaser and Company. The respective obligations of the Parent, the Purchaser and the Company to consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction or waiver, at or before the Effective Time, of each of the following conditions:

(a) No Injunctions or Restraints; Illegality. No (i) order or preliminary or permanent injunction shall be entered in any action or proceeding before any court of competent jurisdiction or any statute, rule, regulation, legislation, or order shall be enacted, entered, enforced, promulgated, amended or issued by any Governmental Entity (other than the waiting period provisions of the HSR Act and the Finnish Act on Competition Restrictions) which shall remain in effect and which shall have the effect of (x) making illegal or restraining or prohibiting the consummation of the Merger or any of the other transactions contemplated by this Agreement or any of the Transaction Documents, or (y) imposing material limitations on the ability of the Surviving Corporation effectively to acquire, own or operate the assets and businesses owned and operated by the Company immediately prior to the Effective Time; or (ii) proceeding brought by any Governmental Entity seeking any of the foregoing shall be pending.

(b) Regulatory Approvals. The parties hereto shall have received all approvals and consents required from any Governmental Entity in connection with the transactions contemplated by this Agreement, all notice periods and waiting periods with respect to such approvals and consents shall have expired and all such approvals and consents shall be in effect.

SECTION 7.02 Conditions Precedent - Company. The obligations of the Company to consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction or waiver, at or before the Effective Time, of each of the following additional conditions:

(a) Representations, Warranties and Obligations of the Parent and the Purchaser. The representations and warranties contained in Article V shall be true and correct as of the date hereof and as of the Closing Date as though made on and as of the Closing Date; provided, however, that if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects. The Parent and the Purchaser shall have duly performed and complied in all material respects with all agreements and covenants contained herein required to be performed or complied with by them at or prior to the Closing.

(b) Officer's Certificate. Each of the Parent and the Purchaser shall have delivered to the Company a Certificate, dated the Closing Date, signed by its President, Secretary or a Vice-President, as to the fulfillment of the conditions set forth in Section 7.02(a).

(c) Contribution Agreement. The Investors (as defined in the Contribution Agreement) shall have contributed to the Parent all of the cash required to be contributed by them under the Contribution Agreement in exchange for shares of Parent Preferred Stock as set forth in the Contribution Agreement, and the Parent shall have issued all capital stock required to have been issued by it under the Contribution Agreement.

(d) Escrow Agreement. The Parent and the Escrow Agent shall have executed and delivered to the Payee Representatives the Escrow Agreement, and the Escrow Agreement shall be in full force and effect.

(e) Opinion of Counsel. Bingham McCutchen LLP, counsel to the Parent and the Purchaser, shall have delivered to the Company a written opinion, addressed to the Company and dated the Closing Date, substantially in the form of Annex 7.02(e).

SECTION 7.03 Conditions Precedent - Parent and Purchaser. The obligations of the Parent and the Purchaser to consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction or waiver, at or before the Effective Time, of each of the following additional conditions:

(a) Representations, Warranties and Obligations of the Company and the Management Shareholders. The representations and warranties contained in Articles IV and IV(A) shall be true and correct as of the date hereof, and, except to the extent such representations and warranties relate solely to an earlier date, as of the Closing Date, as though made on and as of the Closing Date with only such exceptions as would not reasonably be expected to have a Material Adverse Effect on the Company. The Company and the Management Shareholders shall have duly performed and complied in all material respects with all agreements and covenants contained herein required to be performed or complied with by it at or before the Closing.

(b) No Material Adverse Change. Since the date of this Agreement, there shall have been or have threatened to be no change which has or has had a Material Adverse Effect on the Company.

(c) Officer's Certificate. The Company shall have delivered to the Purchaser a certificate, dated the Closing Date and signed by its President, Secretary or a Vice-President, as to the fulfillment of the conditions set forth in Sections 7.03(a) and (b).

(d) Third-Party Approvals. The parties hereto shall have received all approvals and consents required from any third party under the Material Contracts set forth in Schedule 7.03(d) in connection with the transactions contemplated by this Agreement and all such approvals and consents shall be in effect.

(e) Contribution Agreement. The TWI Shareholders (as defined in the Contribution Agreement) shall have contributed to the Parent all of the shares of capital stock of the Company required to be so contributed pursuant to the Contribution Agreement, in exchange for

shares of Parent Class A Common Stock as set forth in the Contribution Agreement; and the Class B Shareholders (as defined in the Contribution Agreement) shall have transferred to the Parent the consideration required to be so transferred pursuant to the Contribution Agreement, in exchange for shares of Parent Class B-1 Common Stock as set forth in the Contribution Agreement.

(f) Non-Competition and Non-Disclosure Agreements. The Non-Competition Agreements, dated as of the date hereof, among the Parent, the Surviving Corporation and each of Mikael Magnusson and Dag Landvik in the respective forms of the attached Annexes 7.03(f)(1)(A) and 7.03(f)(1)(B) shall be in full force and effect. Each of the employees identified on Schedule 4.12(d) as not having executed a confidentiality agreement shall have executed a Confidentiality Agreement in favor of the Surviving Corporation and/or one or more of its Subsidiaries in substantially the form of the attached Annex 7.03(f)(2).

(g) Support Agreement; Written Consents. The Consenting Shareholders shall have complied with, and not be in breach of, the Support Agreements. The Consenting Shareholders shall not have withdrawn their consent as set forth in the Written Consents.

(h) Escrow Agreement. The Payee Representatives, the Company and the Escrow Agent shall have executed and delivered to the Purchaser the Escrow Agreement, and the Escrow Agreement shall be in full force and effect.

(i) Financing. The Parent and the Purchaser shall have obtained debt financing in the amounts, on substantially the same terms and from the sources described in the Commitment Letters.

(j) Cancellation of Options. The Exchange Options shall have been canceled in exchange for Common Shares, and the Management Options shall have been terminated, in each case in accordance with Section 2.07.

(k) Opinion of Counsel. Frost Brown Todd LLC, counsel to the Company, shall have delivered to the Purchaser and the Parent its written opinion, addressed to the Purchaser and the Parent, and dated the Closing Date, substantially in the form of Annex 7.03(k)(1). Foreign counsel to certain of the Management Shareholders shall have delivered to the Purchaser and the Parent their respective written opinions, addressed to the Purchaser and the Parent, and dated the Closing Date, collectively containing the opinions set forth on Annex 7.03(k)(2).

(l) Certificate of Net Debt; Pay-off of Indebtedness; Release of Avalon Agreement. The Company shall have prepared and delivered to the Purchaser a certificate (the "Certificate of Net Debt") certifying as to (a) the amount of cash and Cash Equivalents of the Company and its Subsidiaries on hand as of the Closing Date less the amount of outstanding checks or wire payments of the Company and its Subsidiaries as of the Closing Date, (b) the amount of Indebtedness (excluding Indebtedness relating to the Dent-A-Med Inc. Facility) of the Company and its Subsidiaries outstanding on the Closing Date, and specifying the amount owed to each creditor listed thereon, (c) to the extent not included in clause (b), the amounts owed by the Company and its Subsidiaries to the states of California and Florida for sales and use tax for periods prior to the Closing Date as agreed to in writing by the Company or any of its Subsidiaries and each such state prior to the date hereof pursuant to the tax settlement agreements described on Schedule B and as

otherwise agreed to in writing by the Company or any of Subsidiaries and any such state after the date hereof and prior to the Closing Date (copies of which shall be provided to the Parent and the Purchaser prior to the Closing Date) and (d) to the extent not included in clause (b), the Company Transaction Expenses. The Company shall have caused the creditors of the Company and its Subsidiaries to deliver pay-off letters, each in form satisfactory to the Purchaser, with respect to the Indebtedness listed on Schedule 7.03(l). Avalon Group, Ltd. and Avalon Securities, Ltd. shall have executed and delivered a release and termination agreement in form and substance satisfactory to the Purchaser acknowledging receipt of the Avalon Fee as payment in full of all amounts owed by the Company to them under the Avalon Agreement and releasing the Company, the Surviving Corporation and their Affiliates from any further obligations under the Avalon Agreement, except for the Company's indemnification obligations thereunder.

(m) Ashfield Consulting Agreement. The Consulting and Service Support Agreement dated as of November 16, 2000 among the Company, Ashfield Consultancy Ltd and Dan Foam A/S shall have been terminated and replaced by the Consulting and Service Support Agreement in the form of the attached Annex 7.03(m).

(n) Administrative Services Agreement. Fagerdala Industri AB and its Subsidiaries shall have entered into a Administrative Services Agreement with the Company and its Subsidiaries in the form of the attached Annex 7.03(n).

(o) European Restructuring. The portion of the restructuring of the Company's European Subsidiaries described on the attached Schedule 7.03(o) which is to be completed prior to the Closing shall have been completed.

(p) Employment Agreement Waivers. Each of the management employees of the Company and its Subsidiaries listed on Schedule 7.03(p) shall have waived any change in control provisions in his employment agreement in connection with the consummation of the transactions contemplated by this Agreement.

(q) Resignations. The directors, officers and managers of the Company and its Subsidiaries specified in Schedule 7.03(q) shall have resigned their positions with the Company or any of its Subsidiaries, on or prior to the Closing Date, and prior thereto shall have executed such appropriate documents with respect to the transfer or establishment of bank accounts, signing authority, etc., as the Purchaser shall have reasonably requested.

(r) Waiver of Existing Rights. All holders of Shares issued pursuant to the Securities Purchase Agreements shall have waived any redemption rights with respect to the Shares, and all holders of Shares having buy-back rights under the Redemption Agreement (or pursuant to any redemption contemplated by any of the Securities Purchase Agreements) shall have waived such buy-back rights, in each case pursuant to a written instrument executed by each such holder in form and substance reasonably satisfactory to Purchaser.

ARTICLE VIII
TERMINATION; AMENDMENTS; WAIVER

SECTION 8.01 Termination. This Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time prior to the Effective Time, notwithstanding approval thereof by the shareholders of the Company:

(a) By the mutual written consent of the Purchaser and the Company;

(b) By the Purchaser or the Company if any court or other Governmental Entity shall have issued, enacted, entered, promulgated or enforced any order, judgment, decree, injunction, or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, judgment, decree, injunction, ruling or other action shall have become final and nonappealable; provided that the party seeking to terminate the Agreement shall have used its reasonable efforts to remove or lift such order, judgment, decree, injunction, ruling or other action;

(c) By the Company or the Purchaser if the Effective Time has not occurred by December 5, 2002, and the party giving the notice is not in material breach of, and has not materially failed to comply with, any of its representations, warranties, covenants, agreements or other obligations under this Agreement; provided, however, that (i) the passage of such period shall be tolled (but not for longer than an additional 90 days) for any part thereof during which any party shall be subject to a non-final order, judgment, decree, injunction, ruling or other action restraining, enjoining or otherwise prohibiting the Merger and (ii) such period shall be extended for an additional 30 day period to the extent that any required approval or clearance of the DOJ, FTC or any other Governmental Entity has not been received by such date under the HSR Act or any other applicable supranational or national Antitrust Law;

(d) By the Company, if either of the Parent or the Purchaser materially breaches its obligations under this Agreement unless such breach is cured within 30 days after notice to the Parent or the Purchaser, as applicable, by the Company; or by the Purchaser, if the Company or any Management Shareholder materially breaches his or its obligations under this Agreement unless such breach is cured within 30 days after notice to the Company by the Purchaser; or

(e) By the Purchaser, if any party materially breaches its obligations under any of the Support Agreements or if the minimum number of Shares required to be contributed to the Parent pursuant to the Contribution Agreement is not contributed.

SECTION 8.02 Effect of Termination; Fees and Expenses. In the event of the termination of this Agreement pursuant to Section 8.01, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its directors, officers or stockholders, other than the provisions of this Section 8.02, the confidentiality provisions referenced in the first sentence of Section 6.02 and the expense provisions referenced in Section 10.09, which shall survive any such termination. Nothing contained in this Section 8.02 shall relieve any party from liability for any deliberate or willful breach of this Agreement or the Confidentiality Agreement to the extent that any such deliberate or willful breach by such party results in the termination of this Agreement by any other party under Section 8.01(c) hereof.

SECTION 8.03 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties hereto.

SECTION 8.04 Extension; Waiver. At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of any other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein by any other party hereto or in any document, certificate or writing delivered pursuant hereto by any other party hereto or (c) waive compliance with any of the agreements of any other party hereto or with any conditions to its own obligations. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. No waiver or failure to insist upon strict compliance with any obligation, covenant, agreement or condition of this Agreement shall operate as a waiver of, or an estoppel with respect to, any subsequent or other failure.

ARTICLE IX
INDEMNIFICATION

SECTION 9.01 Survival of Representations and Warranties. Each representation and warranty made by the Company and the Management Shareholders shall expire on the last day, if any, that Claims for breaches of such representation or warranty may be made pursuant to Section 9.02(c), except that any such representation or warranty that has been made the subject of a Claim prior to such expiration date shall survive with respect to such Claim until the final resolution of such Claim pursuant to this Article IX.

SECTION 9.02 Indemnification Provisions for Benefit of the Parent and the Surviving Corporation.

(a) Subject to the limitations set forth in Sections 9.02(c), (d), (e) and (f) and Section 10.10, after the Closing, each of the Common Shareholders, severally and not jointly, agrees to indemnify and hold the Parent, the Surviving Corporation and the Purchaser Representatives (collectively, the "Purchaser Indemnified Parties") harmless from and in respect of any and all damages, losses, claims, deficiencies, liabilities, suits, demands, judgments, diminutions in value and costs and expenses (including costs of investigations and reasonable attorneys' fees) (each a "Loss" and collectively "Losses") related to, resulting from, arising out of, or caused by, directly or indirectly, (i) any breach by the Company of any representation, warranty, covenant or agreement contained herein, to the extent such breach does not result in any liability or claim described in the following subclauses of this Section 9.02(a), (ii) any contractual product warranty claims arising out of defects in any product sold or manufactured by the Company or any of its Subsidiaries prior to the Closing Date, to the extent that the Surviving Corporation's cost of materials and transportation required to satisfy such claims, less the amount of payments received from customers in connection with such claims, exceeds the amount accrued or reserved for such claims on the Final Closing Statement, (iii) any of the items disclosed on Schedule 9.02(a)(iii)(A) (the "Specified Claims"), or the items disclosed on Schedule 9.02(a)(iii)(B) (the "Reiners Claims") or the items disclosed on Schedule 9.02(a)(iii)(C) (the "Danish Environmental Claims"), (iv) any (A) income Taxes owed or which will be payable by the Company or its Subsidiaries (other than any Closing Date Transfer Taxes and any Taxes for which the Purchaser Indemnified Parties are indemnified pursuant to clause (iii) above) relating to any period or portion thereof ending on or before the Closing Date, to the

extent such liability (whether or not reserved for by the Company or any of its Subsidiaries) exceeds $5,000,000, and (B) other Taxes of the Company or its Subsidiaries (other than any Closing Date Transfer Taxes and any Taxes for which the Purchaser Indemnified Parties are indemnified pursuant to clause (iii) above) relating to any period or portion thereof ending on or before the Closing Date, to the extent such liability was not taken into account in calculating the Final Net Working Capital Adjustment, (v) any and all Hazardous Substances in the environment (including without limitation soil, groundwater and surfacewater) as of the Closing Date, whether known or unknown, existing at, on, in or under or emanating from the real property or the business located at 5 Caxton Trading Estate, Printing House Lane, Hayes, Middlesex, UB3 1BE, United Kingdom in concentrations or quantities which require investigation, assessment, removal, remediation or monitoring pursuant to applicable Environmental Laws or any Governmental Entity, (vi) any Indebtedness of the Company or its Subsidiaries outstanding as of the Closing Date, to the extent not taken into account in the determination of Net Debt for purposes of the Closing Payment Amount or (vii) any Company Transaction Expenses. As used herein "Closing Date Transfer Taxes" shall mean the amount of any income Taxes incurred by the Company or its Subsidiaries arising from or relating to the transfer on the Closing Date of cash from the Company's European Subsidiaries to the Company to fund any portion of the Aggregate Merger Consideration or any of the costs or expenses of the Company or any of its Subsidiaries incurred in connection with the transactions contemplated by this Agreement.

(b) Subject to the limitations set forth in Sections 9.02(c), (d), (e) and (f) and Section 10.10, each of the Management Shareholders, severally and not jointly, agrees to indemnify and hold the Purchaser Indemnified Parties harmless from and in respect of any and all Losses related to, resulting from, arising out of or caused by, directly or indirectly, any breach by such Management Shareholder of any representation and warranty made by such Management Shareholder in Article IV(A).

(c) No Common Shareholder shall be liable for any Losses pursuant to Section 9.02(a) and no Management Shareholder shall be liable for any Losses pursuant to Section 9.02(b) unless a written claim for indemnification in accordance with Section 9.03 is given by a Purchaser Indemnified Party to the Payee Representative with respect thereto on or before April 30, 2004, except that this time limitation shall not apply to (i) any Losses arising from any breach of a covenant or agreement contained herein, or from Reiners Claims or in relation to a breach of Section 4.03 or Section 4.21, or under Section 9.02(a)(vi), Section 9.02(a)(vii) or Section 9.02(b), as to which, in each case, the applicable statute of limitations shall apply, (ii) any Losses arising under Section 9.02(a)(ii) or arising from any Danish Environmental Claims, as to which the time limitation shall be five (5) years after the Closing Date, or (iii) any Losses arising under Section 9.02(a)(iv) or from any Specified Claim, as to which the time limitation with respect to making claims for any particular Loss shall be the shorter of (A) the applicable statute of limitations relating to the subject matter of such Loss, and (B) 30 days after the date on which Final Resolution is reached with the applicable tax authority with respect to the matter giving rise to the claim for Losses under this Section 9.02. As used in this Article IX, "Final Resolution" shall mean that, with respect to any item or claim, (x) a final judicial determination which is not subject to further appeal is entered by a court of competent jurisdiction, (y) a legally binding compromise or settlement agreement is entered into between the Surviving Corporation or its applicable Subsidiary and the taxing authority responsible for administering the laws and regulations relating to such item or claim; or (z) any liability for such claim or item has otherwise been legally discharged.

(d) The maximum aggregate liability of each Management Shareholder for indemnification under Section 9.02(a), Section 9.02(b) or any other provision of this Agreement shall be limited to (x) with respect to Losses arising in relation to a breach of Section 4.03 or Section 4.21 or under Section 9.02(a)(ii), Section 9.02(a)(iv), Section 9.02(a)(vi) or Section 9.02(a)(vii) or from Specified Claims, such Management Shareholder's (and/or such Management Shareholder's spouse's) pro rata portion (based on the percentage of aggregate cash proceeds received by all Management Shareholders (and their spouses) ("Pro Rata Portion")) of such Losses, not to exceed the cash proceeds received by such Management Shareholder (including cash proceeds received by such Management Shareholder's spouse) for his, her and/or its Shares pursuant to this Agreement, less all other amounts paid by such Management Shareholder (and his or her spouse) pursuant to this Section 9.02; (y) with respect to Losses arising under Section 9.02(b), the cash proceeds received by such Management Shareholder (including cash proceeds received by such Management Shareholder's spouse) for his, her or its Shares pursuant to this Agreement, less all other amounts paid by or on behalf of such Management Shareholder (and his or her spouse) pursuant to this Section 9.02; and (z) with respect to Losses arising under Section 9.02(a)(i) (other than with respect to breaches of Sections 4.03 or 4.21) or other provisions of this Agreement not referred to in the foregoing clauses (x) and (y) or from the Reiners Claims or Danish Environmental Claims such Management Shareholder's (including such Management Shareholder's spouse's) Pro Rata Portion of such Losses, not to exceed twenty-five percent (25%) of the cash proceeds received by such Management Shareholder (including cash proceeds received by such Management Shareholder's spouse) for his, her and/or its Common Shares pursuant to this Agreement, less all other amounts paid by such Management Shareholder pursuant to this Section 9.02. As used in this Section 9.02(d), the "cash proceeds" received by any Shareholder (and his or her spouse) shall include any disbursements received by such Shareholder (and his or her spouse) from the Escrow Adjustment Amount, the Company Adjustment Amount or the Escrow Amount. Notwithstanding the foregoing provisions of this Section 9.02(d), the maximum aggregate liability of any Common Shareholder who is not a Management Shareholder for indemnification under Section 9.02(a) or any other provisions of this Agreement shall be limited to such Common Shareholder's pro rata portion (based on the percentage of the aggregate Initial Common Share Closing Payments received by such Common Shareholder) of the Escrow Indemnification Funds. For purposes of this Agreement, the term "Escrow Indemnification Funds" means, at any time, the amount (if any) of the Escrow Indemnification Amount and (subject to the provisions of Section 9.02(g)) the Escrow Specified Amount, deposited with the Escrow Agent which has not been released at such time in accordance with the terms of the Escrow Agreement.

(e) None of the Purchaser Indemnified Parties shall be entitled to seek payment under this Section 9.02 in respect of any specific indemnified Loss arising (i) from a breach of a representation or warranty, other than Losses arising from Specified Claims, Reiners Claims or Danish Environmental Claims, (ii) arising in relation to a breach of Section 4.03 or Section 4.21 or (iii) under Section 9.02(a)(iv), Section 9.02(a)(vi) or Section 9.02(a)(vii), until the amount of such specific indemnified Loss is equal to or exceeds $20,000 (a "Substantial Loss"), and not then until the aggregate total of such Substantial Losses exceeds $1,000,000 (the "Deductible"), and then the Purchaser Indemnified Parties may seek payment and indemnity from the Common Shareholders and the Management Shareholders only for such excess, subject to the limitations set forth in Section 9.02(d). In addition, none of the Purchaser Indemnified Parties shall be entitled to seek payment under this Section 9.02 in respect of any specific indemnified Loss arising from Danish Environmental Claims (x) relating to the Holmelund 43 site, unless the aggregate total of such

Losses exceeds $100,000, or (y) relating to the Vanvaerksvej 17 site, unless the aggregate total of such Losses exceeds $100,000. Any claims involving Losses of less than $10,000 which are not otherwise excluded hereunder and any claims for Losses arising under Section 9.02(a)(ii) shall be aggregated and submitted by the Purchaser Indemnified Parties on a quarterly basis within 30 days after the end of each calendar quarter, except to the extent that such claims consist of Third-Party Claims (which shall be submitted in accordance with Section 9.03(b)).

(f) For purposes of this Section 9.02 only, in determining whether there has been any breach of any representation or warranty made by the Company or the amount of any Losses of any Purchaser Indemnified Party related to, resulting from, arising out of, or caused by any such breach, such representations and warranties shall be read without regard to any materiality or "Material Adverse Effect" qualifier contained therein, with the intent that any breach of such representation or warranty so read which gives rise to a Substantial Loss shall be subject to indemnification under this Section 9.02.

(g) Notwithstanding any provision herein to the contrary, with respect to all claims for indemnification under Section 9.02(a), the Purchaser Indemnified Parties shall seek payment for all amounts due to any of them with respect to such claims only as follows: (i) first, out of the Escrow Indemnification Funds in accordance with the provisions of the Escrow Agreement (and any such distribution from the Escrow Indemnification Funds shall be deemed to be made on a pro-rata basis from the amounts otherwise distributable to the Common Shareholders from the Escrow Indemnification Funds) and (ii) second, to the extent that amounts owing by the Management Shareholders to the Purchaser Indemnified Parties with respect to such claims exceed the amount of the Escrow Indemnification Funds released in payment thereof, the Purchaser Indemnified Parties shall be entitled to seek payment from the Management Shareholders directly for all such amounts subject to the limitations set forth in this Agreement. With respect to all claims for Losses arising from items described on Schedule 9.02(a)(iii)(A), any amounts paid to the Purchaser Indemnified Parties from the Escrow Indemnification Funds shall be paid first from the Escrow Specified Amount and thereafter from the Escrow Indemnification Amount. With respect to all claims for Losses arising under Section 9.02(a)(iv), any amounts paid to the Purchaser Indemnified Parties from the Escrow Indemnification Funds may be paid (at the election of the Purchaser Indemnified Parties) from either the Escrow Specified Amount or the Escrow Indemnification Amount. With respect to all claims for Losses arising from matters other than Losses arising under Section 9.02(a)(iv) and other than items described on Schedule 9.02(a)(iii)(A), the amounts paid to the Purchaser Indemnified Parties from the Escrow Indemnification Funds shall be limited to the Escrow Indemnification Amount. Under no circumstances shall any Common Shareholder other than the Management Shareholders be liable for any claims for indemnification under this Section 9.02 for any amount other than the Escrow Indemnification Funds.

(h) Notwithstanding any provision herein to the contrary, with respect to all claims for indemnification under Section 9.02(b), the Purchaser Indemnified Parties may seek payment either from the Management Shareholder who is severally liable for such claim or from the amount of the Escrow Indemnification Funds otherwise distributable to such Management Shareholder.

SECTION 9.03 Claims.

(a) Notice. Any party seeking indemnification hereunder (the "Indemnified Party") shall promptly notify the other party hereto (the "Indemnifying Party", which term shall include all Indemnifying Parties if there be more than one) of any action, suit, proceeding, demand or breach (a "Claim") with respect to which the Indemnified Party claims indemnification hereunder; provided that failure of the Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations under this Article IX except to the extent, if at all, that such Indemnifying Party shall have been prejudiced thereby.

(b) Third-Party Claims. If such Claim relates to any action, suit, proceeding or demand instituted against the Indemnified Party by a third party (a "Third-Party Claim"), the Indemnifying Party shall be entitled to assume the defense of such Third-Party Claim after receipt of notice of such claim from the Indemnified Party. Within thirty (30) days after receipt of notice of a particular matter from the Indemnified Party, the Indemnifying Party may assume the defense of any Third-Party Claim that does not involve a Claim for equitable relief involving the ongoing operations of the Parent or any of its Subsidiaries, in which case the Indemnifying Party shall have the authority to negotiate, compromise and settle such Third-Party Claim; provided the following conditions must be satisfied: (i) the Indemnifying Party shall have confirmed in writing that it is obligated hereunder to indemnify the Indemnified Party with respect to such Third-Party Claim, and (ii) the Indemnified Party shall not have given the Indemnifying Party written notice that it has determined, in the exercise of its reasonable discretion, that matters of corporate or management policy or a conflict of interest make separate representation by the Indemnified Party's own counsel advisable. The Indemnified Party shall not have the authority to compromise or settle any Claim for equitable relief involving the ongoing operations of the Parent or any of its Subsidiaries without the prior written consent of the Indemnifying Party.

The Indemnified Party or the Indemnifying Party, as the case may be, shall retain the right to employ its own counsel and to participate in the defense of any Third-Party Claim, the defense of which is controlled by the other party pursuant hereto, but such party shall bear and shall be solely responsible for its own costs and expenses in connection with such participation.

SECTION 9.04 Method and Manner of Paying Claims. In the event of any claims under this Article IX, the claimant shall advise the party or parties who are required to provide indemnification therefore by written notice specifying in reasonable detail the individual items of damages for which indemnification is being sought, the date each such item was paid, or properly accrued or arose, and the nature of the misrepresentation, breach of warranty or claim to which such item is related. With respect to liquidated claims, if within thirty days the other party has not contested such claim in writing, the other party will pay the full amount thereof within ten days after the expiration of such period (subject to Section 9.02(g)). Any amount owed by an Indemnifying Party hereunder with respect to any Claim may be set off by the Indemnified Party against any amounts owed by the Indemnified Party to any Indemnifying Party (including, without limitation, any Additional Payments) and shall also be set off by the Indemnifying Party by the amount of any insurance proceeds received by the Indemnified Party for the Losses underlying such Claim. The unpaid balance of a Claim shall bear interest at a rate per annum equal to the rate listed in The Wall Street Journal as the "Prime Rate" plus two percent (2%) from the date notice thereof is given by the Indemnified Party to the Indemnifying Party.

SECTION 9.05 Exclusive Remedy. The remedies expressly set forth in this Agreement with respect to any breach of any representation or warranty herein contained are the sole and exclusive remedies for any such breach, and such remedies are intended to be non-cumulative with respect to, and shall preclude the assertion by any party hereto of, any other remedies which would otherwise have been available in common law or by statute, except for any right that may exist to seek redress for common law fraud.

SECTION 9.06 Net of Insurance; After-Tax Nature of Indemnity Payments. Any payment or indemnity required to be made pursuant to this Article IX shall be net of insurance proceeds received and shall include any amount necessary to hold the Indemnified Party harmless on an after-tax basis from all Taxes required to be paid with respect to the receipt of such payment or indemnity (after taking into account any actual Tax benefit realized by the Indemnified Party as a result of the Loss giving rise to the payment or indemnity).

SECTION 9.07 Escrow Disbursements.

(a) The Escrow Indemnification Amount, less the amount of any indemnification claims paid therefrom and the amount of any unresolved claims for payments therefrom, shall be released by the Escrow Agent on April 30, 2004 to the Common Payees as Subsequent Escrow Payments in accordance with the provisions of the Escrow Agreement.

(b) The Escrow Specified Amount, less the amount of any indemnification claims paid therefrom and the amount of any unresolved claims for payments therefrom, shall be released by the Escrow Agent on October 31, 2008 (the "Escrow Specified Release Date") to the Common Payees as Subsequent Escrow Payments in accordance with the provisions of the Escrow Agreement. In addition, in the event of any Final Resolution of any item listed on Schedule 9.02(a)(iii)(A) (a "Specified Item") prior to the Escrow Specified Release Date, the Company shall promptly notify the Payee Representatives, identifying the applicable Specified Item and specifying in reasonable detail the nature of the Final Resolution. Following such notification, the Company and the Payee Representatives agree to promptly execute and deliver to the Escrow Agent written disbursement instructions authorizing the Escrow Agent to make promptly a distribution to (i) the Company of the portion of the Escrow Specified Amount (and to the extent the available portion of the Escrow Specified Amount is insufficient and the Escrow Indemnification Amount has not been released pursuant to Section 9.07(a), such additional portion of the Escrow Indemnification Amount) that equals the Company's Losses relating to the Final Resolution of such matter and (ii) the Common Payees, as Subsequent Escrow Payments, of the portion (if any) of the Escrow Specified Amount which equals the excess (if any) of the amount set forth with respect to such Specified Item on Schedule 9.02(a)(iii)(A) over the amount payable by the Escrow Agent to the Company pursuant to clause (i). Notwithstanding the foregoing provisions of this Section 9.07(b), in the event that (x) any indemnification claims by any Purchaser Indemnified Party under Section 9.02(a)(iv) with respect to any matter other than a Specified Item (a "Non-Specified Item") have been paid from, or are pending against, the Escrow Specified Amount, or (y) any indemnification claims by any Purchaser Indemnified Party with respect to any Specified Item in excess of the amount set forth for such Specified Item on Schedule 9.02(a)(iii)(A) have been paid from, or are pending against, the Escrow Specified Amount, then no release of any portion of the Escrow Specified Amount shall be made to the Common Payees as Subsequent Escrow Payments with respect to any Final Resolution of any Specified Item except to the extent that the aggregate amount of all such Subsequent Escrow

Payments exceeds the sum of (A) any indemnification claims with respect to any Non-Specified Items that have been paid from, or are pending against, the Escrow Specified Amount and (B) the amount by which the aggregate amount of claims for Specified Items paid from or pending against the Escrow Specified Amount exceeds the amount set forth with respect to those Specified Items on Schedule 9.02(a)(iii)(A).

(c) Any Common Shareholder who, within 90 days after the Closing Date, delivers to the Surviving Corporation an irrevocable letter of credit in form satisfactory to, and from an issuing bank satisfactory to, the Surviving Corporation and the lenders under the Senior Credit Facility and the Mezzanine Credit Facility, will be permitted to have released to it by the Escrow Agent from the Escrow Amount an amount equal to the lesser of (i) the amount available for drawing under such letter of credit and (ii) such Common Shareholder's pro rata portion of the Escrow Amount (determined on the basis of the Escrow Indemnity Funding Payments deposited into escrow with respect to such Common Shareholder's Common Shares). Any such letter of credit shall (A) be issued to the Surviving Corporation as sole beneficiary, (B) permit the Surviving Corporation to unilaterally draw an amount equal to such Common Shareholder's pro rata portion of any claim by the Surviving Corporation against the Escrow Amount at any time after the making of such claim, (C) permit the Surviving Corporation to draw the entire amount of the letter of credit prior to its expiration if the letter of credit expires prior to the date on which the Escrow Amount is required to be released from escrow under the Escrow Agreement and the letter of credit is not renewed or replaced with an identical letter of credit with an extended expiration date at least 30 days prior to its expiration, and (D) provide that all draws made by the Surviving Corporation under the letter of credit will be funded by the issuing bank by wire transfer directly to the escrow account established under the Escrow Agreement to hold the Escrow Amount. Promptly after delivery of each such letter of credit, the Surviving Corporation and the Payee Representatives shall deliver a notice to the Escrow Agent directing the Escrow Agent to release to the Common Shareholder delivering such letter of credit the portion of the Escrow Amount which is permitted to be released to such Common Shareholder pursuant to this Section 9.07(c). In the event of the delivery of one or more such letters of credit, appropriate adjustments will be made to the Escrow Agreement to reflect the foregoing provisions and to ensure that releases from the escrow account under the Escrow Agreement are made on a pro rata basis with respect to all Common Shareholders. In the event that any Common Shareholder is able to arrange for delivery of a letter of credit containing the terms described above at the Closing, the Escrow Indemnity Funding Payments that otherwise would have been deposited into the escrow account under the Escrow Agreement with respect to such Common Shareholder's Common Shares but which will be available for drawing under such letter of credit will be paid directly to such Common Shareholder.

ARTICLE X
MISCELLANEOUS

SECTION 10.01 Entire Agreement; Assignment.

(a) This Agreement (including the documents and the instruments referred to herein) constitutes the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties hereto with respect to the subject matter hereof and thereof.

(b) Neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party hereto; provided, however, that at or after the Closing, the Parent or the Purchaser may, without the consent of the Company, (i) assign its rights under this Agreement to any of its Affiliates, or (ii) collaterally assign its rights under this Agreement to the lender(s) of the Parent or the Purchaser. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

SECTION 10.02 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect.

SECTION 10.03 Notices. All notices, requests, claims, demands and other communications ("Notices") hereunder shall be in writing and shall be given to the parties at the following addresses (a) by personal delivery; (b) by facsimile transmission; (c) by registered or certified mail, postage prepaid, return receipt requested; or (d) by nationally recognized overnight or other express courier services:

If to the Parent or the Purchaser:

c/o TA Associates, Inc.
High Street Tower
Suite 2500
125 High Street
Boston, MA 02110
Attention: P. Andrews (Andy) McLane
Telephone: (617) 574-6700
Facsimile: (617) 574-6728

With a copy to:

Friedman Fleischer & Lowe, LLC
One Maritime Plaza, 10/th/ Floor
San Francisco, CA 94111
Attention: Christopher A. Masto
Telephone: (415) 401-2100
Facsimile: (415) 410-402-2111

and to:

Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Attention: Robert M. Wolf
Telephone: (617) 951-8000
Facsimile: (617) 951-8736

If to the Company:

Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: Robert B. Trussell, Jr., President and CEO
Telephone: (859) 514-4757
Facsimile: (859) 514-4422

With a copy to:

Frost Brown Todd LLC
250 West Main Street, Suite 2700
Lexington, Kentucky 40507
Attention: Jeffrey L. Hallos
Telephone: 859/231-0000
Facsimile: 859/231-0011

and to:

Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York 10019
Attention: Lori Anne Czepiel
Telephone: 212/839-5300
Facsimile: 212/839-5599

If to the Management Shareholders:

Fagerdala Holding B.V.
c/o Aranthals Grant Thornton
P.O. Box 71003
1008 BA Amsterdam
The Netherlands
Attention:Ludo Gribling
Telephone:+31 20 547 57 57

Fagerdala Industri A.B.
134 82 Gustavsberg
Sweden
Attention:Thomas Lindberg
Telephone:+46 8 570 132 00
Facsimile:+46 570 134 56

Chesterfield Properties, Limited
c/o Rathbone Trust Company Jersey Limited
Seaton House
Seaton Place
St. Helier
Jersey JE1 1BG
Channel Islands
Attention:Nicola Bennett
Telephone:+44 1534 495547
Facsimile:+44 1534 495688

Viking Investments S.a.r.l.
3 Boulevard Prince Henri
1724 Luxembourg
Attention: Mr. Valery Beuken, Account Manager
Intertrust Luxembourg S.A.
Telephone:+35 2 22 18 88
Facsimile:+35 2 22 18 99

Robert B. Trussell, Jr.
David Fogg
Jeffrey P. Heath
and
Thomas Bryant

each at

1713 Jaggie Fox Way
Lexington, KY 40511
Telephone: (859) 514-4757
Facsimile: (859) 514-4422

If to the Payee Representatives:

Mikael Magnusson
The Old Manor
Upper Lambourn
Nr Hungerford
Berks RG17 8RG
United Kingdom
Telephone:+44 1488 72967 or +44 1488 73966
Facsimile:+44 1488 72978

and to

Dag Landvik
c/o Fagerdala World Foams AB
Odelbergs Vag 19
S-134 82 Gustavsberg, Sweden
Telephone: 08 570 132 10
Facsimile:08 570 132 80

All Notices shall be effective and shall be deemed delivered (i) if by personal delivery, on the date of delivery if delivered during normal business hours of the recipient and, if not delivered during such normal business hours, on the next Business Day following delivery; (ii) if by facsimile transmission, on the next Business Day following dispatch of such facsimile; (iii) if by courier service, on the third (3rd) Business Day after dispatch hereof; and (iv) if by mail, on the fifth (5th) Business Day after dispatch thereof. Any party hereto may change its address by Notice to all other parties hereto delivered in accordance with this Section 10.03. For purposes of this Section 10.03 only, Business Day shall mean a day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the Commonwealth of Kentucky or the United Kingdom.

SECTION 10.04 Governing Law; Consent to Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof or otherwise.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the Delaware Court of Chancery in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Delaware State court or, to the extent permitted by

law, in any Federal court located in the State of Delaware. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in any Delaware State or Federal court. Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, the defense of any inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and, therefore, it hereby irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement or the transactions contemplated hereby.

(e) Each of the parties hereto irrevocably consents to service of process in the manner provided for Notices in Section 10.03. Notwithstanding the foregoing, each of the parties hereto shall have the right to serve process in any other manner permitted by law.

SECTION 10.05 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 10.06 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

SECTION 10.07 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and except with respect to Sections 3.06 and 6.06, the provisions of which may be enforced by the intended beneficiaries thereof, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 10.08 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the limitations set forth in this Agreement on such other remedies.

SECTION 10.09 Expenses. Each party hereby shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated by this Agreement, including, without limitation, fees and expenses of its own financial consultants, accountants and legal counsel; provided, however, that if the Closing occurs, the Surviving Corporation shall

reimburse the Parent and the Purchaser for all of their reasonable costs and expenses incurred in connection with the transactions contemplated by this Agreement.

SECTION 10.10 No Consequential Damages. Except as prohibited by law, each party hereto waives any right it may have to claim or recover any special, exemplary, punitive or consequential damages, or any damages other than, or in addition to, actual damages.

SECTION 10.11 Rules of Interpretation.

(a) The singular includes the plural, and the plural includes the singular.

(b) The word "or" is not exclusive.

(c) A reference to a Person includes its permitted successors and permitted assigns.

(d) The words "include," "includes" and "including" are not limiting.

(e) A reference in a document to an Article, Section, Exhibit, Schedule, Annex or Appendix is to the Article, Section, Exhibit, Schedule, Annex or Appendix of such document unless otherwise indicated. Exhibits, Schedules, Annexes or Appendices to any document shall be deemed incorporated by reference in such document.

(f) References to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.

(g) The words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document.

(h) References to "days" shall mean calendar days, unless the term "Business Days" shall be used.

(i) This Agreement is the result of negotiations among, and has been reviewed by, the Parent, the Purchaser, the Company and the Management Shareholders. Accordingly, this Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against any party.

(j) Unless otherwise specifically provided herein, any accounting term used in this Agreement shall have the meaning customarily given to such term in accordance with United States generally accepted accounting principles.

SECTION 10.12 Payee Representatives. By execution and delivery of this Agreement, the Management Shareholders hereby irrevocably constitute and appoint, and upon the Effective Time each of the other Shareholders and the Payees shall be deemed to have irrevocably

constituted and appointed, Mikael Magnusson and Dag Landvik as the true and lawful agents and attorneys-in-fact (the "Payee Representatives") of the Shareholders and the Payees with full power of substitution to act in the name, place and stead of the Shareholders and the Payees in connection with the transactions contemplated by the Transaction Documents, and to do or refrain from doing all such further acts and things, and to execute all such documents as the Payee Representatives shall deem necessary or appropriate, in connection with the transactions contemplated by the Transaction Documents, including, without limitation, the exclusive power and authority:

(i) to execute the Escrow Agreement as the representative of the Shareholders and the Payees, and to take such further actions under the Escrow Agreement as the Payee Representatives deem to be necessary or appropriate;

(ii) to act for the Shareholders and the Payees with regard to matters pertaining to the Final Closing Statement and the Final Net Working Capital Adjustment, including, without limitation, settling any claims and executing instructions to the Escrow Agent with respect to disbursement of the Escrow Adjustment Amount, and giving notice regarding objections to, or disputes relating to, the determination of the Final Net Working Capital Adjustment;

(iii) to act for the Shareholders and the Payees with regard to matters pertaining to indemnification referred to in the Transaction Documents, including the power to compromise any Claim on behalf of the Shareholders and the Payees, to transact matters of litigation or arbitration with respect to any Claim and to execute instructions to the Escrow Agent with respect to disbursement of the Escrow Indemnification Amount and the Escrow Specified Amount;

(iv) to act for the Shareholders and the Payees with regard to matters pertaining to the EBITDA Statement, the determination of Company EBITDA and Company Consolidated Net Revenues and the payment of the Additional Payments, including without limitation, giving notice regarding objections to, or disputes relating to, the determination of Company EBITDA and Company Consolidated Net Revenues;

(v) to execute any subordination agreement on behalf of the Payees with respect to the Additional Payments;

(vi) to execute and deliver all ancillary agreements, certificates and documents that the Payee Representatives deem necessary or appropriate in connection with the consummation of the transactions contemplated by the Transaction Documents;

(vii) to receive funds and give receipts for funds in connection with the transactions contemplated by the Transaction Documents;

(viii) to do or refrain from doing any further act or deed on behalf of the Payees or the Shareholders that the Payee Representatives deem necessary or appropriate in their sole discretion relating to the subject matter of the Transaction Documents as fully and completely as the Shareholders or the Payees could do if personally present; and

(ix) to receive service of process on behalf of any Shareholder or Payee in connection with any Claims under any of the Transaction Documents.

Notwithstanding any other provision hereof to the contrary, the Payee Representatives shall consult with the Preferred Payees prior to taking, or refraining from taking, any action described in this Section 10.12. If Mikael Magnusson or Dag Landvik or any replacement therefor dies or becomes incapacitated or is otherwise unable or unwilling to serve as a Payee Representative, the other Payee Representative shall select another individual to serve as the replacement Payee Representative. The appointment of the Payee Representatives shall be deemed coupled with an interest and shall be irrevocable, and the Surviving Corporation and any other Person may conclusively and absolutely rely, without inquiry, upon any action of the Payee Representatives in all matters referred to in this Section 10.12 or as otherwise expressly stated herein. All payments and notices made or delivered by the Surviving Corporation to the Payee Representatives for the benefit of the Shareholders or the Payees shall discharge in full all liabilities and obligations of the Surviving Corporation to the Shareholders or the Payees, as applicable, with respect thereto. The Management Shareholders hereby confirm, and upon the Effective Time the other Shareholders and the Payees shall be deemed to have confirmed, all that the Payee Representatives shall do or cause to be done by virtue of their appointment as the Payee Representatives. The Payee Representatives shall act for the Shareholders and the Payees on all of the matters set forth in this Agreement in the manner the Payee Representatives believe to be in the best interest of the Shareholders and the Payees, but the Payee Representatives shall not be responsible to the Shareholders or the Payees for any loss or damages the Shareholders or the Payees may suffer by the performance of their duties under this Agreement, other than loss or damage arising from the willful violation of the law or gross negligence in the performance of their duties under this Agreement. The Payee Representatives shall not be responsible to the Surviving Corporation or the Parent for any Loss or damages whatsoever that the Surviving Corporation or the Parent may suffer by the performance of their duties under this Agreement. Any action required or permitted to be taken by the Payee Representatives shall be taken only upon the unanimous consent or approval of the Payee Representatives; provided, however, that the Payee Representatives shall be entitled to act separately with respect to giving notice regarding objections to, or disputes relating to, the determination of the Final Net Working Capital Adjustment, Company EBITDA or Company Consolidated Net Revenues. By their execution of this Agreement, Mikael Magnusson and Dag Landvik hereby consent to the foregoing appointment to act as a Payee Representative.

SECTION 10.13 Foreign Currency Conversion. For purposes of calculations under this Agreement, amounts denominated in foreign currencies as of a particular date shall be converted into U.S. dollars in accordance with GAAP (utilizing SFAS 52).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its respective authorized representative, all as of the day and year first above written.

THE COMPANY: TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Chief Executive Officer

THE PURCHASER: TWI ACQUISITION CORP.

By: /s/ Christopher A. Masto

Name: Christopher A. Masto

Title: President

THE PARENT: TWI HOLDINGS, INC.

By: /s/ Christopher A. Masto

Name: Christopher A. Masto

Title: President

MANAGEMENT SHAREHOLDERS: FAGERDALA HOLDING B.V.

By: /s/ Dag Landvik

Name: Dag Landvik

Title: Director

FAGERDALA INDUSTRI A.B.

By: /s/ Dag Landvik

Name: Dag Landvik

Title: Director

CHESTERFIELD PROPERTIES LIMITED

By: /s/ Martin Tupper

Name: Martin Tupper

Title: Director

VIKING INVESTMENTS S.A.R.L.

By: /s/ Colm Smith

Name: Colm Smith

Title: Director

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.

/s/ Jeffrey P. Heath

Jeffrey P. Heath

/s/ David Fogg

David Fogg

/s/ Thomas Bryant

Thomas Bryant

PAYEE REPRESENTATIVES:

/s/ Mikael Magnusson

Mikael Magnusson

/s/ Dag Landvik

Dag Landvik

LIST OF SCHEDULES AND ANNEXES
TO AGREEMENT AND PLAN OF MERGER*

Schedules:

Schedule A	Net Working Capital Exclusions
Schedule B	State Sales and Use Tax Settlement Agreements
Schedule 2.07	Management Options
Schedule 4.01	Subsidiaries
Schedule 4.03(a)(i)	Stock Ownership
Schedule 4.03(a)(ii)	Options
Schedule 4.03(a)(iii)	Stock Purchase Rights
Schedule 4.03(b)	Equity Interests Held by Company
Schedule 4.05(a)	Conflicts
Schedule 4.05(b)	Consents
Schedule 4.06	Financial Statements
Schedule 4.06(a)	Financial Statements
Schedule 4.07	Material Adverse Change
Schedule 4.08	Certain Developments
Schedule 4.09	Title Exceptions; Real Property Leases
Schedule 4.10	Tax Matters
Schedule 4.11(a)	Contracts
Schedule 4.12(a)(i)	Owned Intellectual Property
Schedule 4.12(a)(ii)	Licensed Intellectual Property
Schedule 4.12(b)	Intellectual Property
Schedule 4.12(d)	Foam Formula Access
Schedule 4.13	Permits, Licenses, Etc.
Schedule 4.14	Litigation
Schedule 4.16(a)	Employee Benefit Plans
Schedule 4.16(d)	Employee Benefit Plan Legal Actions, Etc.
Schedule 4.16(f)	Payment
Schedule 4.17	Insurance
Schedule 4.18	Compliance with Laws
Schedule 4.19	Environmental Compliance
Schedule 4.20	Affiliated Transactions
Schedule 4.21	Brokers
Schedule 4.23	Suppliers and Customers
Schedule 4.28	Indebtedness
Schedule 4.29	Bank Accounts, Etc.
Schedule 4A	Exceptions to Title, Authority, Etc.
Schedule 7.03(d)	Third Party Consents for Material Contracts
Schedule 7.03(l)	Indebtedness Payoff
Schedule 7.03(o)	European Restructuring
Schedule 7.03(p)	Employment Agreement Waivers
Schedule 7.03(q)	Resignations
Schedule 9.02(a)(iii)(A)	Specified Claims
Schedule 9.02(a)(iii)(B)	Other Items
Schedule 9.02(a)(iii)(C)	Danish Environmental Claims

Annexes:

Annex A	Support Agreements
Annex B	Written Consents
Annex C	Escrow Agreement
Annex 3.02(a)	Letter of Transmittal (Common Stock)
Annex 3.02(b)	Letter of Transmittal (Preferred Stock)
Annex 3.06(a)	EBITDA Statement
Annex 3.06(d)	Confidentiality Agreement
Annex 5.07	Commitment Letters
Annex 6.10	2002 Stock Option Plan
Annex 7.02(e)	Opinion of Bingham McCutchen LLP
Annex 7.03(f)(1)(A)	Non-Competition Agreement (Landvik)
Annex 7.03(f)(1)(B)	Non-Competition Agreement (Magnusson)
Annex 7.03(f)(2)	Confidentiality Agreement
Annex 7.03(k)(1)	Opinion of Frost Brown Todd LLC
Annex 7.03(k)(2)	Opinion for Corporate Shareholders
Annex 7.03(m)	Consulting Service and Support Agreement
Annex 7.03(n)	Administrative Services Agreement

* A copy of any omitted schedule or annex will be furnished supplementally to the Commission upon request.

Exhibit 2.2

CONTRIBUTION AGREEMENT

AMONG

TA IX L.P.,
TA ADVENT VIII L.P.
TA/ATLANTIC AND PACIFIC IV L.P.,
TA STRATEGIC PARTNERS FUND A L.P.
TA STRATEGIC PARTNERS FUND B L.P.
TA INVESTORS LLC
FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP,
FFL EXECUTIVE PARTNERS, LP,

ROBERT B. TRUSSELL, JR.,
DAVID C. FOGG,
H. THOMAS BRYANT,
JEFFREY P. HEATH,
MRS. R. B. TRUSSELL, JR.,

AND

TWI HOLDINGS, INC.

DATED AS OF OCTOBER 4, 2002

CONTRIBUTION AGREEMENT

This Contribution Agreement (this "Agreement"), dated October 4, 2002, is among (i) TWI Holdings, Inc., a Delaware corporation ("Parent"), (ii) Mrs. R. B. Trussell, Jr. and David C. Fogg (each, an "Initial TWI Shareholder" and, collectively, the "Initial TWI Shareholders"), (iii) TA IX L.P., TA Advent VIII, L.P., TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., TA Investors LLC, Friedman Fleischer & Lowe Capital Partners, LP and FFL Executive Partners, LP (each, an "Initial Investor" and, collectively, the "Initial Investors") (iv) Robert B. Trussell, Jr., David C. Fogg, H. Thomas Bryant and Jeffrey P. Heath (each, a "Class B Shareholder" and collectively, the "Class B Shareholders"), and (v) any other Person who, prior to the Closing, becomes a party to this Agreement by executing a TWI Shareholder Instrument of Accession in the form of Annex 1 hereto or an Investor Instrument of Accession in the form of Annex 2 hereto, in each case pursuant to Section 2.2 hereof.

RECITALS

A. Parent and its wholly owned subsidiary, TWI Acquisition Corp. ("Purchaser"), were formed for the purpose of acquiring Tempur World, Inc., a Delaware corporation ("TWI"), through a merger transaction.

B. The Investors (as hereinafter defined), the TWI Shareholders (as hereinafter defined) and the Class B Shareholders desire to acquire equity interests in Parent for the consideration, and on the other terms and conditions, set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits and covenants contained herein, the parties hereto agree as follows:

ARTICLE 1 - Definitions

1.1 Definitions. As used herein, the following terms shall have the following meanings:

"Additional Payment" shall have the meaning given thereto in the Merger Agreement.

"Agreement" shall mean this Contribution Agreement, and any and all amendments, modifications and supplements hereto entered into in accordance with the terms hereof.

"Business Day" shall mean a day other than a Saturday, a Sunday or a holiday on which national banking associations are required or permitted by law to be closed in Kentucky or New York.

"Closing" shall mean the closing of the transactions contemplated herein.

"Closing Date" shall mean the date of the Closing.

"Closing Payment Amount" shall have the meaning given thereto in the Merger Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

"Exchange Ratio" shall mean an amount equal to (a) the Closing Payment Amount minus the Initial Adjustment Deduction divided by (b) the Preferred Price Per Share.

"Family Member" shall have the meaning set forth for such term in the Stockholder Agreement.

"FFL Group" shall mean, collectively, Friedman Fleischer & Lowe Capital Partners, LP and FFL Executive Partners, LP.

"Final Net Working Capital Adjustment" shall have the meaning given thereto in the Merger Agreement.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Initial Adjustment Deduction" shall have the meaning given thereto in the Merger Agreement.

"Investor" shall mean each Initial Investor and each other Person who agrees to become an Investor and a party to this Agreement by executing an Investor Instrument of Accession.

"Investor Equity Commitment" shall mean $156,900,000 minus the sum of (a) the aggregate amount of Management Option Spreads for all Class B Shareholders plus (b) the aggregate cash purchase price paid by the accredited investors listed on Schedule 2.2(b) for shares of Parent Class A Common Stock purchased pursuant to Section 2.2(b) hereof, plus (c) the product of $1,000 multiplied by the number of shares of Parent Class A Common Stock issued at the Closing to the TWI Shareholders pursuant to Section 2.1(a) hereof in exchange for their shares of TWI Common Stock at the Exchange Ratio.

"Investor Instrument of Accession" shall mean the Instrument of Accession in substantially the form of Annex 2 attached hereto.

"Knowledge" shall mean actual knowledge of a particular fact being known by (a) in the case of an individual, such individual; and (b) in the case of any other Person, the directors and executive officers of such Person or such Person's Subsidiaries ("Management") or, if such Person has no such Management, the Management of such Person's majority partners, members, stockholders or other equity holders.

"Laws" shall mean all federal, state, local or foreign laws, treaties, regulations, rules, orders or administrative or judicial determinations having the effect of law.

"Liens" means liens, security interests, options, rights of first refusal, easements, mortgages, charges, pledges, deeds of trust, rights-of-way, restrictions, encroachments, licenses, leases, permits, security agreements, or any other encumbrances, restrictions or limitations on the use of real or personal property, whether or not they constitute specific or floating charges.

"Management Option Spread" shall mean, with respect to each Class B Shareholder, the amount by which (a) the product of $1000 multiplied by the aggregate number of shares of Parent Class A Common Stock that would have been issuable at the Exchange Ratio in exchange for the total number of shares of TWI Common Stock issuable under such Class B Shareholder's Management Options prior to their termination under Section 2.07 of the Merger Agreement exceeds (b) the aggregate exercise price payable for such shares of TWI Common Stock under such Management Options.

"Management Options" shall have the meaning given thereto in the Merger Agreement.

"Merger Agreement" shall mean that certain Agreement and Plan of Merger, of even date herewith, among Parent, Purchaser, TWI, certain shareholders of TWI and certain payee representatives.

"Notice of Offering" shall have the meaning given thereto in the Merger Agreement.

"Person" or "person" shall mean individuals, corporations, limited liability companies, partnerships, trusts, other entities and groups (which term shall include a "group" as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended).

"Preferred Price Per Share" shall mean $1,000.

"Redemption Agreement" shall mean that certain Stock Redemption Agreement, dated September 25, 2001 among TWI, MONY Life Insurance Company, GE Capital Equity Investment, Inc., Palmetto Partners, Ltd., Fagerdala Holding B.V., Robert B. Trussell, Jr. and certain of TWI's other shareholders.

"Related Agreements" shall mean all agreements contemplated by this Agreement to be executed in connection with, or as a condition to, the Closing.

"Securities Purchase Agreements" shall mean the Securities Purchase Agreement, dated September 25, 2001, among the Company, MONY Life Insurance Company, GE Capital Equity Investment, Inc. and Palmetto Partners, Ltd. and the Securities Purchase Agreement, dated March 25, 2002, between the Company and GE Capital Equity Investment, Inc.

"Subsidiary" or "Subsidiaries" means, with respect to a specific Person, every corporation, limited liability company, partnership, or other business organization or entity of

which such Person owns, directly or through its Subsidiaries, (a) more than 50% of (i) the total combined voting power of all classes of voting securities of such entity, (ii) the total combined equity interest therein, or (iii) the capital or profits interests therein, in the case of a partnership; or (b) otherwise has the power to vote or direct the voting of sufficient securities to elect the majority of the board of directors or similar governing body of such entity.

"Surviving Corporation" shall have the meaning given thereto in the Merger Agreement.

"TA Group" shall mean, collectively, TA IX L.P., TA Advent VIII, L.P., TA/Atlantic and Pacific IV L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P. and TA Investors LLC.

"TWI Accredited Investor" shall mean any holder of shares of TWI Common Stock who qualifies as an "accredited investor" as defined in Regulation D of the Securities Act of 1933, as amended.

"TWI Common Stock" shall mean shares of common stock, $0.01 par value per share, of TWI.

"TWI Preferred Stock" shall mean shares of Series A Preferred Stock, $1.00 par value per share, of TWI.

"TWI Shareholder" shall mean each Initial TWI Shareholder and each other holder of shares of TWI Stock who agrees to become a TWI Shareholder party to this Agreement by executing a TWI Shareholder Instrument of Accession.

"TWI Shareholder Instrument of Accession" shall mean the Instrument of Accession in substantially the form of Annex 1 attached hereto.

"TWI Stock" shall mean the TWI Common Stock and the TWI Preferred Stock.

"TWI Stockholders Agreement" means that certain Amended and Restated Stockholders Agreement, dated January 1, 2000, as amended and restated as of September 25, 2001, among TWI and each of its stockholders, and as further amended.

1.2 Other Defined Terms. In addition, the following terms shall have the meanings ascribed to them in the corresponding Section of this Agreement:

Term	Section
Adjusted Exchange Ratio	2.5
Cash Consideration	2.1(b)
Class B Shareholder	Recitals
Initial Certificates	2.4
Initial Investor	Recitals
Initial TWI Shareholder	Recitals

Notices	16.6
Parent	Recitals
Parent Class A Common Stock	4.9
Parent Class B-1 Common Stock	4.9
Parent Series A Preferred Stock	4.9
Purchaser	Recitals
Registration Rights Agreement	8.8
Stockholder Agreement	8.6
TWI	Recitals

1.3 Rules of Interpretation.

(a) The singular includes the plural and the plural includes the singular.

(b) The word "or" is not exclusive.

(c) A reference to a Person includes its permitted successors and permitted assigns.

(d) The words "include," "includes" and "including" are not limiting.

(e) A reference in a document to an Article, Section, Exhibit, Schedule, Annex or Appendix is to the Article, Section, Exhibit, Schedule, Annex or Appendix of such document unless otherwise indicated. Exhibits, Schedules, Annexes or Appendices to any document shall be deemed incorporated by reference in such document.

(f) References to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.

(g) The words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document.

(h) References to "days" shall mean calendar days, unless the term "Business Days" shall be used.

(i) This Agreement is the result of negotiations among, and has been reviewed by, the Investors, Parent, the Class B Shareholders and the TWI Shareholders. Accordingly, this Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against any party.

ARTICLE 2 - Contribution and Issuance of Stock

2.1 Contribution and Consideration. Subject to Section 2.2 hereof, at the Closing, upon the terms and conditions set forth in this Agreement, and in reliance on the representations, warranties, covenants and agreements contained herein, and upon the terms and subject to the conditions hereinafter set forth:

(a) Each TWI Shareholder shall contribute, convey, assign, transfer, and deliver to Parent, and Parent shall accept and receive from such TWI Shareholder, all of such TWI Shareholder's right, title, and interest in and to the shares of TWI Common Stock set forth opposite such TWI Shareholder's name on Schedule 2.1(a) (as amended up to the Closing to the extent permitted by Section 2.2(a) hereof). Provided such shares of TWI Common Stock are so contributed to Parent, Parent agrees to issue and convey, assign, transfer, and deliver to such TWI Shareholder in exchange for all of the shares of TWI Common Stock set forth opposite such TWI Shareholder's name on Schedule 2.1(a) (as amended up to the Closing to the extent permitted by Section 2.2(a) hereof), a number of shares of Parent Class A Common Stock equal to the product of (i) the Exchange Ratio and (ii) the number of such shares of TWI Common Stock, subject to further adjustment upon determination of the Adjusted Exchange Ratio as set forth in Section 2.5 below.

(b) Each Investor shall contribute, convey, transfer, and deliver (or shall cause to be transferred) to Parent, and Parent shall accept and receive from each Investor (or such other transferor), cash, in immediately available funds by wire transfer, in the amount equal to the respective percentage set forth opposite such Investor's name on Schedule 2.1(b) (as amended up to and including the Closing to the extent permitted by Section 2.2(c) hereof), rounded to the nearest increment of $1,000, of the Investor Equity Commitment (the "Cash Consideration"). In exchange for the Cash Consideration, Parent agrees to issue and convey, assign, transfer, and deliver to each Investor the number of shares of Parent Series A Preferred Stock as is equal to the Cash Consideration for such Investor divided by the Preferred Price Per Share.

(c) Each Class B Shareholder shall contribute and deliver to Parent, and Parent shall accept and receive from each Class B Shareholder, a promissory note in the form of Annex 2.1(c) in the principal amount of (i) $100,000 multiplied by (ii) such Class B Shareholder's percentage of the total number of shares of Parent Class B-1 Common Stock issued to the Class B Shareholders pursuant to this Section 2.1(c) (the "Note Consideration"). In exchange for the Note Consideration, Parent agrees to issue and convey, assign, transfer, and deliver to each Class B Shareholder the number of shares of Parent Class B-1 Common Stock as is equal to the quotient obtained by dividing (i) such Class B Shareholder's Management Option Spread by (ii) 1,000.

2.2 Additional Investments.

(a) Prior to the Closing, Parent shall offer to those TWI Accredited Investors listed on Schedule 2.2(a) the right to contribute to Parent all or any portion of the shares of TWI Common Stock set forth opposite such TWI Accredited Investor's name on Schedule 2.2(a) in exchange for shares of Parent Class A Common Stock pursuant to Section 2.1(a) hereof. Such offer shall be made pursuant to the offering materials prepared by Parent and shall be completed no later than three days prior to the Closing. Upon acceptance by Parent of a TWI Shareholder Instrument of Accession executed by any such TWI Accredited

Investor, such TWI Accredited Investor shall become a TWI Shareholder and a party to this Agreement. At least three days prior to the Closing, Parent shall deliver to the TWI Shareholders, the Class B Shareholders and the Investors an amended Schedule 2.1(a) setting forth the names of all TWI Shareholders and the number of shares of TWI Common Stock to be contributed by each of them, and each TWI Shareholder agrees that such amended Schedule 2.1(a) shall be deemed to be Schedule 2.1(a) for all purposes of this Agreement.

(b) Prior to the Closing, Parent shall offer to those "accredited investors" (as defined in Regulation D of the Securities Act of 1933, as amended) listed on Schedule 2.2(b) the right to purchase, for such accredited investor's own account, up to that number of shares of Parent Class A Common Stock as is equal to the number of shares of Parent Class A Common Stock that such accredited investor would have been able to receive if such accredited investor had exchanged the number of shares of TWI Common Stock set forth next to the name of such accredited investor on Schedule 2.2(b) for shares of Parent Class A Common Stock pursuant to Section 2.2(a) above. The purchase price for such shares of Parent Class A Common Stock shall be $1,000 per share, and shall be payable 80% in cash and 20% in the form of a promissory note of such accredited investor bearing interest at the lowest rate permitted under federal tax laws and due 10 years from the date of issuance (subject to acceleration in the case of certain events of default). Each note shall be secured by a pledge of the shares of Parent Class A Common Stock being purchased and shall not be limited in recourse against such accredited investor. The closing of the purchase and sale of such shares of Parent Class A Common Stock shall take place contemporaneously with the Closing.

(c) Prior to the Closing, the Investors shall have the right to increase the Investor Equity Commitment, and the number of shares of Parent Series A Preferred Stock to be issued to the Investors (at the Preferred Price Per Share), pursuant to Section 2.1(b) by notice to Parent. Any such increase shall be made on a pro-rata basis among all of the Investors, unless otherwise agreed by the Investors. In addition, prior to the Closing, the FFL Group and the TA Group shall have the separate right to reallocate the percentage of the Investor Equity Commitment applicable to each of its members, provided that the total percentage of the Investor Equity Commitment for all of its members does not change (other than in connection with any adjustments described in the following provisions of this Section 2.2(c)). In addition, prior to the Closing, with the prior written consent of all of the Initial Investors, Parent may offer one or more "accredited investors" as defined in Regulation D of the Securities Act of 1933, as amended, acceptable to the Investors the right to contribute up to an aggregate of $10,000,000 in cash to Parent in exchange for shares of Parent Series A Preferred Stock at the Preferred Price Per Share pursuant to Section 2.1(b) hereof. Upon acceptance by Parent of an Investor Instrument of Accession executed by any such offeree, such offeree shall become an Investor and a party to this Agreement and Schedule 2.1(a) shall be amended to include the name of such new Investor, such new Investor's percentage of the Investor Equity Commitment and the adjusted percentages of the Investor Equity Commitment for each of the other Investors (such adjustment to be made on a pro-rata basis among all of the other Investors or such other basis as is agreed to by such other Investors). At the Closing, Parent shall deliver to the TWI Shareholders, the Class B Shareholders and the Investors an amended Schedule 2.1(b) setting forth the names of all Investors and the percentage of the Investor Equity Commitment to be contributed by each of them, and each Investor agrees that such amended Schedule 2.1(b) shall

be deemed to be Schedule 2.1(b) for all purposes of this Agreement. Notwithstanding the foregoing provisions of this Section 2.2(c), in no event may the aggregate Cash Consideration to be paid by any single Investor (other than TA IX L.P.) consist of more than $49,999,000.

2.3 Additional Payment to TWI Shareholders. In the event that any Additional Payments are paid by the Surviving Corporation pursuant to Section 3.06 of the Merger Agreement, each TWI Shareholder shall be entitled to receive from the Surviving Corporation (and Parent shall cause the Surviving Corporation to pay), an amount equal to the (a) the Additional Payment multiplied by (b) the number of shares of TWI Common Stock contributed to Parent pursuant to Section 2.1(a) (the "Special Additional Payments"). Any such Special Additional Payments to the TWI Shareholders shall be subject to the same payment deferral, subordination, transfer restrictions and other terms and conditions as are set forth in Section 3.06 of the Merger Agreement with respect to the Additional Payments. Payment of any Special Additional Payments under this Section 2.3 with respect to the shares of TWI Common Stock contributed by the TWI Shareholders hereunder shall be made on a pro-rata basis with any payment of Additional Payments to the former holders of shares of TWI Common Stock pursuant to the Merger Agreement.

2.4 Certificates for Parent Class A Common Stock. From and after the Closing, the certificates for the Parent Class A Common Stock issued to the TWI Shareholders pursuant to Section 2.1(a) (the "Initial Certificates") shall be held by Parent until the final determination of the Adjusted Exchange Ratio pursuant to Section 2.5 below. During the period that the Initial Certificates are held by Parent, each TWI Shareholder shall be the record and beneficial holder of the shares of Parent Class A Common Stock represented by the Initial Certificate in its name, with the right to vote such shares and receive dividends with respect thereto and to transfer such shares to the extent permitted by the Stockholder Agreement (provided that any transferee shall remain subject to the terms of this Agreement). Notwithstanding the foregoing provisions of this Section 2.4, in the event that any TWI Shareholder has pledged any shares of Parent Class A Common Stock represented by the Initial Certificates in a manner permitted under Section 2.1 of the Stockholder Agreement, upon the written request of such TWI Shareholder, Parent shall deliver the Initial Certificates representing such pledged shares of Parent Class A Common Stock to the pledgee of such shares, provided that such pledgee has agreed in writing with Parent to surrender such Initial Certificates in exchange for any replacement certificates representing the adjusted number of shares of Parent Class A Common Stock subject to such pledge after determination of the Adjusted Exchange Ratio pursuant to Section 2.5 hereof.

2.5 Adjustment to Exchange Ratio. After the Closing, the Exchange Ratio and the number of shares of Parent Class A Common Stock issued to each TWI Shareholder shall be subject to adjustment as set forth in this Section 2.5. Following the determination of the Final Net Working Capital Adjustment pursuant to Section 3.05 of the Merger Agreement, (a) the Initial Adjustment Deduction shall be recomputed using the Final Net Working Capital Adjustment in place of the term "Initial Net Working Capital Adjustment" in the definition of Initial Adjustment Deduction and (b) the Exchange Ratio shall be recomputed using the Initial Adjustment Deduction as so recomputed (such recomputed Exchange Ratio is herein referred to as the "Adjusted Exchange Ratio"). Following the determination of the Adjusted Exchange Ratio, each TWI Shareholder shall be entitled to receive, in lieu of the number of shares of

Parent Class A Common Stock represented by the Initial Certificate in such TWI Shareholder's name, such number of shares of Parent Class A Common Stock as is equal to the product of (i) the Adjusted Exchange Ratio and (ii) the number of shares of TWI Common Stock set forth opposite such TWI Shareholder's name on Schedule 2.1(a). Parent shall thereafter cancel the Initial Certificates and issue and deliver to each of the TWI Shareholders a certificate for such adjusted number of shares of Parent Class A Common Stock to which such TWI Shareholder is entitled.

2.6 Sales and Transfer Taxes. All sales, use or other transfer taxes, if any, arising from the transfer of TWI Stock shall be borne by the TWI Shareholders that owned the TWI Stock to which any such tax related.

2.7 Section 351. The parties hereto acknowledge and agree that the contribution of the TWI Common Stock, the Cash Consideration and the Note Consideration contemplated hereby are intended to qualify as transfers of property to the Parent by the TWI Shareholders, the Investors and the Class B Shareholders, respectively, within the meaning of Section 351 of the Internal Revenue Code of 1986, as amended.

ARTICLE 3 - Representations and Warranties of TWI Shareholders

In order to induce the Investors, the Class B Shareholders and Parent to enter into this Agreement, each TWI Shareholder, severally and not jointly, hereby represents and warrants to the Investors, the Class B Shareholders and Parent as follows:

3.1 Authority; No Breach or Violation.

(a) Such TWI Shareholder has full right, power and authority to execute and deliver this Agreement and the Related Agreements to which such TWI Shareholder is a party and to perform such TWI Shareholder's obligations under this Agreement and the Related Agreements to which such TWI Shareholder is a party. This Agreement and the Related Agreements to which such TWI Shareholder is a party constitute valid and legally binding obligations of such TWI Shareholder, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and is subject to general principles of equity.

(b) Such TWI Shareholder's execution and delivery of this Agreement and the Related Agreements to which such TWI Shareholder is a party, the consummation of the transactions contemplated hereby and thereby, and the performance and fulfillment of such TWI Shareholder's obligations and undertakings hereunder and thereunder will not conflict with or violate any provision of, or result in the breach of or accelerate or permit the acceleration of any performance required by the terms of (i) the charter or by-laws (or other governing or formation documents) of such TWI Shareholder, if any; (ii) except as described on Schedule 3.5, any contract, agreement, arrangement or undertaking to which such TWI Shareholder is a party or by which such TWI Shareholder may be bound or of any judgment, decree, writ, injunction, order or award of any arbitration panel, court or governmental authority applicable to such TWI Shareholder; or (iii) any applicable Law, except, in the cases of clauses (ii) and (iii), for any such

violations that would not have a material adverse effect on such TWI Shareholder's ability to consummate the transactions contemplated hereby.

3.2 Title to TWI Stock. Upon transfer to Parent of the certificates representing such TWI Shareholder's TWI Stock, duly endorsed by such TWI Shareholder for transfer to Parent, good and valid, legal and beneficial title to all of such TWI Stock will pass to Parent, free and clear of all Liens, proxies, voting trusts or restrictions whatsoever, except restrictions on transfer under any applicable securities law. There are no outstanding purchase agreements, options, warrants, or other rights of any kind whatsoever, entitling any Person to purchase or acquire an interest in any of such certificates or restricting their transfer, except those contained in the Redemption Agreement, the Securities Purchase Agreements and the TWI Stockholders Agreement, and restrictions on transfer under any applicable securities law.

3.3 Brokers' Fees. Neither such TWI Shareholder nor anyone acting on such TWI Shareholder's behalf has retained any broker, finder or agent or agreed to pay any brokerage fees, finder's fee or commission with respect to the transactions contemplated by this Agreement, except as may be disclosed in the Merger Agreement.

3.4 Litigation. There is no suit, claim, action, proceeding, judgment, writ, order, injunction or decree pending or, to the Knowledge of such TWI Shareholder, threatened against or affecting the consummation by such TWI Shareholder of the transactions contemplated by this Agreement or by the Related Agreements to which such TWI Shareholder is a party, at law or in equity or before any governmental authority or instrumentality or before any arbitrator of any kind, except those that would not have a material adverse effect on such TWI Shareholder's ability to consummate the transactions contemplated hereby.

3.5 Consents and Approvals. Except as described on Schedule 3.5, such TWI Shareholder is not required to obtain or make any consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any governmental or regulatory authority (foreign or domestic) or any other Person in connection with the execution, delivery and performance of this Agreement and the Related Agreements to which such TWI Shareholder is a party, except for such consents and approvals the failure of which to obtain or make would not have a material adverse effect on such TWI Shareholder's ability to consummate the transactions contemplated hereby.

ARTICLE 4 - Representations and Warranties of Parent

In order to induce the Investors, the TWI Shareholders and the Class B Shareholders to enter into this Agreement, Parent hereby represents and warrants to the Investors, the TWI Shareholders and the Class B Shareholders as follows:

4.1 Corporate Existence and Qualification

(a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing in all jurisdictions in which it is qualified to do business or in which the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a material

adverse effect on Parent's financial condition or results of operations or its ability to consummate the transactions contemplated by this Agreement or the Merger Agreement. Parent has full power and authority to own, lease and operate its properties as such properties are now owned, leased and operated, and to conduct its business as and where such business is currently conducted, except where the failure to have such power would not have a material adverse effect on Parent's financial condition or results of operations or its ability to consummate the transactions contemplated by this Agreement or the Merger Agreement. Parent is a newly formed corporation which has not conducted any business or activities other than in connection with the transactions contemplated by this Agreement and the Related Agreements to which it is a party.

(b) Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing in all jurisdictions in which it is qualified to do business or in which the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on Purchaser's financial condition or results of operations or its ability to consummate the transactions contemplated by this Agreement or the Merger Agreement. Purchaser has full power and authority to own, lease and operate its properties as such properties are now owned, leased and operated, and to conduct its business as and where such business is currently conducted, except where the failure to have such power would not have a material adverse effect on Purchaser's financial condition or results of operations or its ability to consummate the transactions contemplated by this Agreement or the Merger Agreement. Purchaser is a newly formed corporation which has not conducted any business or activities other than in connection with the transactions contemplated by this Agreement and the Related Agreements to which it is a party.

4.2 Interest in Other Entities. Parent does not own, directly or indirectly, beneficially or of record, any stock, partnership interest, option, warrant or other equity interest in any Person other than Purchaser and, immediately following the consummation of the transactions contemplated by the Merger Agreement, TWI and its Subsidiaries.

4.3 Authorization; Enforceability. Parent has full right, power and authority to execute and deliver this Agreement and the Related Agreements to which it is a party, and to perform its obligations under this Agreement and the Related Agreements to which it is a party. This Agreement and the Related Agreements to which Parent is a party constitute valid and legally binding obligations of Parent, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and is subject to general principles of equity. The execution and delivery of, and the performance and consummation of the transactions contemplated by, this Agreement and the Related Agreements have been duly authorized by all requisite corporate action by Parent.

4.4 No Breach or Violation.

(a) Except as set forth on Schedule 4.4(a) hereto and except for the consents listed on Schedule 4.6 hereto, Parent's execution and delivery of this Agreement and the Related Agreements, its compliance with and fulfillment of the terms of this Agreement and the Related

Agreements, and the consummation of the transactions contemplated hereby and thereby, do not and will not, with notice or passage of time or both:

(i) violate any provision of, or result in the breach of or accelerate or permit the acceleration of any performance required by the terms of (A) the certificate of incorporation or the bylaws of Parent or Purchaser, (B) any contract, agreement, arrangement or undertaking to which Parent or Purchaser is a party or by which either of them may be bound or of any judgment, decree, writ, injunction, order or award of any arbitration panel, court or governmental authority applicable to either of them, or (C) any applicable Law, except, in the cases of clauses (B) and (C), for such violations that would not have a material adverse effect on Parent's or Purchaser's financial condition or results of operations or the ability of either Parent or Purchaser to consummate the transactions contemplated hereby;

(ii) result in the creation of any claim or Lien upon any of the properties or assets (whether real or personal, tangible or intangible) of Parent or Purchaser, except such claims and Liens as are contemplated by this Agreement or the Related Agreements or that would not have a material adverse effect on Parent's or Purchaser's financial condition or results of operations or the ability of either Parent or Purchaser to consummate the transactions contemplated hereby; or

(iii) terminate or cancel, or result in the termination or cancellation of, any agreement or undertaking to which Parent or Purchaser is a party, except for such terminations and cancellations that would not have a material adverse effect on Parent's or Purchaser's financial condition or results of operations or the ability of either Parent or Purchaser to consummate the transactions contemplated hereby.

4.5 Litigation. There is no suit, claim, action, proceeding, judgment, writ, order, injunction or decree pending or, to the Knowledge of Parent or Purchaser, threatened against or affecting the consummation by Parent or Purchaser of the transactions contemplated hereby or by the Related Agreements to which either of them is a party, at law or in equity or before any governmental authority or instrumentality or before any arbitrator of any kind, except for those that would not have a material adverse effect on Parent's or Purchaser's financial condition or results of operations, assuming the consummation of the transactions contemplated hereby, or the ability of either Parent or Purchaser to consummate the transactions contemplated hereby.

4.6 Consents and Approvals. Except as set forth on Schedule 4.6 hereto or as otherwise contemplated by this Agreement, neither Parent nor Purchaser is required to obtain or make any consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any governmental or regulatory authority (foreign or domestic) or any other Person in connection with the execution, delivery and performance of this Agreement and the Related Agreements to which either of them is a party, except for such consents and approvals the failure of which to obtain would not have a material adverse effect on Parent's or Purchaser's financial condition or results of operations or the ability of either Parent or Purchaser to consummate the transactions contemplated hereby.

4.7 Brokers' Fees. Neither Parent nor Purchaser nor any Person on Parent's or Purchaser's behalf has retained any broker, finder or agent or agreed to pay any brokerage fee,

finder's fee or commission with respect to the transactions contemplated by this Agreement, except as may be disclosed in the Merger Agreement.

4.8 Ownership of Purchaser. Parent owns beneficially and of record all of the shares and interests in Purchaser, free and clear of any Liens, proxies, voting trusts or restrictions whatsoever, except restrictions on transfer under any applicable securities laws. There are no outstanding options, warrants, conversion or other rights or agreements of any kind (except as contemplated hereby) for the purchase from, or the sale or issuance by, Parent of any interest or stock in Purchaser. Each of the outstanding shares of capital stock of Purchaser is duly authorized, validly issued, fully paid and non-assessable. Parent is not a party to any obligation (contingent or otherwise) to buy or sell Purchaser.

4.9 Capitalization. On the Closing Date, the authorized capital stock of Parent will consist of (a) 250,000 shares of Preferred Stock, $0.01 par value per share (the "Parent Preferred Stock"), of which 180,000 shares are designated as Series A Convertible Preferred Stock (the "Parent Series A Preferred Stock"), (b) 25,000 shares of Class A Common Stock, $0.01 par value per share (the "Parent Class A Common Stock"), (c) 300,000 shares of Class B-1 Voting Common Stock, $0.01 par value per share (the "Parent Class B-1 Common Stock") and (d) 25,000 shares of Class B-2 Non-Voting Common Stock, $0.01 par value per share. As of the date hereof, Parent has no outstanding capital stock. On the Closing Date, after giving effect to the transactions contemplated hereby, Parent will have no outstanding capital stock other than (a) the shares of Parent Series A Preferred Stock to be issued pursuant to Sections 2.1(b) and 2.2(c) hereof, (b) the shares of Parent Class A Common Stock to be issued pursuant to Sections 2.1(a), 2.2(a) and 2.2(b) hereof and (c) the shares of Parent Class B-1 Common Stock to be issued pursuant to Section 2.1(c) hereof, all of which will be duly authorized, validly issued, fully paid, and non-assessable. The authorized capital stock of Purchaser consists of 3,000 shares of common stock, $0.01 par value per share. There are no bonds, debentures, notes or other indebtedness having general voting rights (or convertible into securities having such rights) of Parent or any of its Subsidiaries issued and outstanding. Except for this Agreement, the Merger Agreement, the Parent's Stock Option Plan, the Notice of Offering and the commitment letters relating to the mezzanine credit facilities to be available to certain Subsidiaries of Parent, there are no existing options, warrants, calls, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the issued or unissued capital stock of Parent or any of its Subsidiaries, obligating Parent or any of its Subsidiaries to purchase, redeem, issue, transfer or sell or cause to be purchased, redeemed, issued, transferred or sold any shares of capital stock of, or other equity interest in or voting security of Parent or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or voting securities and neither Parent nor any of its Subsidiaries is obligated to grant or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment.

4.10 Certificate of Incorporation. Attached hereto as Annex 4.10 is the Certificate of Incorporation of Parent as in effect on the date hereof. Such Certificate of Incorporation will not be amended prior to the Closing Date, other than pursuant to an amendment in substantially the form of Annex 8.7.

ARTICLE 5 - Representations and Warranties of the Investors

In order to induce Parent, the TWI Shareholders and the Class B Shareholders to enter into this Agreement, each Investor, severally and not jointly, hereby represents and warrants to Parent, the TWI Shareholders and the Class B Shareholders as follows:

5.1 Organization. Such Investor is a corporation, limited liability company, partnership or limited partnership, duly formed, validly existing and in good standing under the laws of its state of formation and has all requisite power and authority to own and lease its properties and assets and to carry on its business as presently conducted, except where the failure to have such power would not have a material adverse effect on such Investor's ability to consummate the transactions contemplated hereby.

5.2 Authorization; Enforceability. Such Investor has full right, power and authority to execute and deliver this Agreement and the Related Agreements to which it is a party, and to perform its obligations under this Agreement and the Related Agreements to which it is a party. This Agreement and the Related Agreements to which such Investor is a party constitute valid and legally binding obligations of such Investor, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and is subject to general principles of equity. The execution and delivery of, and the performance and consummation of the transactions contemplated by, this Agreement and the Related Agreements to which such Investor is a party have been duly authorized by all requisite action by such Investor.

5.3 No Breach or Violation. Such Investor's execution and delivery of this Agreement and the Related Agreements to which it is a party, its compliance with and fulfillment of the terms of this Agreement and the Related Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby do not and will not, with notice or passage of time or both, violate any provision of, or result in the breach of or accelerate or permit the acceleration of any performance required by the terms of (a) the charter or by-laws (or other governing or formation documents) of such Investor, (b) any contract, agreement, arrangement or undertaking to which such Investor is a party or by which it may be bound or of any judgment, decree, writ, injunction, order or award of any arbitration panel, court or governmental authority applicable to it, or (c) any applicable Law, except in the cases of clauses (b) and (c), for any such violations that would not have a material adverse effect on such Investor's ability to consummate the transactions contemplated hereby.

5.4 Litigation. There is no suit, claim, action, proceeding, judgment, writ, order, injunction or decree pending or, to the Knowledge of such Investor, threatened against or affecting the consummation by such Investor of the transactions contemplated by this Agreement or by the Related Agreements to which such Investor is a party, at law or in equity or before any governmental authority or instrumentality or before any arbitrator of any kind, except those that would not have a material adverse effect on such Investor's ability to consummate the transactions contemplated thereby.

5.5 Consents and Approvals. Except as set forth on Schedule 5.5, such Investor is not required to obtain or make any consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any governmental or regulatory authority (foreign or domestic) or any other Person in connection with the execution, delivery and performance of this Agreement and the Related Agreements to which such Investor is a party, except for such consents and approvals the failure of which to obtain or make would not have a material adverse effect on such Investor's ability to consummate the transactions contemplated hereby.

5.6 Brokers' Fees. Except as set forth on Schedule 5.6, neither such Investor nor anyone acting on its behalf has retained any broker, finder or agent or agreed to pay any brokerage fees, finder's fee or commission with respect to the transactions contemplated by this Agreement.

ARTICLE 6- Representations and Warranties of the Class B Shareholders

In order to induce Parent, the Investors and the TWI Shareholders to enter into this Agreement, each Class B Shareholder, severally and not jointly, hereby represents and warrants to Parent, the Investors and the TWI Shareholders as follows:

6.1 Authority; No Breach or Violation.

(a) Such Class B Shareholder has full right, power and authority to execute and deliver this Agreement and the Related Agreements to which such Class B Shareholder is a party and to perform such Class B Shareholder's obligations under this Agreement and the Related Agreements to which such Class B Shareholder is a party. This Agreement and the Related Agreements to which such Class B Shareholder is a party constitute valid and legally binding obligations of such Class B Shareholder, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and is subject to general principles of equity.

(b) Such Class B Shareholder's execution and delivery of this Agreement and the Related Agreements to which such Class B Shareholder is a party, the consummation of the transactions contemplated hereby and thereby, and the performance and fulfillment of such Class B Shareholder's obligations and undertakings hereunder and thereunder will not conflict with or violate any provision of, or result in the breach of or accelerate or permit the acceleration of any performance required by the terms of (i) any contract, agreement, arrangement or undertaking to which such Class B Shareholder is a party or by which such Class B Shareholder may be bound or of any judgment, decree, writ, injunction, order or award of any arbitration panel, court or governmental authority applicable to such Class B Shareholder; or (ii) any applicable Law, except, in the cases of clause (ii), for any such violations that would not have a material adverse effect on such Class B Shareholder's ability to consummate the transactions contemplated hereby.

6.2 Brokers' Fees. Neither such Class B Shareholder nor anyone acting on such Class B Shareholder's behalf has retained any broker, finder or agent or agreed to pay any brokerage

fees, finder's fee or commission with respect to the transactions contemplated by this Agreement, except as may be disclosed in the Merger Agreement.

6.3 Litigation. There is no suit, claim, action, proceeding, judgment, writ, order, injunction or decree pending or, to the Knowledge of such Class B Shareholder, threatened against or affecting the consummation by such Class B Shareholder of the transactions contemplated by this Agreement or by the Related Agreements to which such Class B Shareholder is a party, at law or in equity or before any governmental authority or instrumentality or before any arbitrator of any kind, except those that would not have a material adverse effect on such Class B Shareholder's ability to consummate the transactions contemplated hereby.

6.4 Consents and Approvals. Such Class B Shareholder is not required to obtain or make any consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any governmental or regulatory authority (foreign or domestic) or any other Person in connection with the execution, delivery and performance of this Agreement and the Related Agreements to which such Class B Shareholder is a party, except for such consents and approvals the failure of which to obtain or make would not have a material adverse effect on such Class B Shareholder's ability to consummate the transactions contemplated hereby.

ARTICLE 7 - Covenants

7.1 Conduct of Business. Except as otherwise contemplated by this Agreement (including, without limitation, any schedules or annexes hereto) or with the written consent of the TWI Shareholders, the Class B Shareholders and the Investors, during the period from the date of this Agreement to the Closing Date, Parent will not, and will cause each of its Subsidiaries not to, conduct any business or activities (including, without limitation, the issuance of any capital stock) other than in connection with the transactions contemplated by this Agreement and the Related Agreements to which it is a party.

7.2 Public Announcements. Prior to the Closing Date, except as required by applicable law, no party hereto shall issue any press release or otherwise make any public statement with respect to this Agreement, the Related Agreements or the transactions contemplated hereby or thereby without the prior written consent of the other parties hereto. With respect to any public statement of any party hereto that does not require the consent of the other parties, the party making such statement shall, prior to public disclosure thereof, first consult with and provide the other parties a reasonable opportunity to review the contents of such statement.

ARTICLE 8 - Conditions to Obligations of the TWI Shareholders

The obligation of the TWI Shareholders to consummate the transactions contemplated herein shall be subject to the satisfaction, or written waiver, of the following conditions at or before the Closing:

8.1 Representations and Warranties. The representations and warranties of Parent, the Class B Shareholders and the Investors contained herein shall be true and correct as of the date hereof and on the Closing Date, as though made on and as of the Closing Date, except to the extent of changes permitted by the terms of this Agreement; provided, however, that if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects. Parent, the Class B Shareholders and the Investors shall have, in all material respects, performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by them at or prior to the Closing.

8.2 Merger. All conditions precedent to the "Closing," as defined in the Merger Agreement, set forth in Article VII of the Merger Agreement shall have either been fulfilled or waived by the party or parties to the Merger Agreement entitled to waive such conditions.

8.3 Deliveries. At or before the Closing, Parent, the Investors and the Class B Shareholders shall make all of the deliveries contemplated in this Agreement.

8.4 No Injunctions or Restraints; Illegality. No (a) order or preliminary or permanent injunction shall be entered in any action or proceeding before any court of competent jurisdiction or any statute, rule, regulation, legislation, or order shall be enacted, entered, enforced, promulgated, amended or issued by any United States or foreign legislative body, court, government or governmental, administrative or regulatory authority or agency (other than the waiting period provisions of the HSR Act) which shall remain in effect and which shall have the effect of making illegal or restraining or prohibiting the consummation of the transactions contemplated by this Agreement or the Related Agreements; or (b) proceeding brought by an administrative agency or commission or other domestic or foreign governmental authority or agency seeking any of the foregoing shall be pending.

8.5 Statutory Requirements; Consents. All statutory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been fulfilled. All consents, approvals and waivers of governmental authorities and other Persons which are required in connection with the transactions contemplated by this Agreement shall have been obtained and any applicable waiting periods imposed by such governmental authorities shall have expired, except for such consents, approvals and waivers the failure of which to obtain would not have a material adverse effect on the ability of the Surviving Corporation to own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing.

8.6 Stockholder Agreement. Parent, the Investors and the Class B Shareholders shall have executed the Stockholder Agreement in substantially the form of the attached Annex 8.6 (the "Stockholder Agreement").

8.7 Charter Amendment. The Certificate of Incorporation of Parent shall have been amended in substantially the form of the attached Annex 8.7.

8.8 Registration Rights Agreement. Parent, the Investors and the Class B Shareholders shall have executed the Registration Rights Agreement in substantially the form of the attached Annex 8.8 (the "Registration Rights Agreement").

ARTICLE 9 - Conditions to Obligations of Parent

The obligation of Parent to consummate the transactions contemplated herein shall be subject to the satisfaction, or written waiver, of the following conditions at or before the Closing:

9.1 Representations and Warranties. The representations and warranties of the TWI Shareholders, Class B Shareholders and the Investors contained herein shall be true and correct as of the date hereof and on the Closing Date, as though made on and as of the Closing Date, except to the extent of changes permitted by the terms of this Agreement; provided, however, that if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects. The TWI Shareholders, the Class B Shareholders and the Investors shall have, in all material respects, performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by them at or prior to the Closing.

9.2 Deliveries. At or before the Closing, the TWI Shareholders, the Class B Shareholders and the Investors shall make all of the deliveries contemplated in this Agreement.

9.3 Merger. All conditions precedent to the "Closing," as defined in the Merger Agreement, set forth in Article VII of the Merger Agreement shall have either been fulfilled or waived by the party or parties to the Merger Agreement entitled to waive such conditions.

9.4 No Injunctions or Restraints; Illegality. No (a) order or preliminary or permanent injunction shall be entered in any action or proceeding before any court of competent jurisdiction or any statute, rule, regulation, legislation, or order shall be enacted, entered, enforced, promulgated, amended or issued by any United States or foreign legislative body, court, government or governmental, administrative or regulatory authority or agency (other than the waiting period provisions of the HSR Act) which shall remain in effect and which shall have the effect of (i) making illegal or restraining or prohibiting the consummation of the transactions contemplated by this Agreement or the Related Agreements; or (ii) imposing material limitations on the ability of the Surviving Corporation effectively to acquire, own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing; or (b) proceeding brought by an administrative agency or commission or other domestic or foreign governmental authority or agency seeking any of the foregoing shall be pending.

9.5 Statutory Requirements; Consents. All statutory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been fulfilled. All consents, approvals and waivers of governmental authorities and material consents, approvals and waivers of other Persons which are required in connection with the transactions contemplated by this Agreement shall have been obtained and any applicable waiting periods

imposed by such governmental authorities shall have expired, except for such consents, approvals and waivers the failure of which to obtain would not have a material adverse effect on the ability of the Surviving Corporation to own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing.

9.6 Stockholder Agreement. The Investors, the Class B Shareholders and the TWI Shareholders shall have executed the Stockholder Agreement.

9.7 Registration Rights Agreement. The Investors, the Class B Shareholders and the TWI Shareholders shall have executed the Registration Rights Agreement.

ARTICLE 10 - Conditions to Obligations of the Investors

The obligation of the Investors to consummate the transactions contemplated herein shall be subject to the satisfaction, or written waiver, of the following conditions at or before the Closing:

10.1 Representations and Warranties. The representations and warranties of Parent, Class B Shareholders and the TWI Shareholders contained herein shall be true and correct in all respects as of the date hereof and on the Closing Date, as though made on and as of the Closing Date, except to the extent of changes permitted by the terms of this Agreement; provided, however, that if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects. Parent, the Class B Shareholders and the TWI Shareholders shall have, in all material respects, performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by them at or prior to the Closing.

10.2 Deliveries. At or before the Closing, the TWI Shareholders, the Class B Shareholders and Parent shall make all of the deliveries contemplated in this Agreement.

10.3 Merger. All conditions precedent to the "Closing," as defined in the Merger Agreement, set forth in Article VII of the Merger Agreement shall have either been fulfilled or waived by the party or parties to the Merger Agreement entitled to waive such conditions.

10.4 No Injunctions or Restraints; Illegality. No (a) order or preliminary or permanent injunction shall be entered in any action or proceeding before any court of competent jurisdiction or any statute, rule, regulation, legislation, or order shall be enacted, entered, enforced, promulgated, amended or issued by any United States or foreign legislative body, court, government or governmental, administrative or regulatory authority or agency (other than the waiting period provisions of the HSR Act) which shall remain in effect and which shall have the effect of (i) making illegal or restraining or prohibiting the consummation of the transactions contemplated by this Agreement or the Related Agreements; or (ii) imposing material limitations on the ability of the Surviving Corporation effectively to acquire, own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing; or (b) proceeding brought by an administrative agency or commission or other domestic or foreign governmental authority or agency seeking any of the foregoing shall be pending.

10.5 Statutory Requirements; Consents. All statutory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been fulfilled. All consents, approvals and waivers of governmental authorities and material consents, approvals and waivers of other Persons which are required in connection with transactions contemplated by this Agreement shall have been obtained and any applicable waiting periods imposed by such governmental authorities shall have expired, except for such consents, approvals and waivers the failure of which to obtain would not have a material adverse effect on the ability of the Surviving Corporation to own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing.

10.6 Stockholder Agreement. Parent, the TWI Shareholders and the Class B Shareholders shall have executed the Stockholder Agreement.

10.7 Charter Amendment. The Certificate of Incorporation of Parent shall have been amended in the form of the attached Annex 8.7.

10.8 Registration Rights Agreement. Parent, the TWI Shareholders and the Class B Shareholders shall have executed the Registration Rights Agreement.

ARTICLE 11- Conditions to Obligations of the Class B Shareholders

The obligation of the Class B Shareholders to consummate the transactions contemplated herein shall be subject to the satisfaction, or written waiver, of the following conditions at or before the Closing:

11.1 Representations and Warranties. The representations and warranties of Parent, the TWI Shareholders and the Investors contained herein shall be true and correct as of the date hereof and on the Closing Date, as though made on and as of the Closing Date, except to the extent of changes permitted by the terms of this Agreement; provided, however, that if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects. Parent, the TWI Shareholders and the Investors shall have, in all material respects, performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by them at or prior to the Closing.

11.2 Merger. All conditions precedent to the "Closing," as defined in the Merger Agreement, set forth in Article VII of the Merger Agreement shall have either been fulfilled or waived by the party or parties to the Merger Agreement entitled to waive such conditions.

11.3 Deliveries. At or before the Closing, Parent, the Investors and the TWI Shareholders shall make all of the deliveries contemplated in this Agreement.

11.4 No Injunctions or Restraints; Illegality. No (a) order or preliminary or permanent injunction shall be entered in any action or proceeding before any court of competent jurisdiction or any statute, rule, regulation, legislation, or order shall be enacted, entered, enforced, promulgated, amended or issued by any United States or foreign legislative body, court, government or governmental, administrative or regulatory authority or agency (other than the

waiting period provisions of the HSR Act) which shall remain in effect and which shall have the effect of making illegal or restraining or prohibiting the consummation of the transactions contemplated by this Agreement or the Related Agreements; or (b) proceeding brought by an administrative agency or commission or other domestic or foreign governmental authority or agency seeking any of the foregoing shall be pending.

11.5 Statutory Requirements; Consents. All statutory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been fulfilled. All consents, approvals and waivers of governmental authorities and other Persons which are required in connection with the transactions contemplated by this Agreement shall have been obtained and any applicable waiting periods imposed by such governmental authorities shall have expired, except for such consents, approvals and waivers the failure of which to obtain would not have a material adverse effect on the ability of the Surviving Corporation to own or operate the assets and businesses owned and operated by TWI immediately prior to the Closing.

11.6 Stockholder Agreement. Parent, the Investors and the TWI Shareholders shall have executed the Stockholder Agreement.

11.7 Charter Amendment. The Certificate of Incorporation of Parent shall have been amended in substantially the form of the attached Annex 8.7.

11.8 Registration Rights Agreement. Parent, the Investors and the TWI Shareholders shall have executed the Registration Rights Agreement.

ARTICLE 12 - Termination

12.1 Termination. This Agreement shall immediately terminate upon termination of the Merger Agreement.

12.2 Effect of Termination; Fees and Expenses. In the event of the termination of this Agreement pursuant to Section 12.1, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its directors, officers or stockholders, other than the provision of this Section 12.2, which shall survive any such termination. Nothing contained in this Section 12.2 shall relieve any party from liability for any deliberate or willful breach of this Agreement.

12.3 Extension; Waiver. At any time prior to the Closing, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of any other party hereto; (b) waive any inaccuracies in the representations and warranties contained hereby by any other party hereto or in any document, certificate or writing delivered pursuant hereto by any other party hereto; or (c) waive compliance with any of the agreements of any other party hereto or with any conditions to its own obligations. Any such extension or waiver granted by TWI Shareholders holding a majority of the shares of TWI Common Stock set forth on Schedule 2.1(a) attached hereto shall be binding on all TWI Shareholders. Any such extension or waiver granted by Class B Shareholders who have agreed to purchase a majority of the shares of Parent Class B-1 Common Stock issuable pursuant to Section 2.1(c) attached hereto shall be binding on all Class B Shareholders. Any agreement on the part of any party hereto to any such extension

or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. No waiver or failure to insist upon strict compliance with any obligation, covenant, agreement or condition of this Agreement shall operate as a waiver of, or an estoppel with respect to, any subsequent or other failure.

ARTICLE 13 - The Closing

13.1 Date and Place. Subject to Articles 8, 9, 10 and 11, the Closing shall be held on the Closing Date at such place and time as the parties hereto may mutually agree, and shall be on the same date as the Closing of the Merger Agreement.

13.2 Deliveries by the TWI Shareholders at Closing. On the Closing Date, each TWI Shareholder shall deliver to (a) Parent certificates representing the TWI Common Stock set forth opposite such TWI Shareholder's name on Schedule 2.1(a), duly endorsed or accompanied by duly executed stock powers; (b) Parent, the Class B Shareholders and the Investors an executed copy of the Stockholder Agreement and the Registration Rights Agreement; and (c) the applicable party all other documents required by this Agreement to be delivered by such TWI Shareholder (including, in the case of Mrs. R. B. Trussell, the consent of Fifth Third Bank Kentucky, Inc. to the transfer of shares of TWI Common Stock held by her). All instruments to be delivered to Parent, the Class B Shareholders or the Investors pursuant hereto shall be in form and substance, and shall be executed in a manner, reasonably satisfactory to the Investors and the Class B Shareholders, sufficient to vest all right, title and interest of such TWI Shareholder in the TWI Common Stock in Parent, free and clear of any Liens.

13.3 Deliveries by the Investors at Closing. On the Closing Date, each Investor shall deliver to (a) Parent the Cash Consideration; (b) Parent, the Class B Shareholders and the TWI Shareholders an executed copy of the Stockholder Agreement and the Registration Rights Agreement; and (c) the applicable party all other documents required by this Agreement to be delivered by such Investor. All instruments to be delivered to Parent, the Class B Shareholders or the TWI Shareholders pursuant hereto shall be in form and substance, and shall be executed in a manner, reasonably satisfactory to the TWI Shareholders and the Class B Shareholders.

13.4 Deliveries by the Class B Shareholders at Closing. On the Closing Date, each Class B Shareholder, shall deliver to (a) Parent the Note Consideration; (b) Parent, the Class B Shareholders and the TWI Shareholders an executed copy of the Stockholder Agreement and the Registration Rights Agreement; and (c) the applicable party all other documents required by this Agreement to be delivered by such Class B Shareholder. All instruments to be delivered to Parent, the Investors or the TWI Shareholders pursuant hereto shall be in form and substance, and shall be executed in a manner, reasonably satisfactory to the Investors and the TWI Shareholders.

13.5 Deliveries by Parent at Closing.

(a) On the Closing Date, (i) Parent shall deliver to each Investor certificates for the number of shares of Parent Series A Preferred Stock to which such Investor is entitled pursuant to Section 2.1(b) and (ii) Parent shall deliver to each Class B Shareholder certificates for the number of shares of Parent Class B-1 Common Stock to which such Class B Shareholder

is entitled pursuant to Section 2.1(c). As set forth in Section 2.4, on the Closing Date, Parent shall retain the Initial Certificates for the shares of Parent Class A Common Stock issued to each TWI Shareholder as of the Closing until the Initial Certificates are cancelled and certificates for the adjusted number of shares of Class A Common Stock have been issued pursuant to Section 2.5.

(b) Parent shall have delivered to the Investors, the Class B Shareholders and the TWI Shareholders (i) copies of the certificates of incorporation of Parent and Purchaser which have been certified by the Secretary of State of Delaware, (ii) copies of a good standing certificate from the State of Delaware for each of Parent and Purchaser, (iii) copies of a good standing certificate from each jurisdiction in which Parent or Purchaser is qualified to do business, and (iv) copies of the by-laws of Parent and Purchaser, certified by an officer of Parent. Such certifications and certificates shall be dated not more than fifteen (15) days prior to the Closing Date.

(c) On the Closing Date, Parent shall deliver to each TWI Shareholder, each Class B Shareholder and each Investor an amended Schedule 2.1(a) and an amended Schedule 2.1(b) in accordance with Section 2.2 hereof.

(d) All instruments to be delivered to the TWI Shareholders, to the Class B Shareholders and to the Investors pursuant hereto shall be in form and substance, and shall be executed in a manner, reasonably satisfactory to the TWI Shareholders, the Class B Shareholders and the Investors.

ARTICLE 14 - Investment Representations

Each of the Investors, the Class B Shareholders and the TWI Shareholders, severally and not jointly, represents and warrants to the other parties hereto (and each of their officers, directors, controlling persons and agents) that he, she or it (a) is an "accredited investor," as defined in Regulation D of the Securities Act of 1933, as amended, and has such knowledge and experience in business and financial affairs in general and in Parent's industry in particular, as to be able to evaluate, alone or with its advisers, the merits and risks of an investment in Parent; (b) is acquiring Parent Class A Common Stock, Parent Class B-1 Common Stock or Parent Series A Preferred Stock, as applicable, for investment and not with a view to the distribution thereof; (c) has access to such information about Parent as is necessary to evaluate the merits and risks of an investment therein; (d) understands that Parent Class A Common Stock, Parent Class B-1 Common Stock or Parent Series A Preferred Stock, as applicable, is not registered under the Securities Act of 1933, as amended, or any applicable state securities laws and that any sale, transfer or other disposition of Parent Class A Common Stock, Parent Class B-1 Common Stock or Parent Series A Preferred Stock, as applicable, must be made only pursuant to an effective registration under applicable federal and state securities laws or any available exemption therefrom; and (e) understands that Parent Class A Common Stock, Parent Class B-1 Common Stock or Parent Series A Preferred Stock, as applicable, to be acquired was not offered to such party by, and such party is not otherwise aware of, any general advertising or general solicitation in connection with the sale of Parent Class A Common Stock, Parent Class B-1 Common Stock or Parent Series A Preferred Stock, as applicable.

ARTICLE 15- Survival of Representations and Warranties

All representations and warranties contained in this Agreement shall survive the Closing.

ARTICLE 16- Notices

16.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, as applied to contracts made and performed within the State of Delaware, without giving effect to any choice or conflict of law provision or rule that would cause the application of the domestic substantive laws of any other state.

16.2 Jurisdiction. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Delaware state court or Federal court sitting in the State of Delaware and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Delaware state court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other matter provided by law.

16.3 Forum; Venue. Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in any Delaware state or federal court. Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, the defense of any inconvenient forum to the maintenance of such action or proceeding in any such court.

16.4 Service of Process. Each of the parties hereto irrevocably consents to service of process in the manner provided for Notices in Section 16.6. Notwithstanding the foregoing, each of the parties hereto shall have the right to serve process in any other manner permitted by law.

16.5 Waiver of Jury Trial. Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and, therefore, it hereby irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement or the transactions contemplated hereby.

16.6 Notices. All notices under this Agreement ("Notices") shall be given to the parties at the following addresses (i) by personal delivery; (ii) by facsimile transmission; (iii) by registered or certified mail, postage prepaid, return receipt requested; or (iv) by nationally recognized overnight or other express courier services:

(a) If to a TWI Shareholder or a Class B Shareholder, to the address of such TWI Shareholder set forth in the records of the Parent, TWI or the

Surviving Corporation or on the applicable TWI Shareholder Instrument of Accession.

(b) If to an Investor, to the address of such Investor set forth in the records of the Parent or the Surviving Corporation or on the applicable Investor Instrument of Accession.

(c) If to Parent:

TWI Holdings, Inc.
c/o TA Associates, Inc.
High Street Tower
Suite 2500
125 High Street
Boston, MA 02110
Attention: P. Andrews McLane
Telephone No: (617) 574-6704
Facsimile No.: (617) 574-6728

With a copy to:

Friedman Fleischer & Lowe, LLC
One Maritime Plaza, 10/th/ Floor
San Francisco, CA 94111
Attention: Christopher A. Masto
Telephone No: (415) 402-2105
Facsimile No.: (415) 402-2111

And a copy to:

Bingham McCutchen LLP
15 Federal Street
Boston, MA 02110
Attention: Robert M. Wolf
Telephone No: (617) 951-8467
Facsimile No.: (617) 951-8736

All Notices shall be effective and shall be deemed delivered (i) if by personal delivery, on the date of delivery if delivered during normal business hours of the recipient, and if not delivered during such normal business hours, on the next Business Day following delivery; (ii) if by facsimile transmission, on the next Business Day following dispatch of such facsimile; (iii) if by courier service, on the third (3rd) Business Day after dispatch thereof; and (iv) if by mail, on the fifth (5th) Business Day after dispatch thereof. Any party hereto may change its address by Notice to all other parties hereto delivered in accordance with this Section 16.5.

16.7 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the limitations set forth in this Agreement on such other remedies.

16.8 Expenses. Each party hereto shall assume its respective expenses incurred in connection with the transactions contemplated by this Agreement.

16.9 Headings. The headings in this Agreement have been included solely for ease of reference and shall not be considered in the interpretation or construction of this Agreement.

16.10 Annexes and Schedules. The Annexes and Schedules to this Agreement are incorporated herein by reference and expressly made a part hereof.

16.11 Entire Agreement. All prior negotiations and agreements by and among the parties hereto with respect to the subject matter hereof are superseded by this Agreement, and there are no representations, warranties, understandings or agreements with respect to the subject matter hereof other than those expressly set forth herein or on an Annex or Schedule delivered in connection herewith. No extension, change, modification, addition or termination of this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought.

16.12 Representations and Warranties, Etc. The representations and warranties of each party contained herein shall not be deemed to be waived or otherwise affected by any investigation made by any other party hereto.

16.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

16.14 Severability. If any provision of this Agreement or its application will be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of all other applications of that provision, and of all other provisions and applications hereof, will not in any way be affected or impaired. If any court shall determine that any provision of this Agreement is in any way unenforceable, such provision shall be reduced to whatever extent is necessary to make such provision enforceable.

16.15 Benefit and Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, each of the TWI Shareholders, the Class B Shareholders, Parent and the Investors, and each of their respective successors and permitted assigns; provided, however, that no party to this Agreement shall assign his or its rights or obligations hereunder without the express written consent of the other parties hereto, which consent shall not be unreasonably withheld, except that Parent may assign its rights under this Agreement to its lenders or lenders to its Subsidiaries without consent.

16.16 Further Assurances. From time to time at another party's request and without further consideration, a party hereto shall hereto execute and deliver such further instruments of conveyance, assignment and transfer, and take such other actions as the requesting party may reasonably request, in order to more effectively convey and transfer any of the TWI Stock, the Parent Series A Preferred Stock, the Parent Class A Common Stock or the Parent Class B-1 Common Stock. In addition, any monies collected by a party hereto which are due and payable to another party hereto will be promptly remitted to such party upon receipt thereof.

16.17 No Consequential Damages. Except as prohibited by Law, each party hereto hereby waives any right it may have to claim or recover from the other parties hereto any special, exemplary, punitive or consequential damages, or any damages other than, or in addition to actual damages.

16.18 Payee Representative. Each of the TWI Shareholders hereby acknowledges, confirms, ratifies and agrees to the appointment of Mikael Magnusson and Dag Landvik as the Payee Representatives pursuant to the terms of Section 10.12 of the Merger Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed, or caused their duly authorized representatives to execute, this Agreement as of the date first set forth above.

THE PARENT:

TWI HOLDINGS, INC.

By: /s/ Christopher A. Masto

Name: Christopher A. Masto

Title: President

THE INVESTORS:

TA IX L.P.
By: TA Associates IX, LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ Thomas P. Alber

Name: Thomas P. Alber

Title: Chief Financial Officer

TA ADVENT VIII L.P.
By: TA Associates VIII LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ Thomas P. Alber

Name: Thomas P. Alber

Title: Chief Financial Officer

TA/ATLANTIC AND PACIFIC IV L.P.
By: TA Associates AP IV L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ Thomas P. Alber

Name: Thomas P. Alber

Title: Chief Financial Officer

TA STRATEGIC PARTNERS FUND A L.P.
By: TA Associates SPF L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ Thomas P. Alber
Name: Thomas P. Alber
Title: Chief Financial Officer

TA STRATEGIC PARTNERS FUND B L.P.
By: TA Associates SPF L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ Thomas P. Alber
Name: Thomas P. Alber
Title: Chief Financial Officer

TA INVESTORS LLC
By: TA Associates, Inc., its Manager

By: /s/ Thomas P. Alber
Name: Thomas P. Alber
Title: Chief Financial Officer

FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC, its General Partner

By: /s/ Christopher A. Masto
Name: Christopher A. Masto
Title: Managing Member

FFL EXECUTIVE PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher A. Masto

Name: Christopher A. Masto

Title: Managing Member

THE TWI SHAREHOLDERS

/s/ Mrs. R. B. Trussell, Jr.

Mrs. R. B. Trussell, Jr.

/s/ David C. Fogg

David C. Fogg

THE CLASS B SHAREHOLDERS

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.

/s/ David C. Fogg

David C. Fogg

/s/ H. Thomas Bryant

H. Thomas Bryant

/s/ Jeffrey P. Heath

Jeffrey P. Heath

LIST OF SCHEDULES AND ANNEXES
TO CONTRIBUTION AGREEMENT*

Schedules:
- ---------

Schedule 2.1(a)	TWI Shareholder Contributions
Schedule 2.1(b)	Investor Contributions
Schedule 2.2(a)	Offering to Holders of TWI Common Stock
Schedule 2.2(b)	Offering to Additional Accredited Investors
Schedule 3.5	Consents
Schedule 4.4(a)	No Breach or Violation
Schedule 4.6	Consents and Approvals
Schedule 5.5	Consents and Approvals
Schedule 5.6	Brokers' Fees

Annexes:
- -------

Annex 1	Instrument of Accession (TWI Shareholder)
Annex 2	Instrument of Accession (Investor)
Annex 2.1(c)	Class B Shareholder Note
Annex 4.10	Certificate of Incorporation
Annex 8.6	Stockholder Agreement
Annex 8.7	Charter Amendment
Annex 8.8	Registration Rights Agreement

* A copy of any omitted schedule or annex will be furnished supplementally to the Commission upon request.

Exhibit 3.1

ARTICLES OF AMENDMENT
TEMPUR-PEDIC, INC

March 3, 2001

Pursuant to the provisions of Chapter 271B of the Kentucky Revised Statutes, the undersigned corporation hereby amends its Articles of Incorporation, and for that purpose submits the following statement:

1. The name of the corporation is Tempur-Pedic, Inc.

2. On March 6, 2001, the corporation adopted the following amendment to its Articles of Incorporation so that Article IV of such Articles reads in its entirety as set forth below:

> Article IV. Shares. The total number of shares of stock which the Corporation shall have authority to issue is One Thousand (1,000) having no par value per share.

3. Each shareholder of record immediately prior to the filing of this amendment shall receive One (1) share of common stock for each Eight Thousand, Sixty-Three and 84/100ths (8,063.84) outstanding shares of common stock of the corporation held by such shareholder immediately prior to the filing of this amendment.

4. The amendment was adopted by shareholder action. On the date of adoption of the amendment, the number of outstanding shares of each voting group entitled to vote separate on the amendment, and the vote of such shares was:

Voting Group	Number of Outstanding Shares	Number of Votes Entitled to be Cast	Number of Votes Represented at the Meeting	Number of Undisputed Shares Voted For Amendment	Number of Undisputed Shares Voted Against Amendment
Common	806,384	806,384	806,384	806,384	0

IN WITNESS WHEREOF, the undersigned has executed this written action to be effective as of the date first set forth above.

Tempur-Pedic, Inc.

By: /s/ Robert B. Trussell

Name: Robert B. Trussell

Title: President

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION
OF
TEMPUR- PEDIC, INC.

ARTICLE I
Name

The name of the corporation is Tempur-Pedic, Inc.

ARTICLE II
Amendments

The following amendments to the Articles of Incorporation were adopted by the shareholders of the corporation at a duly called meeting of the shareholders on December 12, 1996 and in the manner prescribed by the Kentucky Business Corporation Act:

FURTHER RESOLVED, that the Articles of Incorporation of the company, originally filed in the name of Nion, Inc., be hereby amended to increase the number of authorized shares of common stock from 1000 to 1,000,000.

ARTICLE III
Methodology

The increase in the number of shares issued is intended to effectuate a 1000 to 1 stock split of the current shareholders. The company will issue new stock certificates to each shareholder in exchange for the old certificates which new certificates will reflect the stock-split all pursuant to the Kentucky Business Corporation Act.

ARTICLE IV
Adoption

The above amendments were adopted by both a majority vote of both the directors and shareholders at the December 12, 1996 meeting of both the Board of Directors and Shareholders. The following shareholders voted for adoption:

Shareholder	No. of Shares	% Shares	No. of Share Cost Adoption
Mrs. Robert Trussell	163.3	18.45	163.3
David Fogg	47	5.31	5.31
Michael Magnusson on behalf of DAN-FOAM A/S	397	44.86	397
R.B. Trussell Sr.	10	1.13	10
Patricia D. Trussell	22	2.49	22

W.K. Downey	4	.45	
J. Wheeler. M.D.	66.2	7.48	
Robert Hoeller	61.5	6.95	
Bernadette Hoeller	3.	.34	
Alain Falourd	32	3.62	
C. Frychne	19.15	2.16	
Larry Pane	6.	.68	
Hubert Guy	3	.34	
Mark Rukavina	2.	.23	
Ben Hanbury	1.	.11	
Howard Stewart	5.	.56	
McDowell Ortho Profit Sharing	1.	.11	
Frank Passante	8.	.90	
Strafe & Company	8.	.90	
Scott Shear	8.85	1.00	
Michael Smith	1.	.11	
Hugh Murphy	1.	.11	
	885	100.00%	597.61

The total number of shares cast for the amendment was 597.61 or 67.52 percent of the total shares issued and outstanding. This vote constituted 100 of the votes present and entitled to be cast for the amendment. No votes were cast against the proposal.

IN WITNESS WHEREOF, the undersigned duly authorized officer has executed these Articles of Amendment on January 17, 1997.

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.
President

ATTEST:

/s/ David C. Fogg
- ---

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

The foregoing instrument was subscribed, sworn and acknowledged before me on January 17, 1997, by Robert B. Trussell, Jr. as President of Tempur-Pedic Inc. on behalf of the corporation.

My Commission expires: 5-2-1998

/s/ K. Hall

NOTARY PUBLIC

This instrument prepared by:

/s/ SAM P. BURCHETT
- ------------------------------
SAM P. BURCHETT ESQ.
ALFORD & BURCHETT
PNC Bank Plaza, Suite 800
200 W. Vine Street
Lexington, Kentucky 40507-1620
(606) 226-2100

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
NION, INC.

Pursuant to KRS 271B.10-060, Nion, Inc., a Kentucky corporation, does hereby execute and file these Articles of Amendment by and through its duly authorized officer, all as required by applicable law, and states as follows:

1. The text of the amendment adopted is an amendment to Article I of the Articles of Incorporation of Nion, Inc., so that Article I, as amended, shall read in its entirety and as a whole as follows:

The name of the corporation shall be Tempur-Pedic, Inc.

2. The text of the amendment adopted is also an amendment to Article IV of the Articles of Incorporation of Nion, Inc., so that Article IV, as amended, shall read in its entirety and as a whole as follows:

> The total number of shares of common stock which the corporation is authorized to issue is 1,000 shares. The common stock shall have no par value per share, which shares shall have one vote per share. Each share of common stock shall have one vote per share, shall have all voting power of the corporation which voting power shall be unlimited. Common stock shall be without distinction as to powers, preferences and rights. Holders of common stock shall have the right to receive all assets upon dissolution of the corporation after payment of par value of preferred stock.
>
> The corporation is authorized to issue 847.5 shares of preferred stock, which shall be entitled to noncumulative preferential dividends at a rate to 15% per annum of par value of $100 per share, payable from profits before payment of any dividends on common stock, at such times as the Board of

Directors shall determine, and having on the liquidation or dissolution of the company, preference over common stock as to unpaid dividends, and to the extent of its par value, to the distribution share of the assets. The preferred stock shall have no voting rights and shall be redeemable at par value by the company upon thirty days' notice.

3. The text of the amendment adopted is also an amendment to Article VI of the Articles of Incorporation of Nion, Inc., so that Article VI, as amended, shall read in its entirety and as a whole as follows:

The address of the registered office of the corporation is 848 Nandino Blvd., Suite G, Lexington, Kentucky 40511, and the name of the registered agent at such address is Robert B. Trussell, Jr.

The mailing address of the principal office of the corporation is 848 Nandino Blvd., Suite G, Lexington, Kentucky 40511.

4. The date of adoption of the foregoing amendments was July 1, 1993.

5. The adoption of the foregoing amendment by the corporation was approved by the shareholders of the corporation:

(a) The designation and number of the corporation's outstanding shares was 884 shares of common stock; the number of votes entitled to be cast by the holders of the common stock, which is the only voting group entitled to vote on the foregoing amendment, was 884; and the number of votes of the holders of the common stock (the only voting group) indisputably represented at the meeting was 884; and

(b) The total number of votes cast for the foregoing amendment was 884; the total number of votes cast against the

foregoing amendment was -0- and the number of votes cast for the foregoing amendment by the holders of the common stock (the only voting group) was sufficient for approval of the foregoing amendment by that voting group.

IN TESTIMONY WHEREOF, Nion, Inc. has executed the foregoin Articles of Amendment by its President thereunto duly authorized, this 9 day of August, 1993.

NION, INC.

BY:/s/ ROBERT B. TRUSSELL, JR.

ROBERT B. TRUSSELL, JR.

THIS INSTRUMENT PREPARED BY:

/s/ PATTERSON A. DeCAMP
- ---
PATTERSON A. DeCAMP
WILSON, DeCAMP & TALBOTT, P.S.C.
155 EAST MAIN STREET, SUITE 200
LEXINGTON, KENTUCKY 40507-1332

ARTICLES OF INCORPORATION

OF

NION, INC.

The undersigned, acting as incorporator of a corporation under the Kentucky Business Corporation Act, adopts the following Articles of Incorporation.

ARTICLE I. Name. The name of the Corporation is NION, INC.

ARTICLE II. Duration. The duration of the Corporation shall be perpetual.

ARTICLE III. Purposes. The purposes for which the Corporation is organized are to transact any or all lawful business for which corporations may be incorporated under the Kentucky Business Corporation Act, and to exercise any and all powers that corporations may now or hereafter exercise under the Kentucky Business Corporation Act.

ARTICLE IV. Shares. The total number of shares which the Corporation is authorized to issue is 1,000 common shares, having no par value per share, which shares shall have one vote per share, shall have all voting power of the Corporation which voting power shall be unlimited, shall have the right to receive all assets upon dissolution of the Corporation, and shall be without distinction as to powers, preferences and rights.

ARTICLE V. No Preemptive Rights. The shareholders of the Corporation shall have no preemptive right to acquire unissued or treasury shares of the Corporation or securities of the Corporation convertible into or carrying a right to subscribe to or acquire shares.

ARTICLE VI. Offices: Registered Agent. The address of the initial registered office of the corporation is 167 West Main Street, Suite 1200, Lexington, Kentucky 40507-1710 and the name of the initial registered agent at such address is James A. Philpott, Jr.

The mailing address of the principal office of the corporation is 167 West Main Street, Suite 1200, Lexington, Kentucky 40507-1710.

ARTICLE VII. Directors. The affairs of the Corporation shall be managed and conducted by a Board of Directors. The number of directors shall be such number fixed by resolution of the Board of Directors from time to time in accordance with the bylaws of the Corporation.

ARTICLE VIII. Incorporator. James A. Philpott, Jr., whose address is 167 West Main Street, Suite 1200, Lexington, Kentucky 40507- 1710 is the sole incorporator of the Corporation.

ARTICLE IX. Exculpation of Directors. No director of the Corporation shall have any personal liability to the Corporation or to any of its shareholders for any monetary damages for breach of the duties as a director; provided, however, that this Article shall not limit the liability of a director for (1) any transaction in which such director's personal financial interest is in conflict with the financial interest of the corporation or its shareholders, (2) acts or omissions of such director not in good faith or which involve intentional misconduct or are known to such director to be a violation of law, (3) for any vote for or assent to by such director of an unlawful distribution to shareholders as provided under Kentucky Revised Statutes, Section 211B.8-330, or (4) for any transaction from which such director derived an improper personal benefit.

ARTICLE X. Indemnification of Directors and Officers. The Corporation shall, to the fullest extent permitted by, and in accordance with the provisions of, the Kentucky Business Corporation Act, indemnify each director or officer of the Corporation against expenses (including attorney's fees), judgments, taxes, fines and amounts paid in settlement, incurred by him in connection with, and shall advance expenses (including attorneys' fees) incurred by him in defending, any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative, or investigative) to which he is, or is threatened to be made, a party by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, employee, fiduciary or agent of another domestic or foreign corporation, partnership, joint venture, trust, pension or similar plan or other enterprise. Advancement of expenses shall be made upon receipt of an undertaking, with such security, if any, as the Board of Directors or shareholders may reasonably require, by or on behalf of the person seeking indemnification to repay amounts advanced if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation.

The indemnification provided for by this Article shall not be deemed exclusive of any other rights to which directors or officers of the Corporation may be entitled under any statute, agreement by-law or action of the Board of Directors or shareholders of the Corporation, or otherwise, and shall continue as to a person who has caused to be a director or officer of the Corporation, and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Corporation may purchase and maintain insurance on behalf of any person who 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, partner, employee, fiduciary or agent of another domestic or foreign corporation, partnership, joint venture, trust, pension or similar plan, or other enterprise, against any liability asserted against and incurred by such person in such capacity or arising out of the person's status as such, whether or not the Corporation would have the power or be obligated to indemnify such person against such liability under the provisions of this Article or the Kentucky Business Corporation Act.

IN TESTIMONY WHEREOF, witness the signature of the sole incorporator, this 28th day of September, 1990.

/s/ James A. Philpott, Jr.

James A. Philpott, Jr.

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

I do hereby certify that the foregoing Articles of Incorporation of NION, INC. were this day produced before me and were signed and acknowledged by James A. Philpott, Jr. as the sole incorporator thereof, to be his free act and voluntary deed.

IN TESTIMONY WHEREOF witness my hand and seal this 28th day of September, 1990.

/s/ Michele Hall

(SEAL) My commission expires: October 6, 1991

This instrument prepared by:

/s/ JAMES A. PHILPOTT, JR.
- ---
JAMES A. PHILPOTT, JR.
Attorney at Law
167 West Main, Suite 1200
Lexington, Kentucky 40507-1710

Exhibit 3.2

ARTICLES OF INCORPORATION
OF
TEMPUR PRODUCTION USA, INC.

The undersigned, pursuant to Chapter 9 of Title 13.1 of the Code of Virginia, states as follows:

1 Corporate Name. The Corporation's name shall be Tempur Production USA, Inc.

2 Authorized Shares. The Corporation shall have authority to issue One Hundred (100) shares.

3 Registered Office and Agent. The street address of the Corporation's initial registered office shall be 5511 Staples Mill Road, Richmond, Henrico County, Virginia 23228. The name of the Corporation's initial registered agent at that office shall be Edward R Parker. The initial registered agent is a member of the Virginia State Bar, and a resident of VA.

4 Incorporator. The name and mailing address of the incorporator are Jeffrey L. Hallos, 2700 Lexington Financial Center, 250 West Main Street, Lexington, Kentucky 40507.

/s/ Jeffrey L. Hallos,

Jeffrey L. Hallos, Sole Incorporator

Exhibit 3.3

TWI HOLDINGS, INC.

CERTIFICATE OF AMENDMENT

TO

CERTIFICATE OF INCORPORATION

TWI Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "DGCL") does hereby certify, pursuant to Section 241 of the General Corporation Law of the State of Delaware, that:

1. The Certificate of Incorporation of the Corporation is hereby amended by striking out Article FOURTH thereof and substituting in lieu of said Article the new Article FOURTH as set forth in Exhibit A attached hereto.

2. The Corporation has not received any payment for any of its stock.

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 241 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, TWI Holdings, Inc. has caused this Certificate of Amendment to its Certificate of Incorporation to be executed by Christopher A. Masto, its President, this 31/st/ day of October, 2002.

TWI HOLDINGS, INC.

By: /s/ Christopher A. Masto

Christopher A. Masto
President

EXHIBIT A

AMENDMENT TO

CERTIFICATE OF INCORPORATION

OF

TWI HOLDINGS, INC.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 600,000, consisting solely of:

250,000 shares of Preferred Stock, $0.01 par value per share (the "Preferred Stock"), of which 180,000 shares are further designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock");

25,000 shares of Class A Common Stock, $.01 par value per share (the "Class A Common Stock");

300,000 shares of Class B-1 Voting Common Stock, $.01 par value per share (the "Class B-1 Common Stock"); and

25,000 shares of Class B-2 Non-Voting Common Stock, $.01 par value per share (the "Class B-2 Common Stock" and collectively with the Class B-1 Common Stock, the "Class B Common Stock").

A. DEFINITIONS

As used in this Article Fourth:

"Affiliate" means, with respect to the Corporation, any Person directly or indirectly controlling, controlled by or under direct or indirect common control with the Corporation. The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Corporation, whether through ownership, by contract or otherwise.

"Board of Directors" has the meaning set forth in Part B, Section 1 of this Article Fourth.

"Class A Conversion Date" has the meaning set forth in Part D, Section 1.4(a)(ii) of this Article Fourth.

"Class A Conversion Notice" has the meaning set forth in Part D, Section 1.4(a)(ii) of this Article Fourth.

"Class A Conversion Rate" has the meaning set forth in Part D, Section 1.4(c) of this Article Fourth.

"Class A Liquidation Value" means $1,000, provided that in the event of an Extraordinary Stock Event with respect to the Class A Common Stock, the Class A Liquidation Value shall be proportionately adjusted so that the aggregate Class A Liquidation Value of all shares of Class A Common Stock outstanding immediately prior to the Extraordinary Stock Event is the same as the aggregate Class A Liquidation Value of all shares of Class A Common Stock outstanding immediately after the Extraordinary Stock Event.

"Common Stock" means, collectively, the Class A Common Stock and the Class B Common Stock.

"Contribution Agreement" means the Contribution Agreement, dated as of October 4, 2002, among the Corporation and each of the investors named therein, as the same may be amended, restated, modified or supplemented and in effect from time to time.

"Disposition Event" means (i) any sale of all or substantially all of the assets of the Corporation and its Subsidiaries taken as a whole, (ii) any merger or consolidation of the Corporation, or any transaction as a result of which the Corporation is acquired by the purchase of a majority of its outstanding Class B Common Stock (determined on a fully-diluted basis), as a result of which, in each such case, the holders of a majority of the outstanding Class B Common Stock (determined on a fully-diluted basis) before such merger, consolidation or sale cease to hold, directly or indirectly, a majority of the Class B Common Stock (determined on a fully-diluted basis) of the Corporation or a majority of the common stock (determined on a fully-diluted basis) of the successor to the Corporation immediately following such merger, consolidation or sale, or (iii) a Qualified Public Offering.

"Effective Date" means the closing date of the transactions contemplated by the Contribution Agreement.

"Extraordinary Stock Event" means, as to any class or series of the Corporation's capital stock, any stock dividend, stock split, combination of shares, reorganization, reclassification or other similar event which has the effect of altering the total number of outstanding shares of such class or series of the Corporation's capital stock.

"Junior Stock" means the Class B Common Stock and any other shares of capital stock of the Corporation ranking on liquidation junior to the Class A Common Stock.

"Liquidation" means any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation.

"Management Repurchase Agreement" means any agreement from time to time entered into between the Corporation and any officer, employee or director of the Corporation entitling or requiring the Corporation to repurchase any shares of Preferred Stock or Common Stock, or options therefor, from such officer, employee or director.

"Mandatory Series A Conversion Date" has the meaning set forth in Part C, Section 1.4(b)(ii) of this Article Fourth.

"Mandatory Series A Conversion Event" has the meaning set forth in Part C, Section 1.4(b)(i) of this Article Fourth.

"Mandatory Series A Conversion Notice" has the meaning set forth in Part C, Section 1.4(b)(ii) of this Article Fourth.

"Mezzanine Debt Documents" means the Senior Subordinated Loan Agreement among the Corporation, certain of its Subsidiaries, TA Subordinated Debt Fund, L.P., TA Investors, LLC, Gleacher Mezzanine Fund I, L.P. and Gleacher Mezzanine Fund P, L.P. and all agreements, instruments and documents entered into in connection therewith, as the same may be amended, restated, modified or supplemented and in effect from time to time.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, joint venture, unincorporated organization, or any government, governmental department or agency or political subdivision thereof.

"Plan" means the 2002 Stock Option Plan of the Corporation, as the same may be amended, restated, modified or supplemented and in effect from time to time.

"Qualified Public Offering" means a public offering of shares of Class B Common Stock pursuant to an effective registration statement on Form S-1, or any successor form, of the Securities and Exchange Commission, pursuant to which (a) the per share price to the public is not less than the Series A Liquidation Value (such amount to be subject to proportionate adjustment in the event of any Extraordinary Stock Event with respect to the Class B Common Stock occurring after the Effective Date) and (b) the gross proceeds to the Corporation are not less than Twenty Five Million Dollars ($25,000,000).

"Series A Conversion Date" has the meaning set forth in Part C, Section 1.4(a)(ii) of this Article Fourth.

"Series A Conversion Notice" has the meaning set forth in Part C, Section 1.4(a)(ii) of this Article Fourth.

"Series A Conversion Rate" has the meaning set forth in Part C, Section 1.4(d) of this Article Fourth.

"Series A Dividend Rate" has the meaning set forth in Part C, Section 1.1(a) of this Article Fourth.

"Series A Junior Stock" means the Common Stock and any other shares of capital stock of the Corporation ranking on liquidation junior to the Series A Preferred Stock.

"Series A Liquidation Value" means $1,000, provided that in the event of an Extraordinary Stock Event with respect to the Series A Preferred Stock, the Series A Liquidation Value shall be proportionately adjusted so that the aggregate Series A Liquidation Value of all shares of Series A Preferred Stock outstanding immediately prior to the Extraordinary Stock Event is the same as the aggregate Series A Liquidation Value of all shares of Series A Preferred Stock outstanding immediately after the Extraordinary Stock Event.

"Series A Redemption Date" has the meaning set forth in Part C, Section 1.5(a) of this Article Fourth.

"Series A Redemption Price" has the meaning set forth in Part C, Section 1.5(d) of this Article Fourth.

"Series A Stockholder Agreement" means the Series A Preferred Stock Stockholder Agreement among the Corporation and certain of its stockholders, as such agreement may be amended, restated, modified or supplemented and in effect from time to time.

"Stockholder Agreement" means the Stockholder Agreement among the Corporation and each of its stockholders, as such agreement may be amended, restated, modified or supplemented and in effect from time to time.

"Subsidiary" means, with respect to the Corporation, any corporation a majority (by number of votes) of the outstanding shares of any class or classes of which shall at the time be owned by the Corporation or by a Subsidiary of the Corporation, if the holders of the shares of such class or classes (a) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, even though the right so to vote has been suspended by the happening of such a contingency, or (b) are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, whether or not the right so to vote exists by reason of the happening of a contingency.

B. PREFERRED STOCK

1. Issue in Series. Preferred Stock may be issued from time to time in or one or more series, each such series to have the terms stated herein and, if applicable, in the resolution of the Board of Directors of the Corporation (the "Board of Directors") providing for its creation under Section 2 below. All shares of any one series of

Preferred Stock will be identical, but shares of different series of Preferred Stock need not be identical or rank equally except insofar as provided by law or herein.

2. Creation of Series. The Board of Directors shall have the authority by resolution to cause to be created one or more series of Preferred Stock and, prior to the issuance of any shares of any such series, to determine and fix the powers, designations, preferences, qualifications, privileges, options and other relative, participating, optional, or special rights and limitations of each such series, subject to any limitation provided by law or herein.

C. SERIES A PREFERRED STOCK.

1. Terms Applicable to Series A Preferred Stock.

1.1 Dividends.

(a) The Corporation shall accrue and pay preferential dividends to the holders of the Series A Preferred Stock as provided in this Section 1.1. Dividends on each outstanding share of Series A Preferred Stock shall accrue cumulatively on a daily basis during each fiscal year of the Corporation at the rate of 8% per annum (the "Series A Dividend Rate") on the Series A Liquidation Value thereof, until such amount is actually paid. Such dividends shall be compounded quarterly on the last day of each fiscal quarter of the Corporation with the effect that an additional dividend shall accrue on each outstanding share of Series A Preferred Stock at a rate per annum equal to the Series A Dividend Rate on the amount so compounded until such amount is actually paid. Dividends on each outstanding share of Series A Preferred Stock shall be payable in cash only (i) upon Liquidation as provided in Section 1.2 below and (ii) upon redemption as provided in Section 1.5 below.

(b) Dividends on each share of Series A Preferred Stock shall accrue under paragraph (a) above from and including the date of issuance of such share to and including the date on which the Series A Liquidation Value of such share is paid, whether or not such dividends have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends at the time of such accrual. The date on which the Corporation initially issues any share of Series A Preferred Stock shall be deemed to be its "date of issuance", regardless of the number of times transfer of such share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such share. Except for (i) any repurchases of Common Stock pursuant to any Management Repurchase Agreement which are made in accordance with the terms thereof and (ii) any repurchases of Common Stock or warrants therefor pursuant to the Mezzanine Debt Documents which are made in accordance with the terms thereof, no dividend of cash or other property or other distribution shall be paid, declared or set apart (A) with respect to any share of Class B Common Stock unless a dividend is paid or declared and set apart for payment with respect to each outstanding share of Series A Preferred Stock in an amount at least equal to the product of (x) the amount of such

dividends or other distributions so paid, declared, or set apart for each share of Class B Common Stock, multiplied by (y) the number of shares of Class B-1 Common Stock into which such share of Series A Preferred Stock is then convertible pursuant to Section 1.4 below, and (B) with respect to any share of Class A Common Stock unless a dividend is paid or declared and set apart for payment with respect to each outstanding share of Series A Preferred Stock in an amount at least equal to the product of (x) the amount of such dividends or other distributions so paid, declared, or set apart for each share of Class A Common Stock, divided by the number of shares of Class B-1 Common Stock into which such share of Class A Common Stock is convertible multiplied by (y) the number of shares of Class B-1 Common Stock into which such share of Series A Preferred Stock is then convertible pursuant to Section 1.4 below. Any dividend of cash or other property or other distribution that is paid with respect to the Series A Preferred Stock pursuant to the immediately preceding sentence shall be in addition to and separate from, and shall not affect the dividends accruing on, each share of Series A Preferred Stock pursuant to paragraph (a) above. In the event of a conversion of any share of Series A Preferred Stock pursuant to Section 1.4 below, all accrued and unpaid dividends on such share of Series A Preferred Stock pursuant to paragraph (a) above shall be canceled, and no dividends shall be deemed to have accrued or be payable in respect of such share of Series A Preferred Stock pursuant to paragraph (a) above.

(c) Except as set forth in paragraph (a) or (b) above, the Corporation shall not pay any dividends (including, without limitation, any stock dividends) on the outstanding shares of Series A Preferred Stock.

1.2 Liquidation.

(a) Upon any Liquidation, the holders of shares of Series A Preferred Stock shall be entitled to be paid, before any payment shall be made to the holders of Series A Junior Stock, with respect to each share of Series A Preferred Stock then held by such holder, the Series A Liquidation Value plus all then accrued and unpaid dividends thereon up to the date of payment, and the holder of such shares of Series A Preferred Stock shall not be entitled to any further payment with respect thereto. If, upon any Liquidation, the Corporation's assets to be distributed among the holders of Series A Preferred Stock are insufficient to permit payment to such holders of the full amount to which they are entitled pursuant to the immediately preceding sentence, then the entire assets to be distributed shall be distributed ratably among such holders and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series A Preferred Stock, based upon the respective amounts which would otherwise be payable in respect of such stock, which in the case of Series A Preferred Stock, shall equal the then aggregate Series A Liquidation Value (plus all then accrued but unpaid dividends thereon) of the shares of Series A Preferred Stock held by each such holder. Upon and after any Liquidation, unless and until the holder of each share of Series A Preferred Stock receives payment in full of the full amount to which they are entitled hereunder, the Corporation shall not redeem, repurchase or otherwise acquire for value, or declare or pay any dividend or other distribution on or with respect to, any shares of any class or series of Series A Junior Stock.

(b) Upon and after any Liquidation, after the payment of all preferential amounts required to be paid to the holders of the Series A Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series A Preferred Stock, the holders of Series A Junior Stock then outstanding shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders.

(c) In the event of a Liquidation resulting in the availability of assets other than cash for distribution to the holders of shares of Series A Preferred Stock, such holders shall be entitled to a distribution of cash and/or other assets equal in value to the full amount to which they are entitled hereunder stated in Section 1.2(a) above. In the event that such distribution to the holders of shares of Series A Preferred Stock shall include any assets other than cash, the Board of Directors shall determine in good faith and with due care the value of such assets for such purpose, and shall notify all holders of shares of Series A Preferred Stock and Common Stock of such determination.

1.3 Voting Rights.

(a) General. Except as otherwise expressly provided herein or in the Stockholder Agreement or the Series A Stockholder Agreement or as required by applicable law, the holder of each share of Series A Preferred Stock shall be entitled to vote on all matters on which holders of shares of Class B-1 Common Stock are entitled to vote. Each share of Series A Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Class B-1 Common Stock into which such share of Series A Preferred Stock is convertible pursuant to Section 1.4 of this Article Fourth, Part C, as of the record date for the determination of stockholders entitled to vote on such matter, or if no record date is established, at the date such vote is taken or any written consent of stockholders is solicited. Except as otherwise provided herein, in the Stockholder Agreement, the Series A Stockholder Agreement or as otherwise required by applicable law, the holders of the shares of Series A Preferred Stock, the holders of shares of Class A Common Stock and the holders of shares of Class B-1 Common Stock shall vote together as a single class on all matters submitted to a vote or consent of stockholders.

(b) Action by Written Consent. Whenever holders of a class or series of capital stock are required or permitted to take any action by vote, such action may be taken without a meeting by written consent only after the Corporation has notified each holder of Series A Preferred Stock in writing of any actions required to be taken by written consent. The written consent shall set forth the action so taken and shall be signed by the holders of at least such number of shares of such class(es) and/or series of capital stock as would be sufficient to take such action at a meeting of stockholders, except as otherwise expressly provided in this Article Fourth, the Stockholder Agreement or the Series A Stockholder Agreement.

(c) Amendments; Waivers. So long as any shares of Series A Preferred Stock are outstanding, the Corporation shall not, without the prior written consent or affirmative

vote of the holders of more than 50% of the then outstanding shares of Series A Preferred Stock, (i) amend, alter or repeal the preferences, special rights or other powers of the Series A Preferred Stock so as to adversely affect the Series A Preferred Stock, or (ii) amend, alter or repeal the preferences, special rights or other powers of any other class or series of the Corporation's stock (whether by increasing their liquidation preference, dividend rights, conversion rights or otherwise) so as to materially adversely affect the Series A Preferred Stock, provided that neither the increase of the number of shares of any existing or new class or series of stock which the Corporation shall be or become authorized to issue nor the issuance by the Corporation of any shares of any such series or class shall be deemed to adversely affect the Series A Preferred Stock. Any of the rights of the holders of Series A Preferred Stock set forth in this Certificate of Incorporation may only be waived by the prior written consent of the holders of more than 50% of the then outstanding shares of Series A Preferred Stock.

1.4 Conversion. The shares of Series A Preferred Stock are subject to conversion into shares of Class B-1 Common Stock or other securities, properties, or rights, as set forth in this Section 1.4:

(a) Optional Conversion.

(i) Subject to and in compliance with the provisions of this Section 1.4, each holder of shares of Series A Preferred Stock may, at any time or from time to time, elect to convert all or part of the shares of Series A Preferred Stock held by such holder into fully paid and non-assessable shares of Class B-1 Common Stock. The number of shares of Class B-1 Common Stock to which a holder of shares of Series A Preferred Stock shall be entitled upon such conversion shall be the product obtained by multiplying the number of shares of Series A Preferred Stock being converted by the Series A Conversion Rate (determined as provided in Section 1.4(d) below).

(ii) To exercise conversion rights under this Section 1.4(a), a holder of shares of Series A Preferred Stock to be so converted shall surrender the certificate or certificates representing the shares of Series A Preferred Stock being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares of Series A Preferred Stock (the "Series A Conversion Notice"). Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Class B-1 Common Stock issuable upon such conversion shall be issued. The certificate or certificates for shares of Series A Preferred Stock surrendered for conversion shall be accompanied by evidence of proper assignment thereof to the Corporation. The date when such Series A Conversion Notice is received by the Corporation together with the certificate or certificates representing the shares of Series A Preferred Stock being converted, shall be the "Series A Conversion Date."

(iii) Upon receipt of the Series A Conversion Notice, the Corporation shall immediately notify all holders of Series A Preferred Stock (other than the holder

delivering such Series A Conversion Notice) of such conversion request in accordance with the provisions set forth in Section 1.5 of Part E below.

(iv) As promptly as practicable after any Series A Conversion Date, the Corporation shall issue and deliver to the holders of the shares of Series A Preferred Stock being converted, a certificate or certificates in such denominations as such holder may request in writing for the number of shares of Class B-1 Common Stock issuable upon the conversion of such shares of Series A Preferred Stock in accordance with the provisions of this Section 1.4. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Series A Conversion Date, and at such time the rights of the holder as holder of the converted shares of Series A Preferred Stock shall cease and the Person or Persons in whose name or names any certificate or certificates for shares of Class B-1 Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of shares of Class B-1 Common Stock represented thereby.

(b) Mandatory Conversion.

(i) In the event that the holders of more than 50% of the total number of shares of Series A Preferred Stock originally issued by the Corporation (such number to be subject to proportionate adjustment in the event of any Extraordinary Stock Event with respect to the Series A Preferred Stock occurring after the Effective Date) have elected to convert such shares into shares of Class B-1 Common Stock pursuant to Section 1.4(a) (a "Mandatory Series A Conversion Event") and any shares of Series A Preferred Stock remain outstanding, then all such remaining outstanding shares of Series A Preferred Stock shall be converted into shares of Class B-1 Common Stock in the manner set forth in this Section 1.4(b).

(ii) Following the occurrence of a Mandatory Series A Conversion Event, the Corporation shall immediately notify all remaining holders of shares of Series A Preferred Stock pursuant to a written notice (the "Mandatory Series A Conversion Notice"), in accordance with the provisions set forth in Section 1.5 of Part E below, specifying a date (the "Mandatory Series A Conversion Date") on which such shares of Series A Preferred Stock will be converted into shares of Class B-1 Common Stock, which date shall be not more than 30 nor less than 15 days after the date of such Mandatory Series A Conversion Notice. Following delivery of such notice, on the Mandatory Series A Conversion Date each share of Series A Preferred Stock outstanding shall be converted into the number of fully paid and non-assessable shares of Class B-1 Common Stock into which such share is then convertible pursuant to Section 1.4(a) above, automatically and without further action.

(iii) Upon any mandatory conversion of shares of Series A Preferred Stock into shares of Class B-1 Common Stock pursuant to this Section 1.4(b), the holders of shares of Series A Preferred Stock shall surrender the certificates formerly representing such shares at the office of the Corporation. Thereupon, there shall be issued and delivered to each such holder, promptly at the office of the Corporation and in

the holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Class B-1 Common Stock into which such shares of Series A Preferred Stock were so converted. The Corporation shall not be obligated to issue certificates evidencing the shares of Class B-1 Common Stock issuable upon such conversion unless and until certificates formerly evidencing the converted shares of Series A Preferred Stock are either delivered to the Corporation, or the holder thereof notifies the Corporation that such certificates have been lost, stolen, or destroyed and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection therewith.

(c) Automatic Conversion.

(i) Each share of Series A Preferred Stock outstanding shall be converted into the number of fully paid and non-assessable shares of Class B-1 Common Stock into which such share is then convertible pursuant to Section 1.4(a) above, automatically and without further action, immediately upon the closing of a Qualified Public Offering.

(ii) Upon any automatic conversion of shares of Series A Preferred Stock into shares of Class B-1 Common Stock pursuant to this Section 1.4(c), the holders of shares of Series A Preferred Stock shall surrender the certificates formerly representing such shares at the office of the Corporation. Thereupon, there shall be issued and delivered to each such holder, promptly at the office of the Corporation and in the holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Class B-1 Common Stock into which such shares of Series A Preferred Stock were so converted. The Corporation shall not be obligated to issue certificates evidencing the shares of Class B-1 Common Stock issuable upon such conversion unless and until certificates formerly evidencing the converted shares of Series A Preferred Stock are either delivered to the Corporation, or the holder thereof notifies the Corporation that such certificates have been lost, stolen, or destroyed and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection therewith.

(d) Initial Series A Conversion Rate. The conversion rate with respect to any share of Series A Preferred Stock (the "Series A Conversion Rate") initially shall equal one.

(e) Adjustment of Series A Conversion Rate. The Series A Conversion Rate shall be subject to adjustment as provided in Sections 1.4(f) and 1.4(g) of this Article Fourth, Part C.

(f) Adjustments for Extraordinary Stock Events. Upon the happening of any Extraordinary Stock Event with respect to any class or series of stock of the Corporation which is convertible into shares of Class B Common Stock, automatically and without further action, and simultaneously with the happening of such Extraordinary Stock Event, the Series A Conversion Rate shall be adjusted so that the shares of Series A Preferred

Stock outstanding immediately after such Extraordinary Stock Event are convertible after such adjustment into the same percentage of the outstanding shares of Class B Common Stock (on a fully diluted basis) as they were immediately prior to such Extraordinary Stock Event. The Series A Conversion Rate, as so adjusted, shall be readjusted in the same manner upon the happening of any successive Extraordinary Stock Event or Events with respect to any class or series of stock of the Corporation which is convertible into shares of Class B Common Stock.

(g) Adjustments for Reclassifications. If the shares of Class B-1 Common Stock issuable upon the conversion of shares of Series A Preferred Stock are changed into the same or a different number of shares of any class(es) or series of stock, whether by reclassification or otherwise (other than a reorganization of assets provided for elsewhere in this Section 1.4), then and in each such event the holder of each share of Series A Preferred Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change by holders of the number of shares of Class B-1 Common Stock into which such shares of Series A Preferred Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(h) Adjustments for Mergers, Consolidations or Other Reorganizations. If at any time or from time to time there is any merger, consolidation or other capital reorganization of shares of Class B-1 Common Stock (other than a subdivision, combination of shares, reclassification, or exchange of shares provided for elsewhere in this Section 1.4), then, as a part of and as a condition to the effectiveness of such merger, consolidation or other capital reorganization, lawful and adequate provision shall be made so that if the Corporation is not the surviving corporation, each share of Series A Preferred Stock shall be converted into a share of capital stock of the surviving corporation having equivalent preferences, rights, and privileges, except that in lieu of being able to convert into shares of Class B-1 Common Stock of the Corporation or common stock of the surviving corporation, the holders of shares of Series A Preferred Stock (including any such capital stock issued upon conversion of Series A Preferred Stock) shall thereafter be entitled to receive upon conversion of such shares of Series A Preferred Stock (including any such capital stock issued upon conversion of shares of Series A Preferred Stock) the number of shares of stock or other securities or property of the Corporation or the surviving corporation to which a holder of the number of shares of Class B-1 Common Stock of the Corporation or common stock of the surviving corporation deliverable upon conversion of such shares of Series A Preferred Stock immediately prior to the merger, consolidation or other capital reorganization would have been entitled on such merger, consolidation or other capital reorganization. In any such case, appropriate provisions shall be made with respect to the rights of the holders of shares of Series A Preferred Stock (including any such capital stock issued upon conversion of shares of Series A Preferred Stock) after such merger, consolidation or other capital reorganization to the end that the provisions of this Section 1.4 (including without limitation provisions for adjustment of the Series A Conversion Rate and the number of shares issuable upon conversion of shares of Series A Preferred Stock or such

shares of capital stock) shall thereafter be applicable, as nearly as may be, with respect to any shares of stock, securities, or assets to be deliverable thereafter upon the conversion of such shares of Series A Preferred Stock or such shares of capital stock.

(i) Certificate as to Adjustments. In each case of an adjustment or readjustment of the Series A Conversion Rate, the Corporation shall promptly furnish each holder of Series A Preferred Stock with a certificate, prepared by the chief financial officer of the Corporation, showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based.

(j) Fractional Shares. Upon conversion of shares of Series A Preferred Stock pursuant to this Section 1.4, the Corporation shall, if requested by the holder of any such shares of Series A Preferred Stock being converted, issue fractional shares in increments of up to one-one thousandth (1/1000 or .000) of a share of Class B-1 Common Stock.

(k) Partial Conversion. If some but not all of the shares of Series A Preferred Stock represented by a certificate or certificates surrendered by a holder are converted, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Series A Preferred Stock that were not converted.

(l) Reservation of Class B-1 Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class B-1 Common Stock, solely for the purpose of effecting the conversion of shares of Series A Preferred Stock, such number of shares of Class B-1 Common Stock as from time to time is sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock, and if at any time the number of authorized but unissued shares of Class B-1 Common Stock is not sufficient to effect the conversion of all shares of Series A Preferred Stock then outstanding, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class B-1 Common Stock to such number of shares as is sufficient for such purpose.

(m) Further Adjustment Provisions. If, at any time as a result of an adjustment made pursuant to this Section 1.4, the holder of any shares of Series A Preferred Stock upon thereafter surrendering such shares for conversion becomes entitled to receive any shares or other securities of the Corporation other than shares of Class B-1 Common Stock, the Series A Conversion Rate in respect of such other shares or securities so receivable upon conversion of such shares of Series A Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to such shares of Series A Preferred Stock contained in this Section 1.4, and the remaining provisions hereof with respect to shares of Series A Preferred Stock shall apply on like or similar terms to any such other shares or securities.

(n) No Conversion of Accrued Dividends. No holder of Series A Preferred Stock whose shares of Series A Preferred Stock are converted pursuant to this Section 1.4

shall be entitled to any payment of dividends accrued pursuant to Section 1.1(a) of this Part C for the shares of the Series A Preferred Stock so converted, and all such accrued and unpaid dividends on such shares shall be cancelled pursuant to Section 1.1(b) hereof upon such conversion.

(o) Fully Paid and Non-Assessable. Upon the conversion of any shares of the Series A Preferred Stock into shares of Class B-1 Common Stock, each share of Class B-1 Common Stock issued upon the conversion thereof shall be fully paid and non-assessable.

1.5 Redemptions.

(a) Mandatory Redemption Upon Disposition Event. Subject to the provisions of subsection (b) of this Section 1.5, the Corporation will, upon the closing of any Disposition Event (other than a Qualified Public Offering) (the "Series A Redemption Date"), redeem all of the Series A Preferred Stock then outstanding.

(b) Contractual Prohibitions. Notwithstanding any other provision herein to the contrary, no redemption of any shares of Series A Preferred Stock shall be made by the Corporation pursuant to subsection (a) above at any time when such redemption (or the distribution by any Subsidiary of the Corporation to the Corporation of funds for such redemption) would be prohibited by the terms of any credit or other financing agreement with any lender to the Corporation or any of its Subsidiaries.

(c) Notice of Redemption. The Corporation shall provide written notice of any event giving rise to the mandatory redemption of Series A Preferred Stock pursuant to this Section 1.5 specifying the time and place of redemption and the redemption price per share, by first class or registered mail, postage prepaid, to each holder of record of Series A Preferred Stock to be redeemed at the address for such holder last shown on the records of the transfer agent therefor (or the records of the Corporation, if it serves as its own transfer agent), not more than 60 nor less than 30 days prior to Series A Redemption Date. If less than all the shares of Series A Preferred Stock are to be redeemed, the notice will also specify the number of shares of Series A Preferred Stock which are to be redeemed from such holder. Upon mailing any such notice of redemption, the Corporation will become obligated, to the extent permitted by law, to redeem at the time of redemption specified therein all shares of Series A Preferred Stock specified to be redeemed in such notice. Notwithstanding anything to the contrary contained in this Section 1.5, any holder of shares of Series A Preferred Stock shall be entitled to convert such shares of Series A Preferred Stock into shares of Class B-1 Common Stock in accordance with Section 1.4 at any time prior to the Series A Redemption Date.

(d) Redemption Price and Priority of Payment. For each share of Series A Preferred Stock which is to be redeemed, the Corporation will be obligated on the Redemption Date to pay each holder thereof (upon surrender by each such holder at the Corporation's principal office of the certificate(s) representing such shares of Series A Preferred Stock) in immediately available funds or by certified or bank check payable to

the order of each such holder an amount equal to the Series A Liquidation Value of such share of Series A Preferred Stock plus all then accrued and unpaid dividends thereon (the "Series A Redemption Price"). The Corporation shall not be obligated to make such payment unless and until certificates formerly evidencing the redeemed shares of Series A Preferred Stock are either delivered to the Corporation, or the holder thereof notifies the Corporation that such certificates have been lost, stolen or destroyed and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection therewith. If (i) the funds of the Corporation legally available for redemption of shares of Series A Preferred Stock on the applicable Redemption Date are insufficient to redeem the total number of shares of Series A Preferred Stock to be redeemed on such date or (ii) the terms of any credit or other financing agreement with any lender to the Corporation or any of its Subsidiaries prohibits the redemption (or the distribution to the Corporation of funds for redemption) of the total number of shares of Series A Preferred Stock to be redeemed on such date, then those funds which are legally available, or which are not so prohibited to be used, shall be used to redeem the maximum possible number of shares of Series A Preferred Stock ratably among the holders of such shares to be redeemed based upon the aggregate Series A Redemption Price of such shares of Series A Preferred Stock held by each holder thereof. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series A Preferred Stock or when the terms of any credit or other financing agreement with any lender to the Corporation or any of its Subsidiaries do not prohibit the redemption (or the distribution to the Corporation of funds for redemption) of additional shares of Series A Preferred Stock, such funds which are legally available or not so prohibited shall immediately be used to redeem the balance of the shares of Series A Preferred Stock which the Corporation has become obligated to redeem on the Redemption Date, but which it has not redeemed. In case fewer than the total number of shares of Series A Preferred Stock represented by any certificate are redeemed, a new certificate representing the number of unredeemed shares shall be issued to the holder thereof without cost to such holder within 7 business days after surrender of the certificate representing the redeemed shares of Series A Preferred Stock.

(e) Dividends After Payment of Series A Redemption Price. No share of Series A Preferred Stock is entitled to any dividends accruing after the date on which the Series A Redemption Price of such share is paid in full pursuant to and in accordance with this Section 1.5. On such date, all rights of the holder of such share of Series A Preferred Stock shall cease, and such share of Series A Preferred Stock shall be deemed not to be outstanding. Each certificate for shares of Series A Preferred Stock surrendered for redemption pursuant to this Section 1.5 shall be canceled and retired by the Corporation.

(f) No Reissuance of Redeemed Shares. No shares of Series A Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired, and eliminated from the shares that the Corporation is authorized to issue.

(g) Payments on Series A Junior Stock, etc. If and so long as there are any shares of Series A Preferred Stock outstanding which the Corporation has become obligated to redeem pursuant to this Section 1.5, until the Corporation has redeemed all of such shares of Series A Preferred Stock, the Corporation shall not redeem, repurchase or otherwise acquire for value, or declare or pay any dividend or other distribution on or with respect to, any shares of any class or series of Series A Junior Stock.

D. COMMON STOCK.

1. Terms Applicable to Class A Common Stock.

1.1 Dividends.

(a) Subject to the rights of the holders of shares of Series A Preferred Stock described in Part C of this Article Fourth and the rights of any other series of Preferred Stock ranking senior to the Class A Common Stock with respect to payment of dividends, the holders of Class A Common Stock shall be entitled to dividends out of funds legally available therefor, when declared by the Board of Directors in respect of Class A Common Stock; provided, that no such dividend shall be declared or paid unless a corresponding dividend is simultaneously declared and paid on the Class B Common Stock in an amount per share equal to the amount that would be payable per share of Class B Common Stock if all outstanding shares of Class A Common Stock had been converted into Class B-1 Common Stock and the total dividend payable on the shares of Class A Common Stock had instead been paid on such converted shares of Class B-1 Common Stock. Except for (i) any repurchases of Common Stock pursuant to any Management Repurchase Agreement which are made in accordance with the terms thereof and (ii) any repurchases of Common Stock or warrants therefor pursuant to the Mezzanine Debt Documents which are made in accordance with the terms thereof, no dividend of cash or other property or other distribution shall be paid, declared or set apart with respect to any share of Class B Common Stock unless a dividend is paid or declared and set apart for payment with respect to each outstanding share of Class A Common Stock in an amount at least equal to the product of (A) the amount of such dividends or distributions so paid, declared, or set apart for each share of Class B Common Stock, multiplied by (B) the number of shares of Class B-1 Common Stock into which such share of Class A Common Stock is then convertible pursuant to Section 1.4 below.

(b) Except as set forth in paragraph (a) above, the Corporation shall not pay any dividends (including, without limitation, any stock dividends) on the outstanding shares of Class A Common Stock.

1.2 Liquidation. Subject to the rights of the holders of Series A Preferred Stock and any other series of Preferred Stock ranking on liquidation senior to the Class A Common Stock:

(a) Upon any Liquidation, the holders of shares of Class A Common Stock shall be entitled to be paid, before any payment shall be made to the holders of Junior

Stock, with respect to each share of Class A Common Stock then held by such holder, the Class A Liquidation Value plus all then accrued and unpaid dividends thereon up to the date of payment, and the holder of such shares of Class A Common Stock shall not be entitled to any further payment with respect thereto. If, upon any Liquidation, the Corporation's assets to be distributed among the holders of Class A Common Stock are insufficient to permit payment to such holders of the full amount to which they are entitled pursuant to the immediately preceding sentence, then the entire assets to be distributed shall be distributed ratably among such holders and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Class A Common Stock based upon the respective amounts which would otherwise be payable in respect of such stock, which in the case of the Class A Common Stock, shall equal the then aggregate Class A Liquidation Value (plus all then accrued but unpaid dividends thereon) of the shares of Class A Common Stock held by each such holder. Upon and after any Liquidation, unless and until the holder of each share of Class A Common Stock receives payment in full of the full amount to which they are entitled hereunder, the Corporation shall not redeem, repurchase or otherwise acquire for value, or declare or pay any dividend or other distribution on or with respect to, any shares of any class or series of Junior Stock.

(b) Upon and after any Liquidation, after the payment of all preferential amounts required to be paid to the holders of the Class A Common Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Class A Common Stock, the holders of Junior Stock then outstanding shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders.

(c) In the event that a distribution to the holders of shares of Class A Common Stock made pursuant to this Section 1.2 shall include any assets other than cash, the Board of Directors shall determine in good faith and with due care the value of such assets for such purpose, and shall notify all holders of shares of Series A Preferred Stock and Common Stock of such determination.

1.3 Voting Rights.

(a) General. Except as otherwise expressly provided herein or in the Stockholder Agreement or as required by applicable law, the holder of each share of Class A Common Stock shall be entitled to vote on all matters on which holders of shares of Class B-1 Common Stock are entitled to vote. Each share of Class A Common Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Class B-1 Common Stock into which such share of Class A Common Stock is convertible pursuant to Section 1.4 of Part D below. Except as otherwise provided herein, in the Stockholder Agreement or the Series A Stockholder Agreement or as otherwise required by applicable law, the holders of shares of Series A Preferred Stock, the holders of shares of Class A Common Stock and the holders of shares of Class B-1 Common Stock shall vote together as a single class on all matters submitted to a vote or consent of stockholders.

(b) Amendments; Waivers. So long as any shares of Class A Common Stock are outstanding, the Corporation shall not, without the prior written consent or affirmative vote of the holders of more than 50% of the then outstanding shares of Class A Common Stock, (i) amend, alter or repeal the preferences, special rights or other powers of the Class A Common Stock so as to adversely affect the Class A Common Stock, or (ii) amend, alter or repeal the preferences, special rights or other powers of any other class or series of the Corporation's stock (whether by increasing their liquidation preference, dividend rights, conversion rights or otherwise) so as to materially adversely affect the Class A Common Stock, provided that neither the increase of the number of shares of any existing or new class or series of stock which the Corporation shall be or become authorized to issue nor the issuance by the Corporation of any shares of any such series or class shall be deemed to adversely affect the Class A Common Stock. Any of the rights of the holders of Class A Common Stock set forth in this Certificate of Incorporation may only be waived by the prior written consent of the holders of more than 50% of the then outstanding shares of Class A Common Stock.

1.4 Conversion. The shares of Class A Common Stock are subject to conversion into shares of Class B-1 Common Stock or other securities, properties, or rights, as set forth in this Section 1.4:

(a) Optional Conversion.

(i) Subject to and in compliance with the provisions of this Section 1.4, each holder of shares of Class A Common Stock may, at any time or from time to time elect to convert all or part of the shares of Class A Common Stock held by such holder into fully paid and non-assessable shares of Class B-1 Common Stock. The number of shares of Class B-1 Common Stock to which a holder of shares of Class A Common Stock shall be entitled upon such conversion shall be the product obtained by multiplying the number of shares of Class A Common Stock being converted by the Class A Conversion Rate (determined as provided in Section 1.4(c) below).

(ii) To exercise conversion rights under this Section 1.4(a), a holder of shares of Class A Common Stock to be so converted shall surrender the certificate or certificates representing the shares of Class A Common Stock being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares of Class A Common Stock (the "Class A Conversion Notice"). Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Class B-1 Common Stock issuable upon such conversion shall be issued. The certificate or certificates for shares of Class A Common Stock surrendered for conversion shall be accompanied by evidence of proper assignment thereof to the Corporation. The date when such Class A Conversion Notice is received by the Corporation together with the certificate or certificates representing the shares of Class A Common Stock being converted, shall be the "Class A Conversion Date."

(iii) Upon receipt of the Class A Conversion Notice, the Corporation shall immediately notify all holders of Class A Common Stock (other than the holder delivering such Class A Conversion Notice) of such conversion request in accordance with the provisions set forth in Section 1.5 of Part E below.

(iv) As promptly as practicable following any Class A Conversion Date, the Corporation shall issue and deliver to the holders of the shares of Class A Common Stock being converted, a certificate or certificates in such denominations as such holder may request in writing for the number of shares of Class B-1 Common Stock issuable upon the conversion of such shares of Class A Common Stock in accordance with the provisions of this Section 1.4. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Class A Conversion Date, and at such time the rights of the holder as holder of the converted shares of Class A Common Stock shall cease and the Person or Persons in whose name or names any certificate or certificates for shares of Class B-1 Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of shares of Class B-1 Common Stock represented thereby.

(b) Automatic Conversion.

(i) Each share of Class A Common Stock outstanding shall be converted into the number of fully paid and non-assessable shares of Class B-1 Common Stock into which such share is then convertible pursuant to Section 1.4(a) above, automatically and without further action, immediately upon the earlier of (A) the closing of a Qualified Public Offering and (B) the conversion of all outstanding shares of Series A Preferred Stock into shares of Class B-1 Common Stock pursuant to Section 1.4(a) or 1.4(b) of Part C above.

(ii) Upon any automatic conversion of shares of Class A Common Stock into shares of Class B-1 Common Stock pursuant to this Section 1.4(b), the holders of shares of Class A Common Stock shall surrender the certificates formerly representing such shares at the office of the Corporation. Thereupon, there shall be issued and

delivered to each such holder, promptly at the office of the Corporation and in the holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Class B-1 Common Stock into which such shares of Class A Common Stock were so converted. The Corporation shall not be obligated to issue certificates evidencing the shares of Class B-1 Common Stock issuable upon such conversion unless and until certificates formerly evidencing the converted shares of Class A Common Stock are either delivered to the Corporation, or the holder thereof notifies the Corporation that such certificates have been lost, stolen, or destroyed and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection therewith.

(c) Initial Class A Conversion Rate. The conversion rate with respect to any share of Class A Common Stock (the "Class A Conversion Rate") initially shall equal one.

(d) Adjustment of Class A Conversion Rate. The Class A Conversion Rate shall be subject to adjustment as provided in Sections 1.4(e) and 1.4(f) of this Article Fourth. Part D.

(e) Adjustments for Extraordinary Stock Events. Upon the happening of any Extraordinary Stock Event with respect to any class or series of stock of the Corporation which is convertible into shares of Class B Common Stock, automatically and without further action, and simultaneously with the happening of such Extraordinary Stock Event, the Class A Conversion Rate shall be adjusted so that the shares of Class A Common Stock outstanding immediately after such Extraordinary Stock Event are convertible after such adjustment into the same percentage of the outstanding shares of Class B Common Stock (on a fully diluted basis) as they were immediately prior to such Extraordinary Stock Event. The Class A Conversion Rate, as so adjusted, shall be readjusted in the same manner upon the happening of any successive Extraordinary Stock Event or Events with respect to any class or series of stock of the Corporation which is convertible into shares of Class B Common Stock.

(f) Adjustments for Reclassifications. If the shares of Class B-1 Common Stock issuable upon the conversion of shares of Class A Common Stock are changed into the same or a different number of shares of any class(es) or series of stock, whether by reclassification or otherwise (other than a reorganization of assets provided for elsewhere in this Section 1.4), then and in each such event the holder of each share of Class A Common Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change by holders of the number of shares of Class B-1 Common Stock into which such shares of Class A Common Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(g) Adjustments for Mergers, Consolidations or Other Reorganizations. If at any time or from time to time there is any merger, consolidation or other capital

reorganization of shares of Class B-1 Common Stock (other than a subdivision, combination of shares, reclassification, or exchange of shares provided for elsewhere in this Section 1.4), then, as a part of and as a condition to the effectiveness of such merger, consolidation or other capital reorganization, lawful and adequate provision shall be made so that if the Corporation is not the surviving corporation, each share of Class A Common Stock shall be converted into a share of capital stock of the surviving corporation having equivalent preferences, rights, and privileges, except that in lieu of being able to convert into shares of Class B-1 Common Stock of the Corporation or common stock of the surviving corporation, the holders of shares of Class A Common Stock (including any such capital stock issued upon conversion of Class A Common Stock) shall thereafter be entitled to receive upon conversion of such shares of Class A Common Stock (including any such capital stock issued upon conversion of shares of Class A Common Stock) the number of shares of stock or other securities or property of the Corporation or the surviving corporation to which a holder of the number of shares of Class B-1 Common Stock of the Corporation or common stock of the surviving corporation deliverable upon conversion of such shares of Class A Common Stock immediately prior to the merger, consolidation or other capital reorganization would have been entitled on such merger, consolidation or other capital reorganization. In any such case, appropriate provisions shall be made with respect to the rights of the holders of shares of Class A Common Stock (including any such capital stock issued upon conversion of shares of Class A Common Stock) after such merger, consolidation or other capital reorganization to the end that the provisions of this Section 1.4 (including without limitation provisions for adjustment of the Class A Conversion Rate and the number of shares issuable upon conversion of shares of Class A Common Stock or such shares of capital stock) shall thereafter be applicable, as nearly as may be, with respect to any shares of stock, securities, or assets to be deliverable thereafter upon the conversion of such shares of Class A Common Stock or such shares of capital stock.

(h) Certificate as to Adjustments. In each case of an adjustment or readjustment of the Class A Conversion Rate, the Corporation shall promptly furnish each holder of Class A Common Stock with a certificate, prepared by the chief financial officer of the Corporation, showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based.

(i) Fractional Shares. Upon conversion of shares of Class A Common Stock pursuant to this Section 1.4, the Corporation shall, if requested by the holder of any such shares of Class A Common Stock being converted, issue fractional shares in increments of up to one-one thousandth (1/1000 or .000) of a share of Class B-1 Common Stock.

(j) Partial Conversion. If some but not all of the shares of Class A Common Stock represented by a certificate or certificates surrendered by a holder are converted, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Class A Common Stock that were not converted.

(k) Reservation of Class B-1 Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class B-1 Common Stock, solely for the purpose of effecting the conversion of shares of Class A Common Stock, such number of shares of Class B-1 Common Stock as from time to time is sufficient to effect the conversion of all outstanding shares of Class A Common Stock, and if at any time the number of authorized but unissued shares of Class B-1 Common Stock is not sufficient to effect the conversion of all shares of Class A Common Stock then outstanding, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class B-1 Common Stock to such number of shares as is sufficient for such purpose.

(l) Further Adjustment Provisions. If, at any time as a result of an adjustment made pursuant to this Section 1.4, the holder of any shares of Class A Common Stock upon thereafter surrendering such shares for conversion becomes entitled to receive any shares or other securities of the Corporation other than shares of Class B-1 Common Stock, the Class A Conversion Rate in respect of such other shares or securities so receivable upon conversion of such shares of Class A Common Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to such shares of Class A Common Stock contained in this Section 1.4, and the remaining provisions hereof with respect to shares of Class A Common Stock shall apply on like or similar terms to any such other shares or securities.

(m) Fully Paid and Non-Assessable. Upon the conversion of any shares of the Class A Common Stock into shares of Class B-1 Common Stock, each share of Class B-1 Common Stock issued upon the conversion thereof shall be fully paid and non-assessable.

2. Terms Applicable to Class B Common Stock.

2.1 Dividend and Other Rights of Class B Common Stock.

(a) Ratable Treatment. Except as specifically otherwise provided herein, all shares of Class B Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges. The Corporation shall not subdivide or combine any shares of Class B Common Stock, or pay any dividend or retire any share or make any other distribution on any share of Class B Common Stock, or accord any other payment, benefit or preference to any share of Class B Common Stock, except by extending such subdivision, combination, distribution, payment, benefit or preference equally to all shares of Class B Common Stock. If dividends are declared which are payable in shares of Class B Common Stock, such dividends shall be payable in shares of Class B-1 Common Stock to holders of Class B-1 Common Stock and in shares of Class B-2 Common Stock to holders of Class B-2 Common Stock.

(b) Dividends. The holders of Class B Common Stock shall be entitled to dividends out of funds legally available therefor, when declared by the Board of Directors

in respect of Class B Common Stock, and, upon any Liquidation, to share ratably in the assets of the Corporation available for distribution to the holders of Class B Common Stock. In the event that a distribution to the holders of shares of Class B Common Stock made pursuant to this Section 2.1(b) shall include any assets other than cash, the Board of Directors shall determine in good faith and with due care the value of such assets for such purpose and shall determine in god faith and with due care the value of such assets for such purpose, and shall notify all holders of shares of Series A Preferred Stock and Common Stock of such determination.

2.2 Voting Rights of Class B Common Stock.

(a) Class B-1 Common Stock. Except as otherwise provided by law, the holders of Class B-1 Common Stock shall have full voting rights and powers to vote on all matters submitted to stockholders of the Corporation for vote, consent or approval, and each holder of Class B-1 Common Stock shall be entitled to one vote for each share of Class B-1 Common Stock held of record by such holder. Except as otherwise provided herein, in the Stockholder Agreement or in the Series A Stockholder Agreement or as otherwise required by applicable law, the holders of shares of Series A Preferred Stock, the holders of shares of Class A Common Stock and the holders of shares of Class B-1 Common Stock shall vote together as a single class on all matters submitted to a vote or consent of stockholders.

(b) Class B-2 Common Stock. Except as otherwise provided by law, the holders of Class B-2 Common Stock shall have no right to vote on any matter submitted to stockholders of the Corporation for vote, consent or approval, and the Class B-2 Common Stock shall not be included in determining the number of shares voting or entitled to vote on such matters.

(c) Amendments; Waivers. So long as any shares of Class B Common Stock are outstanding, the Corporation shall not, without the prior written consent or affirmative vote of the holders of more than 50% of the then outstanding shares of Class B Common Stock, (i) amend, alter or repeal the preferences, special rights or other powers of the Class B Common Stock so as to adversely affect the Class B Common Stock, or (ii) amend, alter or repeal the preferences, special rights or other powers of any other class or series of the Corporation's stock (whether by increasing their liquidation preference, dividend rights, conversion rights or otherwise) so as to materially adversely affect the Class B Common Stock, provided that neither the increase of the number of shares of any existing or new class or series of stock which the Corporation shall be or become authorized to issue nor the issuance by the Corporation of any shares of any such series or class shall be deemed to adversely affect the Class B Common Stock. Any of the rights of the holders of Class B Common Stock set forth in this Certificate of Incorporation may only be waived by the prior written consent of the holders of more than 50% of the then outstanding shares of Class B Common Stock. In addition to the foregoing, (i) any amendment, alteration, repeal or waiver of the provisions of Section 2.2(a) of this Part D shall also require the prior written consent of the holders of more than 50% of the then-outstanding shares of Class B-1 Common Stock and (ii) any amendment, alteration,

repeal or waiver of the provisions of Section 2.2(b) or Section 2.3 of this Part D shall also require the prior written consent of the holders of more than 50% of the then outstanding shares of Class B-2 Common Stock.

2.3 Conversion of Class B-2 Common Stock.

(a) Automatic Conversion of Class B-2 Common Stock. Upon the closing of a Qualified Public Offering, all shares of Class B-2 Common Stock then issued and outstanding shall be converted into the same number of shares of Class B-1 Common Stock. Except as otherwise provided in the preceding sentence, the holders of Class B-2 Common Stock shall not be entitled to convert any shares of Class B-2 Common Stock into shares of any other class of Common Stock. Notwithstanding anything to the contrary stated herein, any share or shares of Class B-2 Common Stock shall only be converted into a share or shares of Class B-1 Common Stock to the extent that after giving effect to such conversion the holder of such share or shares of Class B-1 Common Stock and its affiliates shall not directly or indirectly own, control or have the power to vote a greater quantity of securities of any kind issued by the Corporation than such holder and its affiliates are permitted to own, control or have power to vote under any law or under any regulation, rule or other requirement of any governmental authority than applicable to such holder and its affiliates.

(b) Conversion Procedure.

(i) Upon any automatic conversion of shares of Class B-2 Common Stock into shares of Class B-1 Common Stock pursuant to this Section 2.3, the holders of shares of Class B-2 Common Stock shall surrender the certificates formerly representing such shares at the office of the Corporation along with a written statement by the holder of such Class B-2 Common Stock stating that upon such conversion into shares of Class B-1 Common Stock such holder and its affiliates shall not directly or indirectly own, control or have the power to vote a greater quantity of securities of any kind issued by the Corporation than such holder and its affiliates are permitted to own, control or have power to vote under any law or under any regulation, rule or other requirement of any governmental authority then applicable to such holder and its affiliates (and such statement will obligate the Corporation to issue such shares of Class B-1 Common Stock). Thereupon, there shall be issued and delivered to each such holder, promptly at the office of the Corporation and in the holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Class B-1 Common Stock into which such shares of Class B-2 Common Stock were so converted. The Corporation shall not be obligated to issue certificates evidencing the shares of the Class B-1 Common Stock issuable upon such conversion unless and until certificates formerly evidencing the converted shares of Class B-2 Common Stock are either delivered to the Corporation, or the holder thereof notifies the Corporation that such certificates have been lost, stolen or destroyed and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection therewith.

(ii) Such conversion, to the extent permitted by law, will be deemed to have been effected as of the close of business on the date on which such certificate or certificates have been surrendered in accordance herewith and such written statement has been received, and at such time the rights of the holder of such Class B-2 Common Stock will cease and the person or persons in whose name or names the certificate or certificates for shares of Class B-1 Common Stock are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the shares of Class B-1 Common Stock represented thereby.

(c) Reservation of Class B-1 Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class B-1 Common Stock, solely for the purpose of effecting the conversion of shares of Class B-2 Common Stock as provided in this Section, such number of shares of Class B-1 Common Stock as from time to time is sufficient to effect the conversion of all outstanding shares of Class B-2 Common Stock, and if, at any time, the number of authorized but unissued shares of Class B-1 Common Stock is not sufficient to effect the conversion of all shares of Class B-2 Common Stock then outstanding, the Corporation shall take such corporate action as may in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class B-1 Common Stock to such number of shares as is sufficient for such purpose.

(d) Fully Paid and Non-Assessable. Upon the conversion of any shares of Class B-2 Common Stock into shares of Class B-1 Common Stock, each share of Class B-1 Common Stock issued upon conversion thereof shall be fully paid and non-assessable.

(e) Taxes and Costs. The issuance of certificates for shares of Class B-1 Common Stock upon automatic conversion of Class B-2 Common Stock shall be made without charge to any original holder of any shares of Common Stock for any issuance tax in respect thereof, or other cost incurred by the Corporation in connection with such conversion and the related issuance of Class B-1 Common Stock, provided that the Corporation will not be required to pay any such taxes or costs which may be payable in respect of any such conversion by any other person or in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the registered holder of the shares converted.

E. PROVISIONS OF COMMON APPLICATION.

1.1 Registration of Transfer. The Corporation shall keep at its principal office or at the office of its legal counsel a register for the registration of all series of Preferred Stock and all classes of Common Stock. Except as otherwise provided in this Article Fourth, upon the surrender of any certificate representing shares of Preferred Stock or Common Stock at such place, the Corporation shall, at the request of the record holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of Preferred Stock or Common Stock

of the applicable class or series represented by the surrendered certificate. Each such new certificate shall be registered in such name and shall represent such number of shares of Preferred Stock or Common Stock as is requested by the holder of the surrendered certificate and shall be substantially identical in form and (in the case of shares of Preferred Stock) series to the surrendered certificate, and, with respect to Preferred Stock, dividends shall accrue on the shares of Preferred Stock represented by such new certificate from the date to which dividends have been fully paid on the shares of Preferred Stock represented by the surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance, unless such issuance is made in connection with a transfer of Preferred Stock or Common Stock, in which case the transferring holder shall pay all taxes arising from such transfer.

1.2 Record Holders. The Corporation shall be entitled to treat the Person in whose name any share of its stock is registered on the stock transfer books of the Corporation as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other Person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

1.3 Notices of Record Dates, Etc. If (a) the Corporation establishes a record date to determine the holders of any class or series of securities who are entitled to receive any dividend or other distribution, or (b) there occurs any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, or any Liquidation, the Corporation shall deliver to each holder of Preferred Stock and each holder of Common Stock at least 20 days prior to such record date or the proposed effective date of the transaction specified therein, as the case may be, a notice specifying (i) the date of such record date for the purpose of such dividend or distribution and a description of such dividend or distribution, (ii) the date on which any such reorganization, reclassification or Liquidation is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of shares of Common Stock or Preferred Stock or any other securities of the Corporation, as the case may be, shall be entitled to exchange their securities for the cash, securities, and/or other property deliverable upon such reorganization, reclassification or Liquidation.

1.4 Replacement. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing shares of Preferred Stock or Common Stock, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder of such shares is an "accredited investor" as defined pursuant to Section 2(15) of the Securities Act of 1933, as amended, such holder's own unsecured agreement of indemnity shall be deemed to be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of

and series of Preferred Stock or number of shares and class of Common Stock represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate, and, with respect to Preferred Stock, dividends shall accrue on the Preferred Stock represented by such new certificate from the date to which dividends have been fully paid on such lost, stolen, destroyed or mutilated certificate.

1.5 Notices. Except as otherwise expressly provided, all notices referred to herein shall be in writing and shall be deemed properly delivered if either personally delivered or sent by facsimile, overnight courier or mailed certified or registered mail, return receipt requested, postage prepaid, to the recipient (a) in the case of any stockholder, at such holder's address as it appears in the stock records of the Corporation (unless otherwise indicated by any such holder) and (b) in the case of the Corporation, at its principal office. Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by facsimile, when transmitted, (iii) if sent by overnight courier, when receipted for, and (iv) if mailed, 5 days after being mailed as described above.

1.6. Calculation of Fully-Diluted Equity. All references herein to calculations of the Corporation's (or any of its successors') equity or any type or class thereof as then outstanding "on a fully diluted basis" or as "fully diluted" or similar terms shall mean such equity or type or class thereof at any date as diluted by the issuance of all shares of such equity or type or class thereof then issuable upon the exercise or conversion of all then outstanding and exercisable warrants, options or convertible securities pursuant to which the Corporation (or any of its successors) is then obligated to issue such equity or type or class thereof (and if such exercise or conversion results in the issuance of convertible securities, as further diluted by the conversion of such convertible securities), but specifically excluding all shares issuable under stock options which are not then exercisable.

***

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 09/17/2002
020578502 - 3565036

CERTIFICATE OF INCORPORATION
OF
TWI HOLDINGS, INC.

FIRST: The name of the corporation is:

TWI Holdings, Inc.

SECOND: The address of its registered office in the State of Delaware is 2711 Centerville Road Suite 400, in the City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock which the corporation shall have authority to issue is three thousand (3,000), and the par value of each of such share is one cent ($0.01), amounting in the aggregate to thirty dollars ($30.00) of capital stock.

FIFTH: The name and mailing address of the sole incorporator is as follows:

NAME	MAILING ADDRESS
Robert Porcelli, Corporate Paralegal	c/o Bingham McCutchen LLP 150 Federal Street Boston, Massachusetts 02110

SIXTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the corporation and for defining and regulating the powers of the corporation and its directors and stockholders and are in furtherance and not in limitation of the powers conferred upon the corporation by statute:

(a) The election of directors need not be by written ballot.

(b) The Board of Directors shall have the power and authority:

(1) to adopt, amend or repeal by-laws of the corporation, subject only to such limitation, if any, as may be from time to time imposed by law or by the by-laws; and

(2) to the full extent permitted or not prohibited by law, and without the consent of or other action by the stockholders, to authorize or create mortgages, pledges or other liens or encumbrances upon any or all of the assets, real, personal or mixed, and franchises of the corporation, including after-acquired property, and to exercise all of the powers of the corporation in connection therewith; and

(3) subject to any provision of the by-laws, to determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and papers of the corporation (other than the stock ledger), or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or paper of the corporation except as conferred by statute or authorized by the by-laws or by the Board of Directors.

SEVENTH: No director of the corporation shall be personally liable to the corporation or to any of its stockholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability; provided, however, that to the extent required from time to time by applicable law, this Article Seventh shall not eliminate or limit the liability of a director, to the extent such liability is provided by applicable law, (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of Title 8 of the Delaware Code, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to the effective date of such amendment or repeal.

THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does make this certificate, hereby declaring and certifying that this is my act and deed and the facts stated herein are true, and accordingly have hereunto set my hand this 17/th/ day of September, 2002.

/s/ Robert Porcelli

Robert Porcelli
Sole Incorporator

Exhibit 3.4

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
TEMPUR WORLD, INC.

It is hereby certified that:

1. The name of the corporation is Tempur World, Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 16, 1999 under the name Tempur-World, Inc.

2. The Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety as set forth below.

3. The provisions of the Certificate of Incorporation of the Corporation as heretofore amended and/or supplemented, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth.

4. The amendments to, and the restatement of, the Certificate of Incorporation herein certified have been duly adopted by the directors and stockholders of the Corporation in accordance with the provisions of Sections 228, 242, and 245 of the General Corporation Law of the State of Delaware.

5. Upon filing of this Amended and Restated Certificate of Incorporation, the Certificate of Incorporation of the corporation shall read as follows:

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
TEMPUR WORLD, INC.

FIRST: The name of the corporation is:

Tempur World, Inc.

SECOND: The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent 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 General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock which the corporation shall have authority to issue is three thousand (3,000), and the par value of each of such share is one cent ($0.01), amounting in the aggregate to thirty dollars ($30.00) of capital stock.

FIFTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the corporation and for defining and regulating the powers of the corporation and its directors and stockholders and are in furtherance and not in limitation of the powers conferred upon the corporation by statute:

(a) The election of directors need not be by written ballot.

(b) The Board of Directors shall have the power and authority:

(1) to adopt, amend or repeal by-laws of the corporation, subject only to such limitation, if any, as may be from time to time imposed by law or by the by-laws; and

(2) to the full extent permitted or not prohibited by law, and without the consent of or other action by the stockholders, to authorize or create mortgages, pledges or other liens or encumbrances upon any or all of the assets, real, personal or mixed, and franchises of the corporation, including after-acquired property, and to exercise all of the powers of the corporation in connection therewith; and

(3) subject to any provision of the by-laws, to determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and papers of the corporation (other than the stock ledger), or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or paper of the corporation except as conferred by statute or authorized by the by-laws or by the Board of Directors.

SIXTH: No director of the corporation shall be personally liable to the corporation or to any of its stockholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability; provided, however, that to the extent required from time to time by applicable law, this Article Sixth shall not eliminate or limit the liability of a director, to the extent such liability is provided by applicable law, (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of Title 8 of the Delaware Code, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Sixth shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to the effective date of such amendment or repeal.

TEMPUR WORLD, INC.

By: /s/Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President

Exhibit 3.5

CERTIFICATE OF INCORPORATION

OF

TEMPUR WORLD HOLDINGS, INC.

1. Name. The name of the corporation is: Tempur World Holdings, Inc.

2. Registered Office and Agent. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. Purpose. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. Capital Stock. The total number of shares of stock which the corporation shall have authority to issue is One Thousand (1,000) and the par value of each such shares is Zero Dollars and One Cent ($0.01) amounting in the aggregate to Ten Dollars and No Cents ($10.00).

5. Bylaws. The board of directors is authorized to make, alter or repeal the bylaws of the Corporation.

6. Cumulative Voting. Cumulative voting shall not be allowed in the election of directors.

7. Incorporator. The name and mailing address of the sole incorporator is:

Jeff Jefferson, Esq.
Frost Brown Todd, LLC
2700 Lexington Financial Center
250 West Main Street
Lexington, Kentucky 40507

8. Director Liability. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

9. Indemnification. Each person who is or becomes an executive officer or director of the Corporation shall be indemnified and advanced expenses by the Corporation with respect to all threatened, pending or completed actions, suits or proceedings in which that person was, is or is threatened to be made a named defendant or respondent because his is or was a director of executive officer of the Corporation. This Articles obligates the Corporation to indemnify and advance expenses to its executive officers or directors only in connection with proceedings arising from that person's conduct in his official capacity with the Corporation to the extent permitted by the General Corporation Law of the State of Delaware, as amended from time to time. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which directors and executive officers may be entitled under any agreement, vote of shareholders or disinterested directors, or otherwise.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 25/th/day of July, 2001.

/s/ Jeff Jefferson

Jeff Jefferson, Sole Incorporator

Exhibit 3.6

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION
OF
TEMPUR-PEDIC DIRECT MARKETING, INC.

ARTICLE I

Name

The current name of the corporation is Tempur-Pedic Direct Marketing, Inc.

ARTICLE II
Amendment

The following amendments to the Articles of Incorporation were adopted by the shareholders of the corporation and the directors of the corporation at shareholder and directors' meetings held on January 8, 1998, in the manner prescribed by the Kentucky Business Corporation Act:

RESOLVED, that the company approve the change of name of the corporation to Tempur-Pedic, Direct Response, Inc.

ARTICLE III
Adoption

The above amendment was adopted by unanimous vote of both the directors and shareholders at the January 8, 1998 annual meeting of both the Board of Directors and Shareholders. The following shareholders voted for adoption:

Shareholder.	No. of Shares	% of Shares	Number Cast
Tempur-Pedic, Inc.	100	100%	100

The total number of undisputed votes cast for the amendments was 100 shares which was sufficient for approval by all voting groups.

IN WITNESS WHEREOF, the undersigned duly authorized officer has executed these articles of amendment on January 8, 1998.

Tempur-Pedic Direct Response, Inc.

/s/ David Fogg

David Fogg
Vice-President

This instrument prepared by:

/s/ Sam P. Burchett
- ----------

SAM P. BURCHETT, ESQ.
Attorney At Law
PNC Bank Plaza, Suite 810
200 W. Vine Street
Lexington, Kentucky 40507-1620
(606) 226-2100

ARTICLES OF INCORPORATION
OF
TEMPUR-PEDIC DIRECT MARKETING, INC.

The undersigned incorporator, Sam P. Burchett, executes these articles of incorporation for the purpose of forming and do hereby form a corporation under the laws of the Commonwealth of Kentucky in accordance with the following provisions:

ARTICLE I
Name

The name of the corporation is Tempur-Pedic Direct Marketing, Inc.

ARTICLE II
Registered Office and Resident Agent

The street address of the initial registered office of the corporation in the Commonwealth of Kentucky is 848G Nandino Boulevard, Lexington, Kentucky 40511.

The initial registered agent at the same address is Robert B. Trussell, Jr.

ARTICLE III
Principal Office

The mailing address of the principal office of the corporation is:

848 G Nandino Boulevard, Lexington, Kentucky 40511.

ARTICLE IV
Capital Stock

The total number of shares which may be issued by the corporation is 1000.

ARTICLE V
Incorporator

The names and addresses of the incorporator is:

Sam P. Burchett, Esq.
ALFORD & BURCHETT
PNC Bank Plaza, Suite 800
200 W. Vine Street
Lexington, Kentucky 40507-1620

ARTICLE VI
Board of Directors

The business and affairs of the corporation are to be conducted by a board of directors of not less than one (1) nor more than ten (10) members, the number to be set in the manner provided in these articles and in the bylaws.

ARTICLE VII
Limitation of Personal Liability of Directors

A director shall not be liable to the corporation or its shareholders for monetary damages for any act or omission constituting a breach of his duties as a director unless such act or omission (1) is one in which the director has a person financial interest which is in conflict with the financial interests of the corporation or its shareholders; (2) is not in good faith or involves intentional misconduct or is known to the director to be a violation of law; (3) is a vote for or assent to a distribution made in violation of these articles of incorporation or which renders the corporation unable to pay its debts as they become due in the usual course of business or which results in the corporation's total liabilities exceeding its total assets; or (4) is a transaction from which the director derived an improper personal benefit.

ARTICLE VIII
Effective Date

The effective date, pursuant to KRS 271B.I-230(2), shall be delayed with an effective date and time of 12:01 am., January 1, 1997.

Executed by the incorporator on December 31, 1996.

/s/ Sam P. Burchett

Sam P. Burchett, Esq.

This instrument prepared by:

/s/ Sam P. Burchett
- ---
SAM P.BURCHETT, ESQ.
ALFORD & BURCHETT
PNC Bank Plaza, Suite 800
200 W. Vine Street
Lexington, Kentucky 40507-1620
(606) 226-2100

Exhibit 3.7

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION
OF
TEMPUR-PEDIC MEDICAL, INC.

ARTICLE I
Name

The current name of the corporation is Tempur-Pedic Medical, Inc.

ARTICLE II
Amendment

The following amendments to the Articles of Incorporation were adopted by the shareholders of the corporation and the directors of the corporation at shareholder and directors' meetings held on January 8, 1998, in the manner prescribed by the Kentucky Business Corporation Act:

RESOLVED, that the company approve the change of name of the corporation to Tempur-Medical, Inc.

ARTICLE III
Adoption

The above amendment was adopted by unanimous vote of both the directors and shareholders at the January 8, 1998 annual meeting of both the Board of Directors and Shareholders. The following shareholders voted for adoption:

Shareholder.	No. of Shares	% of Shares	Number Cast
Tempur-Pedic, Inc.	100	100%	100

The total number of undisputed votes cast for the amendments was 100 shares which was sufficient for approval by all voting groups.

IN WITNESS WHEREOF, the undersigned duly authorized officer has executed these articles of amendment on January 8, 1998.

Tempur-Medical, Inc.

/s/ David Fogg

David Fogg
Vice-President

This instrument prepared by:

/s/ Sam P. Burchett
- ---------------------------------------
SAM P. BURCHETT, ESQ.
Attorney At Law
PNC Bank Plaza, Suite 810
200 W. Vine Street
Lexington, Kentucky 40507-1620
(606) 226-2100

ARTICLES OF INCORPORATION
OF
TEMPUR-PEDIC MEDICAL, INC.

The undersigned incorporator, Sam P. Burchett, executes these articles of incorporation for the purpose of forming and do hereby form a corporation under the laws of the Commonwealth of Kentucky in accordance with the following provisions:

ARTICLE I
Name

The name of the corporation is Tempur-Pedic Medical, Inc.

ARTICLE II
Registered Office and Resident Agent

The street address of the initial registered office of the corporation in the Commonwealth of Kentucky is 848G Nandiao Boulevard, Lexington, Kentucky 40511.

The initial registered agent at the same address is Robert B. Trussell, Jr.

ARTICLE III
Principal Office

The mailing address of the principal office of the corporation is:

848 G Nandino Boulevard, Lexington, Kentucky 40511.

ARTICLE IV
Capital Stock

The total number of shares which may be issued by the corporation is 1000.

ARTICLE V
Incorporator

The names and addresses of the incorporator is:

Sam P. Burchett, Esq.
ALFORD & BURCHETT
PNC Bank Plaza, Suite 800
200 W. Vine Street
Lexington, Kentucky 40507-1620

ARTICLE VI
Board of Directors

The business and affairs of the corporation are to be conducted by a board of directors of not less than one (1) nor more than ten (10) members, the number to be set in the manner provided in these articles and in the bylaws.

ARTICLE VII
Limitation of Personal Liability of Directors

A director shall not be liable to the corporation or its shareholders for monetary damages for any act or omission constituting a breach of his duties as a director unless such act or omission (1) is one in which the director has a person financial interest which is in conflict with the financial interests of the corporation or its shareholders; (2) is not in good faith or involves intentional misconduct or is known to the director to be a violation of law; (3) is a vote for or assent to a distribution made in violation of these articles of incorporation or which renders the corporation unable to pay its debts as they become due in the usual course of business or which results in the corporation's total liabilities exceeding its total assets; or (4) is a transaction from which the director derived an improper personal benefit.

ARTICLE VIII
Effective Date

The effective date, pursuant to KRS 271B.I-230(2), shall be delayed with an effective date and time of 12:01 a.m. January 1, 1997.

Executed by the incorporator on December 31, 1996.

/s/ Sam P. Burchett

Sam P. Burchett, Esq.

This instrument prepared by:

/s/ Sam P. Burchett
- ---
SAM P. BURCHETT, ESQ.
ALFORD & BURCHETT
PNC Bank Plaza, Suite 800
200 W. Vine Street
Lexington, Kentucky 40507-1620
(606) 226-2100

Exhibit 3.8

AMENDED AND RESTATED BYLAWS

OF

TEMPUR-PEDIC, INC.

SECTION 1

Meetings of Shareholders

1.1 Except as the Board of Directors may otherwise designate, the annual meeting of the shareholders shall be held at a time and date to be set by the Board of Directors.

1.2 The annual meeting of the shareholders shall be held at a place designated by the Board of Directors or, if the Board of Directors does not designate a place, then at a place designated by the Secretary or, if the Secretary does not designate a place, at the Corporation's principal office.

1.3 Special meetings of the shareholders shall be held at a place designated by the Board of Directors if the special meeting is called by the Board of Directors. If the special meeting is not called by the Board of Directors, the meeting shall be held at the Corporation's principal business office.

SECTION 2

Board of Directors

2.1 The exact number of directors may be fixed, increased or decreased from time to time by a resolution adopted by the vote of the shareholders who (i) are present in person or by proxy at a meeting held to elect directors and (ii) have a majority of the voting power of the shares represented at such meeting and entitled to vote in the election.

2.2 Meetings of the Board of Directors may be called by the President or by any director.

2.3 Unless waived as permitted by the Kentucky Business Corporation Act, notice of the time and place of each meeting of the directors shall be either (a) telephoned or personally delivered to each director at least forty-eight hours before the time of the meeting, or (b) mailed to each director at his last known address at least ninety-six hours before the time of the meeting.

SECTION 3

Officers

3.1 The Corporation shall have a President, a Secretary, a Chief Financial Officer, and may have one or more Vice Presidents, all of whom shall be appointed by the Board of Directors. The Corporation may also have such assistant officers as the Board of Directors may deem necessary, all of whom shall be appointed by the Board of Directors or appointed by an officer or officers authorized by it.

3.2 The President shall have:

(a) General charge and authority over the business of the corporation, subject to the direction of the Board of Directors;

(b) Authority to preside at all meetings of the shareholders and of the Board of Directors;

(c) Authority acting alone, except as otherwise directed by the Board of Directors, to sign and deliver any document on behalf of the Corporation, including, without limitation, any deed conveying title to any real estate owned by the Corporation and any contract for the sale or other disposition of any such real estate, and;

(d) Such other powers and duties as the Board of Directors may assign.

3.3 The Vice President, or if there by more than one Vice President, the Vice Presidents in the order of their seniority by designation (or, if not designated, in the order of their seniority of election), shall perform the duties of the President in his absence. The Vice Presidents shall have such other powers and duties as the Board of Directors or the President may assign to them.

3.4 The Secretary shall:

(a) Issue notices of all meetings for which notice is required to be given;

(b) Have responsibility for preparing minutes of the directors' and shareholders' meetings and for authenticating records of the Corporation;

(c) Have charge of the corporate record books; and

(d) Have such other duties and powers as the Board of Directors or the President may assign.

3.5 The Chief Financial Officer shall:

(a) Keep adequate and correct accounts of the Corporation's affairs and transactions; and

(b) Have such other duties and powers as the Board of Directors or the President may assign.

3.6 Other officers and agents of the Corporation shall have such authority and perform such duties in the management of the Corporation as the Board of Directors or the President may assign.

SECTION 4

Certificates and Transfer

4.1 Shares of the Corporation shall be represented by certificates in such form as shall from time to time be prescribed by the President.

4.2 Certificates representing shares of the Corporation shall be signed (either manually or in facsimile) by any officer or director.

4.3 Transfer of shares shall be made only on the stock transfer books of the Corporation.

SECTION 5

Amendments

5.1 These bylaws may be altered, amended, repealed or restated by a majority of the directors of the corporation.

Prepared by

FROST BROWN TODD LLC
2700 Lexington Financial Center
Lexington, Kentucky 40507

EXHIBIT 3.9

BYLAWS

OF

TEMPUR PRODUCTION USA, INC.

1. Meetings of Shareholders

1.1 Except as the Board of Directors may otherwise designate, the annual meeting of the shareholders of the Corporation shall be held at a time and date to be set by the Board of Directors.

1.2 The annual meeting of the shareholders shall be held at a place designated by the Board of Directors or, if the Board of Directors does not designate a place, then at a place designated by the Secretary or, if the Secretary does not designate a place, at the Corporation's principal office.

1.3 Special meetings of the shareholders shall be held at a place designated by the Board of Directors if the special meeting is called by the Board of Directors. If the special meeting is not called by the Board of Directors, the meeting shall be held at the Corporation's principal office.

2. Board of Directors

2.1 The exact number of directors may be fixed, increased or decreased from time to time by a resolution adopted by the vote of the shareholders who (a) are present in person or by proxy at a meeting held to elect directors, and (b) have a majority of the voting power of the shares represented at such meeting and entitled to vote in the election.

2.2 Meetings of the Board of Directors may be called by the President or by any director.

2.3 Unless waived as permitted by the Virginia Stock Corporation Act, notice of the time and place of each meeting of the directors shall be either (a) telephoned or personally delivered to each director at least forty-eight hours before the time of the meeting, or (b) mailed to each director at his last known address at least ninety-six hours before the time of the meeting.

3. Offices

3.1 The Corporation shall have a President, a Secretary and a Treasurer, and may have one or more Vice Presidents, all of whom shall be appointed by the Board of Directors. The Corporation may also have such assistant officers as the Board of Directors may deem necessary, all of whom shall be appointed by the Board of Directors or appointed by an officer or officers authorized by it.

3.2 The President shall have:

(a) General charge and authority over the business of the Corporation, subject to the direction of the Board of Directors;

(b) Authority to preside at all meetings of the shareholders and of the Board of Directors;

(c) Authority acting alone, except as otherwise directed by the Board of Directors, to sign and deliver any document on behalf of the Corporation, including, without limitation, any deed conveying title to any real estate owned by the Corporation and any contract for the sale or other disposition of any such real estate, and;

(d) Such other powers and duties as the Board of Directors may assign.

3.3 The Vice President, or if there be more than one Vice President, the Vice Presidents in the order of their seniority by designation (or, if not designated, in the order of their seniority of election), shall perform the duties of the President in his/her absence. The Vice

Presidents shall have such other powers and duties as the Board of Directors or the President may assign.

3.4 The Secretary shall:

(a) Issue notices of all meetings for which notice is required to be given;

(b) Have responsibility for preparing minutes of the directors' and shareholders' meetings and for authenticating records of the Corporation;

(c) Have charge of the corporate record books; and

(d) Have such other duties and powers as the Board of Directors or the President may sign.

3.5 The Treasurer shall:

(a) Keep adequate and correct accounts of the Corporation's affairs and transactions, and (b) Have such other duties and powers as the Board of Directors or the President may sign.

3.6 Other officers and agents of the Corporation shall have such authority and perform such duties in the management of the Corporation as the Board of Directors or the President may assign to them.

4. Certificates and Transfer

4.1 Shares of the Corporation shall be represented by certificates in such form as shall from time to time be prescribed by the President.

4.2 Certificates representing shares of the Corporation's shall be signed (either manually or in facsimile) by the President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer.

4.3 Transfer of shares shall be made only on the stock transfer books of the Corporation.

Prepared by:

BROWN, TODD & HEYBURN PLLC
2700 Lexington Financial Center
250 West Main Street
Lexington, Kentucky 40507

Exhibit 3.10

TWI HOLDINGS, INC.

B Y - L A W S

TABLE OF CONTENTS

TWI HOLDINGS, INC.

B Y - L A W S

Article I. - General.

1.1. Offices. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

1.2. Seal. The seal of the Corporation, if any, shall be in the form of a circle and shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware".

1.3. Fiscal Year. The fiscal year of the Corporation shall be the period from January 1 through December 31.

Article II. - Stockholders.

2.1. Place of Meetings. All meetings of the stockholders shall be held at the office of the Corporation in Boston, Massachusetts except such meetings as the Board of Directors expressly determine shall be held elsewhere or solely by means of remote communication, in which cases meetings may be held upon notice as hereinafter provided at such other place or places within or without the Commonwealth of Massachusetts or by remote communication as the Board of Directors shall have determined and as shall be stated in such notice.

2.2. Annual Meeting. The annual meeting of the stockholders shall be held each year on such date and at such time as the Board of Directors may determine. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors by plurality vote by ballot, and they may transact such other corporate business as may properly be brought before the meeting. At the annual meeting any business may be transacted, irrespective of whether the notice calling such meeting shall have contained a reference thereto, except where notice is required by law, the Certificate of Incorporation, or these by-laws.

2.3. Quorum. At all meetings of the stockholders the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the transaction of business except as otherwise provided by law, by the Certificate of Incorporation or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the

stockholders, the stockholders entitled to vote thereat, present in person or by proxy, by a majority vote, shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until the requisite amount of voting stock shall be present. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting, at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted if the meeting had been held as originally called.

2.4. Right to Vote; Proxies. Each holder of a share or shares of capital stock of the Corporation having the right to vote at any meeting shall be entitled to one vote for each such share of stock held by him. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than three years prior to the meeting at which it is offered shall confer the right to vote thereat unless the proxy provides that it shall be effective for a longer period. A proxy may be granted by a writing executed by the stockholder or his authorized officer, director, employee or agent or by transmission or authorization of transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, subject to the conditions set forth in Section 212 of the Delaware General Corporation Law, as it may be amended from time to time (the "Delaware GCL").

2.5. Voting. At all meetings of stockholders, except as otherwise expressly provided for by statute, the Certificate of Incorporation or these by-laws, (i) in all matters other than the election of directors, the affirmative vote of a majority of shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on such matter shall be the act of the stockholders and (ii) directors shall be elected by a plurality of the votes of the shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on the election of directors. Except as otherwise expressly provided by law, the Certificate of Incorporation or these by-laws, at all meetings of stockholders the voting shall be by voice vote, but any stockholder qualified to vote on the matter in question may demand a stock vote, by shares of stock, upon such question, whereupon such stock vote shall be taken by ballot which may be by electronic transmission by any stockholder present by means of remote communication, each of which shall state the name of the

stockholder voting and the number of shares voted by him, and, if such ballot be cast by a proxy, it shall also state the name of the proxy.

2.6. Notice of Annual Meetings. Written notice of the annual meeting of the stockholders, stating the time, the place, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, shall be sent not less than ten (10) nor more than sixty (60) days prior to the meeting. It shall be the duty of every stockholder to furnish to the Secretary of the Corporation or to the transfer agent, if any, of the class of stock owned by him, his post-office address and to notify said Secretary or transfer agent of any change therein.

2.7. Stockholders' List. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder, and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days before such meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal office of the corporation, and said list shall be open to examination during the whole time of said meeting, at the place of said meeting, or, if the meeting held is by remote communication, on a reasonably accessible electronic network and the information required to access such list shall be provided with the notice of the meeting.

2.8. Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise provided by statute, may be called by the Board of Directors, the Chairman of the Board, if any, the President or any Vice President.

2.9. Notice of Special Meetings. Written notice of a special meeting of stockholders, stating the time, the place, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and the object thereof, shall be sent not less than ten (10) nor more than sixty (60) days before such meeting, to each stockholder entitled to vote thereat, either in paper form or electronic form pursuant to each stockholder's instructions on record with the Corporation. No business may be transacted at such meeting except that referred to in said notice, or in a supplemental notice given also in compliance with the provisions hereof, or such other business as may be germane or supplementary to that stated in said notice or notices.

2.10. Inspectors.

1. One or more inspectors may be appointed by the Board of Directors before or at any meeting of stockholders, or, if no such appointment shall have been made, the presiding officer may make such appointment at the meeting. At the meeting for which the inspector or inspectors are appointed, he or they shall open and close the polls, receive and take charge of the proxies and ballots, and decide all questions touching on the qualifications of voters, the validity of proxies and the acceptance and rejection of votes. If any inspector previously appointed shall fail to attend or refuse or be unable to serve, the presiding officer shall appoint an inspector in his place.

2. At any time at which the Corporation has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an inter-dealer quotation system of a registered national securities association, or (iii) held of record by more than 2,000 stockholders, the provisions of Section 231 of the Delaware GCL with respect to inspectors of election and voting procedures shall apply, in lieu of the provisions of paragraph (l) of this Section 2.10.

2.11. Stockholders' Consent in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, or by telegram, cablegram or other electronic transmission, setting forth the action so taken, shall be signed or, in the case of a telegram, cablegram or electronic transmission, authorized by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered in paper form to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section 2.11 to the Corporation, written consents signed or transmitted by a sufficient number of stockholders to take action are delivered to the Corporation by delivery to its registered office in the State of

Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Consents delivered by telegram, cablegram or electronic transmission shall be deemed to be signed and dated on the date on which such consent is transmitted to the Corporation or the agent specified by the Corporation to receive such telegram, cablegram or electronic transmission. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Article III. - Directors.

3.1. Number of Directors. Except as otherwise provided by law, the Certificate of Incorporation or these by-laws, the property and business of the Corporation shall be managed by or under the direction of a board of not less than one nor more than thirteen directors. Within the limits specified, the number of directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting. Directors need not be stockholders, residents of Delaware or citizens of the United States. The directors shall be elected by ballot at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify or until his earlier resignation or removal; provided that in the event of failure to hold such meeting or to hold such election at such meeting, such election may be held at any special meeting of the stockholders called for that purpose. If the office of any director becomes vacant by reason of death, resignation, disqualification, removal, failure to elect, or otherwise, the remaining directors, although more or less than a quorum, by a majority vote of such remaining directors may elect a successor or successors who shall hold office for the unexpired term.

3.2. Change in Number of Directors; Vacancies. The maximum number of directors may be increased by an amendment to these by-laws adopted by a majority vote of the Board of Directors or by a majority vote of the capital stock having voting power, and if the number of directors is so increased by action of the Board of Directors or of the stockholders or otherwise, then the additional directors may be elected in the manner provided above for the filling of vacancies in the Board of Directors or at the annual meeting of stockholders or at a special meeting called for that purpose.

3.3. Resignation. Any director of this Corporation may resign at any time by giving notice in writing or by electronic transmission to the

Chairman of the Board, if any, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, at the time of receipt if no time is specified therein and at the time of acceptance if the effectiveness of such resignation is conditioned upon its acceptance. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.4. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

3.5. Place of Meetings and Books. The Board of Directors may hold their meetings and keep the books of the Corporation outside the State of Delaware, at such places as they may from time to time determine.

3.6. General Powers. In addition to the powers and authority expressly conferred upon them by these by-laws, the board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

3.7. Executive Committee. There may be an executive committee of one or more directors designated by resolution passed by a majority of the whole board. The act of a majority of the members of such committee shall be the act of the committee. Said committee may meet at stated times or on notice to all by any of their own number, and shall have and may exercise those powers of the Board of Directors in the management of the business affairs of the Company as are provided by law and may authorize the seal of the Corporation to be affixed to all papers which may require it. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular meeting or at a special meeting called for that purpose.

3.8. Other Committees. The Board of Directors may also designate one or more committees in addition to the executive committee, by resolution or resolutions passed by a majority of the whole board; such committee or committees shall consist of one or more directors of the Corporation, and to the extent provided in the resolution or resolutions designating them, shall have and may exercise specific powers of the Board of Directors in the management of the business and affairs of the Corporation to the extent permitted by statute and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

3.9. Powers Denied to Committees. Committees of the Board of Directors shall not, in any event, have any power or authority to amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Directors as provided in Section 151(a) of the Delaware GCL, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or to amend the by-laws of the Corporation. Further, no committee of the Board of Directors shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware GCL, unless the resolution or resolutions designating such committee expressly so provides.

3.10. Substitute Committee Member. In the absence or on the disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member. Any committee shall keep regular minutes of its proceedings and report the same to the board as may be required by the board.

3.11. Compensation of Directors. The Board of Directors shall have the power to fix the compensation of directors and members of committees of the Board. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.12. Annual Meeting. The newly elected board may meet at such place and time as shall be fixed and announced by the presiding officer at the annual meeting of stockholders, for the purpose of organization or otherwise, and no further notice of such meeting shall be necessary to the newly elected

directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such place and time as shall be stated in a notice given to such directors two (2) days prior to such meeting, or as shall be fixed by the consent in writing of all the directors.

3.13. Regular Meetings. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined by the board.

3.14. Special Meetings. Special meetings of the board may be called by the Chairman of the Board, if any, or the President, on two (2) days notice to each director, or such shorter period of time before the meeting as will nonetheless be sufficient for the convenient assembly of the directors so notified; special meetings shall be called by the Secretary in like manner and on like notice, on the written request of two or more directors.

3.15. Quorum. At all meetings of the Board of Directors, a majority of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically permitted or provided by statute, or by the Certificate of Incorporation, or by these by-laws. If at any meeting of the board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting which shall be so adjourned.

3.16. Telephonic Participation in Meetings. Members of the Board of Directors or any committee designated by such board may participate in a meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

3.17. Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission and such consent is filed in paper form with the minutes of proceedings of the board or committee.

Article IV. - Officers.

4.1. Selection; Statutory Officers. The officers of the Corporation shall be chosen by the Board of Directors. There shall be a President, a Secretary and a Treasurer, and there may be a Chairman of the Board of Directors, one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, as the Board of Directors may elect. Any number of offices may be held by the same person.

4.2. Time of Election. The officers above named shall be chosen by the Board of Directors at its first meeting after each annual meeting of stockholders. None of said officers need be a director.

4.3. Additional Officers. The board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

4.4. Terms of Office. Each officer of the Corporation shall hold office until his successor is chosen and qualified, or until his earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors.

4.5. Compensation of Officers. The Board of Directors shall have power to fix the compensation of all officers of the Corporation. It may authorize any officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers.

4.6. Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and directors, and shall have such other duties as may be assigned to him from time to time by the Board of Directors.

4.7. President. Unless the Board of Directors otherwise determines, the President shall be the chief executive officer and head of the Corporation. Unless there is a Chairman of the Board, the President shall preside at all meetings of directors and stockholders. Under the supervision of the Board of Directors and of the executive committee, the President shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors and of the executive committee to confer any specific power, except such as may be by statute exclusively conferred on the President, upon any other officer or officers of the Corporation. The President shall perform and do all acts and things incident to the position of

President and such other duties as may be assigned to him from time to time by the Board of Directors or the executive committee.

4.8. Vice-Presidents. The Vice-Presidents shall perform such of the duties of the President on behalf of the Corporation as may be respectively assigned to them from time to time by the Board of Directors or by the executive committee or by the President. The Board of Directors or the executive committee may designate one of the Vice-Presidents as the Executive Vice-President, and in the absence or inability of the President to act, such Executive Vice-President shall have and possess all of the powers and discharge all of the duties of the President, subject to the control of the board and of the executive committee.

4.9. Treasurer. The Treasurer shall have the care and custody of all the funds and securities of the Corporation which may come into his hands as Treasurer, and the power and authority to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Corporation in such bank or banks or depository as the Board of Directors or the executive committee, or the officers or agents to whom the Board of Directors or the executive committee may delegate such authority, may designate, and he may endorse all commercial documents requiring endorsements for or on behalf of the Corporation. He may sign all receipts and vouchers for the payments made to the Corporation. He shall render an account of his transactions to the Board of Directors or to the executive committee as often as the board or the committee shall require the same. He shall enter regularly in the books to be kept by him for that purpose full and adequate account of all moneys received and paid by him on account of the Corporation. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors and of the executive committee. He shall when requested, pursuant to vote of the Board of Directors or the executive committee, give a bond to the Corporation conditioned for the faithful performance of his duties, the expense of which bond shall be borne by the Corporation.

4.10. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders; he shall attend to the giving and serving of all notices of the Corporation. Except as otherwise ordered by the Board of Directors or the executive committee, he shall attest the seal of the Corporation upon all contracts and instruments executed under such seal and shall affix the seal of the Corporation thereto and to all certificates of shares of capital stock of the Corporation. He shall have charge of the stock certificate book, transfer book and stock ledger, and such other books and papers as the Board of Directors or the executive committee may direct. He

shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors and of the executive committee.

4.11. Assistant Secretary. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Secretaries of the Corporation. Any Assistant Secretary upon his appointment shall perform such duties of the Secretary, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

4.12. Assistant Treasurer. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Treasurers of the Corporation. Any Assistant Treasurer upon his appointment shall perform such of the duties of the Treasurer, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

4.13. Subordinate Officers. The Board of Directors may select such subordinate officers as it may deem desirable. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may prescribe. The Board of Directors may, from time to time, authorize any officer to appoint and remove subordinate officers and to prescribe the powers and duties thereof.

Article V. - Stock.

5.1. Stock. Each stockholder shall be entitled to a certificate or certificates of stock of the Corporation in such form as the Board of Directors may from time to time prescribe. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall certify the holder's name and number and class of shares and shall be signed by both of (i) either the Chairperson or Vice Chairperson of the Board of Directors, or the President or Vice President, and (ii) any one of the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and may, but need not, be sealed with the corporate seal of the Corporation. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or, (2) by a registrar other than the Corporation or its employee, the signature of the officers of the Corporation and the corporate seal may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been

delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature shall have been used thereon had not ceased to be such officer or officers of the Corporation.

5.2. Fractional Share Interests. The Corporation may, but shall not be required to, issue fractions of a share. If the Corporation does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

5.3. Transfers of Stock. Subject to any transfer restrictions then in force, the shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other person as the directors may designate by whom they shall be cancelled and new certificates shall thereupon be issued. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof save as expressly provided by the laws of Delaware.

5.4. Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights

in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no such record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.5. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

5.6. Dividends.

1. Power to Declare. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and the laws of Delaware.

2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

5.7. Lost, Stolen or Destroyed Certificates. No certificates for shares of stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of the loss, theft or destruction and upon indemnification of the Corporation and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe.

5.8. Inspection of Books. The stockholders of the Corporation, by a majority vote at any meeting of stockholders duly called, or in case the stockholders shall fail to act, the Board of Directors shall have power from time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation (other than the stock ledger) or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation except as conferred by statute or authorized by the Board of Directors or by a resolution of the stockholders.

Article VI. - Miscellaneous Management Provisions.

6.1. Checks, Drafts and Notes. All checks, drafts or orders for the payment of money, and all notes and acceptances of the Corporation shall be signed by such officer or officers, agent or agents as the Board of Directors may designate.

6.2. Notices.

1. Notices to directors and stockholders may be (i) in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation, (ii) by facsimile telecommunication, when directed to a number at which the director or stockholder has consented to receive notice, (iii) by electronic mail, when directed to an electronic mail address at which the director or stockholder has consented to receive notice, (iv) by other electronic transmission, when directed to the director or stockholder. Notice by mail shall be deemed to be given at the time when the same shall be mailed.

2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation of the Corporation of the Corporation or of these by-laws, a written waiver signed by the person or persons entitled to said notice, or waiver by electronic transmission by the person entitled to said notice, whether before or after the time stated therein or the meeting or action to which such notice relates, shall be deemed equivalent to notice.

Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

6.3. Conflict of Interest. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of or committee thereof which authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders of the Corporation entitled to vote thereon, and the contract or transaction as specifically approved in good faith by vote of such stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

6.4. Voting of Securities owned by this Corporation. Subject always to the specific directions of the Board of Directors, (i) any shares or other securities issued by any other Corporation and owned or controlled by this Corporation may be voted in person at any meeting of security holders of such other corporation by the President of this Corporation if he is present at such meeting, or in his absence by the Treasurer of this Corporation if he is present at such meeting, and (ii) whenever, in the judgment of the President, it is desirable for this Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other Corporation and owned by this Corporation, such proxy or consent shall be executed in the name of this Corporation by the President, without the necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer, provided that if the President is unable to execute such proxy or consent by reason of sickness, absence from the United States or other similar cause, the Treasurer may

execute such proxy or consent. Any person or persons designated in the manner above stated as the proxy or proxies of this Corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this Corporation the same as such shares or other securities might be voted by this Corporation.

Article VII. - Indemnification.

7.1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of being or having been a director or officer of the Corporation or serving or having served at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such proceeding is alleged action or failure to act in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter 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 permitted prior thereto) (as used in this Article 7, the "Delaware Law"), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 7.2 hereof with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article 7 shall be a contract right and shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"); provided, however, that, if the Delaware Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no

further right to appeal (a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article 7 or otherwise.

7.2. Right of Indemnitee to Bring Suit. If a claim under Section 7.1 hereof is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be twenty days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking the Corporation shall be entitled to recover such expenses upon a Final Adjudication that, the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article 7 or otherwise shall be on the Corporation.

7.3. Non-Exclusivity of Rights. The rights to indemnification and to the Advancement of Expenses conferred in this Article 7 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

7.4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the

Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article 7 or under the Delaware Law.

7.5. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and to the Advancement of Expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article 7 with respect to the indemnification and Advancement of Expenses of directors and officers of the Corporation.

Article VIII. - Amendments.

8.1. Amendments. The by-laws of the Corporation may be altered, amended or repealed at any meeting of the Board of Directors upon notice thereof in accordance with these by-laws, or at any meeting of the stockholders by the vote of the holders of the majority of the stock issued and outstanding and entitled to vote at such meeting, in accordance with the provisions of the Certificate of Incorporation of the Corporation and of the laws of Delaware.

Exhibit 3.11

TEMPUR WORLD, INC.

B Y - L A W S

TABLE OF CONTENTS

TEMPUR WORLD, INC.

B Y - L A W S

Article I. - General.

1.1. Offices. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

1.2. Seal. The seal of the Corporation, if any, shall be in the form of a circle and shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware".

1.3. Fiscal Year. The fiscal year of the Corporation shall be the period from January 1 through December 31.

Article II. - Stockholders.

2.1. Place of Meetings. All meetings of the stockholders shall be held at the office of the Corporation in Boston, Massachusetts except such meetings as the Board of Directors expressly determine shall be held elsewhere or solely by means of remote communication, in which cases meetings may be held upon notice as hereinafter provided at such other place or places within or without the Commonwealth of Massachusetts or by remote communication as the Board of Directors shall have determined and as shall be stated in such notice.

2.2. Annual Meeting. The annual meeting of the stockholders shall be held each year on such date and at such time as the Board of Directors may determine. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors by plurality vote by ballot, and they may transact such other corporate business as may properly be brought before the meeting. At the annual meeting any business may be transacted, irrespective of whether the notice calling such meeting shall have contained a reference thereto, except where notice is required by law, the Certificate of Incorporation, or these by-laws.

2.3. Quorum. At all meetings of the stockholders the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the transaction of business except as otherwise provided by law, by the Certificate of Incorporation or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the

stockholders, the stockholders entitled to vote thereat, present in person or by proxy, by a majority vote, shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until the requisite amount of voting stock shall be present. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting, at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted if the meeting had been held as originally called.

2.4. Right to Vote; Proxies. Each holder of a share or shares of capital stock of the Corporation having the right to vote at any meeting shall be entitled to one vote for each such share of stock held by him. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than three years prior to the meeting at which it is offered shall confer the right to vote thereat unless the proxy provides that it shall be effective for a longer period. A proxy may be granted by a writing executed by the stockholder or his authorized officer, director, employee or agent or by transmission or authorization of transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, subject to the conditions set forth in Section 212 of the Delaware General Corporation Law, as it may be amended from time to time (the "Delaware GCL").

2.5. Voting. At all meetings of stockholders, except as otherwise expressly provided for by statute, the Certificate of Incorporation or these by-laws, (i) in all matters other than the election of directors, the affirmative vote of a majority of shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on such matter shall be the act of the stockholders and (ii) directors shall be elected by a plurality of the votes of the shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on the election of directors. Except as otherwise expressly provided by law, the Certificate of Incorporation or these by-laws, at all meetings of stockholders the voting shall be by voice vote, but any stockholder qualified to vote on the matter in question may demand a stock vote, by shares of stock, upon such question, whereupon such stock vote shall be taken by ballot which may be by electronic transmission by any stockholder present by means of remote communication, each of which shall state the name of the

stockholder voting and the number of shares voted by him, and, if such ballot be cast by a proxy, it shall also state the name of the proxy.

2.6. Notice of Annual Meetings. Written notice of the annual meeting of the stockholders, stating the time, the place, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, shall be sent not less than ten (10) nor more than sixty (60) days prior to the meeting. It shall be the duty of every stockholder to furnish to the Secretary of the Corporation or to the transfer agent, if any, of the class of stock owned by him, his post-office address and to notify said Secretary or transfer agent of any change therein.

2.7. Stockholders' List. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder, and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days before such meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal office of the corporation, and said list shall be open to examination during the whole time of said meeting, at the place of said meeting, or, if the meeting held is by remote communication, on a reasonably accessible electronic network and the information required to access such list shall be provided with the notice of the meeting.

2.8. Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise provided by statute, may be called by the Board of Directors, the Chairman of the Board, if any, the President or any Vice President.

2.9. Notice of Special Meetings. Written notice of a special meeting of stockholders, stating the time, the place, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and the object thereof, shall be sent not less than ten (10) nor more than sixty (60) days before such meeting, to each stockholder entitled to vote thereat, either in paper form or electronic form pursuant to each stockholder's instructions on record with the Corporation. No business may be transacted at such meeting except that referred to in said notice, or in a supplemental notice given also in compliance with the provisions hereof, or such other business as may be germane or supplementary to that stated in said notice or notices.

2.10. Inspectors.

1. One or more inspectors may be appointed by the Board of Directors before or at any meeting of stockholders, or, if no such appointment shall have been made, the presiding officer may make such appointment at the meeting. At the meeting for which the inspector or inspectors are appointed, he or they shall open and close the polls, receive and take charge of the proxies and ballots, and decide all questions touching on the qualifications of voters, the validity of proxies and the acceptance and rejection of votes. If any inspector previously appointed shall fail to attend or refuse or be unable to serve, the presiding officer shall appoint an inspector in his place.

2. At any time at which the Corporation has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an inter-dealer quotation system of a registered national securities association, or (iii) held of record by more than 2,000 stockholders, the provisions of Section 231 of the Delaware GCL with respect to inspectors of election and voting procedures shall apply, in lieu of the provisions of paragraph (l) of this Section 2.10.

2.11. Stockholders' Consent in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, or by telegram, cablegram or other electronic transmission, setting forth the action so taken, shall be signed or, in the case of a telegram, cablegram or electronic transmission, authorized by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered in paper form to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section 2.11 to the Corporation, written consents signed or transmitted by a sufficient number of stockholders to take action are delivered to the Corporation by delivery to its registered

office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Consents delivered by telegram, cablegram or electronic transmission shall be deemed to be signed and dated on the date on which such consent is transmitted to the Corporation or the agent specified by the Corporation to receive such telegram, cablegram or electronic transmission. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Article III. - Directors.

3.1. Number of Directors. Except as otherwise provided by law, the Certificate of Incorporation or these by-laws, the property and business of the Corporation shall be managed by or under the direction of a board of not less than one nor more than thirteen directors. Within the limits specified, the number of directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting. Directors need not be stockholders, residents of Delaware or citizens of the United States. The directors shall be elected by ballot at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify or until his earlier resignation or removal; provided that in the event of failure to hold such meeting or to hold such election at such meeting, such election may be held at any special meeting of the stockholders called for that purpose. If the office of any director becomes vacant by reason of death, resignation, disqualification, removal, failure to elect, or otherwise, the remaining directors, although more or less than a quorum, by a majority vote of such remaining directors may elect a successor or successors who shall hold office for the unexpired term.

3.2. Change in Number of Directors; Vacancies. The maximum number of directors may be increased by an amendment to these by-laws adopted by a majority vote of the Board of Directors or by a majority vote of the capital stock having voting power, and if the number of directors is so increased by action of the Board of Directors or of the stockholders or otherwise, then the additional directors may be elected in the manner provided above for the filling of vacancies in the Board of Directors or at the annual meeting of stockholders or at a special meeting called for that purpose.

3.3. Resignation. Any director of this Corporation may resign at any time by giving notice in writing or by electronic transmission to the

Chairman of the Board, if any, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, at the time of receipt if no time is specified therein and at the time of acceptance if the effectiveness of such resignation is conditioned upon its acceptance. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.4. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

3.5. Place of Meetings and Books. The Board of Directors may hold their meetings and keep the books of the Corporation outside the State of Delaware, at such places as they may from time to time determine.

3.6. General Powers. In addition to the powers and authority expressly conferred upon them by these by-laws, the board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

3.7. Executive Committee. There may be an executive committee of one or more directors designated by resolution passed by a majority of the whole board. The act of a majority of the members of such committee shall be the act of the committee. Said committee may meet at stated times or on notice to all by any of their own number, and shall have and may exercise those powers of the Board of Directors in the management of the business affairs of the Company as are provided by law and may authorize the seal of the Corporation to be affixed to all papers which may require it. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular meeting or at a special meeting called for that purpose.

3.8. Other Committees. The Board of Directors may also designate one or more committees in addition to the executive committee, by resolution or resolutions passed by a majority of the whole board; such committee or committees shall consist of one or more directors of the Corporation, and to the extent provided in the resolution or resolutions designating them, shall have and may exercise specific powers of the Board of Directors in the management of the business and affairs of the Corporation to the extent permitted by statute and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

3.9. Powers Denied to Committees. Committees of the Board of Directors shall not, in any event, have any power or authority to amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Directors as provided in Section 151(a) of the Delaware GCL, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or to amend the by-laws of the Corporation. Further, no committee of the Board of Directors shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware GCL, unless the resolution or resolutions designating such committee expressly so provides.

3.10. Substitute Committee Member. In the absence or on the disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member. Any committee shall keep regular minutes of its proceedings and report the same to the board as may be required by the board.

3.11. Compensation of Directors. The Board of Directors shall have the power to fix the compensation of directors and members of committees of the Board. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.12. Annual Meeting. The newly elected board may meet at such place and time as shall be fixed and announced by the presiding officer at the annual meeting of stockholders, for the purpose of organization or otherwise, and no further notice of such meeting shall be necessary to the newly elected

directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such place and time as shall be stated in a notice given to such directors two (2) days prior to such meeting, or as shall be fixed by the consent in writing of all the directors.

3.13. Regular Meetings. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined by the board.

3.14. Special Meetings. Special meetings of the board may be called by the Chairman of the Board, if any, or the President, on two (2) days notice to each director, or such shorter period of time before the meeting as will nonetheless be sufficient for the convenient assembly of the directors so notified; special meetings shall be called by the Secretary in like manner and on like notice, on the written request of two or more directors.

3.15. Quorum. At all meetings of the Board of Directors, a majority of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically permitted or provided by statute, or by the Certificate of Incorporation, or by these by-laws. If at any meeting of the board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting which shall be so adjourned.

3.16. Telephonic Participation in Meetings. Members of the Board of Directors or any committee designated by such board may participate in a meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

3.17. Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission and such consent is filed in paper form with the minutes of proceedings of the board or committee.

Article IV. - Officers.

4.1. Selection; Statutory Officers. The officers of the Corporation shall be chosen by the Board of Directors. There shall be a President, a Secretary and a Treasurer, and there may be a Chairman of the Board of Directors, one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, as the Board of Directors may elect. Any number of offices may be held by the same person.

4.2. Time of Election. The officers above named shall be chosen by the Board of Directors at its first meeting after each annual meeting of stockholders. None of said officers need be a director.

4.3. Additional Officers. The board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

4.4. Terms of Office. Each officer of the Corporation shall hold office until his successor is chosen and qualified, or until his earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors.

4.5. Compensation of Officers. The Board of Directors shall have power to fix the compensation of all officers of the Corporation. It may authorize any officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers.

4.6. Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and directors, and shall have such other duties as may be assigned to him from time to time by the Board of Directors.

4.7. President. Unless the Board of Directors otherwise determines, the President shall be the chief executive officer and head of the Corporation. Unless there is a Chairman of the Board, the President shall preside at all meetings of directors and stockholders. Under the supervision of the Board of Directors and of the executive committee, the President shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors and of the executive committee to confer any specific power, except such as may be by statute exclusively conferred on the President, upon any other officer or officers of the Corporation. The President shall perform and do all acts and things incident to the position of

President and such other duties as may be assigned to him from time to time by the Board of Directors or the executive committee.

4.8. Vice-Presidents. The Vice-Presidents shall perform such of the duties of the President on behalf of the Corporation as may be respectively assigned to them from time to time by the Board of Directors or by the executive committee or by the President. The Board of Directors or the executive committee may designate one of the Vice-Presidents as the Executive Vice-President, and in the absence or inability of the President to act, such Executive Vice-President shall have and possess all of the powers and discharge all of the duties of the President, subject to the control of the board and of the executive committee.

4.9. Treasurer. The Treasurer shall have the care and custody of all the funds and securities of the Corporation which may come into his hands as Treasurer, and the power and authority to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Corporation in such bank or banks or depository as the Board of Directors or the executive committee, or the officers or agents to whom the Board of Directors or the executive committee may delegate such authority, may designate, and he may endorse all commercial documents requiring endorsements for or on behalf of the Corporation. He may sign all receipts and vouchers for the payments made to the Corporation. He shall render an account of his transactions to the Board of Directors or to the executive committee as often as the board or the committee shall require the same. He shall enter regularly in the books to be kept by him for that purpose full and adequate account of all moneys received and paid by him on account of the Corporation. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors and of the executive committee. He shall when requested, pursuant to vote of the Board of Directors or the executive committee, give a bond to the Corporation conditioned for the faithful performance of his duties, the expense of which bond shall be borne by the Corporation.

4.10. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders; he shall attend to the giving and serving of all notices of the Corporation. Except as otherwise ordered by the Board of Directors or the executive committee, he shall attest the seal of the Corporation upon all contracts and instruments executed under such seal and shall affix the seal of the Corporation thereto and to all certificates of shares of capital stock of the Corporation. He shall have charge of the stock certificate book, transfer book and stock ledger, and such other books and papers as the Board of Directors or the executive committee

may direct. He shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors and of the executive committee.

4.11. Assistant Secretary. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Secretaries of the Corporation. Any Assistant Secretary upon his appointment shall perform such duties of the Secretary, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

4.12. Assistant Treasurer. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Treasurers of the Corporation. Any Assistant Treasurer upon his appointment shall perform such of the duties of the Treasurer, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

4.13. Subordinate Officers. The Board of Directors may select such subordinate officers as it may deem desirable. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may prescribe. The Board of Directors may, from time to time, authorize any officer to appoint and remove subordinate officers and to prescribe the powers and duties thereof.

Article V. - Stock.

5.1. Stock. Each stockholder shall be entitled to a certificate or certificates of stock of the Corporation in such form as the Board of Directors may from time to time prescribe. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall certify the holder's name and number and class of shares and shall be signed by both of (i) either the Chairperson or Vice Chairperson of the Board of Directors, or the President or Vice President, and (ii) any one of the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and may, but need not, be sealed with the corporate seal of the Corporation. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or, (2) by a registrar other than the Corporation or its employee, the signature of the officers of the Corporation and the corporate seal may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death,

resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature shall have been used thereon had not ceased to be such officer or officers of the Corporation.

5.2. Fractional Share Interests. The Corporation may, but shall not be required to, issue fractions of a share. If the Corporation does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

5.3. Transfers of Stock. Subject to any transfer restrictions then in force, the shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other person as the directors may designate by whom they shall be cancelled and new certificates shall thereupon be issued. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof save as expressly provided by the laws of Delaware.

5.4. Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other

distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no such record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.5. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

5.6. Dividends.

1. Power to Declare. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and the laws of Delaware.

2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

5.7. Lost, Stolen or Destroyed Certificates. No certificates for shares of stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of the loss, theft or destruction and upon indemnification of the Corporation and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe.

5.8. Inspection of Books. The stockholders of the Corporation, by a majority vote at any meeting of stockholders duly called, or in case the stockholders shall fail to act, the Board of Directors shall have power from time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation (other than the stock ledger) or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation except as conferred by statute or authorized by the Board of Directors or by a resolution of the stockholders.

Article VI. - Miscellaneous Management Provisions.

6.1. Checks, Drafts and Notes. All checks, drafts or orders for the payment of money, and all notes and acceptances of the Corporation shall be signed by such officer or officers, agent or agents as the Board of Directors may designate.

6.2. Notices.

1. Notices to directors and stockholders may be (i) in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation, (ii) by facsimile telecommunication, when directed to a number at which the director or stockholder has consented to receive notice, (iii) by electronic mail, when directed to an electronic mail address at which the director or stockholder has consented to receive notice, (iv) by other electronic transmission, when directed to the director or stockholder. Notice by mail shall be deemed to be given at the time when the same shall be mailed.

2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation of the Corporation of the Corporation or of these by-laws, a written waiver signed by the person or persons entitled to said notice, or waiver by electronic transmission by the person entitled to said notice, whether before or after the time stated therein or the meeting or action to

which such notice relates, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

6.3. Conflict of Interest. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of or committee thereof which authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders of the Corporation entitled to vote thereon, and the contract or transaction as specifically approved in good faith by vote of such stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

6.4. Voting of Securities owned by this Corporation. Subject always to the specific directions of the Board of Directors, (i) any shares or other securities issued by any other Corporation and owned or controlled by this Corporation may be voted in person at any meeting of security holders of such other corporation by the President of this Corporation if he is present at such meeting, or in his absence by the Treasurer of this Corporation if he is present at such meeting, and (ii) whenever, in the judgment of the President, it is desirable for this Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other Corporation and owned by this Corporation, such proxy or consent shall be executed in the name of this Corporation by the President, without the necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer, provided that if the President is unable to execute such proxy or consent by reason of sickness,

absence from the United States or other similar cause, the Treasurer may execute such proxy or consent. Any person or persons designated in the manner above stated as the proxy or proxies of this Corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this Corporation the same as such shares or other securities might be voted by this Corporation.

Article VII. - Indemnification.

7.1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of being or having been a director or officer of the Corporation or serving or having served at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such proceeding is alleged action or failure to act in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter 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 permitted prior thereto) (as used in this Article 7, the "Delaware Law"), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 7.2 hereof with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article 7 shall be a contract right and shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"); provided, however, that, if the Delaware Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall

ultimately be determined by final judicial decision from which there is no further right to appeal (a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article 7 or otherwise.

7.2. Right of Indemnitee to Bring Suit. If a claim under Section 7.1 hereof is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be twenty days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking the Corporation shall be entitled to recover such expenses upon a Final Adjudication that, the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article 7 or otherwise shall be on the Corporation.

7.3. Non-Exclusivity of Rights. The rights to indemnification and to the Advancement of Expenses conferred in this Article 7 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

7.4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article 7 or under the Delaware Law.

7.5. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and to the Advancement of Expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article 7 with respect to the indemnification and Advancement of Expenses of directors and officers of the Corporation.

Article VIII. - Amendments.

8.1. Amendments. The by-laws of the Corporation may be altered, amended or repealed at any meeting of the Board of Directors upon notice thereof in accordance with these by-laws, or at any meeting of the stockholders by the vote of the holders of the majority of the stock issued and outstanding and entitled to vote at such meeting, in accordance with the provisions of the Certificate of Incorporation of the Corporation and of the laws of Delaware.

Exhibit 3.12

BYLAWS

OF

TEMPUR WORLD HOLDINGS, INC.

1. Meetings of Shareholders

1.1 Except as the Board of Directors may otherwise designate, the annual meeting of the shareholders of the Corporation shall be held at a time and date as set by the Board of Directors.

1.2 The annual meeting of the shareholders shall be held at a place designated by the Board of Directors or, if the Board of Directors does not designate a place, then at a place designated by the Secretary or, if the Secretary does not designate a place, at the Corporation's principal office.

1.3 Special meetings of the shareholders shall be held at a place designated by the Board of Directors if the special meeting is called by the Board of Directors. If the special meeting is not called by the Board of Directors, the meeting shall be held at the Corporation's principal office.

2. Board of Directors

2.1 The exact number of directors may be fixed, increased or decreased from time to time by a resolution adopted by the vote of the shareholders who (a) are present in person or by proxy at a meeting held to elect directors, and (b) have a majority of the voting power of the shares represented at such meeting and entitled to vote in the election.

2.2 Meetings of the Board of Directors may be called by the President or by any director.

2.3 Unless waived as permitted by the Delaware General Corporation Law, notice of the time and place of each meeting of the directors shall be either (a) telephoned or personally delivered to each director at least forty-eight hours before the time of the meeting, or (b) mailed to each director at his last known address at least ninety-six hours before the time of the meeting.

3. Officers

3.1 The Corporation shall have a President, a Secretary and a Treasurer, and may have one or more Vice Presidents, all of whom shall be appointed by the Board of Directors. The Corporation may also have such other officers as the Board of Directors may deem necessary, all of whom shall be appointed by the Board of Directors or appointed by an officer or officers authorized by it.

3.2 The President shall have:

(a) General charge and authority over the business of the Corporation, subject to the direction of the Board of Directors;

(b) Authority to preside at all meetings of the shareholders and of the Board of Directors;

(c) Authority acting alone, except as otherwise directed by the Board of Directors, to sign and deliver any document on behalf of the Corporation, including, without limitation, any deed conveying title to any real estate owned by the Corporation and any contract for the sale or other disposition of any such real estate, and;

(d) Such other powers and duties as the Board of Directors may assign.

3.3 The Vice President, or if there be more than one Vice President, the Vice Presidents in the order of their seniority by designation (or, if not designated, in the order of their seniority of election), shall perform the duties of the President in his absence. The Vice Presidents shall have such other powers and duties as the Board of Directors or the President may assign to them.

3.4 The Secretary shall:

(a) Issue notices of all meetings for which notice is required to be given;

(b) Have responsibility for preparing minutes of the directors' and shareholders' meetings and for authenticating records of the Corporation;

(c) Have charge of the corporate record books; and

(d) Have such other duties and powers as the Board of Directors or the President may assign.

3.5 The Treasurer shall:

(a) Keep adequate and correct accounts of the Corporation's affairs and transactions, and

(b) Have such other duties and powers as the Board of Directors or the President may assign.

3.6 Other officers and agents of the Corporation shall have such authority and perform such duties in the management of the Corporation as the Board of Directors or the President may assign to them.

4. Certificates and Transfer

4.1 Shares of the Corporation shall be represented by certificates in such form as shall from time to time be prescribed by the President.

4.2 Certificates representing shares of the Corporation's shall be signed (either manually or in facsimile) by any officer of the Corporation.

4.3 Transfer of shares shall be made only on the stock transfer books of the Corporation.

Prepared by

FROST BROWN TODD LLC
2700 Lexington Financial Center
250 West Main Street
Lexington, Kentucky 40507

Exhibit 3.13

BYLAWS OF
TEMPUR-PEDIC, DIRECT RESPONSE, INC.

ARTICLE I
Shareholders' Meetings

(A) The annual meeting of shareholders shall be held at its principal offices located at 848 G. Nandino Dr., Lexington, Kentucky 40511. Annual meetings shall be held at 10:00 a.m. on December 1 of each year, unless a holiday, and then on the next business day.

(B) Special meetings

Special meetings of the shareholders may be called by the president, by a majority of the members of the board of directors, or by the holders of not less than one-third of all the shares entitled to vote at the meeting.

(C) Place of meeting

The board of directors may designate any place within or without the Commonwealth of Kentucky as the place of meetings shall be the principal office of the corporation in the Commonwealth of Kentucky, except as otherwise provided in section (E) of this article.

(D) Notice of meetings

Written notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally, by telegraph, teletype, or other form of wire or wireless communication, or by mail or private carrier, by or at the direction of the president, the secretary, or the persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the Untied States mail in a sealed envelope addressed to the shareholder at his or her address as it appears on the records of the corporation, with first class postage thereon prepaid.

(E) Meeting of all shareholders

If all of the shareholders shall meet at any time and place, either within or without the Commonwealth of Kentucky, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

(F) Closing of transfer books or fixing of record date

The board of directors shall fix the record date in order to determine the shareholders entitled to notice of or a vote at a shareholders' meeting or to receive payment of a dividend. If no record date is fixed, then the first date on which notice of the meeting is mailed, or on which

the resolution of the board of directors declaring such dividend is adopted, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided herein, such determination shall apply to any adjournment thereof, unless the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(G) Voting lists and share ledger

The secretary shall prepare a complete list of the shareholders entitled to notice of any meeting, or any adjournment thereof, arranged by voting group (and within each voting group by class or series or shares) with the address of and the number of shares held by each shareholder, which list, for a period of five business days prior to any meeting and continuing through the meeting, shall be kept on file at the principal office of the corporation or at a place identified in the meeting notice in the city where the meeting will be held, and shall be subject to inspection by any shareholder at any time during usual business hours. The list shall also be produced and kept open at the meeting and shall be subject to the inspection of any shareholder during the meeting or any adjournment thereof. The original share ledger or stock transfer book, or a duplicate thereof kept in this Commonwealth, shall be prima facie evidence of the shareholders entitled to examine such list, share ledger, or stock transfer book, or of the shareholders entitled to vote at any meeting of shareholders or to receive any dividend.

(H) Quorum

A majority of the votes entitled to be cast on any matter, represented in person or by proxy, shall constitute a quorum for action on that matter. The shares present at a duly organized meeting can continue to do business for the remainder of the meeting and for any adjournment thereof, notwithstanding the withdrawal of enough shareholders to leave less than a quorum unless a new record date is or must be set for an adjourned meeting.

(I) Proxies

At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting.

(J) Informal action by shareholders

Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting and without prior notice if one or more consents in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Prompt notice of any action by shareholders without a meeting taken under this section by less than unanimous consent shall be given to those shareholders entitled to vote on the action who have not consented in writing.

ARTICLE II
Directors

(A) General powers

The business and affairs of the corporation shall be managed under the direction of a board of directors.

(B) Numbers and tenure

The board of directors shall consist of not less than one (1) nor more than ten (10) members but the number of members may be increased or decreased by action of the board of directors as provided for in the articles of incorporation or by amendment of this bylaw; provided, however, that only the shareholders may increase or decrease by more than 30% the number of directors last approved by the shareholders. Each director shall hold office for the term expiring at the next annual shareholders' meeting following his election or until his successor has been elected and qualifies for the office, whichever period is longer.

(C) Regular meetings

A regular meeting of the board of directors shall be held without notice other than this bylaw immediately after and at the same place as the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, either within or without the Commonwealth of Kentucky, for holding additional regular meetings without notice other than such resolution.

(D) Special meetings

Special meetings of the board of directors may be called by or at the request of the president or any one director. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or without the Commonwealth of Kentucky, as the place for holding any special meeting of the board of directors called by them.

(E) Notice

Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally, mailed or faxed to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

(F) Quorum

A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

(G) Manner of acting

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

(H) Vacancies

Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors even if there exists less than a quorum of the board of directors. A director elected to fill a vacancy shall serve until the next shareholders' meeting at which directors are elected.

(I) Committees

The board of directors shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business. The board of directors may establish an executive committee in accordance with and subject to the restrictions set out in the statutes of the Commonwealth of Kentucky.

(J) Informal action

Any action required or permitted to be taken at a meeting of the board of directors, or any action which may be taken at a meeting of the board of directors or of a committee, may be taken without a meeting if a consent, in writing, setting forth the action so taken is signed by all of the directors, or all of the members of the committee, as the case may be, and is included in the minutes or is filed with the corporate records. Such consent shall have the same effect as a unanimous vote.

ARTICLE III
Officers

(A) Classes

The officers of the corporation shall be a president, one or more vice presidents, a treasurer, a secretary, and such other officers (including Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) as may be appointed by the board of directors and elected in accordance with the provisions of this article.

(B) Election and term of office

The officers of the corporation shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of shareholders. If the election of officers is not held at such meeting, the election shall be held as soon thereafter as is convenient. Vacancies may be filled or new offices may be created and filled at any meeting of the board of directors. Each officer shall hold office until his successor has been duly elected and qualified, or until his death, or until he resigns or has been removed from office in the manner hereafter provided.

(C) Removal

Any officer elected by the board of directors may be removed by the board of directors, with or without cause, whenever in its judgment the best interest of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contractual rights.

(D) President

The president shall be the chief executive officer of the corporation and shall supervise and control all of the business and affairs of the corporation. The president shall perform all duties normally incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

(E) Vice president

In the absence of the president or in the event of his inability or refusal to act, the vice president shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice president shall perform such other duties as from time to time may be assigned by the president or by the board of directors.

(F) Treasurer

The treasurer shall: (1) have charge and custody of and be responsible for all funds and securities of the corporation; (2) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys due and payable to the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these bylaws; and, (3) in general, perform all the duties normally incident to the office of treasurer and such other duties as from time to time may be normally assigned by the president or the board of directors.

(G) Secretary

The secretary shall: (1) keep the minutes of the shareholders' and of the board of directors' meetings in one or more books provided for that purpose; (2) see that all notices are

duly given in accordance with the provisions of these bylaws or as required by law; (3) be custodian of the corporate records and stock transfer books of the corporation; and (4) in general, perform all duties normally incident to the office of secretary and such other duties as from time to time may be assigned by the president or by the board of directors.

(H) Assistants

Such assistant officers as are deemed appropriate are also authorized by these bylaws.

ARTICLE IV
Contracts, Loans, Checks, and Deposits

(A) Contracts and agreements

The board of directors may authorize any officer(s) or agent(s) to enter into any contract or agreement or execute and deliver any instruments in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

(B) Loans

No loans shall be contracted on behalf of the corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

(C) Checks, drafts, orders, etc.

All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer(s) or agent(s) of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

(D) Deposits

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may select.

ARTICLE V
Certificates for Shares and Their Transfer

(A) Certificates for shares

Certificates representing shares of the corporation shall be in such form as may be determined by the board of directors. Such certificates shall be signed by the president or vice president and by the secretary or an assistant secretary and may be sealed by the president or vice president and by the secretary or an assistant secretary and may be sealed with the seal of the

corporation or a facsimile thereof. All certificates surrendered to the corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate, a new one may be issued therefor on such terms and indemnity to the corporation as the board of directors may prescribe.

(B) Transfer of shares

Transfer of shares of the corporation shall be made only on the books of the corporation by the registered holder thereof or by his attorney authorized by power of attorney duly executed and filed with the secretary of the corporation, and only on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

ARTICLE VI
Fiscal Year

The fiscal year of the corporation shall end April 30th of each year.

ARTICLE VII
Waiver of Notice

Whenever any notice is required to be given under the provisions of these bylaws, the articles of incorporation, or the corporation laws of the Commonwealth of Kentucky, waiver thereof in writing, signed by the person(s) entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VIII
Indemnification of Officers and Directors

The corporation shall indemnify and may advance expenses to all directors, officers, employees, or agents of the corporation who are, were, or are threatened to be made a defendant or respondent to any threatened, pending, or completed action, suit, or proceeding (whether civil criminal, administrative, or investigative) by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, to the fullest extent that is expressly permitted or required by the statutes of the Commonwealth of Kentucky and all other applicable law.

In addition to the foregoing, the corporation shall, by action of the board of directors, have the power to indemnify and to advance expenses to all directors, officers, employees, or agents of the corporation who are, were, or are threatened to be made a defendant or respondent to any proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the board of directors may deem to be in the best interests of the corporation.

ARTICLE IX
Amendment of Bylaws

The board of directors may alter, amend, or rescind these bylaws, subject to the rights of the shareholders to repeal or modify such actions.

Exhibit 3.14

BYLAWS OF
TEMPUR-MEDICAL, INC.

ARTICLE I
Shareholders' Meetings

(A) The annual meeting of shareholders shall be held at its principal offices located at 848 G. Nandino Dr., Lexington, Kentucky 40511. Annual meetings shall be held at 10:00 a.m. on December 1 of each year, unless a holiday, and then on the next business day.

(B) Special meetings

Special meetings of the shareholders may be called by the president, by a majority of the members of the board of directors, or by the holders of not less than one-third of all the shares entitled to vote at the meeting.

(C) Place of meeting

The board of directors may designate any place within or without the Commonwealth of Kentucky as the place of meeting for any annual meeting or for any special meeting called by the board of directors.

If no designation is made, or if a special meeting is called by other than the board of directors, the place of meeting shall be the principal office of the corporation in the Commonwealth of Kentucky, except as otherwise provided in section (E) of this article.

(D) Notice of meetings

Written notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally, by telegraph, teletype, or other form of wire or wireless communication, or by mail or private carrier, by or at the direction of the president, the secretary, or the persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the shareholder at his or her address as it appears on the records of the corporation, with first class postage thereon prepaid.

(E) Meeting of all shareholders

If all of the shareholders shall meet at any time and place. either within or without the Commonwealth of Kentucky, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

(F) Closing of transfer books or fixing of record date

The board of directors shall fix the record date in order to determine the shareholders entitled to notice of or a vote at a shareholders' meeting or to receive payment of a dividend. If no record date is fixed, then the first date on which notice of the meeting is mailed or on which the resolution of the board of directors declaring such dividend is adopted, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders bas been made as provided herein, such determination shall apply to any adjournment thereof, unless the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(G) Voting lists and share ledger

The secretary shall prepare a complete list of the shareholders entitled to notice of any meeting, or any adjournment thereof, arranged by voting group (and within each voting group by class or series or shares) will file address of and file number of shares held by each shareholder, which list, for a period of five business days prior to any meeting and continuing through the meeting, shall be kept on file at the principal office of the corporation or at a place identified in the meeting notice in the city where the meeting will be held, and shall be subject to inspection by any shareholder at any time during usual business hours. The list shall also be produced and kept open at the meeting and shall be subject to the inspection of any shareholder during the meeting or any adjournment thereof. The original share ledger or stock transfer book, or a duplicate thereof kept in this Commonwealth, shall be prima facie evidence of the shareholders entitled to examine such list, share ledger, or stock transfer book, or of the shareholders entitled to vote at any meeting of shareholders or to receive any dividend.

(H) Quorum

A majority of the votes entitled to be cast on any matter, represented in person or by proxy, shall constitute a quorum for action on that matter. The shares present at a duly organized meeting can continue to do business for the remainder of the meeting and for any adjournment thereof, notwithstanding the withdrawal of enough shareholders to leave less than a quorum unless a new record date is or must be set for an adjourned meeting.

(I) Proxies

At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting.

(J) Informal action by shareholders

Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting and without prior notice if one or more consents in writing,

setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Prompt notice of any action by shareholders without a meeting taken under this section by less than unanimous consent shall be given to those shareholders entitled to vote on the action who have not consented in writing.

ARTICLE II
Directors

(A) General powers

The business and affairs of the corporation shall be managed under the direction of a board of directors.

(B) Number and tenure

The board of directors shall consist of not less than one (1) nor more than ten (10) members but the number of members may be increased or decreased by action of the board of directors as provided for in the articles of incorporation or by amendment of this bylaw; provided, however, that only the shareholders may increase or decrease by more than 30% the number of directors last approved by the shareholders. Each director shall hold office for the term expiring at the next annual shareholders' meeting following his election or until his successor has been elected and qualifies for the office, whichever period is longer.

(C) Regular meetings

A regular meeting of the board of directors shall be held without notice other than this bylaw immediately after and at the same place as the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, either within or without the Commonwealth of Kentucky, for holding additional regular meetings without notice other than such resolution.

(D) Special meetings

Special meetings of the board of directors may be called by or at the request of the president or any one director. The person or persons authorized to call special meetings of the board of directors may fix any place, either with or without the Commonwealth of Kentucky, as the place for holding any special meeting of the board of directors called by them.

(E) Notice

Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally, mailed or faxed to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon

prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

(F) Quorum

A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

(G) Manner of acting

The act of file majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

(H) Vacancies

Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors even if there exists less than a quorum of the board of directors. A director elected to fill a vacancy shall serve until the next shareholders' meeting at which directors are elected.

(I) Committees

The board of directors shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business. The board of directors may establish an executive committee in accordance with and subject to the restrictions set out in the statutes of the Commonwealth of Kentucky.

(J) Informal action

Any action required or permitted to be taken at a meeting of the board of directors, or any action which may be taken at a meeting of the board of directors or of a committee, may be taken without a meeting if a consent, in writing, setting forth the action so taken is signed by all of the directors, or all of the members of the committee, as the case may he, and is included in the minutes or is filed with the corporate records. Such consent shall have the same effect as a unanimous vote.

ARTICLE III
Officers

(A) Classes

The officers of the corporation shall be a president, one or more vice presidents, a treasurer, a secretary, and such other officers (including Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) as may be appointed by the board of directors and elected in accordance with the provisions of this article.

(B) Election and term of office

The officers of the corporation shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of shareholders. If the election of officers is not held at such meeting, the election shall be held as soon thereafter as is convenient. Vacancies may be filled or new offices may be created and filled at any meeting of the board of directors. Each officer shall hold office until his successor has been duly elected and qualified, or until his death or until he resigns or has been removed from office in the manner hereinafter provided.

(C) Removal

Any officer elected by the board of directors may be removed by the board of directors, with or without cause. whenever in its judgment the best interest of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contractual rights.

(D) President

The president shall be the chief executive officer of the corporation and shall supervise and control all of file business and affairs of the corporation. The president shall perform all duties normally incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

(E) Vice president

In the absence of the president or in the event of his inability or refusal to act, the vice president shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all (he restrictions upon the president. The vice president shall perform such other duties as from time to time may be assigned by the president or by the board of directors.

(F) Treasurer

The treasurer shall: (1) have charge and custody of and be responsible for all Funds and securities of the corporation; (2) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in

the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these bylaws; and, (3) in general, perform all the duties normally incident to the office of treasurer and such other duties as from time to time may be normally assigned by the president or the board of directors.

(G) Secretary

The secretary shall: (1) keep the minutes of the shareholders' and of the board of directors' meetings in one or more books provided for that purpose; (2) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (3) be custodian of the corporate records and stock transfer books of the corporation; and, (4) in general, perform all duties normally incident to the office of secretary and such other duties as from time to time may be assigned by the president or by the board of directors.

(H) Assistants

Such assistant officers as are deemed appropriate are also authorized by these bylaws.

ARTICLE IV
Contracts, Loans, Checks, and Deposits

(A) Contracts and agreements

The board of directors may authorize any officer(s) or agent(s) to enter into any contract or agreement or execute and deliver any instruments in the name of and on behalf of the corporation, and such authority may be general or confused to specific instances.

(B) Loans

No loans shall be contracted on behalf of the corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

(C) Checks, drafts, orders, etc.

All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer(s) or agent(s) of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

(D) Deposits

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of directors may select.

ARTICLE V
Certificates for Shares and Their Transfer

(A) Certificates for shares

Certificates representing shares of the corporation shall be in such form as may be determined by the board of directors. Such certificates shall be signed by the president or vice president and by the secretary or an assistant secretary and may be sealed with the seal of the corporation or a facsimile thereof All certificates surrendered to the corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate, a new one may be issued therefor on such terms and indemnity to the corporation as the board of directors may prescribe.

(B) Transfer of shares

Transfer of shares of the corporation shall be made only on the books of the corporation by the registered holder thereof or by his attorney authorized by power of attorney duly executed and filed with the secretary of the corporation, and only on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

ARTICLE VI
Fiscal Year

The fiscal year of the corporation shall end April 30th of each year.

ARTICLE VII
Waiver of Notice

Whenever any notice is required to be given under the provisions of these bylaws, the articles of incorporation, or the corporation laws of the Commonwealth of Kentucky, waiver thereof in writing, signed by the person(s) entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VIII
Indemnification of Officers and Directors

The corporation shall indemnify and may advance expenses to all directors, officers, employees, or agents of the corporation who are, were, or are threatened to be made a defendant or respondent to any threatened, pending, or completed action, suit, or proceeding (whether civil, criminal, administrative, or investigative] by reason of the fact

that he is or was a director, officer, employee, or agent of the corporation, to the fullest extent that is expressly permitted or required by the statutes of the Commonwealth of Kentucky and all other applicable law.

In addition to the foregoing, the corporation shall, by action of the board of directors, have the power to indemnification and to advance expenses to all directors, officers, employees, or agents of the corporation who are, were, or are threatened to be made a defendant or respondent to any proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the board of directors may deem to be in the best interests of the corporation.

ARTICLE IX
Amendment of Bylaws

The board of directors may alter, amend, or rescind these bylaws, subject to the rights of the shareholders to repeal or modify such actions.

Exhibit 4.1

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

$150,000,000

10 1/4% SENIOR SUBORDINATED NOTES DUE 2010

INDENTURE

Dated as of August 15, 2003

Wells Fargo Bank Minnesota,
National Association,
as Trustee

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

CROSS-REFERENCE TABLE

TIA Section Reference	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.08, 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06, 7.07
(c)	7.06, 12.02
(d)	7.06
314(a)	4.03, 4.04, 13.02
(b)	N.A.
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(d)	N.A.
(e)	13.05
315(a)	7.01
(b)	7.05, 13.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a) (last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	13.01

N.A. means Not Applicable.

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of this Indenture.

This INDENTURE, dated as of August 15, 2003, is by and among Tempur-Pedic, Inc., a Kentucky corporation, and Tempur Production USA, Inc. a Virginia corporation (each a "Company," and together the "Companies"), each Guarantor listed on the signature pages hereto, and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee").

Each Company, each Guarantor and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 10 1/4% Senior Subordinated Notes due 2010 (the "Notes") issued under this Indenture:

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

"144A Global Note" means a Global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee issued in a denomination equal to the outstanding principal amount of the Notes sold for initial resale in reliance on Rule 144A.

"Acquired Debt" means, with respect to any specified Person:

(a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Interest" has the meaning set forth in a Registration Rights Agreement relating to amounts to be paid in the event the Companies fail to satisfy certain conditions set forth therein. For all purposes of this Indenture, the term "interest" shall include Additional Interest if any, with respect to the Notes.

"Additional Notes" means any Notes (other than Initial Notes, Exchange Notes and Notes issued under Sections 2.06, 2.07, 2.10 and 3.06 hereof) issued under this Indenture in accordance with Sections 2.02, 2.15 and 4.09 hereof, as part of the same series as the Initial Notes or as an additional series.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Agent" means any Registrar, co-registrar, Paying Agent or additional paying agent.

"Applicable Procedures" means, with respect to any transfer, redemption or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer, redemption or exchange.

"Asset Acquisition" means:

(a) an Investment by TWI, the Companies or any of their respective Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with TWI or any of its Restricted Subsidiaries but only if such Person's primary business is a Permitted Business; or

(b) an acquisition by TWI, the Companies or any of their respective Restricted Subsidiaries of the property and assets of any Person other than TWI, the Companies or any of their respective Restricted Subsidiaries that constitute all or substantially all of a division, operating unit or line of business of such Person but only if the property and assets acquired are a Permitted Business.

"Asset Disposition" means the sale or other disposition by TWI, the Companies or any of their respective Restricted Subsidiaries other than to TWI, the Companies or another Restricted Subsidiary of all or substantially all of the Capital Stock of any Restricted Subsidiary, or all or substantially all of the assets that constitute a division, operating unit or line of business of TWI, the Companies or any of their respective Restricted Subsidiaries.

"Asset Sale" means:

(a) the sale, lease, conveyance or other disposition of any assets or rights; provided that the sale, conveyance or other disposition of all or substantially all of the assets of TWI or the Companies and their respective Restricted Subsidiaries taken as a whole will be governed by Section 4.17 hereof and/or Section 5.01 hereof and not by Section 4.12 hereof; and

(b) the issuance and sale of Equity Interests in any Restricted Subsidiaries of TWI.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(a) any single transaction or series of related transactions that involves assets having a fair market value of less than $2.0 million;

(b) a sale, lease, conveyance or other disposition of assets between or among TWI, the Companies and their respective Restricted Subsidiaries;

(c) an issuance of Equity Interests by a Restricted Subsidiary of TWI to the Companies, TWI or to another Restricted Subsidiary of TWI;

(d) a Restricted Payment or Permitted Investment that is permitted by Section 4.10 hereof;

(e) a sale, lease, transfer, conveyance or other disposition of inventory or accounts receivable in the ordinary course of business;

(f) the sale or other disposition of cash or Cash Equivalents in the ordinary course of business;

(g) any sale of Equity Interests in or Indebtedness of or other securities of an Unrestricted Subsidiary;

(h) sales of property or equipment that has become worn out, obsolete or damaged or otherwise unsuitable for use in connection with the business of TWI, the Companies or any of their respective Restricted Subsidiaries;

(i) the license of patents, trademarks, copyrights and know-how to third persons in the ordinary course of business;

(j) a Restricted Payment that is permitted by Section 4.10 hereof or any Permitted Investment; and

(k) a Permitted Asset Swap.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors, or the law of any other jurisdiction relating to bankruptcy, insolvency, winding up, liquidation, reorganization or relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(a) with respect to a corporation, the board of directors of the corporation;

(b) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(c) with respect to any other Person, the board or committee of such Person serving a similar function.

"Board Resolution" of a Person means a copy of a resolution certified by the secretary or an assistant secretary (or individual performing comparable duties) of the applicable Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Borrowing Base" means, as of any date, an amount equal to:

(a) 85% of the face amount of all accounts receivable owned by the Foreign Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date that were not more than 90 days past due; plus

(b) 60% of the book value of all inventory owned by the Foreign Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means:

(a) United States dollars;

(b) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition;

(c) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (c) above;

(e) commercial paper having the highest rating obtainable from Moody's or Standard & Poor's Rating Services and in each case maturing within six months after the date of acquisition;

(f) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (e) of this definition; and

(g) in the case of any Foreign Restricted Subsidiary:

(i) direct obligations of the sovereign nation (or agency thereof) in which such Foreign Restricted Subsidiary is organized and is conducting business or obligations fully and unconditionally guaranteed by such sovereign nation (or any agency thereof); and

(ii) investments of the type and maturity described in clause (a) through (e) above of foreign obligors, which investments or obligors have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies.

"Change of Control" means the occurrence of any of the following:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of (x) TWI and its Restricted Subsidiaries, taken as a whole, or (y) the Companies and their Restricted Subsidiaries, taken as whole, in either case to any "person" or

"group" (as those terms are used in Section 13(d)(3) of the Exchange Act) other than one or more Principals and/or its or their respective Affiliates or Related Parties;

(b) the adoption of a plan relating to the liquidation or dissolution of TWI or the Companies, provided that if the adoption of such plan is required to be approved by TWI's stockholders, a Change of Control will only occur upon the adoption of such plan by TWI's stockholders;

(c) the consummation of any transaction (including, without limitation, any merger or consolidation) (i) prior to the consummation of a Qualified IPO, the result of which is that (A) any "person" or "group" (as defined above), other than one or more of the Principals and/or its or their respective Affiliates or Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 35% of the Voting Stock of TWI, measured by voting power rather than number of shares and (B) the Principals and their Affiliates and Related Parties cease to be the Beneficial Owners, directly or indirectly, of at least 35% of the Voting Stock of TWI, measured by voting power rather than number of shares, or (ii) following the consummation of a Qualified IPO, the result of which is that any "person" (as defined above), other than the Principals or their Affiliates or Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of TWI, measured by voting power rather than number of shares;

(d) the first day on which a majority of the members of the Board of Directors of TWI are not Continuing Directors;

(e) TWI consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, TWI, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of TWI or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of TWI outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance); or

(f) the Companies shall cease to be direct or indirect Wholly Owned Subsidiaries of the First Tier Parent Guarantor, the First Tier Parent Guarantor shall cease to be a Wholly Owned Subsidiary of Tempur World, Inc, or Tempur World, Inc. shall cease to be a Wholly Owned Subsidiary of TWI, except that Tempur World, Inc. or the First Tier Parent Guarantor may be merged with or into TWI.

"Clearstream" means Clearstream Banking S.A. and any successor thereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Company" means either Tempur-Pedic, Inc., a Kentucky corporation, or Tempur Production USA, Inc., a Virginia corporation, and any successor thereto.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Bank maturing in 2007 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities maturing in 2007.

"Comparable Treasury Price" means, with respect to any redemption date:

(a) the average of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day

preceding such redemption date, as set forth in the most recently published statistical release designated "H.15(519)" (or any successor release) published by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities;" or

(b) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Cash Flow" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus:

(a) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Subsidiaries in connection with a sale or other disposition of assets or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(b) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(c) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(d) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; minus

(e) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(a) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(b) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental

approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and

(c) the cumulative effect of a change in accounting principles will be excluded.

"Consolidated Net Tangible Assets" means as to any Person, as of any date of determination, the sum of the amounts that would appear on a consolidated balance sheet of such Person and any of its consolidated Restricted Subsidiaries as the total assets (less accumulated depreciation and amortization, allowances for doubtful receivables, other applicable reserves and other properly deductible items) of such Person and its Restricted Subsidiaries, after giving effect to purchase accounting, and after deducting therefrom consolidated current liabilities and, to the extent otherwise included, the amounts of (without duplication):

(a) the excess of cost over fair market value of assets or businesses acquired;

(b) any revaluation or other write-up in book value of assets subsequent to the last day of the fiscal quarter of the Companies immediately preceding the date of issuance of the Notes as a result of a change in the method of valuation in accordance with GAAP;

(c) unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights licenses, organization or developmental expenses and other tangible items;

(d) minority interests in consolidated subsidiaries held by Persons other than any Parent Guarantor, the Companies or any of their respective Restricted Subsidiaries;

(e) treasury stock;

(f) cash or securities set aside and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of Capital Stock to the extent such obligation is not reflected in consolidated current liabilities; and

(g) Investments in and assets of Unrestricted Subsidiaries.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the referent Person who:

(a) was a member of such Board of Directors on the date of this Indenture; or

(b) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 13.02 hereof, or such other address as to which the Trustee may give notice to the Companies.

"Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of November 1, 2002 by and among TWI and Tempur World, Inc., Tempur World Holdings, S.L., Tempur-Pedic, Inc., Tempur Production USA, Inc., Tempur World Holding Company ApS and Dan-Foam ApS as Borrowers, the other Credit Parties signatory thereto, as Credit Parties, the Lenders signatory thereto from time to time, Nordea Bank Danmark, as European Loan Agent, and General Electric Capital Corporation, as Administrative Agent, providing for up to $170,000,000 of term loan borrowings and revolving credit borrowings, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, restated, refunded, replaced or refinanced from time to time, whether by the same or any other lender or group of lenders (including pursuant to Indebtedness issued pursuant to an indenture).

"Credit Facilities" means one or more debt facilities (including, without limitation, the Credit Agreement) or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, bank guaranties or bankers' acceptances, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time and any agreement, instrument or document governing Indebtedness under such debt facilities, including any agreement, instrument or facility governing Indebtedness incurred to refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under any Credit Facility or any successor Credit Facility, whether by the same or any other lender or group of lenders (including pursuant to Indebtedness issued pursuant to an indenture).

"Currency Exchange Protection Agreement" means, for any Person, any foreign exchange contract, currency swap agreement, currency option, forward contract or other similar agreement or arrangement, in each case, including any guarantee and collateral documents referred to therein designed to protect such Person against fluctuations in currency exchange rates.

"Custodian" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03(c) hereof as Custodian with respect to the Notes, and any and all successors thereto appointed as custodian hereunder and having become such pursuant to the applicable provisions of this Indenture.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 or 2.10 hereof, in substantially the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03(b) hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provisions of this Indenture.

"Designated Senior Debt" means (i) any Indebtedness outstanding from time to time under the Credit Agreement and (ii) any other Senior Debt permitted to be incurred under this Indenture the principal amount of which is $25.0 million or more and that has been designated by TWI as "Designated Senior Debt;" provided, however, that only an agent or representative of Designated Senior Debt from time to time outstanding under the Credit Facilities may issue a Payment Blockage Notice.

"Distribution Compliance Period" means the 40-day distribution compliance period as defined in Regulation S.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer of such Capital Stock to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that neither TWI nor the Companies nor their respective Restricted Subsidiaries may repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.10 hereof.

"Domestic Subsidiary" means any Restricted Subsidiary of TWI that was formed under the laws of the United States or any state of the United States or the District of Columbia.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any private or public sale of common stock of TWI.

"Euroclear" means Euroclear Bank, S.A./N.V., as operator of the Euroclear systems, and any successor thereto.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Notes" means notes issued in exchange for the Initial Notes or any Additional Notes pursuant to a Registration Rights Agreement.

"Exchange Offer" has the meaning set forth in a Registration Rights Agreement relating to an exchange of Notes registered under the Securities Act for Notes not so registered.

"Exchange Offer Registration Statement" has the meaning set forth in a Registration Rights Agreement.

"Existing Indebtedness" means Indebtedness of any Parent Guarantor, the Companies and their respective Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the Issue Date, until such amounts are repaid.

"First Tier Parent Guarantor" means Tempur World Holdings, Inc. and any successor thereto.

"Fixed Charge Coverage Ratio" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (calculated in accordance with Regulation S-X) as if they had occurred on the first day of the four-quarter reference period;

(b) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded;

(c) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will

not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date; and

(d) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the interest rate in effect for such floating rate of interest on the date of determination had been a fixed rate of interest for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of twelve months).

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations; plus

(b) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(c) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(d) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person (other than preferred stock of the Parent Guarantors or the Companies that is not Disqualified Stock) or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests (other than Disqualified Stock) of the issuer of such preferred stock or payable to the Companies, TWI or any of their respective Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Foreign Restricted Subsidiary" means any Restricted Subsidiary that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"Global Note Legend" means the legend set forth in Section 2.06(g)(ii), which is required to be placed on all Global Notes issued under this Indenture.

"Global Note" means any global Note in the form of Exhibit A hereto issued in accordance with Article 2 hereof.

"guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any

Indebtedness. The capitalized term, "Guarantee" shall refer only to the guarantees of the Notes provided by the Guarantors.

"Guarantors" means each of the Parent Guarantors and the Subsidiary Guarantors, collectively.

"Hedging Obligations" of any Person means any obligation or liability, direct of indirect, contingent or otherwise, of such Person in respect of any Interest Rate Agreement, Currency Exchange Protection Agreement or any other similar agreement or arrangement.

"Holder" means a Person in whose name a Note is registered in the Security Register.

"IAI Global Note" means a Global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors, if any, to the extent required by the Applicable Procedures.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(c) in respect of banker's acceptances;

(d) representing Capital Lease Obligations;

(e) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; or

(f) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

(i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and

(ii) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"Indenture" means this instrument, as originally executed or as it may from time to time be supplemented or amended in accordance with Article 9 hereof.

"Independent Investment Bank" means an investment banking firm of national standing or any third party appraiser that is determined by a majority of the independent directors of TWI to be competent to issue a valuation with respect to the matters for it is proposed to be engaged; provided that such firm or appraiser is not an Affiliate of TWI.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Notes" means $150,000,000 aggregate principal amount of Notes issued under this Indenture on the Issue Date.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Dates" shall have the meaning set forth in paragraph 1 of any Note in the form of Exhibit A hereto issued in accordance with Article 2 hereof.

"Interest Rate Agreement" means, for any Person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement, in each case, including any guarantee and collateral documents referred to therein designed to protect such Person against fluctuations in interest rates.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If TWI, the Companies or any of their respective Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of TWI, the Companies or such Restricted Subsidiary, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of TWI, the Companies or any of their Restricted Subsidiaries, TWI will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.10 hereof. The acquisition by TWI, the Companies or any of their respective Restricted Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by TWI in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.10 hereof.

"Issue Date" means the date on which notes are initially issued under this Indenture.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York, the city in which the Corporate Trust Office of the Trustee is located or any other place of payment on the Notes are authorized by law, regulation or executive order to remain closed.

"Letter of Transmittal" means the letter of transmittal, or its electronic equivalent in accordance with the Applicable Procedures, to be prepared by the Companies and sent to all Holders of the Initial Notes or any Additional Notes for use by such Holders in connection with an Exchange Offer.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business of Moody's Investors Service, Inc.

"Net Income" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(a) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (i) any sale or other disposition of assets; or (ii) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(b) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

"Net Proceeds" means the aggregate cash proceeds received by TWI, the Companies or any of their respective Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, recording fees, title transfer fees, costs of preparation of assets for sale, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale, all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of the Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"Non-recourse Debt" means Indebtedness:

(a) as to which none of TWI, the Companies or any of their respective Restricted Subsidiaries (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender;

(b) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time of both any holder of any other Indebtedness (other than the Notes) of TWI, the Companies or any of their respective Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of TWI, the Companies or any of their respective Restricted Subsidiaries.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering Memorandum" means the offering memorandum, dated August 8, 2003 relating to the Notes.

"Officer" means the Chief Executive Officer, the President, the Chief Financial Officer, any Executive Vice President or the Treasurer of either of the Companies.

"Officers' Certificate" means a certificate, in form and substance reasonably satisfactory to the Trustee, signed by two Officers of the Companies, at least one of whom shall be the principal executive officer or principal financial officer of the Companies, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion, in form and substance reasonably satisfactory to the Trustee, from legal counsel who is acceptable to the Trustee and which meets the requirements of Section 13.05 hereof. The counsel may be an employee of or counsel to the Companies or the Trustee.

"Parent Guarantors" means TWI Holdings, Inc., Tempur World, Inc. and Tempur World Holdings, Inc., collectively, and their respective successors and assigns.

"Participant" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively, and, with respect to DTC, shall include Euroclear and Clearstream.

"Permitted Asset Swap" means sales, transfers or other dispositions of assets, including all of the outstanding Capital Stock of a Restricted Subsidiary (other than the Companies), for consideration at least equal to the fair market value of the assets sold or disposed of, but only if the consideration received consists of Capital Stock of a Person that becomes a Restricted Subsidiary engaged in, or property or assets (other than cash, except to the extent used as a bona fide means of equalizing the value of the property or assets involved in the swap transaction) of a nature or type or that are used in, a business having property or assets of a nature or type, or engaged in a business similar or related to the nature or type of the property and assets of, or business of, the Restricted Subsidiaries of TWI, including the Companies, existing on the date of such sale or other disposition.

"Permitted Business" means the lines of business conducted by the Companies and the Foreign Restricted Subsidiaries of TWI on the Issue Date and businesses reasonably related thereto.

"Permitted Investments" means:

(a) any Investment in TWI, the Companies or any Guarantor;

(b) any Investment by the Parent Guarantors, the Companies or a Subsidiary Guarantor in a Foreign Restricted Subsidiary of TWI; provided that for so long as any of the Notes are outstanding, the aggregate amount of all Investments made pursuant to this clause (b) shall not exceed the greater of (i) 20% of the Consolidated Net Tangible Assets of TWI as of the last day of the most recently ended fiscal quarter for which internal financial statements are available and (ii) $20.0 million.

(c) any Investment in Cash Equivalents;

(d) any Investment by TWI, the Companies or any of their respective Restricted Subsidiaries in a Person, if as a result of such Investment:

(i) such Person becomes a Restricted Subsidiary of the Person making such Investment; or

(ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, TWI, any Company or any of their Restricted Subsidiaries; provided that in no event shall any Subsidiary Guarantor be merged with or into, or transfer or convey all or substantially all its assets, or be liquidated into a Foreign Restricted Subsidiary in reliance on this clause (d)(ii);

(e) any Investment by any Foreign Restricted Subsidiary in any other Foreign Restricted Subsidiary;

(f) any Investment funded with cash proceeds from an indemnity claim under the merger agreement relating to the acquisition of Tempur World, Inc. in the Foreign Restricted Subsidiary (either directly or through one or more capital contributions) that incurred the obligation or liability with respect to which such indemnity payment is being made;

(g) any capital contribution by the First Tier Parent Guarantor to one or more of its Foreign Restricted Subsidiaries, so long as the proceeds are applied within two weeks after the

date of such capital contribution to repay intercompany payables owed by a Foreign Restricted Subsidiary to the Companies or a Guarantor;

(h) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.12 hereof;

(i) any acquisition of assets or Investment solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of TWI or the Companies or made with the proceeds of a substantially concurrent sale of such Equity Interests (other than Disqualified Stock) made for such purpose;

(j) any Investments received in compromise of obligations of such Persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(k) Hedging Obligations;

(l) guarantees that constitute Permitted Indebtedness;

(m) advances, loans or extensions of credit to suppliers in the ordinary course of business by any Parent Guarantor or any Restricted Subsidiary; and

(n) other Investments in any Person having an aggregate fair market value (measured on the date each such investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (n) that are at the time outstanding, not to exceed $20.0 million.

"Permitted Junior Securities" means:

(a) Equity Interests in any Company or any Guarantor; or

(b) debt securities that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the Notes and the Guarantees are subordinated to Senior Debt under this Indenture.

"Permitted Liens" means:

(a) Liens on assets (including Capital Stock) of TWI, the Companies and their respective Subsidiaries securing Senior Debt or Indebtedness under Credit Facilities that was permitted by the terms of this Indenture to be incurred;

(b) Liens in favor of TWI or the Companies or any Guarantor;

(c) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with TWI, the Companies or any their respective Restricted Subsidiaries; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with TWI, the Companies or any of their respective Restricted Subsidiaries;

(d) Liens on property existing at the time of acquisition of the property by TWI, the Companies or any their respective Restricted Subsidiaries, provided that such Liens were in existence prior to the contemplation of such acquisition;

(e) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(f) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA);

(g) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which TWI, the Companies or any of their Restricted Subsidiaries is a party as lessee, made in the ordinary course of business;

(h) inchoate and unperfected workers', mechanics' or similar Liens arising in the ordinary course of business, so long as such Liens attach only to equipment, fixtures and/or real estate;

(i) carriers', warehousemen's, suppliers' or other similar possessory Liens arising in the ordinary course of business and securing past due liabilities in an outstanding aggregate amount not in excess of $50,000 at any time, so long as such Liens attach only to inventory;

(j) any attachment or judgment Lien in respect of a judgment being contested by the Companies and not constituting an Event of Default;

(k) zoning restrictions, easements, licenses, or other restrictions on the use of any real property or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value or marketability of such real property;

(l) Liens arising from precautionary UCC-1 financing statement filings regarding operating leases entered into by TWI, the Companies or any of their Restricted Subsidiaries in the ordinary course of business;

(m) Liens arising from subleases or leases entered into the ordinary course of business by TWI, the Companies or their respective Restricted Subsidiaries as lessor with respect to excess or unused real property owned or leased by TWI, the Companies or their respective Restricted Subsidiaries;

(n) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (d) of the second paragraph of Section 4.09 hereof covering only the assets acquired with such Indebtedness;

(o) Liens existing on the Issue Date;

(p) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor; and

(q) Liens incurred in the ordinary course of business TWI, the Companies or any their respective Restricted Subsidiaries with respect to obligations that do not exceed $15.0 million at any one time outstanding.

"Permitted Refinancing Indebtedness" means any Indebtedness of TWI, the Companies or any of their respective Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness (other than intercompany Indebtedness) of TWI, the Companies or any of their respective Restricted Subsidiaries; provided that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(b) in the case of Indebtedness other than Senior Debt, such Permitted Refinancing Indebtedness has a final maturity date the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(d) such Indebtedness is incurred either by TWI or by the Companies or a Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same Debt as that evidenced by such particular Note; and any Note authenticated and delivered under Section 2.07 in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same Debt as the lost, destroyed or stolen Note.

"Principals" means each of TA Associates, Inc. and Friedman Fleischer & Lowe, LLC and their respective Affiliates.

"Private Placement Legend" means the legend set forth in Section 2.06(g)(i) hereof to be placed on all Notes issued under this Indenture except as otherwise permitted by the provisions of this Indenture.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Qualified IPO" means a bona fide, firm commitment underwritten public offering of the common stock of TWI Holdings Inc. (or any other indirect ultimate Parent Guarantor) pursuant to an effective registration statement under the Securities Act generating gross proceeds to such issuer in an amount equal to at least $75.0 million (based upon the price to the public in the public offering).

"Reference Treasury Dealer" means Lehman Brothers Inc. or any other investment banking firm of national reputation and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), TWI will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, among the Companies, the Guarantors, Lehman Brothers Inc., UBS Securities LLC and Credit Suisse First Boston LLC as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements between the Companies and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Companies to the purchasers of Additional Notes to register such Additional Notes, or exchange such Additional Notes for registered notes, under the Securities Act.

"Regular Record Date" for the interest payable on any Interest Payment Date means the applicable date specified as a "Record Date" on the face of any Note in the form of Exhibit A hereto issued in accordance with Article 2 hereof.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Permanent Regulation S Global Note or Temporary Regulation S Global Note.

"Regulation S Permanent Global Note" means a permanent Global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Distribution Compliance Period.

"Regulation S Temporary Global Note" means a temporary Global Note in the form of Exhibit A hereto bearing the Global Note Legend, the Private Placement Legend and Regulation S Temporary Global Note Legend and deposited with and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"Regulation S Temporary Global Note Legend" means the legend set forth in Section 2.06(g)(iii) hereof to be placed on all Temporary Regulation S Global Notes issued under this Indenture except as otherwise permitted by the provisions of this Indenture.

"Related Party" means:

(a) any controlling equityholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(b) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (a).

"Representative" means the Trustee, agent or representative expressly authorized to act in such capacity, if any, for an issue of Senior Debt.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Definitive Note" means one or more Definitive Notes bearing the Private Placement Legend.

"Restricted Global Notes" means 144A Global Notes, IAI Global Notes and Regulation S Global Notes.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any successor to the rating agency business thereof.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Debt" means:

(a) all Indebtedness of the Guarantors or the Companies outstanding from time to time under Credit Facilities and all Hedging Obligations with respect thereto;

(b) any other Indebtedness of TWI, the Companies or any Subsidiary Guarantor to the extent permitted to be incurred under this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes or any Guarantee thereof; and

(c) all Obligations with respect to the items listed in the preceding clauses (a) and (b).

Notwithstanding anything to the contrary in the preceding sentence, Senior Debt will not include:

(i) any liability for federal, state, local or other taxes owed or owing by TWI, the Companies or their respective Restricted Subsidiaries;

(ii) any Indebtedness owed by a Person to any Subsidiary or other Affiliate of such Person other than senior subordinated notes in an amount not to exceed $35.0 million issued or guaranteed by the Guarantors or the Companies pursuant to that certain Subordinated Note Purchase Agreement, dated as of November 1, 2002;

(iii) any trade payables; or

(iv) the portion of any Indebtedness that is incurred in violation of this Indenture.

"Shelf Registration Statement" means the registration statement relating to the registration of the Notes under Rule 415 of the Securities Act, as may be set forth in a Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Obligations" means, with respect to any Person, any Indebtedness of such Person, whether outstanding on the Issue Date or thereafter incurred, that is subordinate or junior in right of payment to the Notes or a Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any specified Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Subsidiary Guarantee" means the Guarantee of the Notes by each of the Subsidiary Guarantors pursuant to Article 10 hereof and in the form of the Guarantee endorsed on the form of Note attached as Exhibit A hereto and any additional Guarantee of the Notes to be executed by any Subsidiary of the Companies pursuant to Section 4.21 hereof.

"Subsidiary Guarantors" means, collectively, all Subsidiaries that execute a Subsidiary Guarantee in accordance with the provisions of this Indenture and their respective successors and assigns; each such Subsidiary being a "Subsidiary Guarantor."

"Surviving Person" means the surviving Person formed by a merger, consolidation or amalgamation and, for purposes of Section 5.01 hereof, a Person to whom all or substantially all of the properties or assets of the Companies or any Guarantor is sold, assigned, transferred, conveyed or otherwise disposed of.

"TIA" means the Trust Indenture Act of 1939, as amended, and the rules and regulations thereunder.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the yield to maturity of the Comparable Treasury Issue, compounded semi-annually, assuming a price for such Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"TWI" means TWI Holdings Inc. and any successor thereto.

"Unrestricted Definitive Notes" means one or more Definitive Notes that do not and are not required to bear the Private Placement Legend.

"Unrestricted Global Notes" means one or more Global Notes that do not and are not required to bear the Private Placement Legend and are deposited with and registered in the name of the Depositary or its nominee.

"Unrestricted Subsidiary" means any Subsidiary of TWI (other than the Companies), or any successor to any of them, that is designated by the Board of Directors of TWI as an Unrestricted Subsidiary pursuant to a Board Resolution in accordance with Section 4.16 hereof.

"U.S. Government Securities" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Wholly Owned Subsidiary" means, as to any Person, a Subsidiary of such Person of which 100% of the Voting Stock is owned beneficially by the referent Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amount of such Indebtedness.

Section 1.02. Other Definitions

Term	Defined in Section
"Acceleration Notice"	6.02
"Affiliate Transaction"	4.14
"Asset Sale Offer"	4.12
"Authentication Order"	2.02
"Benefited Party"	10.01
"Change of Control Offer"	4.17
"Change of Control Purchase Price"	4.17
"Covenant Defeasance"	8.03
"defeasance trust"	8.04
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.12
"Legal Defeasance"	8.02
"losses"	7.07
"Management Equity Repurchases"	4.10
"Offer Amount"	3.09
"Offer Period"	3.09
"Offer to Purchase"	3.09
"Paying Agent"	2.03
"Payment Blockage Notice"	12.03
"Payment Default"	6.01
"Permitted Debt"	4.09
"Proceeding"	12.02
"Purchase Date"	3.09
"Purchase Price"	3.09
"Registrar"	2.03

"Restricted Payments".....4.10
"Security Register".....2.03
"seller".....4.12

Section 1.03. Incorporation by Reference of Trust Indenture Act.

(a) Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

(b) The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes and the Guarantees;

"indenture security holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Notes means the Companies and any successor obligor upon the Notes.

(c) All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them.

Section 1.04. Rules of Construction.

(a) Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined herein has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and in the plural include the singular;

(v) all references in this instrument to "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this Indenture as originally executed;

(vi) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(vii) "including" means "including without limitation;"

(viii) provisions apply to successive events and transactions; and

(ix) references to sections of or rules under the Securities Act, the Exchange Act or the TIA shall be deemed to include substitute, replacement or successor sections or rules adopted by the Commission from time to time thereunder.

ARTICLE 2.

THE NOTES

Section 2.01. Form and Dating.

(a) General. The Notes and the Trustee's certificate of authentication shall be substantially in the form included in Exhibit A hereto, which is hereby incorporated in and expressly made part of this Indenture. The Notes may have notations, legends or endorsements required by law, exchange rule or usage in addition to those set forth on Exhibit A. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof. The terms and provisions contained in the Notes shall constitute a part of this Indenture and the Companies, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. To the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Form of Notes. Notes shall be issued initially in global form and shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such aggregate principal amount of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions and transfers of interests therein. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) Temporary Global Notes. Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, at its New York office, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Companies and authenticated by the Trustee as hereinafter provided. The Distribution Compliance Period shall be terminated upon the receipt by the Trustee of (i) a written certificate from the Depositary, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Distribution Compliance Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a Global Note, bearing a Private Placement Legend, all as contemplated by Section 2.06(b) hereof), and (ii) an Officers' Certificate from the Companies. Following the termination of the Distribution Compliance Period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in the Regulation S Permanent Global Note pursuant to the Applicable Procedures. Simultaneously with the authentication of the Regulation S Permanent Global Note, the Trustee shall cancel the Regulation S Temporary Global Note. The aggregate principal amount of the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interests as hereinafter provided.

(d) Book-Entry Provisions. This Section 2.01(d) shall apply only to Global Notes deposited with the Trustee, as custodian for the Depositary. Participants and Indirect Participants shall have no rights under this Indenture or any Global Note with respect to any Global Note held on their behalf by the Depositary or by the Trustee as custodian for the Depositary, and the Depositary shall be treated by the Companies, the Trustee and any agent of the Companies or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Companies, the Trustee or any agent of the Companies or the Trustee from giving effect to any written certification, proxy or other authorization furnished by

the Depositary or impair, as between the Depositary and its Participants or Indirect Participants, the Applicable Procedures or the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(e) Euroclear and Clearstream Procedures Applicable. The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream" and "Customer Handbook" of Clearstream, or any successor publications, shall be applicable to transfers of beneficial interests in Global Notes that are held by Participants through Euroclear or Clearstream.

(f) Certificated Securities. The Companies shall exchange Global Notes for Definitive Notes if: (i) at any time the Depositary notifies the Companies that (x) it is unwilling or unable to continue to act as Depositary for the Global Notes or (y) it has ceased to be a clearing agency registered under the Exchange Act, and, in either case, the Companies shall not have appointed a successor Depositary within 120 days after the date of such notice of ineligibility, (ii) the Companies, at their option, determine that the Global Notes shall be exchanged for Definitive Notes and deliver a written notice to such effect to the Trustee or (iii) upon written request of a Holder or the Trustee if a Default or Event of Default shall have occurred and be continuing.

Upon the occurrence of any of the events set forth in clauses (i), (ii) or (iii) above, the Companies shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver, Definitive Notes, in authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes.

Upon the exchange of a Global Note for Definitive Notes, such Global Note shall be cancelled by the Trustee or an agent of the Companies or the Trustee. Definitive Notes issued in exchange for a Global Note pursuant to this Section 2.01 shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its Participants or its Applicable Procedures, shall instruct the Trustee or an agent of the Companies or the Trustee in writing. The Trustee or such agent shall deliver such Definitive Notes to or as directed by the Persons in whose names such Definitive Notes are so registered or to the Depositary.

Section 2.02. Execution and Authentication.

(a) One Officer shall execute the Notes on behalf of the Companies by manual or facsimile signature.

(b) If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated by the Trustee, the Note shall nevertheless be valid.

(c) A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

(d) The Trustee shall, upon a written order of the Companies signed by an Officer of each of the Companies (an "Authentication Order"), authenticate Notes for issuance.

(e) The Trustee may appoint an authenticating agent acceptable to the Companies to authenticate Notes. Unless otherwise provided in such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent shall have the same rights as the Trustee to deal with Holders, the Companies or an Affiliate of the Companies.

Section 2.03. Registrar and Paying Agent.

(a) The Companies shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register (the "Security Register") of the Notes and of their

transfer and exchange. The Companies may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Companies may change any Paying Agent or Registrar without notice to any Holder. The Companies shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Companies fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Companies or any of their Subsidiaries may act as Paying Agent or Registrar.

(b) The Companies initially appoint The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

(c) The Companies initially appoint the Trustee to act as Registrar and Paying Agent and to act as Custodian with respect to the Global Notes, and the Trustee hereby agrees so to initially act.

Section 2.04. Paying Agent to Hold Money in Trust.

The Companies shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and shall notify the Trustee of any default by the Companies in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all funds held by it relating to the Notes to the Trustee. The Companies at any time may require a Paying Agent to pay all funds held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Companies or a Subsidiary) shall have no further liability for such funds. If the Companies or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all funds held by it as Paying Agent. Upon any Event of Default under Sections 6.01(i) and (j) hereof relating to the Companies, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05. Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Companies shall furnish or cause to be furnished to the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date or such shorter time as the Trustee may allow, as the Trustee may reasonably require of the names and addresses of the Holders and the Companies shall otherwise comply with TIA Section 312(a).

Section 2.06. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either clause (i) or (ii) below, as applicable, as well as one or more of the other following clauses, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend and any Applicable Procedures; provided, however, that prior to the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than a distributor (as defined in Rule 902(d) of the Securities Act)). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. Except as may be required by the Applicable Procedures, no written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(i) above, the transferor of such beneficial interest shall deliver to the Registrar either (A)(1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B)(1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (B)(1) above; provided that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (x) the expiration of the Distribution Compliance Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(a)(3)(ii)(B) under the Securities Act. Upon consummation of an Exchange Offer by the Companies in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(iii) Transfer of Beneficial Interests in a Restricted Global Note to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications and certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(ii) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Companies;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a broker-dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this clause (D), if the Registrar and the Companies so request or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Companies shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to clause (B) or (D) above.

(v) Transfer or Exchange of Beneficial Interests in Unrestricted Global Notes for Beneficial Interests in Restricted Global Notes Prohibited. Beneficial interests in an Unrestricted Global Note may not be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof

in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in clauses (B) through (C) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3)(d) thereof, if applicable or

(E) if such beneficial interest is being transferred to the Companies or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Companies shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall mail or deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

Notwithstanding Sections 2.06(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (x) the expiration of the Distribution Compliance Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(a)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(ii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person

participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Companies;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a broker-dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this clause (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of any of the conditions of any of the clauses of this Section 2.06(c)(ii), the Companies shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver an Unrestricted Definitive Note in the appropriate principal amount to the Person designated by the holder of such beneficial interest in instructions delivered to the Registrar by the Depositary and the applicable Participant or Indirect Participant on behalf of such holder, and the Trustee shall reduce or cause to be reduced in a corresponding amount pursuant to Section 2.06(h), the aggregate principal amount of the applicable Restricted Global Note.

(iii) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Companies shall execute and the Trustee shall authenticate and mail or deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall mail or deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in clauses (B) through (C) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3)(d) thereof, if applicable; or

(E) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Companies;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a broker-dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this clause (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the clauses in this Section 2.06(d)(ii), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Unrestricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(ii) hereof. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

(iv) Transfer or Exchange of Unrestricted Definitive Notes to Beneficial Interests in Restricted Global Notes Prohibited. An Unrestricted Definitive Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, beneficial interests in a Restricted Global Note.

(v) Issuance of Unrestricted Global Notes. If any such exchange or transfer from a Definitive Note to a beneficial interest in a Global Note is effected pursuant to clauses (ii)(B), (ii)(D) or (iii) above at a time when an Unrestricted Global Note has not yet been issued, the Companies shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Companies;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a broker-dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this clause (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar and the Companies to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Companies shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate (A) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by Persons that certify in the applicable Letters of Transmittal that (x) they are not broker-dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Companies, and accepted for exchange in the Exchange Offer and (B) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes tendered for acceptance by Persons who made the foregoing certification and accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Companies shall execute and the Trustee shall authenticate and mail or deliver to the Persons designated by the Holders of Restricted Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) Legends. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legend.

(A) Except as permitted by clause (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 (A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT, IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to clauses (b)(iv), (c)(iii), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) to this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO

SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANIES.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANIES OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(iii) Regulation S Temporary Global Note Legend. Each Regulation S Temporary Global Note shall bear a legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(h) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Companies shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate Global Notes and Definitive Notes upon the Companies' order or at the Registrar's request.

(ii) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Companies may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 4.12, 4.17 and 9.05 hereof).

(iii) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Companies, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(iv) Neither the Registrar nor the Companies shall be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, or (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(v) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Companies may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Companies shall be affected by notice to the contrary.

(vi) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(viii) The Trustee is hereby authorized to enter into a letter of representation with the Depositary in the form provided by the Companies and to act in accordance with such letter.

Section 2.07. Replacement Notes.

If any mutilated Note is surrendered to the Trustee or the Companies and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Companies shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate a replacement Note. If required by the Trustee or the Companies, the Holder of such Note shall provide an affidavit of loss and indemnity that is sufficient, in the judgment of the Trustee or the Companies, to protect the Companies, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer in connection with such replacement. If required by the Companies, such Holder shall reimburse the Companies for its reasonable expenses in connection with such replacement.

Every replacement Note issued in accordance with this Section 2.07 shall be the valid obligation of the Companies, evidencing the same debt as the destroyed, lost or stolen Note, and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08. Outstanding Notes.

(a) The Notes outstanding at any time shall be the entire principal amount of Notes represented by all of the Global Notes and Definitive Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those subject to reductions in beneficial interests effected by the Trustee in accordance with Section 2.06 hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note shall not cease to be outstanding because the Companies or an Affiliate of the Companies holds the Note; provided, however, that Notes held by the Companies or a Subsidiary of the Companies shall be deemed not to be outstanding for purposes of Section 3.07(b) hereof.

(b) If a Note is replaced pursuant to Section 2.07 hereof, it shall cease to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

(c) If the principal amount of any Note is considered paid under Section 4.01 hereof, it shall cease to be outstanding and interest on it shall cease to accrue.

(d) If the Paying Agent (other than the Companies, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date, a Purchase Date or a maturity date, funds sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Companies, or by any Affiliate of the Companies, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes.

Until certificates representing Notes are ready for delivery, the Companies may prepare and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Companies consider appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Companies shall prepare and the Trustee shall authenticate Global Notes or Definitive Notes in exchange for temporary Notes, as applicable. After preparation of Definitive Notes, the Temporary Notes will be exchangeable for Definitive Notes upon surrender of the Temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.11. Cancellation.

The Companies at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. Upon sole direction of the Companies, the Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirements of the Exchange Act or other applicable laws) unless by written order, signed by an Officer of each of the Companies, the Companies direct them to be returned to them. Certification of the destruction of all cancelled Notes shall be delivered to the Companies from time to time upon request. The Companies may not issue new Notes to replace Notes that they have paid or that have been delivered to the Trustee for cancellation.

Section 2.12. Payment of Interest; Defaulted Interest.

If the Companies default in a payment of interest on the Notes, they shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Companies shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Companies shall fix or cause to be fixed each such special record date and payment date; provided that no such special record date shall be less than 10 days prior to the related Interest Payment Date for such defaulted interest. At least 15 days before the special record date, the Companies (or, upon the written request of the Companies, the Trustee in the name and at the expense of the Companies) shall mail or cause to be mailed to Holders a notice that states the special record date, the related Interest Payment Date and the amount of such interest to be paid.

Section 2.13. CUSIP or ISIN Numbers.

The Companies in issuing the Notes may use "CUSIP" and/or "ISIN" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" and/or "ISIN" numbers in notices of redemption or Offers to

Purchase as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption or notice of an Offer to Purchase and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or Offer to Purchase shall not be affected by any defect in or omission of such numbers. The Companies shall promptly notify the Trustee of any change in the "CUSIP" and/or "ISIN" numbers.

Section 2.14. Additional Interest.

If Additional Interest is payable by the Companies pursuant to a Registration Rights Agreement and paragraph 1 of the Notes, the Companies shall deliver to the Trustee a certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such interest is payable pursuant to Section 4.01 hereof. Unless and until a Responsible Officer of the Trustee receives such a certificate or instruction or direction from the Holders in accordance with the terms of this Indenture, the Trustee may assume without inquiry that no Additional Interest is payable. The foregoing shall not prejudice the rights of the Holders with respect to their entitlement to Additional Interest as otherwise set forth in this Indenture or the Notes and pursuing any action against the Companies directly or otherwise directing the Trustee to take any such action in accordance with the terms of this Indenture and the Notes. If the Companies have paid Additional Interest directly to the Persons entitled to it, the Companies shall deliver to the Trustee an Officers' Certificate setting forth the details of such payment.

Section 2.15. Issuance of Additional Notes.

The Companies shall be entitled, subject to their compliance with Section 4.09 hereof, to issue Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the date hereof, other than with respect to the date of issuance, issue price and rights under a related Registration Rights Agreement, if any. The Initial Notes issued on the date hereof, any Additional Notes and all Exchange Notes issued in exchange therefor shall be treated as a single class for all purposes under this Indenture, including directions, waivers, amendments, consents, redemptions and Offers to Purchase.

With respect to any Additional Notes, the Companies shall set forth in a Board Resolution and an Officers' Certificate, a copy of each of which shall be delivered to the Trustee, the following information:

(a) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(b) the issue price, the Issue Date and the CUSIP and/or ISIN number of such Additional Notes; provided, however, that no Additional Notes may be issued at a price that would cause such Additional Notes to have "original issue discount" within the meaning of Section 1273 of the Code, other than a de minimis original issue discount within the meaning of Section 1273 of the Code; and

(c) whether such Additional Notes shall be subject to the restrictions on transfer set forth in Section 2.06 hereof relating to Restricted Global Notes and Restricted Definitive Notes.

Section 2.16. Record Date.

The record date for purposes of determining the identity of Holders of Notes entitled to vote or consent to any action by vote or consent or permitted under this Indenture shall be determined as provided for in TIA Section 316(c).

ARTICLE 3.

REDEMPTION AND PREPAYMENT

Section 3.01. Notices to Trustee.

If the Companies elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, they shall furnish to the Trustee, at least 45 days but not more than 60 days before a redemption date (or such shorter period as allowed by the Trustee), an Officers' Certificate setting forth (a) the applicable section of this Indenture pursuant to which the redemption shall occur, (b) the redemption date, (c) the principal amount of Notes to be redeemed and (d) the redemption price.

Section 3.02. Selection of Notes to Be Redeemed.

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes to be redeemed among the Holders in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee deems fair and appropriate. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Companies in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or integral multiples thereof; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not an integral multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

Section 3.03. Notice of Redemption.

At least 30 days but not more than 60 days prior to a redemption date, the Companies shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at such Holder's registered address appearing in the Security Register, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance pursuant to Article 8 hereof or a satisfaction and discharge pursuant to Article 11 hereof.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the appropriate method for calculation of the redemption price, but need not include the redemption price itself; the actual redemption price shall be set forth in an Officers' Certificate delivered to the Trustee no later than two (2) Business Days prior to the redemption date;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, if applicable, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Companies default in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the applicable section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness of the CUSIP and/or ISIN numbers, if any, listed in such notice or printed on the Notes.

At the Companies' request, the Trustee shall give the notice of redemption in the Companies' names and at their expense; provided, however, that the Companies shall have delivered to the Trustee, at least 45 days (or such shorter period allowed by the Trustee), prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice (in the name and at the expense of the Companies) and setting forth the information to be stated in such notice as provided in this Section 3.03.

Section 3.04. Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption shall become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05. Deposit of Redemption Price.

On or prior to 11:00 a.m. Eastern time on the Business Day prior to any redemption date, the Companies shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and, if applicable, accrued and unpaid interest on all Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly, and in any event within two (2) Business Days after the redemption date, return to the Companies any money deposited with the Trustee or the Paying Agent by the Companies in excess of the amounts necessary to pay the redemption price of, and accrued and unpaid interest, if any, on, all Notes to be redeemed.

If the Companies comply with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for purchase or redemption in accordance with Section 2.08(d) hereof, whether or not such Notes are presented for payment. If a Note is redeemed on or after a Regular Record Date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest, if any, shall be paid to the Person in whose name such Note was registered at the close of business on such Regular Record Date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Companies to comply with the preceding paragraph, interest shall be paid on the unpaid principal from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Companies shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate for the Holder at the expense of the Companies a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.07. Optional Redemption.

(a) Except as set forth in clause (b) or (c) of this Section 3.07, the Notes shall not be redeemable at the option of the Companies prior to August 15, 2007. On or after August 15, 2007, the Companies may redeem all or a portion of the Notes, after giving the notice required pursuant to Section 3.03 hereof, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Interest, if any, on the Notes redeemed, to the applicable redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date), if redeemed during the twelve-month period commencing on August 15 of the years indicated below:

Year	Percentage
2007	105.125%
2008	102.563%
2009 and thereafter	100.000%

(b) At any time and from time to time prior to August 15, 2006, the Companies may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including Additional Notes) issued under this Indenture at a redemption price (expressed as a percentage of principal amount) equal to 110.25% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to the redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date) with the net cash proceeds of any Equity Offering that are contributed to the common equity capital of the Companies; provided, however, that (i) at least 65% of the aggregate principal amount of the Notes initially issued under this Indenture (excluding Notes held by any Parent Guarantor, the Companies and their Subsidiaries) remains outstanding immediately after the occurrence of such redemption and (ii) any such redemption shall occur within 90 days of the closing of such Equity Offering.

(c) Notwithstanding the foregoing, at any time prior to August 15, 2007, the Companies may redeem all or any portion of the Notes, at once or over time, after giving the required notice under the indenture, at a redemption price in cash equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed, and

(ii) the sum of the present values of (x) the redemption price of the Notes at August 15, 2007 (as set forth in clause (a) above) and (y) the remaining scheduled payments of interest from the redemption date through August 15, 2007, but excluding accrued and unpaid interest through the redemption date, discounted to the redemption date (assuming a 360-day year consisting of twelve 30-day months), at the Treasury Rate plus 50 basis points;

plus, in either case, accrued and unpaid interest, including Additional Interest, if any, to but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest date).

(d) Any prepayment pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08. Mandatory Redemption.

Except as set forth in Sections 4.12 and 4.17 hereof, the Companies shall not be required to make mandatory redemption or sinking fund payments with respect to, or offer to purchase, the Notes.

Section 3.09. Offer To Purchase

(a) In the event that, pursuant to Section 4.12 or 4.17 hereof, the Companies shall be required to commence an Asset Sale Offer or a Change of Control Offer (each, an "Offer to Purchase"), it shall follow the procedures specified below.

(b) The Companies shall cause a notice of the Offer to Purchase to be sent at least once to the Dow Jones News Service or similar business news service in the United States.

(c) The Companies shall commence the Offer to Purchase by sending, by first-class mail, with a copy to the Trustee, to each Holder at such Holder's address appearing in the Security Register, a notice the terms of which shall govern the Offer to Purchase stating:

(i) that the Offer to Purchase is being made pursuant to this Section 3.09 and Section 4.12 or Section 4.17, as the case may be, and, in the case of a Change of Control Offer, that a

Change of Control has occurred, the circumstances and relevant facts regarding the Change of Control and that a Change of Control Offer is being made pursuant to Section 4.17;

(ii) the principal amount of Notes required to be purchased pursuant to Section 4.12 or Section 4.17, as the case may be (the "Offer Amount"), the purchase price set forth in Section 4.12 or Section 4.17 hereof, as applicable (the "Purchase Price"), the Offer Period and the Purchase Date (each as defined below);

(iii) except as provided in clause (ix), that all Notes timely tendered and not withdrawn shall be accepted for payment;

(iv) that any Note not tendered or accepted for payment shall continue to accrue interest;

(v) that, unless the Companies default in making such payment, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest after the Purchase Date;

(vi) that Holders electing to have a Note purchased pursuant to an Offer to Purchase may elect to have Notes purchased in integral multiples of $1,000 only;

(vii) that Holders electing to have a Note purchased pursuant to any Offer to Purchase shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Companies, the Depositary, if appointed by the Companies, or a Paying Agent at the address specified in the notice before the close of business on the third Business Day before the Purchase Date;

(viii) that Holders shall be entitled to withdraw their election if the Companies, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note (or portions thereof) the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(ix) that, in the case of an Asset Sale Offer, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Companies shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Companies so that only Notes in denominations of $1,000 or integral multiples thereof shall be purchased);

(x) that Holders whose Notes were purchased in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer); and

(xi) any other procedures the Holders must follow in order to tender their Notes (or portions thereof) for payment and the procedures that Holders must follow in order to withdraw an election to tender Notes (or portions thereof) for payment.

(d) The Offer to Purchase shall remain open for a period of at least 30 days but no more than 60 days following its commencement, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five (5) Business Days (and in any event no later than the 60th day following the Change of Control) after the termination of the Offer Period (the "Purchase Date"), the Companies shall purchase the Offer Amount or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Offer to Purchase. Payment for any Notes so purchased shall be made in the same manner as interest payments are made. The Companies shall publicly announce the results of the Offer to Purchase on the Purchase Date.

(e) On or prior to the Purchase Date, the Companies shall, to the extent lawful:

(i) accept for payment (on a pro rata basis to the extent necessary in connection with an Asset Sale Offer), the Offer Amount of Notes or portions of Notes properly tendered and not withdrawn pursuant to the Offer to Purchase, or if less than the Offer Amount has been tendered, all Notes tendered;

(ii) deposit with the Paying Agent funds in an amount equal to the Purchase Price in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Companies and that such Notes or portions thereof were accepted for payment by the Companies in accordance with the terms of this Section 3.09.

(iv) The Paying Agent shall promptly (but in the case of a Change of Control not later than 60 days from the date of the Change of Control) execute and issue a new Note, and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; provided, however, that each such new Note shall be in a principal amount of $1,000 or an integral multiple thereof. Any Note not so accepted shall be promptly mailed or delivered by the Companies to the Holder thereof.

(v) If the Purchase Date is on or after a Regular Record Date and on or before the related Interest Payment Date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such Regular Record Date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Offer to Purchase.

(vi) The Companies shall comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with Sections 4.12 or 4.17, as applicable, this Section 3.09 or other provisions of this Indenture, the Companies shall comply with applicable securities laws and regulations and shall not be deemed to have breached their obligations under Sections 4.12 or 4.17, as applicable, this Section 3.09 or such other provision by virtue of such compliance.

(vii) Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made in accordance with the provisions of Section 3.01 through 3.06 hereof.

ARTICLE 4.

COVENANTS

Section 4.01. Payment of Notes.

The Companies shall pay or cause to be paid the principal of, premium, if any, and interest on, the Notes on the dates and in the manner provided in this Indenture and the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Companies or a Subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Companies in immediately available United States dollars and designated for and sufficient to pay all principal, premium, if any, and interest then due. Such Paying Agent shall return to the Companies promptly, and in any event, no later than five (5) Business Days following the date of payment, any money (including accrued interest) that exceeds such amount of principal, premium, if any, and interest paid on the Notes. The Companies shall pay Additional Interest, if any, in the same manner, on the dates and in the amounts set forth in a Registration Rights Agreement, the Notes and this Indenture. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

The Companies shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods), from time to time on demand at the same rate to the extent lawful.

Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 4.02. Maintenance of Office or Agency.

(a) The Companies shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office or drop facility of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be presented or surrendered for registration of transfer or for exchange and where notices and demands to or upon the Companies in respect of the Notes and this Indenture may be served. The Companies shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Companies shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Companies hereby appoint the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(b) The Companies may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Companies shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Companies hereby designate the Corporate Trust Office of the Trustee, as one such office, drop facility or agency of the Companies in accordance with Section 2.03 hereof.

Section 4.03. Reports.

(a) Whether or not required by the Commission, so long as any Notes are outstanding, the Companies will furnish to the Trustee and Holders, within 15 days of the dates on which the Companies would be required to file such information with the Commission, if the Companies were subject to Sections 13 or 15(d) of the Exchange Act:

(i) all quarterly and annual financial and other information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Companies were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Companies' certified independent accountants; and

(ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Companies were required to file such reports;

provided, however, that the first quarterly report to be furnished pursuant to this paragraph shall be furnished as soon as is reasonably practicable following the end of such quarterly period but in no event later than November 15, 2003; provided, further, that the Companies will not be required to furnish such information to the Trustee or the registered Holders to the extent such information is electronically filed with the Commission and is electronically available to the public free of cost.

(b) If TWI or the Companies have designated any of their respective Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the

financial condition and results of operations of TWI and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TWI.

(c) In addition, following the consummation of the Exchange Offer, whether or not required by the Commission, the Companies will file a copy of all of the information and reports referred to in clauses (a) and (b) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Companies and the Guarantors agree that, for so long as any Notes remain outstanding, they will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to the extent such information is not electronically filed with the Commission and is not electronically available to the public free of cost.

(d) For so long as Rule 3-10 of Regulation S-X under the Exchange Act (or any successor rule or regulation) permits TWI to provide the financial statements and other information referred to above in lieu of separate financial statements and other information of the Companies, the Companies will be deemed to have satisfied their obligations under this Section 4.03 by providing TWI financial statements and other information, so long as such financial statements and other information otherwise comply in all respects with the requirements set forth above with respect to the Companies.

Section 4.04. Compliance Certificate.

(a) The Companies shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Companies, the Guarantors and their respective Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Companies, the Guarantors and their respective Subsidiaries have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Companies, the Guarantors and their respective Subsidiaries have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and are not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Companies are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest on the Notes is prohibited or if such event has occurred, a description of the event and what action the Companies are taking or propose to take with respect thereto.

(b) The Companies shall otherwise comply with TIA Section 314(a)(2).

(c) The Companies shall deliver to the Trustee written notice in the form of an Officers' Certificate upon becoming aware of any Default or any Event of Default, its status and what action the Companies are taking or propose to take with respect thereto.

Section 4.05. Taxes.

TWI and the Companies shall pay, and shall cause each of their respective Subsidiaries to pay, prior to delinquency, all material taxes, assessments and governmental levies, except such as are being contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

Section 4.06. Stay, Extension and Usury Laws.

The Companies covenant (to the extent that they may lawfully do so) that they shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the

performance of this Indenture; and the Companies (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07. Corporate Existence.

Subject to Article 5 hereof, the Companies shall do or cause to be done all things necessary to preserve and keep in full force and effect (a) their corporate existence, and the corporate, partnership or other existence of each of their Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Companies or any such Restricted Subsidiary and (b) the rights (charter and statutory), licenses and franchises of the Companies and their Restricted Subsidiaries; provided, however, that the Companies shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Restricted Subsidiary, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Companies and their Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders, or that such preservation is not necessary in connection with any transaction not prohibited by this Indenture.

Section 4.08. Payments for Consent.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holders for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.09. Incurrence of Additional Debt and Issuance of Preferred Stock.

TWI and the Companies will not, and they will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and TWI and the Companies will not issue any Disqualified Stock and will not permit any of its or their respective other Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Parent Guarantors and the Companies may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any Guarantor may incur Indebtedness or issue preferred stock, if the Fixed Charge Coverage Ratio of TWI for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the preferred stock or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(a) the incurrence by TWI, the Companies and their respective Restricted Subsidiaries that are Subsidiary Guarantors, as applicable, of additional Indebtedness and letters of credit under one or more Credit Facilities; provided that (i) the aggregate principal amount of all Indebtedness of the Companies and the Subsidiary Guarantors (excluding Indebtedness in the form of guarantees of Indebtedness incurred under clause (B) below) incurred pursuant to this clause (a) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Companies and the Subsidiary Guarantors thereunder) does not exceed an amount equal to $215.0 million less the aggregate amount of all repayments of any term Indebtedness under such Credit Facility or repayments of any revolving credit Indebtedness under such Credit Facility together with a corresponding commitment reduction that have been made by the Companies or the Subsidiary Guarantors since the Issue Date with the proceeds of Asset Sales pursuant to the provisions of Section 4.12 hereof; and (ii) the aggregate principal amount of all Indebtedness of the Foreign Restricted Subsidiaries incurred pursuant to this clause (a) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Foreign Restricted

Subsidiaries thereunder) does not exceed an amount equal to the greater of (A) $100.0 million less the aggregate amount of all repayments of any term Indebtedness under one or more Credit Facilities or repayments of revolving credit Indebtedness under one or more Credit Facilities together with a corresponding commitment reduction that have been made by the Parent Guarantors, the Companies or any Subsidiary Guarantor that have been made by the Foreign Restricted Subsidiaries since the Issue Date with the proceeds of Asset Sales pursuant to Section 4.12 hereof and (B) the Borrowing Base;

(b) the incurrence by TWI, the Companies and their respective Restricted Subsidiaries of Existing Indebtedness;

(c) the incurrence by the Companies of Indebtedness represented by the Notes to be issued on the Issue Date (and the related Exchange Notes to be issued pursuant to the Registration Rights Agreement, and any Exchange Notes issued in respect of Additional Notes incurred in compliance with this Indenture) and the incurrence by the Guarantors of the Guarantees of those Notes;

(d) the incurrence by TWI, the Companies or any of their respective Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Person incurring such Indebtedness, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (d), not to exceed $20.0 million at any time outstanding;

(e) the incurrence of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was incurred under the first paragraph of this Section 4.09 or clauses (b), (c) or (e) of this paragraph;

(f) the incurrence by TWI, the Companies or any of their respective Restricted Subsidiaries of intercompany Indebtedness between or among any of them; provided, however, that Foreign Restricted Subsidiaries shall not incur intercompany Indebtedness owed to any Company or a Subsidiary Guarantor pursuant to this clause (f) except to the extent the incurrence thereof constitutes a Permitted Investment or a Restricted Payment not prohibited by Section 4.10 hereof; provided further, however, that:

(i) if the Companies are the obligors on such Indebtedness, such Indebtedness shall be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes;

(ii) if a Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to such Guarantor's Guarantee of the Notes;

(iii) if a Foreign Restricted Subsidiary is an obligor on such Indebtedness owed to the Companies or any Subsidiary Guarantor such Indebtedness shall be senior to, or pari passu with, all other Indebtedness (other than Senior Debt) of such obligor;

(iv) if the First Tier Parent Guarantor is an obligor on such Indebtedness owed to any Foreign Restricted Subsidiary, such Indebtedness shall be junior to, or pari passu with, the Guarantee of the First Tier Parent Guarantor; and

(iv) (A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than TWI, the Companies or one of their respective Restricted Subsidiaries and (B) any sale or other transfer of any such Indebtedness to a Person that is not either TWI, a Company or one of their respective Restricted Subsidiaries shall be deemed, in each case, to constitute an incurrence of Indebtedness by the respective obligor that was not permitted by this clause (f);

(g) the incurrence by TWI, the Companies, or any of their respective Restricted Subsidiaries of Hedging Obligations that are incurred in the normal course of business for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms of this Indenture to be outstanding) in connection with the conduct of their respective businesses and not for speculative purposes;

(h) the guarantee by (i) TWI, the Companies or any of their respective Restricted Subsidiaries (other than Foreign Restricted Subsidiaries) of Indebtedness of the Parent Guarantors, the Companies or any Subsidiary Guarantor, (ii) any Foreign Restricted Subsidiary of Indebtedness of any other Foreign Restricted Subsidiary, in each case to the extent such Indebtedness was permitted to be incurred by another provision of this Section 4.09, and (iii) TWI or any Restricted Subsidiary (other than a Foreign Restricted Subsidiary) of TWI or the Companies of Indebtedness of a Foreign Restricted Subsidiary incurred pursuant to clause (a)(ii) of this Section 4.09;

(i) the incurrence by Unrestricted Subsidiaries of Non-recourse Debt; provided, however, that if any such Indebtedness ceases to be Non-recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to be an incurrence of Indebtedness that was not permitted by this clause (i);

(j) Indebtedness incurred by TWI, the Companies or any of their respective Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including without limitation to letters of credit in respect to workers' compensation claims or self-insurance, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; provided, however, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligation are reimbursed within 30 days following such drawing or incurrence;

(k) obligations in respect of performance and surety bonds and completion guarantees provided by TWI, the Companies or any of their respective Restricted Subsidiaries in the ordinary course of business;

(l) the incurrence by TWI, the Companies or any of their respective Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within three business days of incurrence;

(m) Indebtedness consisting of repurchase or other recourse obligations incurred in the ordinary course of business owed to third party providers of credit to consumers purchasing products from TWI and its Restricted Subsidiaries; provided that the such Indebtedness shall not exceed $10.0 million in the aggregate outstanding at any time; and

(n) the incurrence by TWI, the Companies or any of their respective Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (n), not to exceed $30.0 million.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (a) through (n) above or is entitled to be incurred pursuant to the first paragraph of this Section 4.09, in each case, as of the date of incurrence thereof, the Companies may, in their sole discretion, classify (or later reclassify in whole or in part, in their sole discretion) such item of Indebtedness in any manner that complies with this Section 4.09 and such Indebtedness will be treated as having been incurred pursuant to such clauses or the first paragraph hereof, as the case may be, designated by the Companies. Indebtedness under any Credit Facility (including the Credit Agreement as may be further amended and restated in connection with the recapitalization as contemplated in the Offering Memorandum) outstanding on the date on which the Notes are first issued under this Indenture will be deemed to have been incurred on such date in reliance on the exception provided by clause (a) above.

Notwithstanding anything to the contrary contained in this Section 4.09, any increase in the amount of Indebtedness solely by reason of currency fluctuation shall not be considered an incurrence of Indebtedness for purposes of this covenant. For purposes of determining compliance with this covenant, the U.S. dollar-equivalent principal amount of Indebtedness denominated in any currency other than U.S. dollars shall be calculated based on the relevant currency exchange rate in effect as of the date such Indebtedness is incurred; provided, that the amount of any Permitted Refinancing Indebtedness denominated in the same currency as the Indebtedness being refinanced thereby shall be calculated based on the relevant exchange rate in effect as of the date of the incurrence of the Indebtedness being so refinanced.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of addition Indebtedness with the same terms, the accumulation of dividends on Disqualified Stock or preferred stock of Subsidiary Guarantors (to the extent not paid) and the payment of dividends on Disqualified Stock or preferred stock of Subsidiary Guarantors in the form of additional shares of the same class of Disqualified Stock or preferred stock of Subsidiary Guarantors will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock of Subsidiary Guarantors for purposes of this Section 4.09; provided that, in each case, the amount thereof shall be included in the calculation of Fixed Charges as accrued.

Section 4.10. Restricted Payments.

Each of TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any other payment or distribution on account of its or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Parent Guarantors or any Restricted Subsidiary) or to the direct or indirect holders of the Equity Interests of TWI, the Companies or any of their respective Restricted Subsidiaries in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of TWI or to TWI or a Restricted Subsidiary of TWI);

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving TWI) any Equity Interests of the Parent Guarantors;

(c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Obligation of TWI, the Companies or any of their Restricted Subsidiaries (other than Subordinated Obligations owed to the Companies, TWI or any of their respective Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(d) make any Restricted Investment

(all such payments and other actions set forth in these clauses (a) through (d) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(i) no Default or Event of Default has occurred and is continuing; and

(ii) the Companies, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, would have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof; and

(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by TWI, the Companies and their respective Restricted Subsidiaries after the

Issue Date (excluding Restricted Payments permitted by clauses (b), (c), (d), and (g) of the next succeeding paragraph), is less than the sum, without duplication, of:

(A) 50% of the Consolidated Net Income of TWI for the period (taken as one accounting period) from July 1, 2003 to the end of TWI's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds received by TWI since the Issue Date (x) as a contribution to its common equity capital or from the issuance or sale of its Equity Interests (excluding Disqualified Stock and other than an issuance or sale of Equity Interests to a Subsidiary of TWI) or (y) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of TWI that have been converted into or exchanged for its Equity Interests (excluding Disqualified Stock and other than Disqualified Stock or debt securities sold to a Subsidiary of TWI); provided, however, that there shall be excluded from this paragraph (B) any net cash proceeds to the extent applied as permitted by clause (i) of the definition of "Permitted Investments"); plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (y) the initial amount of such Restricted Investment, plus

(D) any dividends received by TWI, the Companies or any of their respective Restricted Subsidiaries after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in TWI's Consolidated Net Income for such period; plus

(E) in case, after the Issue Date, any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary under the terms of this Indenture or has been merged, consolidated or amalgamated with or into, or transfers or conveys assets to, or is liquidated into, TWI, the Companies or any of their respective Restricted Subsidiaries, an amount equal to the lesser of (x) the net book value at the date of redesignation, combination or transfer of the aggregate Investments made in such Unrestricted Subsidiary (or of the assets transferred or conveyed, as applicable), and (y) the fair market value of the Investments owned by TWI or its Restricted Subsidiaries in such Unrestricted Subsidiary at the time of the redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable).

The preceding provisions will not prohibit:

(a) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of this Indenture;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any Equity Interests or Subordinated Obligations of TWI, any Company or any Guarantor in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary) of, Equity Interests (or a contribution to the common equity capital) of TWI (other than Disqualified Stock); provided, however, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (iii)(B) of the preceding paragraph;

(c) the defeasance, redemption, repurchase or other acquisition of Subordinated Obligations of TWI, any Company or any other Guarantor with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(d) the payment of (x) any dividend by a Restricted Subsidiary to the holders of its Equity Interests on a pro rata basis and (y) the payment of any dividend by the Parent Guarantors or the Companies on Disqualified Stock that was permitted to be incurred in accordance with this Indenture;

(e) the (x) repurchase, redemption or other acquisition or retirement for value of any Equity Interests of TWI, the Companies or any of their respective Restricted Subsidiaries held by current or former officers, employees or members of the Board of Directors of TWI, the Companies or any of their respective Restricted Subsidiaries, other than any of the Principals or their Affiliates or Related Parties, pursuant to any management equity subscription agreement, stock option agreement, employment agreement or similar agreement ("Management Equity Repurchases") and (y) cash payments with respect to subordinated promissory notes issued to fund Management Equity Repurchases to the extent the Indebtedness represented by such subordinated promissory notes is permitted to be incurred pursuant to the first paragraph of Section 4.09 hereof; provided that the aggregate amount paid for all Management Equity Repurchases pursuant to this clause (e) may not exceed $750,000 in any calendar year; and provided further that in the event the aggregate price paid during any calendar year, including cash payments made pursuant to such subordinated promissory notes, is less than $750,000, the unused amount may be carried forward to the next succeeding calendar year; provided that the aggregate amount paid for all Management Equity Repurchases, including cash payments made pursuant to such subordinated promissory notes, pursuant to this clause (e) in any twelve-month period shall not exceed $2.0 million;

(f) any Restricted Payment pursuant to the transactions contemplated by the recapitalization as described under the caption "Use of Proceeds" in the Offering Memorandum; and

(g) other Restricted Payments in an aggregate amount since the Issue Date not to exceed $25.0 million;

provided, however, that in the case of clauses (e) and (g) above, no Default or Event of Default has occurred and is continuing.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s), property or securities proposed to be transferred or issued pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this Section 4.10 will be determined by the Board of Directors of TWI whose resolution with respect thereto will be delivered to the Trustee. The determination by the Board of Directors of TWI shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, the Companies will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.10 were computed, together with a copy of any fairness opinion or appraisal required by this Indenture.

Section 4.11. Liens.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (other than Permitted Liens) on any asset now owned or hereafter acquired by any of them unless all payments due under the Notes or the applicable Guarantees are secured on an equal and ratable basis if such secured Indebtedness is pari passu with the Notes or the applicable Guarantee, as the case may be, and otherwise, on a senior basis to the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien; provided, however, that in the case of TWI, the Companies and the Guarantors, the foregoing shall only prohibit Liens (other than Permitted Liens) securing Indebtedness ranking pari passu with, or junior to, the Notes or the applicable Guarantees.

Section 4.12. Asset Sales.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries (each a "seller") to consummate an Asset Sale unless:

(a) TWI, the Companies or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets sold, leased, transferred, conveyed or otherwise disposed of or Equity Interests issued or sold or otherwise disposed of;

(b) the fair market value is determined by TWI's Board of Directors and evidenced by a resolution of such Board of Directors set forth in an Officer's Certificate delivered to the Trustee; and

(c) at least 75% of the consideration received in the Asset Sale by TWI, the Companies or such Restricted Subsidiary is in the form of cash.

For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the seller's most recent balance sheet (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a written instrument that releases the seller from further liability; and

(b) any securities, notes or other obligations received by any such seller from such transferee that are converted into cash within 90 days after the receipt thereof, to the extent of the cash received in that conversion.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, TWI, the Companies or such Restricted Subsidiary may apply those Net Proceeds (subject, in all respects, to the other covenants set forth in this Indenture) at its option:

(a) to repay Senior Debt (or, in the case of a Foreign Restricted Subsidiary, to repay Indebtedness or other liabilities) of TWI, the Companies or any of their Restricted Subsidiaries and, if the Senior Debt (or, in the case of a Foreign Restricted Subsidiary, the Indebtedness or other liabilities) repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(b) to acquire (or enter into a binding agreement to acquire; provided that the commitment to acquire under such agreement shall be subject only to customary conditions and such acquisition shall be consummated within 60 days after the end of such 365-day period) either all or substantially all of the assets of, or a majority of the Voting Stock of, another Person engaged in a Permitted Business or the minority interest in any Restricted Subsidiary; or

(3) to make a capital expenditure, or to otherwise acquire long-term assets or property that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, TWI, the Companies or such Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Companies will make an offer (an "Asset Sale Offer") to all Holders to purchase the maximum principal amount of Notes and, if the Companies are required to do so under the terms of any other Indebtedness that is pari passu with the Notes, such other Indebtedness on a pro rata basis with the Notes, that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of the purchase of all properly tendered and not withdrawn Notes pursuant to an Asset Sale Offer, TWI, the Companies and/or their respective Restricted Subsidiaries may use such

remaining Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Companies shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of this Indenture, the Companies will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Asset Sale provisions of this Indenture by virtue of such conflict.

Section 4.13. Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, create, assume or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the First Tier Parent Guarantor (in the case of its Foreign Restricted Subsidiaries) or to TWI, the Companies or any of the Companies' Restricted Subsidiaries (other than any such dividends, distributions or payments by a Foreign Restricted Subsidiary to a Domestic Subsidiary);

(b) make loans or advances to the First Tier Parent Guarantor (in the case of its Restricted Foreign Subsidiaries) or to TWI, the Companies or any of the Companies' Restricted Subsidiaries (other than loans or advances by a Foreign Restricted Subsidiary to a Domestic Subsidiary); or

(c) transfer any of its properties or assets to any Parent Guarantor or any of such Parent Guarantor's Restricted Subsidiaries (other than transfers by a Foreign Restricted Subsidiary to a Domestic Subsidiary).

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(a) agreements governing Existing Indebtedness and Credit Facilities as in effect on the Issue Date (including the Credit Agreement as may be further amended and restated in connection with the recapitalization as contemplated in the Offering Memorandum) and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements, provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (or the Credit Agreement as amended and restated in connection with the recapitalization described above);

(b) this Indenture, the Notes and the Guarantees;

(c) applicable law;

(d) any instrument governing Indebtedness or Capital Stock of a Person acquired by TWI, the Companies or any their respective Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that such Indebtedness or Capital Stock (if constituting preferred stock) was permitted by the terms of this Indenture to be incurred, determined at the time of such acquisition;

(e) customary non-assignment provisions in leases and contracts entered into in the ordinary course of business;

(f) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (c) of the preceding paragraph;

(g) any agreement for the sale or other disposition of a Restricted Subsidiary or its assets that restricts distributions by that Restricted Subsidiary pending such sale or other disposition; or

(h) Permitted Refinancing Indebtedness; provided, however, that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(i) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of Section 4.11 hereof that limit the right of the debtor to dispose of the assets subject to such Liens; and

(j) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business.

Section 4.14. Affiliate Transactions.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(a) the Affiliate Transaction is on terms that are no less favorable to TWI, the Companies or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by TWI, the Companies or such Restricted Subsidiary with an unrelated Person; and

(b) the Companies deliver to the Trustee:

(i) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $3.0 million, a resolution of the Board of Directors of TWI set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of TWI's Board of Directors; and

(ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to TWI, the Companies or such Restricted Subsidiary, as applicable, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(a) any employment agreements or arrangements and benefits plans or arrangements, and any transactions contemplated by any of the foregoing relating to the compensation and employee benefits matters, in each case in respect of employees, officers or directors entered into by TWI, the Companies or any of their respective Restricted Subsidiaries in the ordinary course of business;

(b) transactions between or among TWI, the Companies and any Restricted Subsidiary that is a Guarantor;

(c) commercial transactions in the ordinary course of business between or among TWI, the Companies and their respective Restricted Subsidiaries that are Guarantors and Foreign Restricted Subsidiaries;

(d) transactions with a Person that is an Affiliate of TWI or of a Company or any of their respective Restricted Subsidiaries solely because TWI or such Company or such Restricted Subsidiary owns an Equity Interest in such Person (and such Person is not otherwise a Subsidiary of TWI or of the Companies or any of their respective Restricted Subsidiaries);

(e) payment of reasonable directors fees and indemnitees to Persons who are not otherwise Affiliates of TWI or the Companies or any of their respective Restricted Subsidiaries;

(f) loans or advances to employees in the ordinary course of business, but in any event, not to exceed $500,000 in the aggregate outstanding at any one time;

(g) the pledge of Equity Interests of Unrestricted Subsidiaries to support the Indebtedness thereof;

(h) any Affiliate Transaction between or among TWI, the Companies and their respective Restricted Subsidiaries existing and as in effect on the Issue Date and, in each case, any amendment thereto so long as any such amendment is no less favorable to TWI, the Companies and their respective Restricted Subsidiaries, as the case may be, in any material respect than the original agreement as in effect on the Issue Date; and

(i) Permitted Investments and Restricted Payments that are permitted by Section 4.10 hereof.

Section 4.15. Issuance or Sale of Capital Stock of Restricted Subsidiaries

TWI and the Companies:

(a) will not, and will not permit any of their respective Restricted Subsidiaries to, transfer, convey, sell, lease or otherwise dispose of any Capital Stock of any Restricted Subsidiary to any Person (other than to TWI, the Companies or any of their respective Restricted Subsidiaries), unless:

(i) such transfer, conveyance, sale, lease or other disposition is of all the Capital Stock of such Restricted Subsidiary, and

(ii) the Net Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with Section 4.12 hereof above;

provided, however, that this clause (a) will not apply to any pledge of Capital Stock of any Restricted Subsidiary securing Indebtedness under Credit Facilities, including the Credit Agreement, or any exercise of remedies in connection therewith; and

(b) will not permit any Restricted Subsidiary to issue any of its Equity Interests (other than, if necessary, shares of its Capital Stock constituting directors' qualifying shares and shares of Capital Stock of foreign Subsidiaries issued to foreign nationals to the extent required under applicable law) to any Person other than TWI, the Companies or any of their respective Restricted Subsidiaries.

Section 4.16. Designation of Restricted and Unrestricted Subsidiaries.

The Board of Directors of TWI may designate any Restricted Subsidiary of TWI (other than the Companies) or of the Companies as an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by TWI, the Companies and their respective Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under clause (iii)(C) of the first paragraph of Section 4.10 hereof or will reduce the amount available for certain Permitted Investments, as determined by TWI. That designation will only be permitted if such Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of TWI may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary only if the redesignation would not cause a Default or Event of Default and to the extent that such Subsidiary:

(a) has no Indebtedness other than Non-recourse Debt;

(b) is not party to any agreement, contract, arrangement or understanding with TWI, the Companies or any of their respective Restricted Subsidiaries unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to TWI, the Companies or their respective Restricted Subsidiaries than those that might be obtained at the time from Persons who are not their Affiliates;

(c) is a Person with respect to which none of TWI, the Companies or any of their respective Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(d) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of TWI, the Companies or any their respective Restricted Subsidiaries.

Any designation of a Subsidiary as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.10 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, there will be a Default in respect of such covenant. The Board of Directors of TWI may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

Section 4.17. Repurchase at the Option of Holders Upon a Change of Control.

(a) Upon the occurrence of a Change of Control, the Companies shall, within 10 days of a Change of Control, make an offer (the "Change of Control Offer") pursuant to the procedures set forth in Section 3.09. Each Holder shall have the right to accept such offer and require the Companies to repurchase all or any portion (equal to $1,000 or an integral multiple of $1,000) of such Holder's Notes pursuant to the Change of Control Offer at a purchase price, in cash, equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest (the "Change of Control Purchase Price") on the Notes repurchased, to the Purchase Date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest to, but excluding, the Purchase Date).

(b) Prior to complying with any of the provisions of this Section 4.17, but in any event within 90 days following a Change of Control, the Companies will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this Section 4.17. The Companies will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) The Companies will not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Companies and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (ii) notice of redemption in respect of all outstanding Notes has been given pursuant to this Indenture as described in Section 3.07, unless and until there is a default in payment of the applicable redemption price . A Change in Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer. Notes repurchased pursuant to a Change of Control Offer will be retired and cancelled.

Section 4.18. Additional Subsidiary Guarantees

If TWI, the Companies or any of their respective Restricted Subsidiaries acquires or creates another Domestic Subsidiary after the Issue Date, then that newly acquired or created Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an Opinion of Counsel satisfactory to the trustee within 20 Business Days of the date on which it was acquired or created; provided, however, that the foregoing shall not apply to Subsidiaries that have properly been designated as Unrestricted Subsidiaries in accordance with this Indenture for so long as they continue to constitute Unrestricted Subsidiaries.

Section 4.19. Business Activities.

TWI and the Companies will not, and will not permit any Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to TWI, the Companies and their Subsidiaries taken as a whole. The Parent Guarantors shall engage in no material business activities other than those incident to the respective status of each as a holding company whose principal assets consist of all the Capital Stock of its direct, wholly owned Subsidiaries.

Section 4.20. No Senior Subordinated Debt.

The Companies will not incur any Indebtedness (other than the Existing Indebtedness) that is subordinate or junior in right of payment to any Senior Debt of the Companies and senior in any respect in right of payment to the Notes. No Guarantor will incur any Indebtedness (other than the Existing Indebtedness) that is subordinate or junior in right of payment to the Senior Debt of such Guarantor and senior in any respect in right of payment to such Guarantor's Guarantee.

Section 4.21. Additional Subsidiary Guarantees.

If TWI, the Companies or any of their respective Restricted Subsidiaries acquires or creates another Domestic Subsidiary after the Issue Date, then that newly acquired or created Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the Trustee within 20 Business Days of the date on which it was acquired or created; provided, however, that the foregoing shall not apply to Subsidiaries that have properly been designated as Unrestricted Subsidiaries in accordance with this Indenture for so long as they continue to constitute Unrestricted Subsidiaries.

Section 4.22. Sale and Leaseback Transactions.

TWI and the Companies will not, and will not permit any of their respective Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that TWI, the Companies or any of the Subsidiary Guarantors may enter into a sale and leaseback transaction if:

(a) TWI, such Company or such Subsidiary Guarantor could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in the first paragraph of Section 4.09 hereof;

(b) the gross cash proceeds of that sale and leaseback transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors of TWI and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of that sale and leaseback transaction; and

(c) the transfer of assets in that sale and leaseback transaction is permitted by, and the proceeds of such transaction are applied in compliance with Section 4.12 hereof.

ARTICLE 5.

SUCCESSORS

Section 5.01. Merger, Consolidation and Sale of Assets.

TWI, the other Parent Guarantors and the Companies may not, directly or indirectly, consolidate or merge with or into another Person (whether or not TWI, such other Parent Guarantor or such Company is the surviving corporation) or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of TWI, such other Parent Guarantor or such Company taken as a whole, in one or more related transactions, to another Person; unless:

(a) either: (i) TWI, such other Parent Guarantor or such Company is the surviving corporation; or (ii) the Person formed by or surviving any such consolidation or merger (if other than TWI, such other Parent Guarantor or such Company, as the case may be) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(b) the Person formed by or surviving any such consolidation or merger (if other than TWI, such other Parent Guarantor or such Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of TWI, such other Parent Guarantor or such Company under the Notes, the Guarantee, if applicable, and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(c) immediately after such transaction no Default or Event of Default exists; and

(d) TWI, such other Parent Guarantor or such Company, or the Person formed by or surviving any such consolidation or merger (if other than TWI or such Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

TWI, the other Parent Guarantors and the Companies shall not, directly or indirectly, lease all or substantially all of their respective properties or assets, in one or more related transactions, to any other Person.

The Person formed by or surviving any consolidation or merger (if other than TWI, such other Parent Guarantor or such Company) will succeed to, and be substituted for, and may exercise every right and power of TWI, such other Parent Guarantor and such Company under this Indenture.

Section 5.02. Successor Corporation Substituted.

Except as described with respect to the release of Guarantees of Guarantors pursuant to Article 10, the Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of the Companies or a Guarantor, as applicable, under this Indenture; provided, however, that the predecessor entity shall not be released from any of the obligations or covenants under this Indenture, including with respect to the payment of the Notes and obligations under the Guarantee, as the case may be, in the case of a sale, transfer, assignment, conveyance or other disposition (unless such sale, transfer, assignment, conveyance or other disposition is of all or substantially all of the assets of the Companies, taken as a whole).

ARTICLE 6.

DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

Each of the following constitutes an "Event of Default" with respect to the Notes:

(a) default for 30 days in the payment when due of interest on, or Additional Interest with respect to, the Notes (whether or not prohibited by Article 12 hereof);

(b) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by Article 12 hereof);

(c) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries to comply with the provisions described under Section 5.01;

(d) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries for 30 days after notice to comply with the provisions described under Section 4.10, Section 4.12 or Section 4.17;

(e) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries for 60 days after notice to comply with any of their other agreements in this Indenture or the Notes;

(f) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by a Guarantor, the Companies or any of their respective Restricted Subsidiaries (or the payment of which is guaranteed by a Guarantor, the Companies or any of their respective Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

(i) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(ii) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the outstanding principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(g) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(h) except as permitted by this Indenture, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Guarantee; and

(i) the Companies, the Parent Guarantors or any of their respective Restricted Subsidiaries that are Significant Subsidiaries or any group of such Subsidiaries that, when taken together, would constitute a Significant Subsidiary of TWI pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or gives notice of intention to make a proposal under any Bankruptcy Law;

(B) consents to the entry of an order for relief against it in an involuntary case or consents to its dissolution or winding up;

(C) consents to the appointment of a receiver, interim receiver, receiver and manager, liquidator, trustee or custodian of it or for all or substantially all of its property;

(D) makes a general assignment for the benefit of its creditors; or

(E) admits in writing its inability to pay its debts as they become due or otherwise admits its insolvency; and

(j) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Companies, the Parent Guarantors or any of their respective Restricted Subsidiaries that are Significant Subsidiaries or any group of such Subsidiaries that, when taken together, would constitute a Significant Subsidiary of TWI in an involuntary case; or

(B) appoints a receiver, interim receiver, receiver and manager, liquidator, Trustee or custodian of the Companies, the Parent Guarantors or any of their respective Restricted Subsidiaries that are Significant Subsidiaries or any group of such Subsidiaries that, when taken together, would constitute a Significant Subsidiary of TWI or for all or substantially all of the property of the Companies, the Parent Guarantors or any of their respective Restricted Subsidiaries that are Significant Subsidiaries or any group of such Subsidiaries that, when taken together, would constitute a Significant Subsidiary of TWI; or

(C) orders the liquidation of the Companies, the Parent Guarantors or any of their respective Restricted Subsidiaries that are Significant Subsidiaries or any group of such Subsidiaries that, when taken together, would constitute a Significant Subsidiary of TWI; and

and such order or decree remains unstayed and in effect for 60 consecutive days.

Section 6.02. Acceleration.

If any Event of Default (other than those of the type described in Section 6.01(i) or (j)) occurs and is continuing, the Trustee may, and the Trustee upon the request of Holders of 25% in principal amount of the outstanding Notes shall, or the Holders of at least 25% in principal amount of outstanding Notes may, declare the principal of all the Notes, together with all accrued and unpaid interest, premium, if any, to be due and payable by

notice in writing to the Companies and the Trustee specifying the respective Event of Default and that such notice is a notice of acceleration (the "Acceleration Notice"), and the same shall become immediately due and payable.

In the case of an Event of Default specified in Section 6.01 (i) or (j), all outstanding Notes shall become due and payable immediately without any further declaration or other act on the part of the Trustee or the Holders. Holders may not enforce this Indenture or the Notes except as provided in this Indenture.

At any time after a declaration of acceleration with respect to the Notes, the Holders of a majority in principal amount of the Notes then outstanding (by notice to the Trustee) may rescind and cancel such declaration and its consequences if:

(a) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction;

(b) all existing Defaults and Events of Default have been cured or waived except nonpayment of principal of or interest on the Notes that has become due solely by reason of such declaration of acceleration;

(c) to the extent the payment of such interest is lawful, interest (at the same rate specified in the Notes) on overdue installments of interest and overdue payments of principal which has become due otherwise than by such declaration of acceleration has been paid;

(d) the Companies have paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances; and

(e) in the event of the cure or waiver of an Event of Default of the type described in Section 6.01(i) or (j), the Trustee has received an Officers' Certificate and Opinion of Counsel that such Event of Default has been cured or waived.

Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies shall be cumulative to the extent permitted by law.

Section 3.04. Waiver of Defaults.

The Holders of at least a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes, waive any existing Default or Event of Default, and its consequences, except a continuing Default or Event of Default (i) in the payment of the principal of, premium, if any, or interest or Additional Interest, if any, on the Notes and (ii) in respect of a covenant or provision which under this Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment. In the event of any Event of Default specified in clause (f) of Section 6.01, such Event of Default and all consequences of that Event of Default, including without limitation any acceleration or resulting payment default, shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if within 60 days after the Event of Default arose:

(a) the Indebtedness that is the basis for the Event of Default has been discharged;

(b) the holders of such Indebtedness have rescinded or waived the acceleration, notice or action, as the case may be, giving rise to the Event of Default; or

(c) the default that is the basis for such Event of Default has been cured.

Upon any waiver of a Default or Event of Default, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed cured for every purpose of this Indenture but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.05. Control by Majority.

Subject to Section 7.01, Section 7.02(f), Section 7.02(i) (including the Trustee's receipt of the security or indemnification described therein) and Section 7.07 hereof, in case an Event of Default shall occur and be continuing, the Holders of at least a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes. The Trustee shall be entitled to take any other action deemed proper by the Trustee which is not inconsistent with such direction or this Indenture.

Section 6.06. Limitation on Suits.

No Holder shall have any right to institute any proceeding with respect to this Indenture, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless:

(a) such Holder has previously given to the Trustee written notice of a continuing Event of Default or the Trustee receives the notice from the Companies,

(b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding have made written request and offered reasonable indemnity to the Trustee to institute such proceeding as Trustee, and

(c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Notes then outstanding a written direction inconsistent with such request and shall have failed to institute such proceeding within 60 days.

The preceding limitations shall not apply to a suit instituted by a Holder for enforcement of payment of principal of, and premium, if any, or interest on, a Note on or after the respective due dates for such payments set forth in such Note.

A Holder may not use this Indenture to affect, disturb or prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.07. Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture (including Section 6.06) other than as set forth in Article 12 hereof, the right of any Holder to receive payment of principal, premium, if any, and interest on the Notes held by such Holder, on or after the respective due dates expressed in the Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee shall be authorized to recover judgment in its own name and as Trustee of an express trust against the Companies for the whole amount of principal of, premium, if any, and interest then due and owing (together with interest on

overdue principal and, to the extent lawful, interest) and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee shall be authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Companies (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, moneys, securities and any other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities.

Subject to Article 12 hereof, if the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively; and

Third: to the Companies or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 shall not apply to a suit by the Trustee, a suit by the Companies, a suit by a Holder pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7.

TRUSTEE

Section 7.01. Duties of Trustee

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Companies. Money held in trust by the Trustee need not be segregate from other funds except to the extent required by law.

Section 7.02. Rights of Trustee.

Subject to TIA Section 315:

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in any such document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(d) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Companies shall be sufficient if signed by an Officer of each of the Companies.

(e) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee from the Companies or the Holders of 25% in aggregate principal amount of the outstanding Notes, and such notice references the specific Default or Event of Default, the Notes and this Indenture.

(f) The Trustee shall not be required to give any bond or surety in respect of the performance of its power and duties hereunder.

(g) The Trustee shall have no duty to inquire as to the performance of the Companies' covenants herein.

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(i) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(j) The rights, privileges, immunities and benefits given to the Trustee hereunder, including without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed by the Trustee consistent with the terms of this Indenture to act hereunder.

(k) Any permissive right or authority granted to the Trustee shall not be construed as a mandatory duty.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Companies or any Affiliate of the Companies with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee or resign. Any Agent may do the same with like rights and duties. The Trustee shall also be subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Companies' use of the proceeds from the Notes or any money paid to the Companies or upon the Companies' direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and

it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest or Additional Interest, if any, on any Note, the Trustee may withhold the notice if it determines that withholding the notice is in the interests of the Holders.

Section 7.06. Reports by Trustee to Holders.

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2) to the extent applicable. The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders shall be mailed to the Companies and filed with the Commission and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Companies shall promptly notify the Trustee when the Notes are listed on any stock exchange and any delisting thereof.

Section 7.07. Compensation and Indemnity.

The Companies shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Companies shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Companies shall indemnify the Trustee (in its capacity as Trustee) or any predecessor Trustee (in its capacity as Trustee) against any and all losses, claims, damages, penalties, fines, liabilities or expenses, including incidental and out-of-pocket expenses and reasonable attorneys fees (for purposes of this Article, "losses") incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Companies (including this Section 7.07) and defending itself against any claim (whether asserted by the Companies or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent such losses may be attributable to its negligence, bad faith or willful misconduct. The Trustee shall notify the Companies promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Companies shall not relieve the Companies of its obligations hereunder, to the extent the Companies have not been materially prejudiced thereby. The Companies shall defend the claim, and the Trustee shall cooperate in the defense. The Trustee may have separate counsel if the Trustee has been reasonably advised by counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Companies and in the reasonable judgment of such counsel it is advisable for the Trustee to engage separate counsel, and the Companies shall pay the reasonable fees and expenses of such separate counsel. The Companies need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The Companies need not reimburse any expense or indemnify against any loss incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith.

The obligations of the Companies under this Section 7.07 shall survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee and payment in full of the Notes through the expiration of the applicable statute of limitations.

To secure the Companies' payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(i) or (j) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.08. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign in writing at any time upon 30 days' prior notice to the Companies and be discharged from the trust hereby created by so notifying the Companies. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Companies in writing. The Companies may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Companies shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Companies.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Companies, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Companies. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. Subject to the Lien provided for in Section 7.07 hereof, the retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee; provided, however, that all sums owing to the Trustee hereunder shall have been paid. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Companies' obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

In the case of an appointment hereunder of a separate or successor Trustee with respect to the Notes, the Companies, the Guarantors, any retiring Trustee and each successor or separate Trustee with respect to the Notes shall execute and deliver a supplemental indenture hereto (1) which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of any retiring Trustee with

respect to the Notes as to which any such retiring Trustee is not retiring shall continue to be vested in such retiring Trustee and (2) that shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustee co-trustees of the same trust and that each such separate, retiring or successor Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any such other Trustee.

Section 7.09. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or banking association, the successor corporation or banking association without any further act shall, if such successor corporation or banking association is otherwise eligible hereunder, be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

There shall at all times be a Trustee hereunder that is a Person organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50.0 million (or a wholly-owned subsidiary of a bank or trust company, or of a bank holding company, the principal subsidiary of which is a bank or trust company having a combined capital and surplus of at least $50.0 million) as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

Section 7.11. Preferential Collection of Claims Against Companies.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Companies may, at their option and at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth in this Article 8.

Section 8.02. Legal Defeasance and Discharge.

Upon the Companies' exercise under Section 8.01 of the option applicable to this Section 8.02, the Companies shall, subject to the satisfaction of the conditions set forth in Section 8.04, be deemed to have been discharged from their obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance") and each Guarantor shall be released from all of its obligations under its Guarantee. For this purpose, Legal Defeasance means that the Companies shall be deemed to have paid and discharged the entire Debt represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all their other obligations under the Notes and this Indenture (and the Trustee, on demand of and at the expense of the Companies, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive, solely from the trust fund described in Section 8.04, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, or interest and Additional Interest, if any, on such Notes when such payments are due, (b) the Companies' obligations with respect to such Notes under

Article 2 and Sections 4.01 and 4.02, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Companies' and the Guarantors' obligations in connection therewith and (d) this Article 8. If the Companies exercise under Section 8.01 the option applicable to this Section 8.02, subject to the satisfaction of the conditions set forth in Section 8.04, payment of the Notes may not be accelerated because of an Event of Default. Subject to compliance with this Article 8, the Companies may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03.

Section 8.03. Covenant Defeasance.

Upon the Companies' exercise under Section 8.01 of the option applicable to this Section 8.03, the Companies shall, subject to the satisfaction of the conditions set forth in Section 8.04, be released from their obligations under the covenants contained in Sections 3.09 and 4.08 through 4.22 hereof, and the operation of Section 5.01(d), with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "Covenant Defeasance") and each Guarantor shall be released from all of its obligations under its Guarantee with respect to such covenants in connection with such outstanding Notes and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Companies may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. If the Companies exercise under Section 8.01 the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04, payment of the Notes may not be accelerated because of an Event of Default specified in clause (c) (with respect to the covenants contained in Section 5.01(d)), clause (d) (with respect to the covenants contained in Sections 3.09, 4.10, 4.12 and 4.17), clause (e) (with respect to the covenants contained in Sections 4.08, 4.09 and 4.11 through 4.22), (f), (g), (i) and (j) (but in the case of (i) and (j) of Section 6.01, with respect to Significant Subsidiaries only).

Section 8.04. Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.02 or 8.03 to the outstanding Notes.

Legal Defeasance or Covenant Defeasance may be exercised only if:

(a) the Companies irrevocably deposit or cause to be deposited with the Trustee, in trust (the "defeasance trust"), for the benefit of the Holders, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination of cash in U.S. dollars and non-callable U.S. Government Securities, in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or premium, if any, and interest and Additional Interest, if any, on the outstanding Notes on the Stated Maturity or on the next redemption date, as the case may be, and the Companies shall specify whether the Notes are being defeased to maturity or to such particular redemption date;

(b) in the case of Legal Defeasance under Section 8.02 hereof, the Companies shall deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (i) the Companies have received from, or there has been published by, the Internal Revenue Service a ruling or (ii) subsequent to the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance under Section 8.03 hereof, the Companies shall deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Companies or any Guarantor is a party or by which the Companies or any Guarantor is bound;

(f) the Companies shall deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Companies with the intent of preferring the Holders over other creditors of the Companies with the intent of defeating, hindering, delaying or defrauding such other creditors; and

(g) the Companies deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05. Deposited Cash and U.S. Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.06, all cash and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Companies acting as Paying Agent) as the Trustee may determine, to the Holders of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such cash and securities need not be segregated from other funds except to the extent required by law.

The Companies shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Companies from time to time upon the request of the Companies any cash or non-callable U.S. Government Securities held by it as provided in Section 8.04 which, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee (which may be the certification delivered under Section 8.04(a)), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06. Repayment to Companies.

The Trustee shall promptly, and in any event, no later than five (5) Business Days, pay to the Companies after request therefor, any excess money held with respect to the Notes at such time in excess of amounts required to pay any of the Companies' Obligations then owing with respect to the Notes.

Any cash or non-callable U.S. Government Securities deposited with the Trustee or any Paying Agent, or then held by the Companies, in trust for the payment of the principal, premium, if any, or interest on any Note and remaining unclaimed for one year after such principal, premium, if any, or interest has become due and

payable shall be paid to the Companies on its written request or (if then held by the Companies) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Companies for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Companies as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Companies cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining shall be repaid to the Companies.

Section 8.07. Reinstatement.

If the Trustee or Paying Agent is unable to apply any cash or non-callable U.S. Government Securities in accordance with Section 8.02 or 8.03, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Companies' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such cash and securities in accordance with Section 8.02 or 8.03, as the case may be; provided, however, that, if the Companies makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Companies shall be subrogated to the rights of the Holders to receive such payment from the cash and securities held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01. Without Consent of Holders of Notes.

Notwithstanding Section 9.02 hereof, without the consent of any Holders, the Companies, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the obligations of TWI, the other Parent Guarantors and the Companies to Holders in the case of a merger or consolidation or sale of all or substantially all of the assets of TWI, the other Parent Guarantors or the Companies;

(d) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder; or

(e) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA.

(f) to comply with the rules of any applicable securities depositary;

(g) to add Guarantees with respect to Notes or to secure the Notes;

(h) to add to the covenants of the Companies or any Guarantor for the benefit of the Holders or surrender any right or power conferred upon the Companies or any Guarantor;

(i) to evidence and provide for the acceptance and appointment under this Indenture of a successor trustee pursuant to the requirements hereof; or

(j) to conform the text of this Indenture or the Notes to any provision of the section of the Offering Memorandum entitled "Description of Notes" to the extent that such provision in the Description of Notes was intended to be a verbatim recitation of a provision of this Indenture, the Guarantees or the Notes.

Upon the request of the Companies accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Companies and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02. With Consent of Holders of Notes.

Except as provided below in this Section 9.02, the Companies, the Guarantors and the Trustee may amend or supplement this Indenture and the Notes with the consent of the Holders of at least a majority in aggregate principal amount of the Notes, including Additional Notes, if any, then outstanding voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and, subject to Sections 6.04 and 6.07, any existing Default or Event of Default (except a continuing Default or Event of Default in (i) the payment of principal, premium, if any, or interest on the Notes and (ii) in respect of a covenant or provision which under this Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes, including Additional Notes, if any, then outstanding voting as a single class (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

Upon the request of the Companies accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid and the documents described in Section 7.02 hereof, the Trustee will join with the Companies and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Without the consent of each Holder affected, an amendment or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions (and applicable definitions) of Sections 4.12 or 4.17;

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Interest, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of this Indenture (including applicable definitions) relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or interest or premium or Additional Interest, if any, on the Notes;

(g) waive a redemption payment with respect to any Note (other than a payment required by the provisions of Section 4.12 and Section 4.17 hereof);

(h) release any Guarantor from any of its obligations under its Guarantee or this Indenture, except in accordance with the provisions of Article 10 hereof;

(i) make any change to Article 12 (including applicable definitions) that would adversely affect the Holders; or

(j) make any change in this Section 9.02.

The Companies may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any supplemental indenture. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 120 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

It shall not be necessary for the consent of the Holders under Section 9.01 or this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under Section 9.01 or this Section 9.02 becomes effective, the Companies shall mail to the Holder of each Note affected thereby to such Holder's address appearing in the Security Register a notice briefly describing the amendment, supplement or waiver. Any failure of the Companies to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver.

Section 9.03. Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.

Section 9.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion thereof that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to its Note or portion thereof if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver shall become effective in accordance with its terms and thereafter shall bind every Holder.

Section 9.05. Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Companies in exchange for all Notes may issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. None of the Companies nor any Guarantor may sign an amendment or supplemental indenture until its board of directors (or committee serving a similar function) approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture and that such amended or supplemental indenture is the legal, valid and binding obligations of the Companies enforceable against them in accordance with its terms, subject to customary exceptions and that such amended or supplemental indenture complies with the provisions hereof (including Section 9.03).

ARTICLE 10.

GUARANTEES

Section 10.01. Guarantee.

Subject to this Article 10, the Guarantors hereby unconditionally guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns: (a) the due and punctual payment of the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, subject to any applicable grace period, whether at Stated Maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on the overdue principal of and premium, if any, and, to the extent permitted by law, interest and Additional Interest, if any, and the due and punctual performance of all other obligations of the Companies to the Holders or the Trustee under this Indenture, the Registration Rights Agreement or any other agreement with or for the benefit of the Holders or the Trustee, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration pursuant to Section 6.02, redemption or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

Each Guarantor hereby agrees that its obligations with regard to its Guarantee shall be joint and several, unconditional, irrespective of the validity or enforceability of the Notes or the obligations of the Companies under this Indenture, the absence of any action to enforce the same, the recovery of any judgment against the Companies or any other obligor with respect to this Indenture, the Notes or the Obligations of the Companies under this Indenture or the Notes, any action to enforce the same or any other circumstances (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, waives and relinquishes all claims, rights and remedies accorded by applicable law to guarantors and agrees not to assert or take advantage of any such claims, rights or remedies, including but not limited to:

(a) any right to require any of the Trustee, the Holders or the Companies (each a "Benefited Party"), as a condition of payment or performance by such Guarantor, to

(1) proceed against the Companies, any other guarantor (including any other Guarantor) of the Obligations under the Guarantees or any other Person,

(2) proceed against or exhaust any security held from the Companies, any such other guarantor or any other Person,

(3) proceed against or have resort to any balance of any deposit account or credit on the books of any Benefited Party in favor of the Companies or any other Person, or

(4) pursue any other remedy in the power of any Benefited Party whatsoever;

(b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Companies including any defense based on or arising out of the lack of validity or the unenforceability of the Obligations under the Guarantees or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Companies from any cause other than payment in full of the Obligations under the Guarantees;

(c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(d) any defense based upon any Benefited Party's errors or omissions in the administration of the Obligations under the Guarantees, except behavior which amounts to bad faith;

(e) (1) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of the Guarantees and any legal or equitable discharge of such Guarantor's obligations hereunder,

(2) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof,

(3) any rights to set-offs, recoupments and counterclaims, and

(4) promptness, diligence and any requirement that any Benefited Party protect, secure, perfect or insure any security interest or lien or any property subject thereto;

(f) notices, demands, presentations, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of the Guarantees, notices of Default under the Notes or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Obligations under the Guarantees or any agreement related thereto, and notices of any extension of credit to the Companies and any right to consent to any thereof;

(g) to the extent permitted under applicable law, the benefits of any "One Action" rule and

(h) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of the Guarantees. Except to the extent expressly provided herein, including Sections 8.02, 8.03 and 10.05, each Guarantor hereby covenants that its Guarantee shall not be discharged except by complete performance of the obligations contained in its Guarantee and this Indenture.

If any Holder or the Trustee is required by any court or otherwise to return to the Companies, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Companies or the Guarantors, any amount paid by either to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Section 6.02 hereof for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (y) in the event of any declaration of acceleration of such obligations as provided in Section 6.02 hereof, such obligations (whether or not due and payable) shall

forthwith become due and payable by the Guarantors for the purpose of this Guarantee. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Guarantee.

Section 10.02. Limitation on Guarantor Liability.

(a) Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that each Guarantor's liability shall be that amount from time to time equal to the aggregate liability of such Guarantor under the Guarantee, but shall be limited to the lesser of (a) the aggregate amount of the Companies' obligations under the Notes and this Indenture or (b) the amount, if any, which would not have (1) rendered the Guarantor "insolvent" (as such term is defined in the Federal Bankruptcy Code and in the Debtor and Creditor Law of the State of New York) or (2) left it with unreasonably small capital at the time its Guarantee with respect to the Notes was entered into, after giving effect to the incurrence of existing Indebtedness immediately before such time; provided, however, it shall be a presumption in any lawsuit or proceeding in which a Guarantor is a party that the amount guaranteed pursuant to the Guarantee with respect to the Notes is the amount described in clause (a) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or Trustee in bankruptcy of the Guarantor, otherwise proves in a lawsuit that the aggregate liability of the Guarantor is limited to the amount described in clause (b).

(b) In making any determination as to the solvency or sufficiency of capital of a Guarantor in accordance with the proviso of Section 10.02(a), the right of each Guarantor to contribution from other Guarantors and any other rights such Guarantor may have, contractual or otherwise, shall be taken into account.

Section 10.03. Execution and Delivery of Guarantee.

To evidence its Guarantee set forth in Section 10.01, each Guarantor hereby agrees that a notation of such Guarantee in substantially the form included in Exhibit E attached hereto shall be endorsed by the Chief Executive Officer, President, Chief Financial Officer or any Vice President of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of such Guarantor by its Chief Executive Officer, President, Chief Financial Officer or any Vice President.

Each Guarantor hereby agrees that its Guarantee set forth in Section 10.01 shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

If an Officer whose signature is on this Indenture or on the Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Guarantee is endorsed, the Guarantee shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantors.

The Companies hereby agree that they shall cause each Person that becomes obligated to provide a Guarantee pursuant to Section 4.18 to execute a supplemental indenture in form and substance reasonably satisfactory to the Trustee, pursuant to which such Person provides the guarantee set forth in this Article 10 and otherwise assumes the obligations and accepts the rights of a Guarantor under this Indenture, in each case with the same effect and to the same extent as if such Person had been named herein as a Guarantor. The Companies also hereby agree to cause each such new Guarantor to evidence its guarantee by endorsing a notation of such guarantee on each Note as provided in this Section 10.03.

Section 10.04. Guarantors May Consolidate, etc., on Certain Terms.

Except as otherwise provided in Section 10.05, no Subsidiary Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the Surviving Person), another Person, other than a Company or another Subsidiary Guarantor, unless:

(a) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(b) either:

(i) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under this Indenture, its Guarantee and the Registration Rights Agreement pursuant to a supplemental indenture satisfactory to the Trustee; or

(ii) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Companies and delivered to the Trustee. All the Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5, and notwithstanding clauses (a) and (b) above, nothing contained in this Indenture or in any of the Notes shall prevent any consolidation or merger of a Guarantor with or into the Companies or another Guarantor, or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Companies or another Guarantor.

Section 10.05. Releases Following Merger, Consolidation or Sale of Assets, etc.

The Guarantee of a Subsidiary Guarantor shall be released:

(a) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of TWI, if the sale or other disposition complies with Section 4.12 hereof;

(b) in connection with any sale of all of the Capital Stock of a Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of TWI, if the sale complies with Section 4.12 hereof;

(c) if TWI designates any Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with Section 4.16 hereof; or

(d) to the extent provided under Section 8.02, 8.03 and 11.01 hereof.

Upon delivery by the Companies to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such designation, sale or other disposition was made by the Companies in accordance with

the provisions of this Indenture, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Guarantee.

Any Guarantor not released from its obligations under its Guarantee shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 10.

ARTICLE 11.

SATISFACTION AND DISCHARGE

Section 11.01. Satisfaction and Discharge.

This Indenture shall be discharged and shall cease to be of further effect, except as to surviving rights of registration of transfer or exchange of the Notes, as to all Notes issued hereunder, when:

(a) either:

(i) all Notes that have been previously authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has previously been deposited in trust and thereafter repaid to the Companies) have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Companies have irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination of cash in U.S. dollars and non-callable U.S. Government Securities, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit, and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which either Company or any Guarantor is a party or by which either Company or any Guarantor is bound;

(c) any Company or any Guarantor shall have paid or caused to be paid all sums payable by it hereunder;

(d) the Companies have delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at Stated Maturity or the redemption date, as the case may be; and

(e) the Companies shall have delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent relating to the satisfaction and discharge of this Indenture have been satisfied.

Section 11.02. Deposited Cash and U.S. Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 11.03, all cash and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 11.02, the "Trustee") pursuant to Section 11.01 hereof in respect of the outstanding Notes shall be held in trust and

applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Companies acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such cash and securities need not be segregated from other funds except to the extent required by law.

The Companies shall pay and indemnify the Trustee against any tax, fee or other charge imposed or assessed against the Trustee with respect to money deposited with the Trustee pursuant to Section 11.01 hereof.

Section 11.03. Repayment to Companies.

Any cash or non-callable U.S. Government Securities deposited with the Trustee or any Paying Agent, or then held by the Companies, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Companies on its request or (if then held by the Companies) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Companies for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Companies as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Companies cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining shall be repaid to the Companies.

ARTICLE 12.

SUBORDINATION

Section 12.01. Agreement to Subordinate.

The Companies and each Guarantor agree, and each Holder by accepting a Note agrees, that the Indebtedness evidenced by, and all "payments" on and "distributions" on or with respect to, the Notes (including any obligation to repurchase the Notes) and any Guarantees, is subordinated in right of payment, to the extent and in the manner provided in this Article 12, to the prior payment in full in cash of all Senior Debt (including interest, fees and expenses after the commencement of any bankruptcy proceeding as specified in the documents evidencing the applicable Senior Debt, whether or not recoverable in such a proceeding, outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed). This Article 12 shall constitute a continuing agreement with all Persons who become holders of, or continue to hold Senior Debt, and such provisions are made for the benefit of the holders of Senior Debt.

Section 12.02. Liquidation; Dissolution; Bankruptcy.

Upon any payment or distribution of the assets of the Companies or a Guarantor to creditors of the Companies or the relevant Guarantor (1) in a total or partial liquidation or dissolution of any Company or any Guarantor, (2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to any Company or any Guarantor or their respective properties (a "Proceeding"), (3) in an assignment for the benefit of creditors by any Company or any Guarantor or (4) in any marshaling of any Company's or any Guarantor's assets and liabilities, the holders of Senior Debt shall be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest, fees and expenses after the commencement of any such proceeding as specified in the documents evidencing the applicable Senior Debt, whether or not the claim for such interest, fees and expenses are allowed as a claim in such proceeding), before the Holders shall be entitled to receive any payment or distribution with respect to the Notes or Guarantees, and until all Obligations with respect to Senior Debt are paid in full in cash, any payment or distribution to which the Holders would be entitled but for this Article 12 shall be made to the holders of Senior Debt (except that Holders may receive and retain Permitted Junior Securities and payments made from the trust described under Article 8 or Section 11.02 if such funds were deposited in accordance with, and to the extent permitted by, this Article 12).

Section 12.03. Default on Designated Senior Debt.

(a) Neither the Companies nor any Guarantor may make any payment in respect of the Notes (except in Permitted Junior Securities or from the trust described under Article 8 and Article 11 hereof) if:

(1) a payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such other default (a "Payment Blockage Notice") from the holders of that series of Designated Senior Debt or any agent or representative thereof.

(b) Payments on the Notes or the Guarantees may and shall be resumed:

(1) in the case of a payment default on Designated Senior Debt, upon the date on which such default is cured or waived; and

(2) in the case of a default (other than a payment default) on Designated Senior Debt, upon the earlier of the date on which such default (other than a payment default) is cured or waived, or such Designated Senior Debt is defeased or retired, or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

(c) No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice.

(d) No default (other than a payment default) that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90 days.

Section 12.04. Acceleration of Notes.

If payment of the Notes is accelerated because of an Event of Default, the Trustee and the Companies shall promptly notify holders of Senior Debt (including, without limitation, the agent under the Credit Agreement) or the Representative of the acceleration.

Section 12.05. When Distribution Must Be Paid Over.

In the event that the Trustee receives or is holding, or any Holder receives, any payment or distribution with respect to the Notes or any Guarantee of the Notes (except in Permitted Junior Securities or from the trust described under Article 8 or Section 11.02), and (a) such payment is prohibited by Section 12.02 or 12.03 hereof, and (b) in the event that the Trustee receives or is holding such payment, the Trustee has actual knowledge that the payment is prohibited, such payment or distribution shall be held by the Trustee or such Holder, as the case may be, in trust for the benefit of, and, upon written request of the holders of the Senior Debt, shall be paid forthwith over and delivered to, the holders of Senior Debt as their interests may appear or their Representative under the Credit Agreement or other agreement (if any) pursuant to which Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all Obligations with respect to the Senior Debt remaining unpaid to the extent necessary to pay such Obligations in full in cash in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 12, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The

Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall mistakenly pay over or distribute to or on behalf of Holders or the Companies, any Guarantor, or any other Person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 12, unless a Responsible Officer of the Trustee has received a Payment Blockage Notice and such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

Section 12.06. Notice by the Companies.

The Companies shall promptly notify the Trustee and the Paying Agent of any facts known to the Companies that would cause a payment of any Obligations with respect to the Notes or guarantees to violate this Article 12, but failure to give such notice shall not affect the subordination of the Notes or the guarantees to the Senior Debt as provided in Article 12.

Section 12.07. Subrogation.

After all Senior Debt is paid in full in cash and until the Notes are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt. A distribution made under this Article 12 to holders of Senior Debt that otherwise would have been made to Holders is not, as between the Companies and Holders, a payment by the Companies on the Notes.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article 12 shall have been applied, pursuant to the provisions of this Article 12, to the payment of all amounts payable under the Senior Debt, then and in such case the Holders shall be entitled to receive from the holders of such Senior Debt at the time outstanding any payments or distributions received by such holders of such Senior Debt in excess of the amount sufficient to pay all amounts payable under or in respect of such Senior Debt in full in cash; provided, however, that such payments or distributions shall be paid first pro rata to Holders that previously paid amounts and then pro rata to all Holders.

Section 12.08. Relative Rights.

This Article 12 defines the relative rights of Holders and holders of Senior Debt. Nothing in this Indenture shall:

(a) impair, as between the Companies and Holders, the Obligation of the Companies, which is absolute and unconditional, to pay principal, premium and interest on the Notes in accordance with their terms;

(b) affect the relative rights of Holders and creditors of the Companies other than their rights in relation to holders of Senior Debt; or

(c) prevent the Trustee or any Holder from exercising its available remedies upon a Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to Holders.

If the Companies fail because of this Article 12 to pay principal, premium and interest on a Note on the due date, the failure is still a Default.

Section 12.09. Subordination May Not Be Impaired by the Companies.

No right of any Holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Companies or by the failure of the Companies to comply with this Indenture.

Subject to the other provisions of this Indenture, the holders of the Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders, without incurring responsibility to the Holders, and without impairing or releasing the subordination provided in this Article 12, or the obligations hereunder of the Holders to the holders of the Senior Debt, do any one or more of the following: (a) change in the manner, place, or terms of payment, or extend the time of payment of, or renew or alter, Senior Debt or any instrument evidencing the same or any agreement under which the Senior Debt is outstanding or secured; (b) sell, exchange, release, or otherwise deal with any property pledged, mortgaged, or otherwise securing the Senior Debt; (c) release any Person liable in any manner for the collection of Senior Debt; and (d) exercise or refrain from exercising any rights against the Companies, the Guarantor or any other Person; provided, however, that this provision shall not in any way permit the Companies or any Guarantor to take any action otherwise prohibited by this Indenture.

Section 12.10. Distribution or Notice to Representative.

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Companies or any Guarantor referred to in this Article 12, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of the Representative for the purpose of ascertaining the Persons entitled to participate in such distribution (so long as the existence of the subordination provisions of this Article 12 have been brought to the attention of such court or Representative), the holders of the Senior Debt and other Indebtedness of the Companies, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 12.

Section 12.11. Rights of Trustee and Paying Agent.

Notwithstanding the provisions of this Article 12 or any other provision of this Indenture, the Trustee shall not be charged with knowledge or notice of the existence of any facts that would prohibit the making of any payment to or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless and until the Trustee shall have received at the Corporate Trust Office of the Trustee no later than three (3) Business Days prior to the due date of such payment written notice of facts that would cause the payment of any principal, premium and interest with respect to the Notes to violate this Article 12 and, prior to the receipt of any such written notice, the Trustee, shall be entitled in all respects conclusively to presume that no such fact exists. Unless the Trustee shall have received the notice provided for in the preceding sentence, the Trustee shall have full power and authority to receive such payment and to apply the same to the purpose for which it was received, and shall not be affected by any notice to the contrary which may be received by it on or after such date. Notice may be given by the Companies, a Representative, any holder of Senior Debt, the Paying Agent or the Registrar. Nothing in this Article 12 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 12.12. Authorization to Effect Subordination.

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to acknowledge and effectuate the subordination as provided in this Article 12, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, a Representative of Designated Senior Debt is hereby authorized to file an appropriate claim for and on behalf of the Holders and the Trustee shall have no liability therefor.

Section 12.13. Trust Moneys Not Subordinated.

Notwithstanding anything contained herein to the contrary, payments from cash or the proceeds of U.S. Government Securities held in trust under Article 8 or Section 11.02 hereof by the Trustee (or other qualifying trustee) not in violation of Section 12.03 hereof for the payment of principal of (and premium, if any) and interest on the Notes shall not be subordinated to the prior payment of any Senior Debt or subject to the restrictions set forth in this Article 12, and none of the Holders shall be obligated to pay over any such amount to the Companies or any Holder of Senior Debt or any other creditor of the Companies.

Section 12.14. Payment and Distribution.

For purposes of this Article 12, the term "payment" and/or "distribution" means any payment or distribution (whether direct or indirect, whether in cash, property, securities, or otherwise, and whether obtained or distributed by set-off, liquidation, bankruptcy distribution, settlement, or otherwise) made by any Person (including, without limitation, any payments or distributions made pursuant to Section 4.17 or by any court or governmental body or agency, any trustee in bankruptcy, or any liquidating trustee) with respect to any Note or any guarantees or otherwise under this Indenture, including, without limitation, payment of principal, premium or interest, on the Notes or any payments under or with respect to any note guarantees, any depositing of funds with the Trustee or any Paying Agent (including, without limitation, a deposit in respect of defeasance or redemption, any payment on account of any optional or mandatory redemptions or repurchase provisions, any payment or recovery on any claim under this Indenture, any Guarantees, any Note, or relating to or arising out of the offer, sale, or purchase of any Note (whether for rescission or damages and whether based on contract, tort, duty imposed by law, or any other theory of liability); provided that, for the purposes of this Article 12, all Obligations now or hereafter existing under any Senior Debt (including, without limitation, the Credit Agreement, any Hedging Obligations or agreements with respect to the issuance of letters of credit) shall not be deemed to have been paid in full unless the holders thereof shall have received payment in full and all commitments thereunder and all letters of credit issued thereunder have expired.

Section 12.15. No Claims.

No Holder of Notes shall have any claim to any property or assets of the Companies, any Guarantor, or any Subsidiary of the Companies or any Guarantor, unless and until the Senior Debt shall have been fully paid in cash.

Section 12.16. Acknowledgement of Holders.

Each holder of Notes by accepting a Note or a guarantee acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and consideration to each holder of Senior Debt, whether such Senior Debt was created or acquired before or after the issuance of the Notes or the guarantees, to acquire and continue to hold, or to continue to hold, such Senior Debt, and such holder of Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

ARTICLE 13.

MISCELLANEOUS

Section 13.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the provision required by the TIA shall control.

Section 13.02. Notices.

Any notice or communication by the Companies or the Trustee to the other is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next-day delivery, to the other's address:

If to the Companies:

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
Attention: Chief Financial Officer
Telecopier No.: (859) 514-4422

With a copy to:

Bingham McCutchen LLP
150 Federal Street
Boston, Massachusetts 02110-1726
Attention: John Utzschneider, Esq.
Telecopier No.: (617) 951-8736

If to the Trustee:

Wells Fargo Bank Minnesota,
National Association
Corporate Trust Offices
213 Court Street, Suite 703
Middletown , Connecticut 06457
Telecopier No.: (860) 704-6219

The Companies or the Trustee, by notice to the other, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to the Trustee or Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if sent by facsimile transmission; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next-day delivery. All notices and communications to the Trustee or Holders shall be deemed duly given and effective only upon receipt.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next-day delivery to its address shown on the Security Register. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Companies mail a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 13.03. Communication by Holders of Notes with Other Holders of Notes.

Holders may communicate pursuant to TIA Section312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Companies, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 13.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Companies to the Trustee to take any action under any provision of this Indenture, the Companies shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

Section 13.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section314(a)(4)) shall comply with the provisions of TIA Section314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

With respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate, certificates of public officials or reports or opinions of experts.

Section 13.06. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.07. No Personal Liability of Directors, Officers, Employees and Stockholders.

No past, present or future director, officer, employee, incorporator or stockholder of the Companies or any Guarantor, as such, shall have any liability for any obligations of the Companies or of the Guarantors under the Notes, this Indenture, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver and release may not be effective to waive or release liabilities under the federal securities laws.

Section 13.08. Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Companies or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10. Successors.

All covenants and agreements of the Companies in this Indenture and the Notes shall bind its successors. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

Section 13.11. Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.12. Counterpart Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.13. Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and Headings in this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

Section 13.14. Qualification of this Indenture

The Companies shall qualify this Indenture under the TIA in accordance with the terms and conditions of any Registration Rights Agreement and shall pay all reasonable costs and expenses (including attorneys' fees and expenses for the Companies, the Trustee and the Holders) incurred in connection therewith, including, but not limited to, costs and expenses of qualification of this Indenture and the Notes and printing this Indenture and the Notes. The Trustee shall be entitled to receive from the Companies any such Officers' Certificates, Opinions of Counsel or other documentation as it may reasonably request in connection with any such qualification of this Indenture under the TIA.

[Signatures on following page]

SIGNATURES

Dated as of August 15, 2003

TEMPUR-PEDIC, INC.

By: /s/ H. Thomas Bryant

Name: H. Thomas Bryant
Title: Chief Executive Officer

TEMPUR PRODUCTION USA, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President

TWI HOLDINGS, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

TEMPUR WORLD HOLDINGS INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

TEMPUR MEDICAL, INC.

By: /s/ Jeffrey T. Lillich

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

TEMPUR-PEDIC, DIRECT RESPONSE, INC.

By: /s/ Jeffrey T. Lillich

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

Trustee:

Wells Fargo Bank Minnesota, National Association

By: /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

EXHIBIT A

(Face of Note)

10 1/4% SENIOR SUBORDINATED NOTES DUE 2010

CUSIP_____

No._____ $_____

TEMPUR-PEDIC, INC.

TEMPUR PRODUCTION USA, INC.

promises to pay to CEDE & CO., INC. or registered assigns, the principal sum of _____ Dollars ($_____) on August 15, 2010.

Interest Payment Dates: February 15 and August 15, commencing February 15, 2004.

Record Dates: February 1 and August 1.

Dated: _____, 20[ ].

IN WITNESS WHEREOF, the Companies have caused this Note to be signed manually or by facsimile by its duly authorized officer.

Tempur-Pedic, Inc.

By:

Name: Dale E. Williams
Title: Chief Financial Officer and Secretary

Tempur Production USA, Inc.

By:

Name: Robert B. Trussell, Jr.
Title: President

This is one of the Global Notes referred to in the within-mentioned Indenture:

Wells Fargo Bank Minnesota,
National Association,
as Trustee

By:

Authorized Signatory

Dated: August 15, 2003

(Back of Note)

10 1/4% SENIOR SUBORDINATED NOTES DUE 2010

[Insert the Global Note Legend, if applicable pursuant to the terms of this Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the terms of this Indenture]

[Insert the Regulation S Temporary Global Note Legend, if applicable pursuant to the terms of this Indenture]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. Tempur-Pedic, Inc. and Tempur Production USA, Inc. (the "Companies"), promise to pay interest on the principal amount of this Note at 10 1/4% per annum until maturity and shall pay Additional Interest, if any, as provided in Section 5 of the Registration Rights Agreement. The Companies shall pay interest semi-annually on February 15 and August 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from August 15, 2003; provided, however, that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be February 15, 2004. The Companies shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time at a rate that is 1% per annum in excess of the interest rate then in effect under the Indenture and this Note; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Interest, if any (without regard to any applicable grace periods), from time to time at the same rate to the extent lawful. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Companies shall pay interest on the Notes (except defaulted interest) to the Persons in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the February 1 or August 1 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, premium, if any, and interest and Additional Interest, if any, at the office or agency of the Companies maintained for such purpose, or, at the option of the Companies, payment of interest may be made by check mailed to the Holders at their addresses set forth in the Security Register; provided, however, that payment by wire transfer of immediately available funds shall be required with respect to principal of and interest and Additional Interest, if any, and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Companies or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, Wells Fargo Bank Minnesota, National Association, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Companies may change any Paying Agent or Registrar without notice to any Holder. The Companies or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Companies issued the Notes under an Indenture dated as of August 15, 2003 ("Indenture") among the Companies, the guarantors party thereto (the "Guarantors") and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

5. Optional Redemption.

(a) Except as set forth in clause (b) or clause (c) of this Paragraph 5, the Notes will not be redeemable at the option of the Companies prior to August 15, 2007. On or after August 15, 2007, the Companies may redeem all or a portion of the Notes after giving the required notice under the Indenture at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Interest, if any, on the Notes redeemed, to the applicable redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date), if redeemed during the twelve-month period commencing on August 15 of the years indicated below:

Year	Percentage
2007	105.125%
2008	102.563%
2009 and thereafter	100.000%

(b) At any time and from time to time prior to August 15, 2006, the Companies may redeem up to 35% of the aggregate principal amount of the Notes (including Additional Notes) issued under the Indenture at a redemption price (expressed as a percentage of principal amount) equal to 110.25% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to the redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date) with the net cash proceeds of any Equity Offering that were contributed to the common equity capital of the Companies; provided, however, that (i) at least 65% of the aggregate principal amount of the Notes issued under the Indenture (excluding Notes held by the Parent Guarantors, any Company or their respective Subsidiaries) remains outstanding immediately after the occurrence of such redemption and (ii) any such redemption shall occur within 90 days of the closing of such Equity Offering.

(c) Notwithstanding the foregoing, at any time prior to August 15, 2007, the Companies may redeem all or any portion of the Notes, at once or over time, after giving the required notice under the Indenture, at a redemption price in cash equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed, and

(ii) the sum of the present values of (x) the redemption price of the Notes at August 15, 2007 (as set forth in clause (a) above) and (y) the remaining scheduled payments of interest from the redemption date through August 15, 2007, but excluding accrued and unpaid interest through the redemption date, discounted to the redemption date (assuming a 360-day year consisting of twelve 30-day months), at the Treasury Rate plus 50 basis points.

(d) Any prepayment pursuant to this Paragraph 5 shall be made pursuant to the provisions of Sections 3.01 through 3.06 of the Indenture.

6. Mandatory Redemption. Except as set forth in Sections 4.12 and 4.17 of the Indenture, the Companies shall not be required to make mandatory redemption or sinking fund payments with respect to, or Offer to purchase, the Notes.

7. Repurchase at Option of Holder.

(a) Upon the occurrence of a Change of Control, each Holder shall have the right to require the Companies to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of such Holder's Notes (a "Change of Control Offer") at a purchase price, in cash, equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Interest, if any, on the Notes repurchased to the purchase date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest to, but excluding, the Purchase Date).

(b) If the Companies or one of their Restricted Subsidiaries consummate any Asset Sales, any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.12 of the Indenture will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Companies will make an offer to all Holders of Notes to purchase the maximum principal amount of Notes and, if the Companies are required to do so under the terms of any other Indebtedness that is pari passu with the Notes, such other Indebtedness on a pro rata basis with the Notes, that may be purchased out of the Excess Proceeds (an "Asset Sale Offer"). The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of the purchase of all properly tendered and not withdrawn Notes pursuant to an Asset Sale Offer, the Companies may use such remaining Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Companies prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. Notice of Redemption. Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. This Note shall represent the aggregate principal amount of outstanding Notes from time to time endorsed hereon and the aggregate principal amount of Notes represented hereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Companies may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Companies need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Companies need not exchange or register the transfer of any Notes for a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Companies, the Guarantors and the Trustee may amend or supplement the Indenture and the Notes with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes, including Additional Notes, if any, then outstanding voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and, subject to Sections 6.04 and 6.07 of the Indenture, any existing Default or Event of Default (except a continuing Default or Event of Default in (i) the payment of principal, premium, if any, or interest on the Notes and (ii) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment) or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes, including Additional Notes, if any, then outstanding voting as a single class (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes).

Without the consent of any Holder, the Companies, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes to (a) cure any ambiguity, defect or inconsistency, (b) to provide for uncertificated Notes in addition to or in place of certificated Notes, (c) provide for the assumption of the obligations of TWI, the other Parent Guarantors and the Companies to Holders in the case of a merger or consolidation or sale of all or substantially all of the assets of TWI, the other Parent Guarantors or the Companies; (d) to make any

change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Indenture of any such Holder, (e) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA, (f) to comply with the rules of any applicable securities depositary, (g) to add Guarantees with respect to Notes or to secure the Notes, (h) to add to the covenants of the Companies or any Guarantor for the benefit of the Holders or surrender any right or power conferred upon the Companies or any Guarantor, (i) to evidence and provide for the acceptance and appointment under the Indenture of a successor trustee pursuant to the requirements thereof, or (j) to conform the text of the Indenture or the Notes to any provision of the section of the Offering Memorandum entitled "Description of the Notes" to the extent that such provision in the Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees or the Notes.

12. Defaults and Remedies. Each of the following is an Event of Default under the Indenture: (a) default for 30 days in the payment when due of interest on, or Additional Interest with respect to, the Notes (whether or not prohibited by Article 12 of the Indenture); (b) default in the payment when due of the principal of, or premium, if any, on, any of the Notes (whether or not prohibited by Article 12 of the Indenture); (c) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries to comply with Section 5.01 of the Indenture; (d) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries for 30 days after notice to comply with Section 4.10, 4.12 or Section 4.17 of the Indenture; (e) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiary for 60 days after notice to comply with any of their other agreements in the Indenture or the Notes; (f) a default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by a Guarantor, the Companies or any of their respective Restricted Subsidiaries (or the payment of which is guaranteed by a Guarantor, the Companies or any of their respective Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default (i) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"), or (ii) results in the acceleration of such Indebtedness prior to its express maturity, and in each case, the outstanding principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more; (g) failure by a Guarantor, the Companies or any of their respective Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (h) except as permitted by the Indenture, any Guarantee of a Guarantor shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf any Guarantor, shall deny or disaffirm its obligations under its Guarantee; and (i) certain events of bankruptcy, insolvency or reorganization affecting the Parent Guarantors, the Companies or any of their respective Restricted Subsidiaries that would constitute a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary of TWI.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency described in the Indenture, all outstanding Notes shall become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or Additional Interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default (i) in the payment of the principal of, premium, if any, or interest on, the Notes and (ii) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment. The Companies are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Companies are required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Subordination. Payment of principal, interest and premium and Additional Interest, if any, on the Notes is subordinated to the prior payment of Senior Debt on the terms provided in the Indenture.

14. Trustee Dealings with Companies. Subject to certain limitations, the Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Companies or any Affiliate of the Companies with the same rights it would have if it were not Trustee.

15. No Recourse Against Others. No past, present or future director, officer, employee, incorporator or stockholder of the Companies or of any Guarantor, as such, shall have any liability for any obligations of the Companies or any Guarantor under the Indenture, the Notes, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability.

16. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. Additional Rights of Holders of Restricted Global Notes and Restricted Definitive Notes. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes that are Initial Notes shall have all the rights set forth in the Registration Rights Agreement, dated as of August 15, 2003, between the Companies and the parties named on the signature pages thereto or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes shall have the rights set forth in one or more Registration Rights Agreement, if any, among the Companies and the other parties thereto, relating to rights given by the Companies to the purchasers of any Additional Notes.

19. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Companies has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Companies shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington Kentucky 40511
Attention: Chief Financial Officer
Telecopier No.: (859) 514-4422)

20. Governing Law. The internal law of the State of New York shall govern and be used to construe this Note without giving effect to applicable principals of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Companies pursuant to Section 4.12 or 4.17 of the Indenture, check the box below:

[ ] Section 4.12

[ ] Section 4.17

If you want to elect to have only part of the Note purchased by the Companies pursuant to Section 4.12 or Section 4.17 of the Indenture, state the amount you elect to have purchased: $_____

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the Note)

Tax Identification No.:

_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Assignment Form

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

_____

(Insert assignee's social security or other tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint_____
as agent to transfer this Note on the books of the Companies. The agent may substitute another to act for him.

_____

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:_____*

* Participant in a recognized Signature Guarantee Medallion Program.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
Attention: Chief Financial Officer

Wells Fargo Bank Minnesota, N.A.
Corporate Trust Services
213 Court Street, Suite 703
Middletown, CT 06457
Telecopier No.: 860-704-6219

Re: 10 1/4% Senior Subordinated Notes due 2010

Reference is hereby made to the Indenture, dated as of August 15, 2003 (the "Indenture"), among Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers (the "Companies"), the Guarantors party thereto and Wells Fargo Bank Minnesota, National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. [ ] Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Definitive Note Pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

2. [ ] Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Definitive Note pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(a) of Regulation S under the Securities Act, and (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note, the Temporary Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. [ ] Check and complete if Transferee will take delivery of a beneficial interest in the IAI Global Note or a Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) [ ] such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) [ ] such Transfer is being effected to the Companies or a subsidiary thereof;

or

(c) [ ] such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) [ ] such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Definitive Notes and in the Indenture and the Securities Act.

4. [ ] Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.

(a) [ ] Check if Transfer is pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) [ ] Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be

subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) [ ] Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Companies.

[Insert Name of Transferor]

By:

Name:

Title:

Dated:

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) [ ] a beneficial interest in the:

(i) [ ] 144A Global Note (CUSIP _____), or

(ii) [ ] Regulation S Global Note (CUSIP _____), or

(iii) [ ] IAI Global Note (CUSIP _____); or

(b) [ ] a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE OF (a), (b) OR (c)]

(a) [ ] a beneficial interest in the:

(i) [ ] 144A Global Note (CUSIP _____), or

(ii) [ ] Regulation S Global Note (CUSIP _____), or

(iii) [ ] IAI Global Note (CUSIP _____); or

(iv) [ ] Unrestricted Global Note (CUSIP _____); or

(b) [ ] a Restricted Definitive Note; or

(c) [ ] an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
Attention: Chief Financial Officer

Wells Fargo Bank Minnesota, N.A.
Corporate Trust Services
213 Court Street, Suite 703
Middletown, CT 06457
Telecopier No.: 860-704-6219

Re: 10 1/4% Senior Subordinated Notes due 2010

Reference is hereby made to the Indenture, dated as of August 15, 2003 (the "Indenture"), among Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers (the "Companies"), the Guarantors party thereto and Wells Fargo Bank Minnesota, National Association , as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note

(a) [ ] Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Note and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) [ ] Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Note and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) [ ] Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) [ ] Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the

Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes

(a) [ ] Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) [ ] Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CIRCLE ONE] 144A Global Note, Regulation S Global Note, IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Definitive Note and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Companies.

[Insert Name of Transferor]

By:

Name:

Title:

Dated:

EXHIBIT D

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington, Kentucky 40511
Attention: Chief Financial Officer

Wells Fargo Bank Minnesota, N.A.
Corporate Trust Services
213 Court Street, Suite 703
Middletown, CT 06457
Telecopier No.: 860-704-6219

Re: 10 1/4% Senior Subordinated Notes due 2010

Reference is hereby made to the Indenture, dated as of August 15, 2003 (the "Indenture"), among Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers (the "Companies"), the Guarantors party thereto and Wells Fargo Bank Minnesota, National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) [ ] a beneficial interest in a Global Note, or

(b) [ ] a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the United States Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Companies or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Companies a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Companies to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person purchasing the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Companies such certifications, legal opinions and other information as you and the Companies may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters

as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment. We have had access to such financial and other information and have been afforded the opportunity to ask such questions of representatives of the Companies and receive answers thereto, as we deem necessary in connection with our decision to purchase the Notes.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion and are not acquiring the Notes with a view to any distribution thereof in a transaction that would violate the Securities Act of the securities laws of any state of the United States or any other applicable jurisdiction.

You and the Companies are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. This letter shall be governed by, and construed in accordance with, the laws of the State of New York.

[Insert Name of Accredited Investor]

By:

Name:
Title:

Dated:

EXHIBIT E

FORM OF NOTATION OF GUARANTEE

For value received, each Guarantor and any successor Person under the Indenture, unconditionally guarantees, to the extent set forth in the Indenture and subject to the provisions in the Indenture, dated as of August 15, 2003 (the "Indenture"), among Tempur-Pedic, Inc. and Tempur Production USA, Inc., as co-issuers (the "Companies"), the other Guarantors listed on the signature pages thereto and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes, subject to any applicable grace period, whether at Stated Maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on the overdue principal and premium, if any, and, to the extent permitted by law, interest and Additional Interest, if any, and the due and punctual performance of all other obligations of the Companies to the Holders or the Trustee under the Indenture, the Registration Rights Agreement or any other agreement with or for the benefit of the Holders or the Trustee, all in accordance with the terms thereof, and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration pursuant to Section 6.02 of the Indenture, redemption or otherwise. The obligations of the Guarantor to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee. This Guarantee is subject to release as and to the extent set forth in Sections 8.02, 8.03 and 10.05 of the Indenture. Each Holder of a Note, by accepting the same agrees to and shall be bound by such provisions. Capitalized terms used herein and not defined are used herein as so defined in the Indenture.

TWI Holdings, Inc.

By:

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur World, Inc.

By:

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur World Holdings, Inc.

By:

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur-Pedic, Direct Response, Inc.

By:

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

Tempur Medical, Inc.

By:

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

Exhibit 4.3

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of August 15, 2003 by and among Tempur-Pedic, Inc. and Tempur Production USA, Inc. (each a "Company," and collectively, the "Companies"), the Guarantors (as defined herein) and Lehman Brothers Inc. on behalf of UBS Securities LLC and Credit Suisse Boston LLC (collectively, the "Initial Purchasers").

This Agreement is made pursuant to the Purchase Agreement, dated August 8, 2003 (the "Purchase Agreement"), by and among the Companies, the Existing Guarantors (as defined herein) and the Initial Purchasers, which provides for the sale by the Companies to the Initial Purchasers of $150,000,000 aggregate principal amount of the Companies' 10 1/4% Senior Subordinated Notes due 2010 (the "Notes"). The Notes are, and the Exchange Notes (as defined herein) will be, guaranteed on a senior subordinated basis by the Guarantors (as defined herein). In order to induce the Initial Purchasers to purchase the Notes, the Companies and the Existing Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Additional Interest: As defined in Section 5(a) hereof.

Additional Guarantor: Any Person that executes a Guarantee under the Indenture after the date of this Agreement.

Advice: As defined in Section 6(e) hereof.

Agreement: As defined in the preamble hereto.

Blackout Period: As defined in Section 5(a) hereof.

Blue Sky Application: As defined in Section 8(a) hereof.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date of this Agreement.

Commission: The U.S. Securities and Exchange Commission.

Companies: As defined in the preamble hereto.

Consummate: A Registered Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness under the Securities Act of the Exchange Offer Registration Statement relating to the Exchange Notes to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof, and (iii) the delivery by the Companies to the Registrar under the Indenture of Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Notes that were tendered by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Notes, each Interest Payment Date.

Effectiveness Target Date: As defined in Section 5(a) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Notes: The Companies' 10 1/4% Senior Subordinated Notes due 2010 to be issued pursuant to the Indenture in the Exchange Offer, together with the related Guarantees.

Exchange Offer: The registration by the Companies under the Securities Act of the Exchange Notes on a Registration Statement pursuant to which the Companies offer the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Exchange Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities validly tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Existing Guarantors: The various Guarantors signatory to the Indenture as of the date hereof.

Guarantees: Guarantees by the Guarantors of the Companies' obligations under the Notes, the Exchange Notes and the Indenture.

Guarantors: The Additional Guarantors and the Existing Guarantors.

Holder: As defined in Section 2(b) hereof.

Indenture: The Indenture, dated as of the date hereof, among the Companies, the Existing Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"), pursuant to which the Notes and the Exchange Notes are to be issued, as such Indenture may be amended or supplemented from time to time in accordance with the terms thereof.

Initial Purchasers: As defined in the preamble hereto.

Interest Payment Date: As defined in the Indenture and the Notes.

NASD: National Association of Securities Dealers, Inc.

Notes: As defined in the preamble hereto.

Person: An individual, partnership, corporation, limited liability company, unincorporated organization, association, joint-stock company, trust, joint venture, government or any agency or political subdivision thereof or any other entity.

Prospectus: The prospectus included in a Registration Statement as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Purchase Agreement: As defined in the preamble hereto.

Record Holder: With respect to any Damages Payment Date relating to Notes, each Person who is a Holder of Notes on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5(a) hereof.

Registration Statement: Any Registration Statement of the Companies relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement, in each case including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Securities Act: The Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 4(a) hereof.

Shelf Registration Period: As defined in Section 4(a) hereof.

Shelf Registration Statement: As defined in Section 4(a) hereof.

TWI: TWI Holdings, Inc., a Delaware corporation.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Note or Exchange Note (including the related Guarantees), as applicable, until the earliest to occur of (a) the date on which such Note is exchanged by a person other than a Broker-Dealer in the Exchange Offer in exchange for an Exchange Note, so long as such person is not prohibited from reselling such Exchange Notes to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not sufficient for such purpose, (b) following the exchange by a Broker-Dealer in the Exchange Offer of a Note for an Exchange Note, the date on which that Exchange Note is sold to a purchaser who receives from that Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with a Shelf Registration Statement and (d) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144 under the Securities Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Companies are sold to an underwriter for reoffering to the public.

SECTION 2. SECURITIES SUBJECT TO THIS AGREEMENT

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Companies and the Guarantors shall (i) cause to be filed with the Commission on or prior to 90 days after the Closing Date, a Registration Statement under the Securities Act relating to the Exchange Notes and the Exchange Offer, (ii) use their reasonable best efforts to cause such Registration Statement to be declared effective on or prior to 180 days after the Closing Date, (iii) in connection with the foregoing, file (A) all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Securities Act and (C) cause all necessary filings in connection with the registration and qualification of the Exchange Notes to be made under the blue sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer and (iv) upon the effectiveness of such Registration Statement, commence the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Exchange Notes held by Broker-Dealers as contemplated by Section 3(c) below.

(b) The Companies and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable U.S. federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Companies and the Guarantors shall cause the Exchange Offer to comply with all applicable U.S. federal and state securities laws. No securities other than the Exchange Notes and the Guarantees shall be included in the Exchange Offer Registration Statement. The Companies and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be Consummated 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the Commission.

(c) The Companies and the Guarantors shall indicate in a "Plan of Distribution" section of the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Companies or any affiliates), may exchange such Notes pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a Prospectus meeting the requirements of the Securities Act in connection with any resales of the Exchange Notes received by such Broker-Dealer in the Exchange Offer, which Prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Notes held by any such Broker-Dealer except to the extent required by the Commission.

The Companies and the Guarantors shall use their reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary to ensure that it is available for resales of Exchange Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least 90 days after the Consummation of the Exchange Offer.

The Companies and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon request at any time during such 90-day period in order to facilitate such resales.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Companies and the Guarantors are not required to file an Exchange Offer Registration Statement or cannot Consummate the Exchange Offer because the Exchange Offer is not permitted by applicable U.S. law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or (ii) any Holder of Transfer Restricted Securities shall notify the Companies prior to the 20th day following the Consummation of the Exchange Offer that such Holder (A) is prohibited by applicable U.S. law or Commission policy from participating in the Exchange Offer, (B) may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) is a Broker-Dealer and holds Notes acquired directly from the Companies or one of its affiliates, then the Companies and the Guarantors shall:

(x) use their reasonable best efforts to cause to be filed a Registration Statement pursuant to Rule 415 under the Securities Act, which may be an amendment to the Exchange Offer Registration Statement if permitted by the rules and regulations of the Commission (in either event, the "Shelf Registration Statement") on or prior to the earliest to occur of (1) the 30th day after the date on which the Companies determines that they are not required to file the Exchange Offer Registration Statement, or permitted to Consummate the Exchange Offer and (2) the 30th day after the date on which the Companies receives notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) of paragraph (a) above (such earliest date being the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities by the Holders which shall have provided the information required pursuant to Section 4(b) hereof; and

(y) use their reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the Commission on or before the 90th day after the Shelf Filing Deadline.

Subject to Section 5(b), the Companies and the Guarantors shall use their reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for resales of Notes or Exchange Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years following the Closing Date or such shorter period that will terminate when all Notes or Exchange Notes covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement (such period being the "Shelf Registration Period").

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Companies in writing, within 10 days after receipt of a request therefor, such information as the Companies may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein and agrees to comply with Regulation M under the Exchange Act to the extent applicable. The Company may exclude from such registration the Transfer Restricted Securities of any Holder who unreasonably fails to furnish such information. No Holder of Transfer Restricted Securities shall be entitled to Additional Interest pursuant to Section 5 hereof unless and until such Holder shall have used its reasonable best efforts to provide all such reasonably requested information or has so complied. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Companies all information required to be disclosed in order to make the information previously furnished to the Companies by such Holder not materially misleading.

SECTION 5. ADDITIONAL INTEREST

(a) If (i) any of the Registration Statements required by this Agreement are not filed with the Commission on or prior to the date specified for such filing in Sections 3(a) and 4(a), as applicable, (ii) any of such required Registration Statements have not been declared effective by the Commission on or prior to the date specified for such effectiveness in Sections 3(a)(ii) and 4(a)(y), as applicable, (each, an "Effectiveness Target Date"), (iii) the Exchange Offer has not been Consummated within 30 business days, or longer, if required by federal securities laws, after the Exchange Offer Registration Statement has been declared effective or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable in connection with resales of Transfer Restricted Securities without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (except as permitted in paragraph (b); such period of time during which any such Registration Statement is not effective or any such Registration Statement or the related Prospectus is not usable being referred to as a "Blackout Period") (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Companies and the Guarantors, jointly and severally, agree to pay additional interest ("Additional Interest") to each Holder of Transfer Restricted Securities adversely affected by such Registration Default, in an amount equal to $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder with respect to the first 90-day period immediately following the occurrence of such Registration Default. The amount of Additional Interest shall increase by an additional $.05 per week per $1,000 principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum amount of Additional Interest of $.50 per week per $1,000 principal amount of Transfer Restricted Securities. All accrued Additional Interest shall be paid to Record Holders by

the Companies and the Guarantors in the same manner as interest is paid under the Notes. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Additional Interest with respect to such Transfer Restricted Securities will cease. Additional Interest shall not accrue under more than one of the Registration Defaults specified in clauses (i) through (iv) above at any one time.

(b) A Registration Default referred to in Section 5(a)(iv) shall be deemed not to have occurred and be continuing in relation to a Registration Statement or the related Prospectus if (i) the Blackout Period has occurred solely as a result of (x) the filing of a post-effective amendment to such Shelf Registration Statement to incorporate annual audited financial information with respect to the Companies or the Guarantors where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related Prospectus or (y) the occurrence of other material events with respect to the Companies or the Guarantors that would need to be described in such Registration Statement or the related Prospectus and (ii) in the case of clause (y), the Companies are proceeding promptly and in good faith to amend or supplement (including by way of filing documents under the Exchange Act which are incorporated by reference into the Registration Statement) such Registration Statement and the related Prospectus to describe such events; provided, however, that in any case if such Blackout Period occurs for a continuous period in excess of 45 days, a Registration Default shall be deemed to have occurred on the 46th day of such Blackout Period and Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured or until the Companies is no longer required pursuant to this Agreement to keep such Registration Statement effective or such Registration Statement or the related Prospectus usable; provided, further, that in no event shall the total of all Blackout Periods exceed 60 days in the aggregate of any 12-month period.

All payment obligations of the Companies and the Guarantors set forth in this section that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such payment obligations with respect to such security shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Companies and the Guarantors shall comply with all of the applicable provisions of Section 6(c) below, shall use their reasonable best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Companies, prior to the

Consummation of such Exchange Offer, a written representation to the Companies and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Companies, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any Person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (C) it is acquiring the Exchange Notes in its ordinary course of business. In addition, all such Holders of Transfer Restricted Securities shall otherwise cooperate in the Companies' and the Guarantors' preparations for the Exchange Offer. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988) and Morgan Stanley and Co., Inc. (available June 5, 1991), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters, and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective Registration Statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired by such Holder directly from the Companies.

(ii) Prior to effectiveness of the Exchange Offer Registration Statement, the Companies and the Guarantors shall state to the Commission that the Companies and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988) and Morgan Stanley and Co., Inc. (available June 5, 1991), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and shall represent to the Commission that neither the Companies nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that, to the best of the Companies' and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer; and

(iii) The Companies and the Guarantors shall issue, upon the request of any Holder of Notes covered by the Exchange Offer, Exchange Notes (including the related guarantees), having an aggregate principal amount equal to the aggregate principal amount of Notes surrendered to the Companies by such Holder in exchange therefor; such Exchange Notes (including the related guarantees) to be registered in the name of such Holder or in the name of the

purchaser(s) of such Exchange Notes (including the related guarantees), as the case may be; in return, the Notes held by such Holder shall be surrendered to the Companies for cancellation.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Companies and the Guarantors shall comply with all the provisions of Section 6(c) below and shall use their reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Companies and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(c) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes and Exchange Notes by Broker-Dealers), the Companies and the Guarantors shall:

(i) use their reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements (including, if required by the Securities Act or any regulation thereunder, financial statements of any Guarantors) for the period specified in Sections 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances in which they were made, not misleading, or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Companies and the Guarantors shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use their reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter. Notwithstanding the foregoing, the Companies and the Guarantors may allow the Shelf Registration Statement to cease to become effective and usable if (x) the board of directors of TWI determines in good faith that it is in the best interests of the Companies and Guarantors not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Companies or the Guarantors, notify the Holders within two business days after such board of directors make such determination or (y) the Prospectus contained in the Shelf Registration Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in the

light of the circumstances under which they were made, not misleading; provided that the two-year period referred to in Section 4(a) hereof during which the Shelf Registration Statement is required to be effective and usable shall be extended by the number of days during which such Registration Statement was not effective or usable pursuant to the foregoing provisions; and provided further that Additional Interest shall accrue on the Notes as provided in Section 5 hereof;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Sections 3 or 4 hereof, as applicable; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) cooperate with the selling Holders of Transfer Restricted Securities and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(iv) use their reasonable best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities; provided, however, that the Companies and the Guarantors shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not now so qualified or to take any action that would subject it to general consent of process or taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where it is not now so subject;

(v) subject to Section 6(c)(i), if any fact or event contemplated by clause (d)(i)(D) below shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or

omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vi) provide a CUSIP, CINS or ISIN number, as applicable, for all Transfer Restricted Securities not later than the effective date of the applicable Registration Statement and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the depositary;

(vii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD;

(viii) otherwise use their reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to their security holders, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Companies' first fiscal quarter commencing after the effective date of the Registration Statement;

(ix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes and Exchange Notes to effect such changes to the Indenture as may be reasonably required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute, and use their reasonable best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(x) provide promptly to any Holder upon such Holder's written request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act to the extent such documents are not otherwise filed with the Commission and available to the public free of cost.

(d) Additional Provisions Applicable to Shelf Registration Statements. In connection with each Shelf Registration Statement, during the Shelf Registration Period, the Companies and the Guarantors shall:

(i) advise the underwriter(s), if any, and selling Holders of Transfer Restricted Securities promptly and, if requested by such Persons, to confirm such advice in writing, (A) when the Prospectus or any Prospectus

supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Securities Act, of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction or of the initiation of any proceeding for any of the preceding purposes and (D) of the existence of any fact or the happening of any event that requires the making of any additions to or changes in the Shelf Registration Statement or the Prospectus in order that the Shelf Registration Statement and the Prospectus do not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Shelf Registration Statement, or any U.S. state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under U.S. state securities or blue sky laws, the Companies and the Guarantors shall use their reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(ii) if requested in writing, furnish to each of the selling Holders of Transfer Restricted Securities and each of the underwriter(s), if any, before filing with the Commission, copies of any Shelf Registration Statement or any Prospectus included therein or any amendments or supplements to any such Shelf Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Shelf Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of at least three business days, and the Companies and the Guarantors will not file any such Shelf Registration Statement or Prospectus or any amendment or supplement to any such Shelf Registration Statement or Prospectus (including all such documents incorporated by reference) if a selling Holder of Transfer Restricted Securities covered by such Shelf Registration Statement or the underwriter(s), if any, shall not reasonably object within three business days after receipt thereof; such Holders and underwriter(s) shall be deemed to have reasonably objected to such filing if such Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or fails to comply with the applicable requirements of the Securities Act;

(iii) upon request, provide copies any document that is to be incorporated by reference into a Shelf Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Companies' and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request in writing;

(iv) make available for inspection at reasonable times at each of the Companies' principal places of business by the selling Holders of Transfer Restricted Securities, any underwriter participating in any disposition pursuant to such Shelf Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s) who shall certify to the Companies and the Guarantors that they have a current intention to sell Transfer Restricted Securities pursuant to a Shelf Registration Statement, such relevant financial and other records, pertinent corporate documents and properties of the Companies and the Guarantors as reasonably requested and cause the Companies' and the Guarantors' officers, directors and employees to respond to such inquiries as shall be reasonably necessary, in the reasonable judgment of counsel to such Holders, to conduct a reasonable investigation; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the selling Holders by one counsel designated by and on behalf of such Holders and, provided, further, that each such party shall be required to maintain in confidence and not disclose to any other Person any information or records reasonably designated by the Companies in writing as being confidential, until such time as (A) such information becomes a matter of public record (whether by virtue of its inclusion in such Shelf Registration Statement or otherwise), (B) such Person shall be required so to disclose such information pursuant to a subpoena or order of any court or other governmental agency or body having jurisdiction over the matter (subject to the requirements of such order, and only after such Person shall have given the Companies prompt prior written notice of such requirement) or (C) such information is required to be set forth in such Shelf Registration Statement or the Prospectus included therein or in an amendment to such Shelf Registration Statement or an amendment or supplement to such Prospectus in order that such Shelf Registration Statement, Prospectus, amendment or supplement, as the case may be, does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements made therein in light of the circumstances under which they were made not misleading;

(v) if requested by any selling Holders of Transfer Restricted Securities or the underwriter(s), if any, promptly incorporate in any Shelf Registration Statement or Prospectus pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including,

without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Companies is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Companies shall not be required to take any action pursuant to this Section 6(d)(v) that would, in the opinion of counsel for the Companies reasonably satisfactory to the underwriters, violate applicable law;

(vi) deliver to each selling Holder of Transfer Restricted Securities and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary Prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Companies and the Guarantors hereby consent to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale, subject to and in accordance with the terms of this Agreement, of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(vii) furnish to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement in connection with such exchange or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference) to the extent such documents are not otherwise filed with the Commission and available to the public free of cost;

(viii) enter into an underwriting agreement on not more than one occasion in the case of an offering pursuant to a Shelf Registration, and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be reasonably requested by any Holder or Holders of Transfer Restricted Securities who hold at least 25% in aggregate principal amount of such class of Transfer Restricted Securities; provided that the Companies the Guarantors shall not be required to enter into any such agreement more than once with respect to all of the Transfer Restricted Securities and may delay entering into such agreement if the board of directors of TWI not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Companies and the Guarantors; and in connection with an Underwritten Registration, the Companies and the Guarantors shall:

(A) furnish to the Initial Purchasers, the Holders of Transfer Restricted Securities who hold at least 25% in aggregate principal amount of such class of Transfer Restricted Securities and each underwriter, if any, in such substance and scope as they may reasonably request and as are customarily made in connection with an offering of debt securities pursuant to a Shelf Registration Statement upon the effective date of the Shelf Registration Statement (and if such Shelf Registration Statement contemplates an Underwritten Offering of Transfer Restricted Securities upon the date of the closing under the underwriting agreement related thereto):

(1) a certificate, dated the date of effectiveness of the Shelf Registration Statement signed by (y) the respective chief executive officer, the respective President or any Vice President and (z) the respective chief financial officer of each of the Companies and each of the Guarantors confirming, as of the date thereof, the matters set forth in Section 7(n) of the Purchase Agreement and such other matters as such parties may reasonably request;

(2) an opinion, dated the date of effectiveness of such Shelf Registration Statement, of securities counsel for the Companies covering matters similar to those set forth in Section 7(d) of the Purchase Agreement and such other matters as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Companies, representatives of the independent public accountants for the Companies, the underwriters' representatives and the underwriters' counsel in connection with the preparation of such Shelf Registration Statement and the related Prospectus although such counsel has not independently verified the accuracy, completeness or fairness of such statements in such Shelf Registration Statement; and that such counsel advises that, on the basis of the foregoing, such counsel's work in connection with this work did not disclose information that gave such counsel reason to believe that the Shelf Registration Statement, at the time such Shelf Registration Statement or any post-effective amendment thereto became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Shelf Registration Statement as of its date contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Such counsel may state further that such counsel expresses no view with respect to, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules, the financial projections and other financial, statistical and accounting data included or incorporated by

reference in the Shelf Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated as of the date of effectiveness of the Shelf Registration Statement from the Companies' independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with primary underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Sections 7(l) and 7(m) of the Purchase Agreement;

(B) set forth in full or incorporated by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Companies and the Guarantors pursuant to this clause (viii), if any.

(ix) prior to any public offering of Transfer Restricted Securities cooperate with the selling Holders of Transfer Restricted Securities the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or blue sky laws of such jurisdictions as the selling Holders of Transfer Restricted Securities or underwriter(s) may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement filed pursuant to Section 4 hereof; provided, however, that the Companies and the Guarantors shall not be obligated to qualify as a foreign corporation in any jurisdiction in which they are not now so qualified or to take any action that would subject them to general consent to service of process or taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where they are not now so subject.

(e) Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Companies of the existence of any fact of the kind described in Section 6(d)(i) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(d)(vi) hereof, or until it is advised in writing (the "Advice") by the Companies that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Companies, each Holder will deliver to the Companies

(at the Companies' expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event the Companies shall give any such notice, the time period regarding the effectiveness of such Shelf Registration Statement set forth in Section 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(d)(i) hereof to and including the date when each selling Holder covered by such Shelf Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(d)(vi) hereof or shall have received the Advice.

(f) The Companies and the Guarantors may require each Holder of Transfer Restricted Securities as to which any registration is being effected to furnish to the Companies such information regarding such Holder and such Holder's intended method of distribution of the applicable Transfer Restricted Securities as the Companies may from time to time reasonably request in writing, but only to the extent that such information is required in order to comply with the Securities Act. Each such Holder agrees to notify the Companies as promptly as practicable of (i) any inaccuracy or change in information previously furnished by such Holder to the Companies or (ii) the occurrence of any event, in either case, as a result of which any Prospectus relating to such registration contains or would contain an untrue statement of a material fact regarding such Holder or such Holder's intended method of distribution of the applicable Transfer Restricted Securities or omits to state any material fact regarding such Holder or such Holder's intended method of distribution of the applicable Transfer Restricted Securities required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading and promptly to furnish to the Companies any additional information required to correct and update any previously furnished information or required so that such Prospectus shall not contain, with respect to such Holder or the distribution of the applicable Transfer Restricted Securities an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Companies' and the Guarantors' performance of or compliance with this Agreement will be borne by the Companies regardless of whether a Registration Statement becomes effective, including without limitation and as applicable: (i) all Commission, securities exchange or NASD registration and filing fees and expenses (including filings made by any underwriters or Holder with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel that may be required by the rules and regulations of the NASD)); (ii) all fees and expenses of compliance with U.S. federal securities and state blue sky or securities laws and compliance with the rules of the NASD (including reasonable fees and disbursements of one counsel for Holders in connection with blue sky and/or NASD qualification of the Exchange Notes); (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued

in the Exchange Offer and printing of Prospectuses), messenger and delivery services; (iv) all fees and disbursements of counsel for the Companies and the Guarantors; and (v) all fees and disbursements of independent certified public accountants of the Companies (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Companies will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Companies or the Guarantors.

(b) Each Holder of Transfer Restricted Securities will pay all underwriting discounts and commissions, if any, and agency fees commissions and transfer taxes, if any, relating to the disposition of such Holder's Transfer Restricted Securities and the fees and disbursements of any counsel or other advisors or experts retained by such Holder, other than the counsel and experts specifically referred to in clause (a) above.

SECTION 8. INDEMNIFICATION

(a) The Companies and each Guarantor shall, jointly and severally, indemnify and hold harmless each Holder of Transfer Restricted Securities, its officers and employees and each Person, if any, who controls any such Holders, within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases, sales and registration of the Notes, the Guarantees and the Exchange Notes), to which that Holder, officer, employee or controlling Person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement or preliminary Prospectus or Prospectus or in any amendment or supplement thereto, (B) in any Blue Sky Application (as defined below) or other document prepared or executed by any Companies or any Guarantor (or based upon any written information furnished by any Companies or any Guarantor) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application") or (C) in any materials or information provided to investors by, or with the approval of, the Companies in connection with the marketing of the offering of the Exchange Notes ("Marketing Materials"), including any roadshow or investor presentations made to investors by the Companies (whether in person or electronically); (ii) the omission or alleged omission to state in any Registration Statement, preliminary Prospectus or Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application or Marketing Materials any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or (iii) any act or failure to act or any alleged act or failure to

act by any Holder of Transfer Restricted Securities in connection with, or relating in any manner to, the Notes, the Guarantees or the Exchange Notes or the offering contemplated by any Registration Statement, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Companies and the Guarantors shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Holder through its gross negligence or willful misconduct); and shall reimburse each Holder and each such officer, employee or controlling Person promptly upon demand for any legal or other expenses reasonably incurred by that Holder, officer, employee or controlling Person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Companies and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement, preliminary Prospectus or Prospectus, or in any such amendment or supplement, or in any Blue Sky Application or Marketing Materials, in reliance upon and in conformity with written information concerning such Holder furnished to the Companies by or on behalf of any Holder specifically for inclusion therein; provided, further, that with respect to any such untrue statement or omission made in any preliminary Prospectus or Prospectus, the indemnity agreement contained in this Section 8(a) shall not inure to the benefit of the Holder from whom the Person asserting any such losses, claims, damages or liabilities purchased the Notes, Guarantees or Exchange Notes concerned if, to the extent that such sale was a sale by the Holder and any such loss, claim, damage or liability of such Holder is a result of the fact that both (A) a copy of the Prospectus (or the Prospectus as then amended or supplemented) was not sent or given to such Person at or prior to written confirmation of the sale of such Notes or Exchange Notes to such Person and (B) the untrue statement or omission in the preliminary Prospectus or Prospectus was corrected in the Prospectus (or the Prospectus as then amended or supplemented) unless such failure to deliver the Prospectus was a result of noncompliance by the Companies with Section 6(d)(vi) hereof. The foregoing indemnity agreement is in addition to any liability which the Companies and the Guarantors may otherwise have to any Holder or to any officer, employee or controlling Person of that Holder.

(b) Each Holder, severally and not jointly, shall indemnify and hold harmless each of the Companies, each of the Guarantors, their respective directors, officers and employees, and each Person, if any, who controls either of the Companies or any of the Guarantors within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Companies, the Guarantors or any such director, officer or controlling Person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement,

preliminary Prospectus or Prospectus, or in any amendment or supplement thereto or (B) in any Blue Sky Application or (ii) the omission or alleged omission to state in any Registration Statement, preliminary Prospectus or Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Holders furnished to the Companies by or on behalf of that Holder specifically for inclusion therein, and shall reimburse the Companies, each of the Guarantors and each such director, officer, employee and controlling Person for any legal or other expenses reasonably incurred by the Companies, each such Guarantor or each such director, officer, employee or controlling Person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Holder may otherwise have to the Companies, any of the Guarantors or any such director, officer, employee or controlling Person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and; provided, further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel has been specifically authorized by the indemnifying party in writing, or (ii) such indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party and in the reasonable judgment of such counsel it is advisable for such indemnified party to employ separate counsel or (iii) the indemnifying party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the indemnified party, in

which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to local counsel) at any time for all such indemnified parties, which firm shall be designated in writing by (x) Lehman Brothers Inc. if the indemnified parties under this Section 8 consist of the Initial Purchasers or any of their respective officers, employees or controlling Persons or (y) by the Companies, if the indemnified parties under this Section 8 consist of any of the Companies, any of the Guarantors or any of their respective directors, officers, employees or controlling Persons. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Companies and the Guarantors, on the one hand, and the Holders on the other, from the sale of the Transfer Restricted Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Companies and the Guarantors, on the one hand and the Holders on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Companies or any of the Guarantors, on the one hand, or the Holders, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Companies, the Guarantors and the Holders agree that it

would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Holder shall be required to contribute any amount in excess of the amount by which the net proceeds received by it in connection with its sale of Notes exceeds the amount of any damages which such Holder has otherwise paid or become liable to pay by reason of the untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute as provided in this Section 8(d) are several and not joint.

SECTION 9. RULE 144A

The Companies and each Guarantor hereby agrees with each Holder of Transfer Restricted Securities, during any period in which the Companies or such Guarantor is not subject to Section 13 or 15(d) of the Exchange Act within the two-year period following the Closing Date, to make available to any Holder or beneficial owner of Transfer Restricted Securities, in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 10. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

SECTION 11. SELECTION OF UNDERWRITERS

Subject to Section 6(d)(i), the Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering at such Holders' expense. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such

offering; provided that such investment bankers and managers must be reasonably satisfactory to the Companies.

SECTION 12. MISCELLANEOUS

(a) Remedies. The Companies and the Guarantors agree that monetary damages (including Additional Interest) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. Neither the Companies nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Except as disclosed in the Offering Memorandum (as such term is defined in the Purchase Agreement), neither the Companies nor any Guarantor has previously entered into any agreement granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Companies' or any Guarantor's securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Notes. The Companies and the Guarantors will not take any action, or permit any change to occur, with respect to the Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Companies have obtained the written consent of Holders of a majority of the outstanding principal amount of the Transfer Restricted Securities affected by such amendment, modification, supplement, waiver or consent. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, facsimile or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

if to the Companies or the Guarantors to:

Tempur-Pedic, Inc.
Tempur Production USA, Inc.
1713 Jaggie Fox Way
Lexington Kentucky 40511
Attention: Dale Williams

with a copy to:

Bingham McCutchen LLP
150 Federal Street
Boston, Massachusetts 02110-1726
Attention: John Utzschneider, Esq.

Any such notices and communications shall take effect at the time of receipt thereof. The Companies shall be entitled to act and rely upon any notice or communication given or made by the Initial Purchasers.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED, IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement together with the other Transaction Documents (as defined in the Purchase Agreement) is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Companies and the Guarantors with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

Tempur-Pedic, Inc.

By: /s/ H. Thomas Bryant

Name: H. Thomas Bryant
Title: Chief Executive Officer

Tempur Production USA, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President

TWI Holdings, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur World, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur World Holdings, Inc.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.
Title: President and Chief Executive Officer

Tempur-Pedic, Direct Response, Inc.

By: /s/ Jeffrey T. Lillich

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

Tempur Medical, Inc.

By: /s/ Jeffrey T. Lillich

Name: Jeffrey T. Lillich
Title: Chief Financial Officer and Secretary

Accepted:

Lehman Brothers Inc.
UBS Securities LLC
Credit Suisse First Boston LLC

By: Lehman Brothers Inc.

By: /s/ Michael A. Goldberg

Authorized Representative

Exhibit 10.1

==========

SECOND AMENDED AND RESTATED CREDIT AGREEMENT
DATED AS OF AUGUST 15, 2003
by and among
TEMPUR-PEDIC, INC.,
TEMPUR PRODUCTION USA, INC.
TEMPUR WORLD HOLDING COMPANY ApS
and
DAN-FOAM ApS
as Borrowers
and
THE OTHER PERSONS PARTY HERETO THAT
ARE DESIGNATED AS CREDIT PARTIES
and
GENERAL ELECTRIC CAPITAL CORPORATION
as Administrative Agent, US L/C Issuer and a Lender
and
LEHMAN COMMERCIAL PAPER INC.
as Syndication Agent
and
NORDEA BANK DANMARK A/S
as European Security Agent and a Lender
and
GE EUROPEAN LEVERAGED FINANCE LIMITED,
as European Loan Agent
and
HSBC BANK PLC
as European Funding Agent
and
THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO
as Lenders
and
LEHMAN BROTHERS INC. and GECC CAPITAL MARKETS GROUP, INC.
as Joint Lead Arrangers and Joint Book Runners

==========

INDEX OF APPENDICES

Annexes

Annex A	-	Definitions
Annex B	-	Commitment Amounts
Annex C	-	Closing Checklist
Annex D	-	Pro Forma
Annex E	-	Lenders' Bank Accounts
Annex F	-	[Intentionally Omitted]
Annex G	-	Currency Risk Management Policy
Annex H	-	[Intentionally Omitted]
Annex I	-	European Cash Management
Annex J	-	Mandatory Cost Formulae

Exhibits

Exhibit 1.1(a)(i)(A)	-	US Term Note (Term Loan A)
Exhibit 1.1(a)(i)(B)	-	US Term Note (Term Loan B)
Exhibit 1.1(a)(ii)(A)	-	European Term Note A (Term Loan A)
Exhibit 1.1(b)(i)	-	US Revolving Note
Exhibit 1.1(b)(ii)	-	European Revolving Note
Exhibit 1.1(b)(i)(A)	-	Notice of US Revolving Credit Advance
Exhibit 1.1(b)(ii)(A)	-	Notice of European Revolving Credit Advance
Exhibit 1.1(d)	-	Swing Line Note
Exhibit 1.1(e)(iii)	-	Form of US Letter of Credit Request
Exhibit 1.1(f)(iii)	-	Form of European Letter of Credit Request
Exhibit 1.2(e)	-	Notice of Conversion/Continuation
Exhibit 3.1(m)	-	Form of Subordinated Note
Exhibit 4.6(d)(i)	-	US Borrowing Base Certificate
Exhibit 4.6(d)(ii)	-	European Borrowing Base Certificate
Exhibit 4.6(o)	-	Compliance and Excess Cash Flow Certificate
Exhibit 8.1	-	Assignment Agreement

Schedules

Schedule 1.1(c)	-	Conversion of Loans under Existing Credit Agreement
Schedule 3.1	-	Indebtedness
Schedule 3.2	-	Liens
Schedule 3.3	-	Investments
Schedule 3.4	-	Contingent Obligations
Schedule 3.7	-	Asset Dispositions
Schedule 3.8	-	Affiliate Transactions
Schedule 3.9	-	Business Description
Schedule 3.21	-	Activities of Ultimate Holdco, Intermediate Holdco, Holdco,Spanish Holdco

Schedule 3.23	-	Operating Leases
Schedule 5.4(a)	-	Jurisdictions of Organization and Qualification
Schedule 5.4(b)	-	Capitalization
Schedule 5.6	-	Intellectual Property
Schedule 5.7	-	Investigations and Audits
Schedule 5.8	-	Employee Matters
Schedule 5.10	-	Litigation
Schedule 5.11	-	Use of Proceeds
Schedule 5.12	-	Real Estate
Schedule 5.13	-	Environmental Matters
Schedule 5.14	-	ERISA
Schedule 5.16	-	Deposit and Disbursement Accounts
Schedule 5.17	-	Agreements and Other Documents
Schedule 5.18	-	Insurance
Schedule 5.22	-	Collateral Agreement Schedules
Schedule 5.23	-	Intercompany Payables

TABLE OF CONTENTS

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT is dated as of August 15, 2003 and entered into by and among TWI HOLDINGS, INC., a Delaware corporation ("Ultimate Holdco"), TEMPUR WORLD, INC., a Delaware corporation ("Intermediate Holdco"), TEMPUR WORLD HOLDINGS, INC., a Delaware corporation ("Holdco"), TEMPUR WORLD HOLDINGS, S.L., a company organized under the laws of Spain ("Spanish Holdco"), TEMPUR-PEDIC, INC., a Kentucky corporation ("TPI"), TEMPUR PRODUCTION USA, INC., a Virginia corporation ("TPUSA"), TEMPUR WORLD HOLDING COMPANY ApS, a company organized under the laws of Denmark ("TWHC"), DAN-FOAM ApS, a company organized under the laws of Denmark ("DF") (TPI and TPUSA are sometimes collectively referred to herein as "US Borrowers" and individually as a "US Borrower"; TWHC and DF are sometimes collectively referred to herein as "European Borrowers" and individually as a "European Borrower"; and TPI, TPUSA, TWHC and DF are sometimes collectively referred to as "Borrowers" and individually as a "Borrower"); the other persons designated as "Credit Parties" on the signature pages hereof; the financial institutions who are or hereafter become parties to this Agreement as Lenders; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity "GE Capital"), as Administrative Agent, US L/C Issuer and as a Lender; LEHMAN COMMERCIAL PAPER INC. (in its individual capacity, "LCPI"), as Syndication Agent and as a Lender, NORDEA BANK DANMARK A/S (in its individual capacity "Nordea"), as European Security Agent and as a Lender; GE EUROPEAN LEVERAGED FINANCE LIMITED, a company incorporated under the laws of England and Wales (in its individual capacity "GE ELF") as European Loan Agent for the European Lenders; and HSBC BANK PLC, a company incorporated under the laws of England and Wales (in its individual capacity "HSBC") as European Funding Agent.

R E C I T A L S:

WHEREAS, Borrowers, Ultimate Holdco, Intermediate Holdco, Holdco, Spanish Holdco, the other Credit Parties signatory thereto, the lenders parties thereto (the "Existing Lenders"), GE Capital, as administrative agent and Nordea as European loan agent for certain of the Existing Lenders, are parties to an Amended and Restated Credit Agreement, dated as of November 1, 2002 (as so amended and restated and otherwise modified to date, the "Existing Credit Agreement"); and

WHEREAS, pursuant to and upon the terms and conditions set forth in the Existing Credit Agreement, the Existing Lenders agreed to make certain loans and other extensions of credit to Borrowers of up to $170,000,000; and

WHEREAS, pursuant to and upon the terms and conditions set forth in the Agreement, each of the parties hereto wishes to and agrees to amend and restate the Existing Credit Agreement on the terms and conditions set forth herein, including to increase the Commitments to $270,000,000 for the purpose of paying or funding some portion or all of any of the Recapitalization Dividend, the Additional Payment and the Mezzanine Debt and the payout of fees, costs and expenses incurred in connection with such payments; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities under the Existing Credit Agreement or evidence payment and reborrowing of all or any such obligations and liabilities, that this Agreement amend and restate in its entirety the Existing Credit Agreement and that from the date hereof, the Existing Credit Agreement be of no further force and effect except to evidence the incurrence of the Obligations thereunder, the representations and warranties made thereunder and the obligations, covenants and liabilities of the parties thereto prior to the Closing Date; and

WHEREAS, all capitalized terms herein shall have the meanings ascribed thereto in Annex A hereto which is incorporated herein by reference. All references to Revolver Agent in any Loan Documents shall be deemed to be references to Administrative Agent.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrowers, Credit Parties, Lenders and Agents agree that, as of August 15, 2003, the Existing Credit Agreement (including all Schedules, Annexes and Exhibits thereto) is amended and restated in its entirety to read as set forth above and as follows:

SECTION 1.
AMOUNTS AND TERMS OF LOANS

1.1 Loans. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Borrowers and the other Credit Parties contained herein:

(a) Term Loans.

(i) (A) Each US Term A Lender agrees, severally and not jointly, to lend to TPUSA and TPI in one draw in Dollars, on the Closing Date, subject to Section 1.1(c), its Pro Rata Share of the US Term Loan A described herein (the "US Term Loan A"), which shall have a total principal amount equal to $30,000,000; (B) each US Term B Lender agrees, severally and not jointly, to lend to the US Borrowers in one draw in Dollars, on the Closing Date, subject to Section 1.1(c), its Pro Rata Share of the US Term Loan B described herein (the "US Term Loan B" and together with the US Term Loan A, the "US Term Loans" and each a "US Term Loan"), which shall have a total principal amount equal to $135,000,000; and

(ii) Each European Term A Lender agrees, severally and not jointly, to lend to DF in one draw in Dollars or in Euros, on the Closing Date, subject to Section 1.1(c), its Pro Rata Share of the European Term Loan A described herein (the "European Term Loan A"), which shall have a total principal amount equal to the Equivalent Amount of $65,000,000.

The US Term Loans and the European Term Loan A will be referred to collectively as the "Term Loans."

The US Borrowers shall repay the US Term Loans and DF shall repay its European Term Loan A through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments").

US Term Loan A

Date	Scheduled Installment
September 30, 2003	$ 831,000.00
December 31, 2003	$ 831,000.00
March 31, 2004	$ 831,000.00
June 30, 2004	$ 831,000.00
September 30, 2004	$ 831,000.00
December 31, 2004	$ 831,000.00
March 31, 2005	$ 1,107,000.00
June 30, 2005	$ 1,107,000.00
September 30, 2005	$ 1,107,000.00
December 31, 2005	$ 1,107,000.00
March 31, 2006	$ 1,107,000.00
June 30, 2006	$ 1,107,000.00
September 30, 2006	$ 1,107,000.00
December 31, 2006	$ 1,107,000.00
March 31, 2007	$ 1,662,000.00
June 30, 2007	$ 1,662,000.00
September 30, 2007	$ 1,662,000.00
December 31, 2007	$ 1,662,000.00
March 31, 2008	$ 1,986,000.00
June 30, 2008	$ 1,986,000.00
September 30, 2008	$ 1,986,000.00
November 1, 2008	$ 3,552,000.00

US Term Loan B

Date	Scheduled Installment
September 30, 2003	$ 337,500.00
December 31, 2003	$ 337,500.00
March 31, 2004	$ 337,500.00
June 30, 2004	$ 337,500.00
September 30, 2004	$ 337,500.00
December 31, 2004	$ 337,500.00
March 31, 2005	$ 337,500.00
June 30, 2005	$ 337,500.00
September 30, 2005	$ 337,500.00
December 31, 2005	$ 337,500.00
March 31, 2006	$ 337,500.00
June 30, 2006	$ 337,500.00
September 30, 2006	$ 337,500.00
December 31, 2006	$ 337,500.00
March 31, 2007	$ 337,500.00
June 30, 2007	$ 337,500.00

Date	Scheduled Installment
September 30, 2007	$ 337,500.00
December 31, 2007	$ 337,500.00
March 31, 2008	$ 337,500.00
June 30, 2008	$ 337,500.00
September 30, 2008	$ 337,500.00
December 31, 2008	$ 337,500.00
March 31, 2009	$ 337,500.00
June 30, 2009	$ 127,237,500.00

European Term Loan A
- --------------------

Date	Scheduled Installment
September 30, 2003	$ 1,800,500.00
December 31, 2003	$ 1,800,500.00
March 31, 2004	$ 1,800,500.00
June 30, 2004	$ 1,800,500.00
September 30, 2004	$ 1,800,500.00
December 31, 2004	$ 1,800,500.00
March 31, 2005	$ 2,398,500.00
June 30, 2005	$ 2,398,500.00
September 30, 2005	$ 2,398,500.00
December 31, 2005	$ 2,398,500.00
March 31, 2006	$ 2,398,500.00
June 30, 2006	$ 2,398,500.00
September 30, 2006	$ 2,398,500.00
December 31, 2006	$ 2,398,500.00
March 31, 2007	$ 3,601,000.00
June 30, 2007	$ 3,601,000.00
September 30, 2007	$ 3,601,000.00
December 31, 2007	$ 3,601,000.00
March 31, 2008	$ 4,303,000.00
June 30, 2008	$ 4,303,000.00
September 30, 2008	$ 4,303,000.00
November 1, 2008	$ 7,696,000.00

The final installment for each Term Loan, shall in each case and in all events, equal the entire remaining principal balance of each of the Term Loans, respectively. Notwithstanding the foregoing, the outstanding principal balance of the US Term Loan A and the European Term Loan A shall be due and payable in full on the Commitment Termination Date. The outstanding principal balance of the US Term Loan B shall be due and payable in full on June 30, 2009 or earlier pursuant to Section 6.3 hereof. Amounts borrowed under this Section 1.1(a) and repaid may not be reborrowed.

The US Term Loan A shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(a)(i)(A) (each a "US Term Note A" and, collectively, the "US Term Notes A"), and, except as provided in Section 1.7, TPUSA and TPI shall execute and deliver a US Term Note A to each US Term A Lender. The US Term Loan B shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(a)(i)(B) (each a "US Term Note B" and, collectively, the "US Term Notes B" and, together with the US Term Notes A, the "US Term Notes" and, each a "US Term Note"), and, except as provided in Section 1.7, TPUSA and TPI shall execute and deliver a US Term Note B to each US Term B Lender. Each US Term Note shall represent the obligation of TPUSA and TPI to pay the amount of the applicable US Term Lender's applicable US Term Loan A Commitment or US Term Loan B Commitment, as applicable, together with interest thereon.

The European Term Loan A shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(a)(ii)(A) (each a "European Term Note A" and, collectively, the "European Term Notes A"), and, except as provided in Section 1.7, DF shall execute and deliver a European Term Note A to each European Term A Lender. Each European Term Note A shall represent the obligation of DF to pay the amount of the European Term Loan Commitment of each applicable European Term A Lender, together with interest thereon.

(b) Revolving Loans.

(i) US Revolving Loan. Each US Revolving Lender agrees, severally and not jointly, to make available in Dollars to TPI and TPUSA from time to time until the Commitment Termination Date its Pro Rata Share of advances (each a "US Revolving Credit Advance") requested by US Borrower Representative on behalf of TPI hereunder. The Pro Rata Share of the US Revolving Loan of any US Revolving Lender (including, without duplication, Swing Line Loans) shall not at any time exceed its separate US Revolving Loan Commitment. US Revolving Credit Advances may be repaid and reborrowed; provided that the amount of any US Revolving Credit Advance to be made at any time shall not exceed US Borrowing Availability. US Borrowing Availability may be further reduced by Reserves imposed by Administrative Agent in its reasonable credit judgment and upon 10 days prior written notice to US Borrower Representative. The US Revolving Loan shall be repaid in full on the Commitment Termination Date. Except as provided in the last sentence of Section 1.7, TPI and TPUSA shall execute and deliver to each US Revolving Lender a promissory note to evidence the US Revolving Loan Commitment of such US Revolving Lender in the principal amount of the US Revolving Loan Commitment of such US Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(b)(i) (each a "US Revolving Note" and, collectively, the "US Revolving Notes"). If at any time the outstanding US Revolving Loan exceeds the US Borrowing Base (any such excess US Revolving Loan is herein referred to collectively as "US Overadvances"), Lenders shall not be obligated to make US Revolving Credit Advances, no additional US Letters of Credit shall be issued and the US Revolving Loan must be repaid immediately and US Letters of Credit cash collateralized, in each case, in an amount sufficient to eliminate any US Overadvances. All US Overadvances shall constitute Index Rate Loans and shall bear interest at the Default Rate. US Revolving Credit Advances which are Index Rate Loans may be requested in any amount. For funding requests for a US Revolving Credit Advance equal to or greater than $5,000,000, written notice must be provided by 1:00 p.m. (New York time) one (1) Business Day prior to the Business Day on which such US Revolving Credit

Advance is to be made and for funding requests less than $5,000,000, written notice must be provided by 1:00 p.m. (New York time) on the Business Day on which such US Revolving Credit Advance is to be made. All US Revolving Credit Advances which are IBOR Loans require three (3) Business Days prior written notice. Written notices for funding requests shall be in the form attached as Exhibit 1.1(b)(i)(A) ("Notice of US Revolving Credit Advance").

(ii) European Revolving Loan. Each European Revolving Lender agrees, severally and not jointly, to make available in Dollars or in an Alternative Currency to European Borrowers from time to time until the Commitment Termination Date its Pro Rata Share of advances (each a "European Revolving Credit Advance") requested by European Borrower Representative on behalf the European Borrowers hereunder. The Pro Rata Share of the European Revolving Loan of any European Revolving Lender shall not at any time exceed its separate European Revolving Loan Commitment. European Revolving Credit Advances may be repaid and reborrowed; provided that the amount of any European Revolving Credit Advance to be made at any time shall not exceed European Borrowing Availability. The Equivalent Amount in Dollars of each European Revolving Credit Advance shall be recalculated hereunder on each date on which it shall be necessary to determine the European Borrowing Availability or the European Revolving Loan Outstandings on such date. European Borrowing Availability may be further reduced by Reserves, determined jointly by, and imposed jointly by, Administrative Agent and European Loan Agent in their reasonable credit judgment and upon 10 days prior written notice to European Borrower Representative. The European Revolving Loan shall be repaid in full on the Commitment Termination Date. Except as provided in the last sentence of Section 1.7, each European Borrower shall execute and deliver to each European Revolving Lender a promissory note to evidence the European Revolving Loan Commitment of such European Revolving Lender in the principal amount of the European Revolving Loan Commitment of such European Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(b)(ii) (each a "European Revolving Note" and, collectively, the "European Revolving Notes"). If at any time the outstanding European Revolving Loan exceeds the European Borrowing Base (any such excess European Revolving Loan is herein referred to collectively as "European Overadvances"), Lenders shall not be obligated to make European Revolving Credit Advances, no additional European Letters of Credit shall be issued and the European Revolving Loan must be repaid immediately and European Letters of Credit cash collateralized, in each case, in an amount sufficient to eliminate any European Overadvances. All European Overadvances shall constitute an IBOR Loan having an IBOR Period of one month and shall bear interest at the Default Rate. All IBOR Loans require three (3) Business Days prior written notice. Written notices for funding requests shall be in the form attached as Exhibit 1.1(b)(ii)(A) ("Notice of European Revolving Credit Advance"). A European Revolving Credit Advance may not be drawn in an Alternative Currency if (a) any European Revolving Lender notifies the European Funding Agent not later than 10:00 a.m. (Local Time) on the third Business Day prior to the proposed European Revolving Credit Advance that deposits of such Alternative Currency are not readily available to such Lender in an amount comparable with such Lender's Pro Rata Share of such proposed European Revolving Credit Advance; or (b) the European Funding Agent determines after consultation with the other European Revolving Lenders (which determination shall be conclusive) at any time prior to 10:00 a.m. (Local Time) on the date of such proposed European Revolving Credit Advance that by reason of any change in currency availability, currency exchange rates or exchange controls it is, or will be, impracticable for such European Revolving Credit Advance to be made in the requested

Alternative Currency. In such event, the proposed European Revolving Credit Advance shall be made in Dollars.

(c) Loans Under Existing Credit Agreement. The Credit Parties acknowledge and agree that as of the Closing Date (i) the outstanding principal amount of US Revolving Credit Advances under (and as defined in) the Existing Credit Agreement equals $11,100,000 and that $6,500,000 in principal amount of such US Revolving Credit Advances are continued as US Revolving Credit Advances hereunder or converted into one or more US Term Loans as set forth on Schedule 1.1(c) hereto; (ii) the outstanding principal amount of European Revolving Credit Advances under (and as defined in) the Existing Credit Agreement equals $2,215,399.03 and that such European Revolving Credit Advances are continued as European Revolving Credit Advances hereunder or converted into the European Term Loan A to the extent set forth on Schedule 1.1(c) hereto; (iii) the outstanding principal amount of the US Term Loan under (and as defined in) the Existing Credit Agreement equals $61,400,000 and that such US Term Loan is continued as US Term Loan A hereunder or converted into US Term Loan B to the extent set forth on Schedule 1.1(c) hereto; (iv) the outstanding principal amount of the European Term Loan under (and as defined in) the Existing Credit Agreement equals $52,000,000 and that such European Term Loan is continued as the European Term Loan A hereunder to the extent set forth on Schedule 1.1(c) hereto; (v) US Letters of Credit are outstanding under (and as defined in) the Existing Credit Agreement having a stated amount of $100,000.00; and (vi) European Letters of Credit are outstanding under (and as defined in) the Existing Credit Agreement having a stated amount of $4,233,810.56 and such European Letters of Credit are continued as European Letters of Credit hereunder. All US Term Loan Commitments, European Term Loan Commitments, US Revolving Loan Commitments and European Revolving Loan Commitments under (and as defined in) the Existing Credit Agreement shall hereinafter be assigned and re-allocated among the US Term Loan A Commitments, US Term Loan B Commitments, European Term Loan Commitments, US Revolving Loan Commitments and European Revolving Loan Commitments hereunder, and after giving effect hereto, the percentages of the Commitments are as set forth on Annex B hereto. Notwithstanding anything set forth herein to the contrary, in order to effect the continuation of the outstanding Loans contemplated by the preceding sentence, the amount to be funded on the Closing Date by each Lender hereunder in respect of its Commitments shall be reduced by the principal amount of such Lender's Loans under (and as defined in) the Existing Credit Agreement outstanding on the Closing Date. On the Closing Date all outstanding IBOR Loans (as defined in the Existing Credit Agreement) to the US Borrowers to each Lender under the Existing Credit Agreement shall continue as IBOR Loans hereunder to the extent that the Lender providing those IBOR Loans under the Existing Credit Agreement continues to provide Loans in an equal or greater amount hereunder. All other IBOR Loans outstanding to US Borrowers on the Closing Date under the Existing Credit Agreement will be converted to Index Rate Loans.

(d) Swing Line Facility.

(i) Administrative Agent shall notify the Swing Line Lender upon Administrative Agent's receipt of any Notice of US Revolving Credit Advance. Subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make available from time to time until the Commitment Termination Date advances (each, a "Swing Line Advance") in accordance with any such notice. The provisions of this Section 1.1(d)(i) shall not relieve US

Revolving Lenders of their obligations to make US Revolving Credit Advances under Section 1.1(b)(i); provided that if the Swing Line Lender makes a Swing Line Advance pursuant to any such notice, such Swing Line Advance shall be in lieu of any US Revolving Credit Advance that otherwise may be made by US Revolving Lenders pursuant to such notice. The aggregate amount of Swing Line Advances outstanding shall not exceed at any time the lesser of (A) the Swing Line Commitment and (B) US Borrowing Availability ("Swing Line Availability"). Until the Commitment Termination Date, TPI may from time to time borrow, repay and reborrow under this Section 1.1(d)(i). Each Swing Line Advance shall be made pursuant to a Notice of US Revolving Credit Advance delivered by US Borrower Representative on behalf of TPI and TPUSA to Administrative Agent in accordance with Section 1.1(b)(i). Unless the Swing Line Lender has received at least one (1) Business Day's prior written notice from Requisite Lenders instructing it not to make a Swing Line Advance, the Swing Line Lender shall, notwithstanding the failure of any condition precedent set forth in Section 7.2 be entitled to fund that Swing Line Advance, and to have each US Revolving Lender make US Revolving Credit Advances in accordance with Section 1.1(d)(iii) or purchase participating interests in accordance with Section 1.1(d)(iv). Notwithstanding any other provision of this Agreement or the other Loan Documents, the Swing Line Loan shall constitute an Index Rate Loan. TPI and TPUSA jointly and severally shall repay the aggregate outstanding principal amount of the Swing Line Loan upon demand therefor by Administrative Agent. The entire unpaid balance of the Swing Line Loan and all other noncontingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date if not sooner paid in full.

(ii) TPI and TPUSA shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. Such note shall be in the principal amount of the Swing Line Commitment of the Swing Line Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(d) (the "Swing Line Note"). The Swing Line Note shall represent the obligation of TPI to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to TPI together with interest thereon as prescribed in Section 1.2.

(iii) The Swing Line Lender, at any time and from time to time in its sole and absolute discretion but no less frequently than once weekly, shall on behalf of TPI and TPUSA (and each of TPI and TPUSA hereby irrevocably authorizes the Swing Line Lender to so act on its behalf) request each US Revolving Lender (including the Swing Line Lender) to make a US Revolving Credit Advance to TPI and TPUSA (which shall be an Index Rate Loan) in an amount equal to that US Revolving Lender's Pro Rata Share of the principal amount of the Swing Line Loan (the "Refunded Swing Line Loan") outstanding on the date such notice is given. Unless any of the events described in Sections 6.1(f) and 6.1(g) has occurred (in which event the procedures of Section 1.1(d)(iv) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a US Revolving Credit Advance are then satisfied, each US Revolving Lender shall disburse directly to Administrative Agent, its Pro Rata Share of a US Revolving Credit Advance on behalf of the Swing Line Lender, prior to 3:00 p.m. (New York time), in immediately available funds on the Business Day next succeeding the date that notice is given. The proceeds of those US Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan.

(iv) If, prior to refunding a Swing Line Loan with a US Revolving Credit Advance pursuant to Section 1.1(d)(iii), one of the events described in Sections 6.1(f) or 6.1(g) has occurred, then, subject to the provisions of Section 1.1(d)(v) below, each US Revolving Lender shall, on the date such US Revolving Credit Advance was to have been made for the benefit of TPI and TPUSA, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan in an amount equal to its Pro Rata Share (determined with respect to the US Revolving Loan) of such Swing Line Loan. Upon request, each US Revolving Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

(v) Each US Revolving Lender's obligation to make US Revolving Credit Advances in accordance with Section 1.1(d)(iii) and to purchase participation interests in accordance with Section 1.1(d)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right that such US Revolving Lender may have against the Swing Line Lender, TPI or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any inability of TPI to satisfy the conditions precedent to borrowing set forth in this Agreement at any time or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. Swing Line Lender shall be entitled to recover, on demand, from each US Revolving Lender the amounts required pursuant to Sections 1.1(d)(iii) or 1.1(d)(iv), as the case may be. If any US Revolving Lender does not make available such amounts to Administrative Agent or the Swing Line Lender, as applicable, the Swing Line Lender shall be entitled to recover, on demand, such amount on demand from such US Revolving Lender, together with interest thereon for each day from the date of non payment until such amount is paid in full at the Federal Funds Rate for the first two Business Days and at the Index Rate thereafter.

(e) US Letters of Credit. The US Revolving Loan Commitment may, in addition to advances under the US Revolving Loan (including US Swing Line Advances), be utilized, upon the request of US Borrower Representative on behalf of TPI, for the issuance or continuation of US Letters of Credit. Immediately upon the issuance or continuation by a US L/C Issuer of a US Letter of Credit, and without further action on the part of Administrative Agent or any of the US Lenders, each US Revolving Lender shall be deemed to have purchased from such US L/C Issuer a participation in such US Letter of Credit (or in its obligation under a risk participation agreement with respect thereto) equal to such US Revolving Lender's Pro Rata Share of the aggregate amount available to be drawn under such US Letter of Credit. US Letters of Credit outstanding under the Existing Credit Agreement shall remain outstanding and shall be governed hereby.

(i) US Maximum Amount. The aggregate amount of US Letter of Credit Obligations with respect to all US Letters of Credit outstanding at any time shall not exceed $5,000,000 ("US L/C Sublimit").

(ii) Reimbursement. TPI shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse any US L/C Issuer on demand in immediately available funds for any amounts paid by such US L/C Issuer with respect to a US Letter of Credit, including all reimbursement payments,

fees, charges, costs and expenses paid by such US L/C Issuer. TPI hereby authorizes and directs Administrative Agent, at Administrative Agent's option, to debit TPI's account (by increasing the outstanding principal balance of the US Revolving Credit Advances) in the amount of any payment made by a US L/C Issuer with respect to any US Letter of Credit. All amounts paid by a US L/C Issuer with respect to any US Letter of Credit that are not repaid as provided in the first sentence hereof by TPI with the proceeds of a US Revolving Credit Advance or otherwise shall bear interest at the interest rate applicable to the portions of the US Revolving Loan which are Index Rate Loans plus, at the election of Administrative Agent or Requisite Lenders, an additional two percent (2.00%) per annum. Each US Revolving Lender agrees to fund its Pro Rata Share of any US Revolving Loan made pursuant to this Section 1.1(e)(ii). In the event Administrative Agent elects not to debit TPI's account and TPI fails to reimburse the US L/C Issuer in full on the date of any payment in respect of a US Letter of Credit, Administrative Agent shall promptly notify each US Revolving Lender of the amount of such unreimbursed payment and the accrued interest thereon and each US Revolving Lender, on the next Business Day prior to 3:00 p.m. (New York time), shall deliver to Administrative Agent an amount equal to its Pro Rata Share thereof in same day funds. Each US Revolving Lender hereby absolutely and unconditionally agrees to pay to the US L/C Issuer upon demand by the US L/C Issuer such US Revolving Lender's Pro Rata Share of each payment made by the US L/C Issuer in respect of a US Letter of Credit and not immediately reimbursed TPI or satisfied through a debit of TPI's account. Each US Revolving Lender acknowledges and agrees that its obligations pursuant to this subsection in respect of US Letters of Credit are absolute and unconditional and shall not be affected by any circumstance whatsoever, including setoff, counterclaim, the occurrence and continuance of a Default or an Event of Default or any failure by TPI to satisfy any of the conditions set forth in Section 7.2. If any US Revolving Lender fails to make available to the US L/C Issuer the amount of such US Revolving Lender's Pro Rata Share of any payments made by the US L/C Issuer in respect of a US Letter of Credit as provided in this Section 1.1(e)(ii), the US L/C Issuer shall be entitled to recover such amount on demand from such US Revolving Lender together with interest at the Index Rate.

(iii) Request for US Letters of Credit. US Borrower Representative shall give Administrative Agent at least two (2) Business Days prior written notice specifying the date a US Letter of Credit is requested to be issued, the amount and the name and address of the beneficiary and a description of the transactions proposed to be supported thereby. If Administrative Agent informs US Borrower Representative that the US L/C Issuer cannot issue the requested US Letter of Credit directly, US Borrower Representative may request that US L/C Issuer arrange for the issuance of the requested US Letter of Credit under a risk participation agreement with another financial institution reasonably acceptable to Administrative Agent, US L/C Issuer and US Borrower Representative. The issuance of any US Letter of Credit under this Agreement shall be subject to the conditions that the US Letter of Credit (i) supports a transaction entered into in the ordinary course of business of US Borrowers and (ii) is in a form and contains such terms and conditions as are reasonably satisfactory to the US L/C Issuer and, in the case of standby letters of credit, Administrative Agent. The initial notice requesting the issuance of a US Letter of Credit shall be accompanied by the form of the US Letter of Credit and the Master Standby Agreement or Master Documentary Agreement, as applicable, and an application for a letter of credit, if any, then required by the US L/C Issuer completed in a manner satisfactory to such US L/C Issuer. If any provision of any application or reimbursement

agreement is inconsistent with the terms of this Agreement, then the provisions of this Agreement, to the extent of such inconsistency, shall control.

(iv) Expiration Dates of US Letters of Credit. The expiration date of each US Letter of Credit shall be on a date which is not later than the earlier of (a) one year from its date of issuance or (b) the thirtieth (30/th/) day prior to the date set forth to in clause (a) of the definition of the term Commitment Termination Date. Notwithstanding the foregoing, a US Letter of Credit may provide for automatic extensions of its expiration date for one (1) or more successive one (1) year periods; provided that the US L/C Issuer has the right to terminate such US Letter of Credit on each such annual expiration date and no renewal term may extend the term of the US Letter of Credit to a date that is later than the fifteenth (15/th/) day prior to the date set forth in clause (a) of the definition of the term Commitment Termination Date. The US L/C Issuer may elect not to renew any such US Letter of Credit and, upon direction by Administrative Agent or Requisite Lenders, shall not renew any such US Letter of Credit at any time during the continuance of an Event of Default; provided that in the case of a direction by Administrative Agent or Requisite Lenders, the US L/C Issuer receives such directions prior to the date notice of non-renewal is required to be given by the US L/C Issuer and the US L/C Issuer has had a reasonable period of time to act on such notice.

(v) Obligations Absolute. The obligation of TPI to reimburse the US L/C Issuer, Administrative Agent and US Revolving Lenders for payments made in respect of US Letters of Credit issued by the US L/C Issuer shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement, including the following circumstances: (a) any lack of validity or enforceability of any US Letter of Credit; (b) any amendment or waiver of or any consent or departure from all or any of the provisions of any US Letter of Credit or any Loan Document; (c) the existence of any claim, set-off, defense or other right which TPI, any of its Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary of any US Letter of Credit, any Agent, any US L/C Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreements or transactions; (d) any draft or other document presented under any US Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (e) payment under any US Letter of Credit against presentation of a draft or other document that does not substantially comply with the terms of such US Letter of Credit; or (f) any other act or omission to act or delay of any kind of any US L/C Issuer, any Agent, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 1.1(e)(v), constitute a legal or equitable discharge of TPI's obligations hereunder.

(vi) Obligations of US L/C Issuers. Each US L/C Issuer (other than GE Capital) hereby agrees that it will not issue a US Letter of Credit hereunder until it has provided Administrative Agent with written notice specifying the amount and intended issuance date of such US Letter of Credit and Administrative Agent has returned a written acknowledgment of such notice to US L/C Issuer. Each US L/C Issuer (other than GE Capital) further agrees to provide to Administrative Agent: (a) a copy of each US Letter of Credit issued by such US L/C Issuer promptly after its issuance; (b) a quarterly report summarizing available amounts under US Letters of Credit issued by such US L/C Issuer, the dates and amounts of any draws under such US Letters of Credit, the effective date of any increase or decrease in the face

amount of any US Letters of Credit during such quarter and the amount of any unreimbursed draws under such US Letters of Credit; and (d) such additional information reasonably requested by Administrative Agent from time to time with respect to the US Letters of Credit issued by such US L/C Issuer. Without limiting the generality of the foregoing, it is expressly understood and agreed by US Borrowers that the absolute and unconditional obligation of US Borrowers to Administrative Agent and US Lenders hereunder to reimburse payments made under a US Letter of Credit will not be excused by the gross negligence or willful misconduct of the US L/C Issuer. However, the foregoing shall not be construed to excuse a US L/C Issuer from liability to US Borrowers to the extent of any direct damages (as opposed to consequential damages, with US Borrowers hereby waiving all claims for any consequential damages to the extent permitted by applicable law) suffered by US Borrowers that are subject to indemnification under the Master Standby Agreement or the Master Documentary Agreement.

(f) European Letters of Credit. The European Revolving Loan Commitment may, in addition to advances under the European Revolving Loan, be utilized, upon the request of European Borrower Representative on behalf of the applicable European Borrower, for the issuance of European Letters of Credit. Immediately upon the issuance by a European L/C Issuer of a European Letter of Credit or on the Closing Date in the case of European Letters of Credit outstanding under the Existing Credit Agreement, and without further action on the part of European Loan Agent, European Funding Agent or any of the European Lenders, each European Revolving Lender shall be deemed to have purchased from such European L/C Issuer a participation in such European Letter of Credit (or in its obligation under a risk participation agreement with respect thereto) equal to such European Revolving Lender's Pro Rata Share of the aggregate amount available to be drawn under such European Letter of Credit. European Letters of Credit outstanding under the Existing Credit Agreement shall remain outstanding and shall be governed hereby.

(i) European Maximum Amount. The aggregate amount of European Letter of Credit Obligations with respect to all European Letters of Credit outstanding at any time shall not exceed the Equivalent Amount of $10,000,000 ("European L/C Sublimit").

(ii) Reimbursement. European Borrowers shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse any European L/C Issuer on demand in immediately available funds for any amounts paid by such European L/C Issuer with respect to a European Letter of Credit, including all reimbursement payments, fees, charges, costs and expenses paid by such European L/C Issuer. European Borrowers hereby authorize and direct European Loan Agent, at European Loan Agent's option, to debit European Borrowers' account (by increasing the outstanding principal balance of the European Revolving Credit Advances) in the amount of any payment made by a European L/C Issuer with respect to any European Letter of Credit. All amounts paid by a European L/C Issuer with respect to any European Letter of Credit that are not repaid as provided in the first sentence hereof by European Borrowers with the proceeds of a European Revolving Credit Advance or otherwise shall bear interest at the interest rate applicable to the European Revolving Loan plus, at the election of Administrative Agent or Requisite Lenders, an additional two percent (2.00%) per annum. Each European Revolving Lender agrees to fund its Pro Rata Share of any European Revolving Loan made pursuant to this Section 1.1(f)(ii). In the event European Loan Agent elects not to instruct European Funding Agent to debit European

Borrowers' account and European Borrowers fail to reimburse the European L/C Issuer in full on the date of any payment in respect of a European Letter of Credit, European Loan Agent shall promptly notify each European Revolving Lender of the amount of such unreimbursed payment and the accrued interest thereon and each European Revolving Lender, on the next Business Day prior to 3:00 p.m. (Local Time), shall deliver to European Funding Agent an amount equal to its Pro Rata Share thereof in same day funds. Each European Revolving Lender hereby absolutely and unconditionally agrees to pay to the European L/C Issuer upon demand by the European L/C Issuer such European Revolving Lender's Pro Rata Share of each payment made by the European L/C Issuer in respect of a European Letter of Credit and not immediately reimbursed by European Borrowers or satisfied through a debit of European Borrowers account. Each European Revolving Lender acknowledges and agrees that its obligations pursuant to this subsection in respect of European Letters of Credit are absolute and unconditional and shall not be affected by any circumstance whatsoever, including setoff, counterclaim, the occurrence and continuance of a Default or an Event of Default or any failure by European Borrowers to satisfy any of the conditions set forth in Section 7.2. If any European Revolving Lender fails to make available to the European L/C Issuer the amount of such European Revolving Lender's Pro Rata Share of any payments made by the European L/C Issuer in respect of a European Letter of Credit as provided in this Section 1.1(f)(ii), the European L/C Issuer shall be entitled to recover such amount on demand from such European Revolving Lender together with interest at the IBOR Rate with an IBOR Period of one month.

(iii) Request for European Letters of Credit. European Borrower Representative shall give European Loan Agent, European Funding Agent and European L/C Issuer at least three (3) Business Days prior written notice specifying the date a European Letter of Credit is requested to be issued, the amount and the name and address of the beneficiary and a description of the transactions proposed to be supported thereby in the form set forth as Exhibit 1.1(f)(iii). If European Loan Agent informs European Borrower Representative that the European L/C Issuer cannot issue the requested European Letter of Credit directly, European Borrower Representative may request that European L/C Issuer arrange for the issuance of the requested European Letter of Credit under a risk participation agreement with another financial institution reasonably acceptable to European Loan Agent, European L/C Issuer and European Borrower Representative. The issuance of any European Letter of Credit under this Agreement shall be subject to the conditions that the European Letter of Credit (i) supports a transaction entered into in the ordinary course of business of European Borrowers and (ii) is in a form and contains such terms and conditions as are reasonably satisfactory to the European L/C Issuer and, in the case of standby letters of credit, European Loan Agent. The initial notice requesting the issuance of a European Letter of Credit shall be accompanied by the form of the European Letter of Credit and an application for a letter of credit, if any, then required by the European L/C Issuer completed in a manner satisfactory to such European L/C Issuer and European Loan Agent. If any provision of any application or reimbursement agreement is inconsistent with the terms of this Agreement, then the provisions of this Agreement, to the extent of such inconsistency, shall control.

(iv) Expiration Dates of European Letters of Credit. The expiration date of each European Letter of Credit shall be on a date which is not later than the earlier of (a) one year from its date of issuance or (b) the thirtieth (30/th/) day prior to the date set forth in clause (a) of the definition of the term Commitment Termination Date. Notwithstanding the

foregoing, a European Letter of Credit may provide for automatic extensions of its expiration date for one (1) or more successive one (1) year periods; provided that the European L/C Issuer has the right to terminate such European Letter of Credit on each such annual expiration date and no renewal term may extend the term of the European Letter of Credit to a date that is later than the fifteenth (15/th/) day prior to the date set forth in clause (a) of the definition of the term Commitment Termination Date. The European L/C Issuer may elect not to renew any such European Letter of Credit and, upon direction by Administrative Agent, European Loan Agent or Requisite Lenders, shall not renew any such European Letter of Credit at any time during the continuance of an Event of Default; provided that in the case of a direction by Administrative Agent, European Loan Agent or Requisite Lenders, the European L/C Issuer receives such directions prior to the date notice of non-renewal is required to be given by the European L/C Issuer and the European L/C Issuer has had a reasonable period of time to act on such notice.

(v) Obligations Absolute. The obligation of European Borrowers to reimburse the European L/C Issuer, European Loan Agent, European Funding Agent and European Revolving Lenders for payments made in respect of European Letters of Credit issued by the European L/C Issuer shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement, including the following circumstances: (a) any lack of validity or enforceability of any European Letter of Credit; (b) any amendment or waiver of or any consent or departure from all or any of the provisions of any European Letter of Credit or any Loan Document; (c) the existence of any claim, set-off, defense or other right which European Borrowers, any of their Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary of any European Letter of Credit, any Agent, any European L/C Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreements or transactions; (d) any draft or other document presented under any European Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (e) payment under any European Letter of Credit against presentation of a draft or other document that does not substantially comply with the terms of such European Letter of Credit; or (f) any other act or omission to act or delay of any kind of any European L/C Issuer, any Agent, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 1.1(f)(v), constitute a legal or equitable discharge of European Borrowers' obligations hereunder.

(vi) Obligations of European L/C Issuers. Each European L/C Issuer hereby agrees that it will not issue a European Letter of Credit hereunder until it has provided European Loan Agent with written notice specifying the amount and intended issuance date of such European Letter of Credit and European Loan Agent has returned a written acknowledgment of such notice to European L/C Issuer. Each European L/C Issuer further agrees to provide to European Loan Agent and European Funding Agent: (a) a copy of each European Letter of Credit issued by such European L/C Issuer promptly after its issuance; (b) on a change occurring to amounts under European Letters of Credit the European L/C Issuer shall promptly notify the European Loan Agent of the change, (c) a quarterly report summarizing available amounts under European Letters of Credit issued by such European L/C Issuer, the effective date of any increase or decrease in the face amount of any European Letters of Credit during such week and the amount of any unreimbursed draws under such European Letters of Credit; and (d) such additional information reasonably requested by European Loan Agent from

time to time with respect to the European Letters of Credit issued by such European L/C Issuer. European L/C Issuer shall notify European Loan Agent and European Funding Agent within one (1) Business Day following any draw under a European Letter of Credit. Without limiting the generality of the foregoing, it is expressly understood and agreed by European Borrowers that the absolute and unconditional obligation of European Borrowers to European Loan Agent, European Funding Agent and European Lenders hereunder to reimburse payments made under a European Letter of Credit will not be excused by the gross negligence or willful misconduct of the European L/C Issuer. European Borrowers hereby waive all claims for any consequential damages or any other damages, other than direct damages, to the extent permitted by applicable law.

(g) Letter of Credit Sublimits. US Letters of Credit may only be used for the business and operations of the US Credit Parties and Designated US Cash Management Credit Parties and (ii) European Letters of Credit may only be used for the business and operations of the European Credit Parties.

(h) Funding Authorization.

(i) The proceeds of all US Revolving Credit Advances made pursuant to this Agreement subsequent to the Closing Date are to be funded by Administrative Agent by wire transfer to the account designated by US Borrower Representative below (the "US Disbursement Account"):

Bank:	Fifth Third Bank
ABA No.:	042000314
Bank Address:	250 West Main Street, Suite 105 Lexington, Kentucky 40512
Account No.:	99964853
Reference:	Tempur-Pedic, Inc.

US Borrower Representative shall provide Administrative Agent with written notice of any change in the foregoing instructions at least three (3) Business Days before the desired effective date of such change.

(ii) The proceeds of all European Revolving Credit Advances made pursuant to this Agreement subsequent to the Closing Date are to be funded by European Funding Agent by wire transfer to the account designated by European Borrower Representative below (the "European Disbursement Account"):

Bank:	Nordea Bank Danmark A/S
SWIFT No.:	NDEADKKKXXX
Bank Address:	Raadhustorvet 13 SK 8700 Horsens Denmark
Account No.:	2213 6264367830
Reference:	Dan-Foam ApS

European Borrower Representative shall provide European Loan Agent and European Funding Agent with written notice of any change in the foregoing instructions at least three (3) Business Days before the desired effective date of such change.

1.2 Interest and Applicable Margins.

(a) Borrowers shall pay interest to Appropriate Agent, as specified below, for the ratable benefit of Lenders, in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the US Revolving Credit Advances which are designated as Index Rate Loans (and for all other Obligations not otherwise set forth below), to Administrative Agent, the Index Rate plus the Applicable Revolver Index Margin per annum or, with respect to US Revolving Credit Advances which are designated as IBOR Loans, at the election of US Borrower Representative, the applicable IBOR Rate plus the Applicable Revolver IBOR Margin per annum; (ii) with respect to the European Revolving Credit Advances, to the European Funding Agent, the applicable IBOR Rate plus the Applicable Revolver IBOR Margin per annum plus any Mandatory Costs; (iii) with respect to such portion of the US Term Loan A designated as an Index Rate Loan, to the Administrative Agent, the Index Rate plus the Applicable Term Loan A Index Margin per annum or, with respect to such portion of the US Term Loan A designated as an IBOR Loan, at the election of US Borrower Representative, the applicable IBOR Rate plus the Applicable Term Loan A IBOR Margin per annum; (iv) with respect to such portion of the US Term Loan B designated as an Index Rate Loan, to the Administrative Agent, the Index Rate plus the Applicable Term Loan B Index Margin per annum or, with respect to such portion of the US Term Loan B designated as an IBOR Loan, at the election of US Borrower Representative, the Applicable IBOR Rate plus the Applicable Term Loan B IBOR Margin per annum; (v) with respect to the European Term Loan A, to the European Funding Agent, the applicable IBOR Rate plus the Applicable Term Loan A IBOR Margin per annum plus any Mandatory Costs; and (vi) with respect to the Swing Line Loan, to the Administrative Agent, the Index Rate plus the Applicable Revolver Index Margin per annum.

The Applicable Margins will be as follows:

Applicable Revolver Index Margin	1.50%
Applicable Revolver IBOR Margin	3.25%
Applicable Term Loan A Index Margin	1.50%
Applicable Term Loan A IBOR Margin	3.25%
Applicable Term Loan B Index Margin	1.75%
Applicable Term Loan B IBOR Margin	3.50%

The Applicable Margins shall be adjusted (up or down) prospectively on a quarterly basis as determined by Ultimate Holdco's, Borrowers' and their Subsidiaries' consolidated financial performance, commencing with the first day of the first calendar month that occurs more than one (1) day after delivery of Ultimate Holdco's audited Financial Statements to Lenders for the Fiscal Year ending December 31, 2003. Adjustments in the Applicable Margins will be determined by reference to the following grids:

If Leverage Ratio is:	Level of Applicable Margins:
** 3.50	Level I
*** 3.50, but ** 3.00	Level II
*** 3.00	Level III

Applicable Margins	Level I	Level II	Level III
Applicable Revolver IBOR Margin	3.25%	3.00%	3.00%
Applicable Term A Loan IBOR Margin	3.25%	3.00%	3.00%
Applicable Term B Loan IBOR Margin	3.50%	3.25%	3.00%
Applicable Revolver Index Margin	1.50%	1.25%	1.25%
Applicable Term A Loan Index Margin	1.50%	1.25%	1.25%
Applicable Term B Loan Index Margin	1.75%	1.50%	1.25%

All adjustments in the foregoing Applicable Margins after December 31, 2003 shall be implemented quarterly on a prospective basis, commencing on the first day of the calendar month following the date of delivery to Lenders of the quarterly unaudited Financial Statements evidencing the need for an adjustment; provided that such calendar month commences at least 3 Business Days after the date of delivery of such Financial Statements. In the event the calendar month following the date of delivery to Lenders of the Financial Statements commences within 3 Business Days of such delivery, all adjustments shall commence on the first day of the calendar month next following such date of delivery. Concurrently with the delivery of those Financial Statements, the US Borrower Representative shall deliver to Authorized Agents a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to deliver such Financial Statements within 2 Business Days after the day required for such delivery pursuant to Section 4.6(a) shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid, until the sixth Business Day following the delivery of those Financial Statements demonstrating that such an increase is not required. If any Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the sixth Business Day following the date on which all Events of Default are waived or cured. If the Applicable Margins have been adjusted downward based upon Ultimate Holdco's unaudited quarterly Financial Statements for any Fiscal Quarter and it is later determined by Administrative Agent based upon Ultimate Holdco's audited Financial Statements for the Fiscal Year in which such Fiscal Quarter occurs that (i) such unaudited quarterly Financial Statements for such Fiscal Quarter have been adjusted in connection with the preparation of such audited Financial Statement (the "Adjusted Quarterly Financial Statements"), and (ii) such downward adjustment in the Applicable Margins would not have been made had the Adjusted Quarterly Financial Statements been used to so adjust the Applicable Margins, then each Borrower shall pay to Appropriate Agent, for the account of the Lenders, within five (5) Business Days of such determination, such additional interest on the Loans that would have been payable hereunder had the Applicable Margin been adjusted (or not adjusted) on the basis of the Adjusted Quarterly Financial Statements.

** = Greater Than
*** = Less than or equal to

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of IBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest at the IBOR Rate shall be made by Appropriate Agent on the basis of a 360-day year (or a 365-day year, in the case of Loans denominated in British pounds (or any other Alternative Currency where market practice so requires)), in each case for the actual number of days occurring in the period for which such Fees and interest are payable. All computations of interest at the Index Rate shall be made by Administrative Agent on the basis of a 365-day or 366-day year, as applicable. The Index Rate is a floating rate determined for each day. Each determination by Appropriate Agent of an interest rate and Fees hereunder shall be final, binding and conclusive on Borrowers, absent manifest error.

(d) (i) So long as an Event of Default has occurred and is continuing under Section 6.1(f) or (g) and without notice of any kind, or (ii) so long as any other Event of Default under Section 6.1(a) or under Section 6.1(c) (in the latter case, as of a result of a breach of any of Sections 4.1 through 4.5) has occurred and is continuing and at the election of Administrative Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Administrative Agent to each Borrower Representative (with a copy to European Loan Agent and European Funding Agent), the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder ("Default Rate"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue (i) from the initial date of such Event of Default in the case of an Event of Default that has occurred and is continuing under Section 6.1(f) or (g) and (ii) from the date of such notice of election, in the case of an Event of Default under Section 6.1(a) or under Section 6.1(c) (in the latter case, as a result of a breach of any of Sections 4.1 through 4.5), and in each case shall continue to accrue until that Event of Default is cured or waived and shall be payable upon demand, but in any event, shall be payable on the next regularly scheduled payment date set forth herein for such Obligation.

(e) Upon the earlier to occur of (i) receipt by US Borrower Representative of notice from Administrative Agent of the availability of IBOR Loans or (ii) the date which is fifteen (15) days after the Closing Date and upon three (3) Business Days prior notification to the Administrative Agent, US Borrower Representative may convert all or any part of the outstanding Loans made to the US Borrowers on the Closing Date as Index Rate Loans to IBOR Loans subject to the requirements of this Section 1.2(e). US Borrower Representative shall have the option, subject to the preceding sentence, to (1) convert at any time all or any part of outstanding US Revolving Credit Advances (other than the Swing Line Loan) and US Term Loans from Index Rate Loans to IBOR Loans, (2) convert all or any part of outstanding US Revolving Credit Advances (other than the Swing Line Loan) and US Term Loans from IBOR Loans to Index Rate Loans, subject to payment of the IBOR Breakage Fee in accordance with Section 1.3(d) if such conversion is made prior to the expiration of the IBOR Period applicable thereto, or (3) continue all or any portion of any US Revolving Credit Advances (other than the Swing Line Loan) and US Term Loans as an IBOR Loan upon the expiration of the applicable

IBOR Period and the succeeding IBOR Period of that continued Loan shall commence on the first day after the last day of the IBOR Period of the Loan to be continued. European Borrower Representative shall have the option to continue all or any portion of any European Revolving Credit Advances and European Term Loan A as an IBOR Loan upon the expiration of the applicable IBOR Period and the succeeding IBOR Period of that continued Loan shall commence on the first day after the last day of the IBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed IBOR Period to be made or continued as, or converted into, an IBOR Loan must be in a minimum amount of $500,000 (or the Equivalent Amount in an Alternative Currency) and integral multiples of $100,000 (or the Equivalent Amount in an Alternative Currency) in excess of such amount. Any such election must be made by 11:00 a.m. (Local Time) on the 3/rd/ Business Day prior to (1) the date of any proposed Revolving Credit Advance which is to bear interest at the IBOR Rate, (2) the end of each IBOR Period with respect to any IBOR Loans to be continued as such, or (3) the date on which US Borrower Representative wishes to convert any Index Rate Loan to an IBOR Loan for an IBOR Period designated by US Borrower Representative in such election. If no election is received with respect to all or any portion of any US Revolving Credit Advances or the US Term Loans that are an IBOR Loan by 11:00 a.m. (New York time) on the 3/rd/ Business Day prior to the end of the IBOR Period with respect thereto, that IBOR Loan shall be converted to an Index Rate Loan at the end of its IBOR Period. If no election is received with respect to all or any portion of any European Revolving Credit Advances or the European Term Loan A that is an IBOR Loan by 11:00 a.m. (Local Time) on the 3/rd/ Business Day prior to the end of the IBOR Period with respect thereto, that IBOR Loan shall be converted to an IBOR Loan having an IBOR Period of one month at the end of its IBOR Period. US Borrower Representative must make such election by notice to Administrative Agent in writing, by fax or overnight courier. European Borrower Representative must make such election by notice to European Funding Agent in writing, by fax or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.2(e). No US Revolving Credit Advance or US Term Loan shall be made, converted into or continued as an IBOR Loan, if an Event of Default has occurred and is continuing and Administrative Agent or Requisite Lenders have determined not to make, convert or continue any such Loan as an IBOR Loan as a result thereof.

(f) Notwithstanding anything to the contrary set forth in this Section 1.2(f) with respect to the US Revolving Loan and the US Term Loan, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrowers shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Administrative Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.2(a) through (e), unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could

lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 1.2(f), a court of competent jurisdiction shall determine by a final, non-appealable order that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Administrative Agent shall, to the extent permitted by applicable law, promptly apply such excess as specified in Section 1.5(e) and thereafter shall refund any excess to Borrowers or as such court of competent jurisdiction may otherwise order.

1.3 Fees.

(a) Fee Letters. Borrowers shall pay to GE Capital and GE ELF, individually, the fees specified in that certain fee letter dated as of July 24, 2003, among Borrowers, GE Capital and GE ELF (the "GE Capital Fee Letter"), at the times specified for payment therein, and shall otherwise comply with all of the terms thereof. US Borrowers shall pay to LBI, individually, the fees specified in that certain fee letter dated as of July 24, 2003 among LBI, LCPI and the Borrowers (the "LBI Fee Letter"), at the times specified for payment therein, and shall otherwise comply with all of the terms thereof. European Borrowers shall pay to Nordea, individually, the fees specified in that certain fee letter dated as of July 24, 2003 among the European Borrowers and Nordea (the "Nordea Fee Letter"), at the times specified for payment therein, and shall otherwise comply with all of the terms thereof.

(b) Unused Line Fee. As additional compensation for the US Revolving Lenders, US Borrowers shall pay to Administrative Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each January, April, July and October of each year prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for US Borrowers' non-use of available funds during the immediately preceding quarter (or with respect to the Fee payable on: (i) the first Business Day of October 2003, during the period commencing on the Closing Date and ending on and including September 30, 2003, or (ii) the Commitment Termination Date, during the period commencing the first day of the quarter in which the Commitment Termination Date occurs and ending on and including the Commitment Termination Date), which Fee for each day in such period shall equal: (x) one-half of one percent (0.50%) (the "Applicable Unused Line Fee Margin") divided by 360 multiplied by (y) the difference between (1) the US Maximum Amount for such day and (2) the closing balance of the aggregate US Revolving Loan Outstandings for such day; provided that if the average of the closing balances of the US Revolving Loan Outstandings for each day during such period is less than 50% of the US Revolving Loan Commitment, the Applicable Unused Line Fee Margin shall be increased to three-quarters of one percent (0.75%) for the applicable period. As additional compensation for the European Revolving Lenders, European Borrowers shall pay to European Funding Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each January, April, July and October of each year prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for European Borrowers' non-use of available funds during the immediately preceding three-month period (or with respect to the Fee payable on: (i) the first Business Day of October 2003, during the period commencing on the Closing Date and ending on and including September 30, 2003, or (ii) the Commitment Termination Date, during the period commencing the first day of the quarter in which the

Commitment Termination Date occurs and ending on and including the Commitment Termination Date), which Fee for each day in such period shall equal: (x) the Applicable Unused Line Fee Margin divided by 360 multiplied by (y) the difference between (1) the European Maximum Amount for such day and (2) the Equivalent Amount in Dollars of the closing balance of the aggregate European Revolving Loan Outstandings for such day; provided that if the average of the Equivalent Amount in Dollars of the closing balances of the European Revolving Loan Outstandings for each day during such period is less than 50% of the European Revolving Loan Commitment, the Applicable Unused Line Fee Margin shall be increased to three-quarters of one percent (0.75%) for the applicable period.

(c) Letter of Credit Fees.

(i) US Letter of Credit Fees. US Borrowers agree to pay to Administrative Agent for the benefit of US Revolving Lenders, as compensation to such US Revolving Lenders for US Letter of Credit Obligations incurred hereunder, (i) all costs and expenses incurred by Administrative Agent or any Lender on account of such US Letter of Credit Obligations, and (ii) for each day during which any US Letter of Credit Obligation shall remain outstanding, a fee (the "US Letter of Credit Fee") in respect of each US Letter of Credit in an amount equal to the Applicable Revolver IBOR Margin from time to time in effect, multiplied by the maximum amount available from time to time to be drawn under such US Letter of Credit. Such fee shall be paid to Administrative Agent for the benefit of the US Revolving Lenders in arrears, on the first Business Day of each January, April, July and October and on the Commitment Termination Date. In addition, US Borrowers shall pay to any US L/C Issuer, on demand, such fees (including all per annum fees), charges and expenses of such US L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of all US Letters of Credit issued by it or otherwise payable pursuant to the applications and related documentation under which such US Letters of Credit are issued.

(ii) European Letter of Credit Fees. European Borrowers agree to pay to European Funding Agent for the benefit of European Revolving Lenders, as compensation to such European Revolving Lenders for European Letter of Credit Obligations incurred hereunder, (i) all costs and expenses incurred by European Loan Agent, European Funding Agent, the European L/C Issuer or any Lender on account of such European Letter of Credit Obligations, and (ii) for each day during which any European Letter of Credit Obligation shall remain outstanding, a fee (the "European Letter of Credit Fee") in respect of each European Letter of Credit in an amount equal to the Applicable Revolver IBOR Margin from time to time in effect, multiplied by the maximum amount available from time to time to be drawn under such European Letter of Credit. Such fee shall be paid to European Funding Agent for the benefit of the European Revolving Lenders in arrears, on the first Business Day of each January, April, July and October and on the Commitment Termination Date. In addition, European Borrowers shall pay to any European L/C Issuer, on demand, such fees (including all per annum fees), charges and expenses of such European L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of all European Letters of Credit or otherwise payable pursuant to the applications and related documentation under which such European Letters of Credit are issued.

(d) IBOR Breakage Fee. Upon (i) any default by any US Borrower in making any borrowing of, conversion into or continuation of any IBOR Loan following US Borrower Representative's delivery to Administrative Agent of any IBOR Loan request in respect thereof or (ii) any payment of an IBOR Loan on any day that is not the last day of the IBOR Period applicable thereto (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), US Borrowers shall pay Administrative Agent, for the benefit of all Lenders that funded or were prepared to fund any such IBOR Loan, the IBOR Breakage Fee. Upon (i) any default by any European Borrower in making any borrowing of, conversion into or continuation of any IBOR Loan following European Borrower Representative's delivery to European Loan Agent of any IBOR Loan request in respect thereof or (ii) any payment of an IBOR Loan on any day that is not the last day of the IBOR Period applicable thereto (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), European Borrowers shall pay European Funding Agent, for the benefit of all Lenders that funded or were prepared to fund any such IBOR Loan, the IBOR Breakage Fee.

(e) Expenses and Attorneys' Fees. Borrowers agree to promptly pay all reasonable fees, charges, costs and expenses (including reasonable attorneys' fees and expenses and (without duplication) the allocated cost of internal legal staff) incurred by each Authorized Agent in connection with any matters contemplated by or arising out of the Loan Documents, in connection with the examination, review, due diligence investigation, documentation, negotiation, closing and syndication of the transactions contemplated herein and in connection with the continued administration of the Loan Documents including any amendments, modifications, consents and waivers. Borrowers agree to promptly pay reasonable documentation charges assessed by each Authorized Agent for amendments, waivers, consents and any of the documentation prepared by any Authorized Agent (including reasonable attorneys' fees and expenses and the allocated cost of internal legal staff). Borrowers agree to promptly pay all fees, charges, costs and expenses (including fees, charges, costs and expenses of attorneys, external auditors (out-of-pocket costs, including fees and expenses), internal auditors ($750 per audit day per in-house auditor plus out-of-pocket expenses), appraisers, consultants and advisors and the allocated cost of internal legal staff) incurred by any Authorized Agent in connection with any Event of Default, work-out or action to enforce any Loan Document or to collect any payments due from Borrowers or any other Credit Party. In addition, in connection with any work-out or action to enforce any Loan Document or to collect any payments due from Borrowers or any other Credit Party, Borrowers agree to promptly pay all fees, charges, costs and expenses incurred by Lenders for one (1) counsel acting for all Lenders other than Agents. All fees, charges, costs and expenses for which Borrowers are responsible under this Section 1.3(e) shall be deemed part of the Obligations when incurred, payable upon demand or in accordance with Section 1.4(d) and secured by the Collateral.

1.4 Payments.

(a) Payments to Administrative Agent. All payments by US Borrowers of the Obligations shall be without deduction, defense, setoff or counterclaim and shall be made in same day funds and delivered to Administrative Agent, for the benefit of Agents and Lenders, as applicable, by wire transfer to the following account or such other place as Administrative Agent may from time to time designate in writing.

ABA No. 021 001 033
Account Number 502 328 54
Deutsche Bank Trust Company Americas
New York, New York
ACCOUNT NAME: GECC/CAF DEPOSITORY
Reference: CFN4927

(b) Payments to European Loan Agent. All payments by European Borrowers of the Obligations shall be without deduction, defense, setoff or counterclaim and shall be made in same day funds and delivered to European Loan Agent, at its account with European Funding Agent for the benefit of Agents and European Lenders, as applicable, by wire transfer to the following account or such other place as European Loan Agent may from time to time designate in writing.

In Dollars:

Pay to:	HSBC Bank USA, New York
SWIFT:	MRMDUS33
Account Name:	HSBC Bank plc, London
SWIFT:	MIDLGB22
Account Number:	000023868
Reference:	DFSAS/GE Capital/Tempur

In Alternative Currencies:

Pay to:	HSBC Bank plc, London
SWIFT:	MIDLGB22
Account Name:	HSBC Bank plc, London
SWIFT:	MIDLGB22
Account Number:	87513834
Reference:	DFSAS/GE Capital/Tempur

(c) Receipt of Payments; Currency. Borrowers shall receive credit on the day of receipt for funds received by the Appropriate Agent by 2:00 p.m. (Local Time). In the absence of timely receipt, such funds shall be deemed to have been paid on the next Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest and Fees due hereunder. Subject to the provisions of Section 9.22, all European Revolving Credit Advances hereunder denominated in an Alternative Currency shall be made, and all payments hereunder or under any other Loan Document in respect thereof (whether of principal, interest, Fees or otherwise) shall be made, in such Alternative Currency. All US Revolving Credit Advances, the US Term Loans the European Term Loan A, and all European Revolving Credit Advances hereunder denominated in Dollars, shall be made, and all payments hereunder or under any other Loan Document in respect thereof (whether of principal, interest, Fees or otherwise) shall be made, in Dollars. That portion of the European Term Loan A denominated in Euros shall be made, and all payments hereunder or under any other Loan Document in respect thereof

(whether of principal, interest, fees or otherwise) shall be made, in Euros. Unless otherwise agreed by the applicable Borrower and each Lender and each Authorized Agent to receive any such payment and except as otherwise provided above in this Section 1.4(c) all other amounts due hereunder or under any other Loan Document shall be payable in Dollars.

(d) Revolving Credit Advances. Administrative Agent is authorized to, and at its sole election may, charge to the US Revolving Loan balance or Swing Line Loan balance on behalf of each US Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with Section 2.2) and interest and Scheduled Installments and Letter of Credit reimbursement obligations and any amounts required to be deposited with respect to outstanding Letter of Credit Obligations pursuant to Section 6.3 other than principal of the US Revolving Loan, owing by US Borrowers under this Agreement or any of the other Loan Documents if and to the extent US Borrowers fail to pay promptly any such amounts as and when due, even if the amount of such charges would exceed US Borrowing Availability at such time. At Administrative Agent's option and to the extent permitted bylaw, any charges so made shall constitute a US Revolving Credit Advance hereunder. European Funding Agent at the direction of the European Loan Agent, shall, charge to the European Revolving Loan balance on behalf of each European Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with Section 2.2) and interest and Scheduled Installments and Letter of Credit reimbursement obligations and any amounts required to be deposited with respect to outstanding Letter of Credit Obligations pursuant to Section 6.3 other than principal of the European Revolving Credit Advances, owing by European Borrowers under this Agreement or any of the other Loan Documents if and to the extent European Borrowers fail to pay promptly any such amounts as and when due, even if the amount of such charges would exceed European Borrowing Availability at such time. At Administrative Agent's option and to the extent permitted by law, any charges so made shall constitute a European Revolving Credit Advance hereunder.

1.5 Prepayments.

(a) Voluntary Prepayments of Loans. TPUSA may at any time on at least 3 Business Days' prior written notice by TPUSA to Administrative Agent voluntarily prepay all or part of the US Term Loans; provided that any such prepayments shall be in a minimum amount of $3,000,000 and integral multiples of $500,000 in excess of such amount. DF may at any time on at least 3 Business Days' prior written notice by DF to the Administrative Agent, European Funding Agent and the European Loan Agent voluntarily prepay all or part of the European Term Loan A; provided that any such prepayments shall be in a minimum amount of $3,000,000 and integral multiples of $500,000 in excess of such amount. Notwithstanding the foregoing, TPUSA and DF may at any time on at least 3 Business Days' prior written notice by Borrower Representative to Administrative Agent, European Funding Agent and the European Loan Agent voluntarily prepay all or part of each of the US Term Loans and the European Term Loan A; provided that any such prepayments shall be in a minimum amount of $4,000,000, in the aggregate, and integral multiples of $500,000 in excess of such amount. TPI may at any time on at least 3 Business Days' prior written notice to Administrative Agent permanently reduce (but not terminate) the US Revolving Loan Commitment; provided that (A) any such prepayments shall be in a minimum amount of $5,000,000 and integral multiples of $500,000 in excess of such amount, (B) the US Revolving Loan Commitment shall not be reduced to an amount less

than $5,000,000, and (C) after giving effect to such reductions, TPI shall comply with Section 1.1(b)(i). European Borrowers may at any time on at least 3 Business Days' prior written notice by DF to the Administrative Agent, European Funding Agent and the European Loan Agent permanently reduce (but not terminate) the European Revolving Loan Commitment; provided that (A) any such prepayments shall be in a minimum amount of $5,000,000 and integral multiples of $500,000 in excess of such amount, (B) the European Revolving Loan Commitment shall not be reduced to an amount less than $5,000,000, and (C) after giving effect to such reductions, the European Borrowers shall comply with Section 1.1(b)(ii). Any such voluntary prepayment of any Term Loan must be accompanied by the payment of any IBOR Breakage Fees, if applicable. In addition, Borrowers may at any time on at least 5 Business Days' prior written notice by the US Borrower Representative to the Administrative Agent, European Funding Agent and the European Loan Agent terminate both the US Revolving Loan Commitment and the European Revolving Loan Commitment; provided that upon any such termination, all Loans and other Obligations shall be immediately due and payable in full and all Letter of Credit Obligations shall be cash collateralized or otherwise satisfied in accordance with Section 6.3. Any such voluntary prepayment and any such reduction or termination of the Revolving Loan Commitments must be accompanied by the payment of any IBOR Breakage Fees, if applicable. Borrowers may voluntarily repay the Revolving Loans (without any reduction or termination of the Revolving Loan Commitments) without prior written notice to any Agent. Upon any such termination of the US Revolving Loan Commitment and the European Revolving Loan Commitment, each Borrower's right to request US Revolving Credit Advances and European Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, shall be terminated. Any partial prepayments of a Term Loan of any Borrower shall be applied pro rata against all remaining Scheduled Installments until prepaid in full.

(b) Prepayments from Excess Cash Flow. On or before the date that is 15 days after the earlier of (A) the date on which Ultimate Holdco's annual audited Financial Statements for the immediately preceding Fiscal Year are delivered pursuant to Section 4.6(b) or (B) the date on which such annual audited Financial Statements were required to be delivered pursuant to Section 4.6(b) commencing with the Fiscal Year ending December 31, 2003, Borrowers shall prepay the Loans in an amount equal to (1) seventy-five percent (75%) of Excess Cash Flow for the immediately preceding Fiscal Year if the Senior Leverage Ratio for such Fiscal Year is greater than 2.25:1.0, and (2) fifty percent (50%) of Excess Cash Flow for the immediately preceding Fiscal Year if the Senior Leverage Ratio for such Fiscal Year is equal to or less than 2.25:1.0 but greater than 1.75:1.0. If the Senior Leverage Ratio is equal to or less than 1.75:1.0, for any Fiscal Year, no prepayment from Excess Cash Flow shall be payable with respect to that Fiscal Year. The calculation shall be based on the audited Financial Statements for Ultimate Holdco and its Subsidiaries. Any prepayments from Excess Cash Flow paid pursuant to this Section 1.5(b) shall be made by the applicable Borrower and applied in accordance with Section 1.5(e). Borrowers shall deliver to Administrative Agent and European Loan Agent not less than five (5) days prior to the date on which any such payment is due a detailed calculation of the required prepayment and an aggregation of the specific contributions to Excess Cash Flow of US Borrowers, considered as a group, and of European Borrowers, considered as a group, and the resulting proportional allocation of the prepayments between US Borrowers and European Borrowers. Aggregate prepayments pursuant to this Section 1.5(b) shall be allocated to the Obligations of US Borrowers and European Borrowers under Section

1.5(a) based on the relative contributions of US Borrowers and European Borrowers to Excess Cash Flow for the applicable Fiscal Year.

(c) Prepayments from Net Proceeds.

(i) Immediately upon receipt by any US Credit Party of any Net Proceeds in excess of $250,000 during any Fiscal Year, Borrowers shall prepay the Loans in an amount equal to all such Net Proceeds. Notwithstanding the foregoing, US Credit Parties may reinvest all such Net Proceeds, within 180 days, in productive replacement fixed assets of a kind then used or usable in the business of Borrowers. If US Credit Parties do not intend to so reinvest such Net Proceeds or if the period set forth in the immediately preceding sentence expires without US Credit Parties having reinvested, such Net Proceeds or if such Net Proceeds are of the type referred to in clause (ii) of the definition thereof, Borrowers shall prepay the Loans in an amount equal to such Net Proceeds or, to the extent that a portion of such Net Proceeds have been reinvested, the remainder of such Net Proceeds. Any such prepayment shall be made by the applicable Borrower and applied in accordance with Section 1.5(e).

(ii) Immediately upon receipt by any European Credit Party of Net Proceeds (other than from the sale of the German Property) in excess of $250,000 (or the Equivalent Amount in an Alternative Currency) during any Fiscal Year, Borrowers shall prepay the Loans in an amount equal to all such Net Proceeds. Notwithstanding the foregoing, European Credit Parties may reinvest all such Net Proceeds (other than from the sale of the German Property), within 180 days, in productive replacement fixed assets of a kind then used or usable in the business of Borrowers. If European Credit Parties do not intend to so reinvest such Net Proceeds or if the period set forth in the immediately preceding sentence expires without European Credit Parties having reinvested such Net Proceeds or if such Net Proceeds are of the type referred to in clause (ii) of the definition thereof, Borrowers shall prepay the Loans in an amount equal to such Net Proceeds or, to the extent that a portion of such Net Proceeds have been reinvested, the remainder of such Net Proceeds. Any such prepayment shall be made by the applicable Borrower and applied in accordance with Section 1.5(e); provided, that upon receipt by any European Credit Party of Net Proceeds from the sale of the German Property during any Fiscal Year, European Borrowers shall prepay pro rata the remaining Scheduled Installments of the European Term Loan A.

(d) Prepayments from Issuance of Stock. Immediately upon receipt by any Credit Party of proceeds of the issuance or reissuance of any Stock, other than the Excluded Stock Proceeds, the Borrowers shall prepay the Loans on the date of receipt of the proceeds thereof in an amount equal to all such proceeds, net of underwriting discounts and commissions and other reasonable costs, fees and expenses with respect to legal, investment banking, underwriting, brokerage, accounting and other professional services paid to non-Affiliates in connection therewith. Any such prepayment shall be made by the applicable Borrowers and applied in accordance with Section 1.5(e). "Excluded Stock Proceeds" shall mean (i) proceeds from the exercise of any stock options granted to directors, officers and employees pursuant to the Stock Option Plan or any other stock option or bonus plan, (ii) proceeds from the issuance of Stock pursuant to Section 3.3(d), (e), (n) or (o), and (iii) proceeds of the issuance of Stock of not more than $5,000,000 in the aggregate by Ultimate Holdco to any Person who holds Stock in

Ultimate Holdco on the Closing Date and at the time of such issuance; provided that no Default or Event of Default has occurred and is continuing.

(e) Application of Proceeds. Any prepayments pursuant to Sections 1.5(b), (c) or (d) shall be made by the applicable Borrowers and applied as follows: (i) with respect to Excess Cash Flow allocated to any European Borrower or Net Proceeds or proceeds of business interruption insurance received by any European Credit Party or proceeds of the issuance or reissuance of Stock received by any European Credit Party, first, to prepay pro rata the remaining Scheduled Installments of the European Term Loan A until prepaid in full; and second, to prepay the principal balance of the European Revolving Credit Advances until the same have been paid in full, and (ii) with respect to Excess Cash Flow or proceeds of business interruption insurance allocated to any US Borrower or Net Proceeds received by any US Credit Party or proceeds of the issuance or reissuance of Stock received by any US Credit Party, first, to prepay pro rata the remaining Scheduled Installments of each of the US Term Loans until prepaid in full; second, to prepay pro rata the remaining Scheduled Installments of the European Term Loan A until prepaid in full; third to prepay the principal balance of the US Revolving Credit Advances until paid in full; and last, to prepay the European Revolving Credit Advances until the same have been paid in full. None of the Revolving Loan Commitments shall be permanently reduced by the amount of any such prepayments. Notwithstanding the foregoing, each of the US Term B Lenders may, in the event of a prepayment pursuant to Sections 1.5(b), (c) or (d), waive the application of any such prepayment to the outstanding principal amount of the US Term Loan B under this Section 1.5(e) by providing written notice of such waiver to Administrative Agent (duly executed by such US Term B Lender) prior to the application by Administrative Agent of such prepayment, in which case the amount of such prepayment intended to prepay US Term Loan B shall be applied to prepay pro rata the remaining Scheduled Installments of US Term Loan A.

1.6 Maturity. All of the Obligations shall become due and payable as otherwise set forth herein, but in any event all of the remaining Obligations shall become due and payable upon termination of this Agreement. Until the Termination Date, Authorized Agents shall be entitled to retain the security interests in the Collateral granted under the Collateral Documents and the ability to exercise all rights and remedies available to them under the Loan Documents and applicable laws. Notwithstanding anything contained in this Agreement to the contrary, upon any termination of the US Revolving Loan Commitment or the European Revolving Loan Commitment, all of the Obligations shall be due and payable except for the US Term Loan B which shall be due and payable on June 30, 2009 or earlier pursuant to Section 6.3.

1.7 Loan Accounts. Each Appropriate Agent shall maintain a loan account (each, a "Loan Account") on its books to record: all Advances and the Term Loan for which it is Agent, all payments made by Borrowers, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Accounts shall be made in accordance with Appropriate Agent's customary accounting practices as in effect from time to time. The balance in the applicable Loan Account, as recorded on Appropriate Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agents and Lenders by Borrowers; provided that any failure to so record or any error in so recording shall not limit or otherwise affect any Borrower's duty to pay the Obligations. Each Appropriate Agent shall render to Appropriate Borrower

Representative a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account as to each Borrower for the immediately preceding month. Unless Appropriate Borrower Representative notifies Appropriate Agent and Administrative Agent, if different, in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall, absent manifest error, be deemed final, binding and conclusive on Borrowers in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrowers. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the applicable Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.8 Yield Protection; Illegality.

(a) Capital Adequacy and Other Adjustments. In the event that any Lender shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or governmental agency or body having jurisdiction does or shall have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender or any corporation controlling such Lender and thereby reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, then Borrowers shall from time to time within fifteen (15) days after notice and demand from such Lender (together with the certificate referred to in the next sentence and with a copy to Appropriate Agent) pay to Appropriate Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such Lender to Appropriate Borrower Representative and Appropriate Agent shall, absent manifest error, be final, conclusive and binding for all purposes.

(b) Increased IBOR Funding Costs; Illegality. Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law, rule, regulation, treaty or directive (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to continue to fund or maintain any IBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such IBOR Loan at another branch or office of that Lender without, in that Lender's reasonable opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Appropriate Borrower Representative through Appropriate Agent, (i) the obligation of such Lender to agree to make or to continue to fund or maintain IBOR Loans shall terminate, (ii) each US Borrower shall forthwith prepay in full all outstanding IBOR Loans owing by such US Borrower to such Lender, together with interest accrued thereon, unless with respect to US Revolving Credit Advances and US Term Loans that are IBOR Loans, US Borrower Representative on behalf of such US Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all IBOR Loans into Index Rate Loans, and (iii) each

European Borrower shall forthwith prepay in full all outstanding IBOR Loans owing by such European Borrower to such Lender, together with interest accrued thereon. If, after the date hereof, the introduction of, change in or interpretation of any law, rule, regulation, treaty or directive would impose or increase reserve requirements (other than as taken into account in the definition of IBOR) or otherwise increase the cost to any Lender of making or maintaining an IBOR Loan, then US Borrowers or European Borrowers, as applicable, shall from time to time within twenty (20) days after notice and demand from Appropriate Agent to Appropriate Borrower Representative (together with the certificate referred to in the next sentence) pay to Appropriate Agent, for the account of all such affected Lenders, additional amounts sufficient to compensate such Lenders for such increased cost. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by Appropriate Agent on behalf of all such affected Lenders to Appropriate Borrower Representative shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) Each Lender shall notify Appropriate Borrower Representative of any event that will entitle such Lender to compensation under this Section 1.8 as promptly as practicable, but in any event within 120 days after such Lender obtains actual knowledge thereof; provided, however, that (i) if any Lender fails to give such notice within 120 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 1.8 in respect of any Costs resulting from such event, only be entitled to payment under this Section 1.8 for amounts or losses incurred from and after the date 120 days prior to the date that such Lender does give such notice.

1.9 Taxes.

(a) No Deductions. Any and all payments or reimbursements made hereunder or under the Notes shall be made free and clear of and without deduction for any and all charges, taxes, levies, imposts, deductions or withholdings, and all liabilities with respect thereto of any nature whatsoever imposed by any taxing authority, excluding such taxes to the extent imposed on an Agent's or a Lender's net income by the jurisdiction in which such Agent or such Lender is organized. If any Borrower shall be required by law to deduct any such amounts from or in respect of any sum payable hereunder to any Lender or any Agent, then the sum payable hereunder shall be increased as may be necessary so that, after making all required deductions, such Lender or such Agent receives an amount equal to the sum it would have received had no such deductions been made.

(b) Changes in Tax Laws. In the event that, subsequent to the Closing Date, (1) any changes in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (2) any new law, regulation, treaty or directive enacted or any interpretation or application thereof, or (3) compliance by any Agent or any Lender with any request or directive (whether or not having the force of law) from any Governmental Authority:

(i) does or shall subject any Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement, the other Loan Documents or any Loans made or Letters of Credit issued hereunder, or change the basis of taxation of payments to such Agent or such Lender of principal, fees, interest or any other amount payable hereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by

federal, state or local taxing authorities with respect to interest or commitment fees or other fees or Fees payable hereunder or changes in the rate of tax on the overall net income of such Agent or such Lender); or

(ii) does or shall impose on any Agent or any Lender any other condition or increased cost in connection with the transactions contemplated hereby or participations herein;

and the result of any of the foregoing is to increase the cost to any such Agent or any such Lender of issuing any Letter of Credit or making or continuing any Loan hereunder, as the case may be, or to reduce any amount receivable hereunder, then, in any such case, Borrowers shall promptly pay to such Agent or such Lender, upon its demand, any additional amounts necessary to compensate such Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount receivable, as determined by such Agent or such Lender with respect to this Agreement or the other Loan Documents. If such Agent or such Lender becomes entitled to claim any additional amounts pursuant to this Section 1.9(b), it shall promptly notify Appropriate Borrower Representative of the event by reason of which such Agent or such Lender has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Agent or such Lender to Appropriate Borrower Representative (with a copy to Appropriate Agent) shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) Foreign Lenders. Each US Lender organized under the laws of a jurisdiction outside the United States and each European Lender organized under the laws of a jurisdiction outside of Denmark, shall, on or prior to the date of its execution and delivery of this Agreement in the case of each initial Lender hereunder, and on the date of the Assignment Agreement pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by a Borrower or the Appropriate Agent (but only so long thereafter as such Lender remains lawfully able to do so), provide the Appropriate Agent and Appropriate Borrower Representative with: (i) in the case of such a US Lender, a properly completed and executed IRS Form W-8BEN or Form W-8ECI or other applicable form, certificate or document prescribed by the IRS of the United States certifying as to such US Lender's entitlement an exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, and (ii) in the case of any such European Lender organized under the laws of a jurisdiction outside of Denmark, such valid and fully completed forms, as are required by the applicable tax authority of Denmark, indicating that such European Lender is entitled to benefits under an income tax treaty to which the country within which such European Borrower is resident is a party that reduces the rate of interest-withholding tax on payments under this Agreement or the Notes (each a "Certificate of Exemption"). No such Person may become a Lender hereunder if such Person fails to deliver a Certificate of Exemption in advance of becoming a Lender as provided above. In addition, each of the foregoing Lenders agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous Certificate of Exemption obsolete or inaccurate in any material respect, it will deliver to the Appropriate Agent and the Appropriate Borrower Representative a new, accurate, complete and executed Certificate of Exemption and such other forms as may be required in order to confirm the entitlement of such Lender to a continued exemption from United States withholding tax or other interest-withholding tax, as applicable, with respect to payments under this Agreement or any Note, or it shall promptly upon actual

knowledge thereof notify the Appropriate Agent and the Appropriate Borrower Representative of its inability to deliver any such Certificate of Exemption. No Borrower shall be required to indemnify any Lender, or pay any additional amounts to any Lender, in respect of United States withholding tax or Danish withholding tax, as applicable, pursuant to Section 1.9(a) to the extent that (y) the obligation to withhold such amounts existed on the date such Lender became a party to this Agreement; provided however, that this clause (y) shall not apply to the extent that (I) the indemnity payments or additional amounts any Lender would be entitled to receive (without regard to this clause (y)) do not exceed the indemnity payments or additional amounts that the Person making the assignment or transfer to such Lender would have been entitled to receive in the absence of such assignment or transfer, or (II) such assignment or transfer had been requested by any Borrower, or (z) the obligation to pay such additional amounts would not have arisen but for a failure by such Lender to comply with the provisions of this Section 1.9(c).

(d) Each Lender shall notify Appropriate Borrower Representative of any event that will entitle such Lender to compensation under this Section 1.9 as promptly as practicable, but in any event within 120 days after such Lender obtains actual knowledge thereof; provided however, that (i) if any Lender fails to give such notice within 120 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 1.9 in respect of any costs result from such event, only be entitled to payment under this Section 1.9 for amounts or losses incurred from and after the date 120 days prior to the date that such Lender does give such notice.

1.10 Limitations on Obligations of European Credit Parties. Notwithstanding anything set forth in this Agreement or any other Loan Document to the contrary, other than as may be required under Section 2.7(d), no European Credit Party shall at any time be liable for any portion of the principal of the US Term Loans or US Revolving Loan or any interest thereon or Fees payable with respect thereto (and the US Credit Parties are liable for such Obligations), and no assets of any European Credit Party shall at any time serve, directly or indirectly, as security for any portion of the principal of the US Term Loans or US Revolving Loan or any interest thereon or any Fees payable with respect thereto.

1.11 Borrower Representatives. Each US Borrower hereby designates TPI as its representative and agent on its behalf for the purposes of issuing any Notice of US Revolving Credit Advances and Notice of Conversion/Continuation, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, requesting Letters of Credit, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any US Borrower or US Borrowers under the Loan Documents. US Borrower Representative hereby accepts such appointment. Each European Borrower hereby designates TWHC as its representative and agent on its behalf for the purposes of issuing any Notice of European Revolving Credit Advances and Notice of Continuation, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, requesting Letters of Credit, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any European Borrower or European Borrowers under the Loan Documents. European Borrower Representative hereby accepts such appointment. Each Agent and each Lender may regard any notice or other communication pursuant to any

Loan Document from any Appropriate Borrower Representative as a notice or communication from all applicable Borrowers. Each Borrower agrees that each warranty, covenant, agreement and undertaking made on its behalf by Appropriate Borrower Representative shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent as it if the same had been made directly by such Borrower.

1.12 Single Loan. All Loans to each US Borrower and all of the other Obligations of each US Borrower arising under this Agreement and the other Loan Documents, including its obligations as a Guarantor, shall constitute one general obligation of that US Borrower secured, until the Termination Date, by the Collateral pledged by the US Credit Parties to secure such Obligations pursuant to the Collateral Documents (it being understood that, subject to the provisions of Section 2.7(d), pursuant to the Collateral Documents only 65% of the Stock of TWHC is pledged to secure such Obligations). All Loans to each European Borrower and all of the other Obligations of each European Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of that European Borrower secured, until the Termination Date, by all of the Collateral pursuant to the Collateral Documents.

SECTION 2.
AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

2.1 Compliance With Laws and Contractual Obligations. Each Credit Party will (a) comply with and shall cause each of its Subsidiaries to comply with (i) the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, Charges, laws, rules, regulations and orders relating to taxes, employer and employee contributions, securities, employee retirement and welfare benefits, environmental protection matters and employee health and safety) as now in effect and which may be imposed in the future in all jurisdictions in which any Credit Party or any of its Subsidiaries is now doing business or may hereafter be doing business and (ii) the obligations, covenants and conditions contained in all Contractual Obligations of such Credit Party or any of its Subsidiaries other than those laws, rules, regulations, orders and provisions of such Contractual Obligations the noncompliance with which could not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (b) maintain or obtain and shall cause each of its Subsidiaries to maintain or obtain all licenses, qualifications and permits now held or hereafter required to be held by such Credit Party or any of its Subsidiaries, for which the loss, suspension, revocation or failure to obtain or renew, could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. This Section 2.1 shall not preclude any Credit Party or its Subsidiaries from contesting any taxes or other payments, if they are being diligently contested in good faith in a manner which stays enforcement thereof and if appropriate expense provisions have been recorded in conformity with GAAP. Each Credit Party represents and warrants that it (i) is in compliance and each of its Subsidiaries is in compliance with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority and the obligations, covenants and conditions contained in all Contractual Obligations other than those laws, rules, regulations, orders and provisions of such

Contractual Obligations the noncompliance with which could not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (ii) maintains and each of its Subsidiaries maintains all licenses, qualifications and permits referred to above, except where the failure to do so could not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect.

2.2 Maintenance of Properties; Insurance. Each Credit Party will maintain or cause to be maintained in good repair, working order and condition all material properties used in the business of such Credit Party and its Subsidiaries and will make or cause to be made all appropriate repairs, renewals and replacements thereof. Each Credit Party will maintain or cause to be maintained, with financially sound and reputable insurers, public liability and property damage insurance with respect to its business and properties and the business and properties of its Subsidiaries against loss or damage of the kinds customarily carried or maintained by corporations of established reputation engaged in similar businesses and in amounts acceptable to Administrative Agent and will deliver evidence thereof to Administrative Agent. Each European Credit Party will maintain business interruption insurance providing coverage for a period of at least six (6) months and in an amount not less than $12,000,000, and each US Credit Party will maintain business interruption insurance providing coverage for a period of at least six (6) months and in an amount not less than $11,000,000. Each Credit Party shall cause Administrative Agent (or with respect to any European Credit Party, the European Security Agent), pursuant to endorsements and/or assignments in form and substance reasonably satisfactory to such Agent, to be named as lender's loss payee in the case of casualty insurance, additional insured in the case of all liability insurance and assignee in the case of all business interruption insurance, in each case for the benefit of Agents and Lenders. Each Credit Party represents and warrants that it and each of its Subsidiaries currently maintains all material properties as set forth above and maintains all insurance described above. In the event any Credit Party fails to provide Administrative Agent with evidence of the insurance coverage required by this Agreement, Administrative Agent (or with respect to any European Credit Party, the European Loan Agent or the European Security Agent) may purchase such insurance at such Credit Party's expense to protect such Agent's interest in the Collateral. This insurance may, but need not, protect such Credit Party's interests. The coverage purchased by any Agent may not pay any claim made by such Credit Party or any claim that is made against such Credit Party in connection with the Collateral. Such Credit Party may later cancel any insurance purchased by any Agent, but only after providing such Agent with evidence that such Credit Party has obtained insurance as required by this Agreement. If any Agent purchases insurance for the Collateral, such Credit Party will be responsible for the costs of that insurance, including interest and other Charges imposed by such Agent in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Obligations, as provided in Section 1.4(d). The costs of the insurance may be more than the cost of insurance such Credit Party is able to obtain on its own.

2.3 Inspection; Lender Meeting. Each Credit Party shall permit any authorized representatives of the Administrative Agent, the European Loan Agent and the European Security Agent (the "Authorized Agents") to visit, audit and inspect any of the properties of such Credit Party and its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and business with its and their officers and certified public accountants, (a) prior to the occurrence

and during the continuance of an Event of Default, no more than twice each Fiscal Year (or more frequently as may be mutually agreed on by Administrative Agent and Borrower Representative), at such reasonable times during normal business hours, in each case, upon 2 Business Day's prior notice, and (b) after the occurrence and during the continuance of an Event of Default, without notice and as often as Administrative Agent determines to be appropriate. Representatives of each Lender will be permitted to accompany representatives of any Authorized Agent during each visit, inspection and discussion referred to in the immediately preceding sentence. Without in any way limiting the foregoing, each Credit Party will participate and will cause key management personnel of each Credit Party and its Subsidiaries to participate in a meeting with Authorized Agents and Lenders at least once during each year, which meeting shall be held at such time and such place as may be reasonably requested by Administrative Agent.

2.4 Organizational Existence. Except as otherwise permitted by Section 3.6, each Credit Party will and will cause its Subsidiaries to at all times preserve and keep in full force and effect its organizational existence and all rights and franchises material to its business.

2.5 Environmental Matters. Each Credit Party shall and shall cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions that are required to comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate; (c) notify each Agent promptly after such Credit Party or any Person within its control becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate that is reasonably likely to result in Environmental Liabilities to a Credit Party or its Subsidiaries in excess of $500,000; and (d) promptly forward to Administrative Agent a copy of any order, notice, request for information or any communication or report received by such Credit Party or any Person within its control in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of $500,000, in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter. If any Authorized Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any Person under its control or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, that, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party and its Subsidiaries shall, upon such Agent's written request (i) cause the performance of such environmental audits including subsurface sampling, of soil and groundwater, and preparation of such environmental reports, at Borrowers' expense, as such Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to such Agent and shall be in form and substance reasonably acceptable to such Agent, and (ii) permit each Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and testing as Administrative Agent deems

appropriate, including subsurface sampling of soil and groundwater. Borrowers shall reimburse Appropriate Agent for the costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

2.6 Landlords' Agreements, Mortgagee Agreements and Bailee Letters. Each US Credit Party and Designated European Credit Party shall use reasonable efforts to obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property, mortgagee of owned property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral is stored or located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to Administrative Agent (and, with respect to any Designated European Credit Party, the European Loan Agent). With respect to such locations or warehouse space leased or owned as of the Closing Date and thereafter, if Administrative Agent has not received a landlord or mortgagee agreement or bailee letter as of the Closing Date (or, if later, as of the date such location is acquired or leased), the Eligible Inventory at that location shall, in Administrative Agent's discretion, be subject to such Reserves as may be established by Administrative Agent in its reasonable credit judgment. After the Closing Date, no real property or warehouse space shall be leased by any US Credit Party or Designated European Credit Party and no Inventory shall be shipped to a processor or converter under arrangements established after the Closing Date without the prior written consent of Administrative Agent (which consent, shall not be unreasonably withheld, but which consent, in Administrative Agent's discretion, may be conditioned upon the exclusion from the Borrowing Base of Eligible Inventory at that location or the establishment of Reserves acceptable to Administrative Agent) or, unless and until a reasonably satisfactory landlord agreement or bailee letter, as appropriate, shall first have been obtained with respect to such location. Each Credit Party shall and shall cause its Subsidiaries to timely and fully pay and perform their obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located.

2.7 Further Assurances.

(a) Each Credit Party (except as noted in the following sentence) shall, from time to time, execute such guaranties, financing statements, documents, security agreements and reports as any Authorized Agent or Requisite Lenders at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations contemplated by the Loan Documents. If at any time TIL has assets with a fair market value greater than $250,000 (or the Equivalent Amount in an Alternative Currency), TIL, at its cost and expense, shall promptly upon the request of any Authorized Agent execute and deliver, or cause to be executed and delivered, to the European Security Agent (i) a Guaranty in form and substance satisfactory to the Administrative Agent and the European Loan Agent, guaranteeing the Obligations of the European Borrowers hereunder and under the other Loan Documents, and (ii) Collateral Documents in form and substance satisfactory to Authorized Agents, granting to the European Security Agent a Lien over TIL's properties and assets to secure the Obligations of the European Credit Parties, to the extent such Guaranty or Collateral Document is not prohibited by the Laws of the United Kingdom.

(b) In the event any Credit Party acquires after the Closing Date a fee simple interest for a purchase price in excess of $250,000, or a leasehold interest in real property having annual rental or lease payments of greater than $250,000, such Credit Party shall deliver to Administrative Agent or European Security Agent, as applicable, a fully executed mortgage or deed of trust over such real property in form and substance satisfactory to Administrative Agent, together with such title insurance policies, surveys, appraisals, evidence of insurance, legal opinions, environmental assessments and other documents and certificates as shall be reasonably required by Administrative Agent (or with respect to any European Credit Party, Administrative Agent and European Security Agent).

(c) Each US Credit Party shall (i) cause each Person, upon its becoming a Domestic Subsidiary of such US Credit Party (provided that this shall not be construed to constitute consent by any of the Lenders to any transaction not expressly permitted by the terms of this Agreement), promptly to guaranty the Obligations and to grant to Administrative Agent, for the benefit of Administrative Agent and Lenders, a security interest in the real, personal and mixed property of such Person to secure the Obligations, (ii) pledge, or cause to be pledged, to Administrative Agent, for the benefit of Administrative Agent and Lenders, all of the Stock of such Subsidiary to secure the Obligations and (iii) enter into blocked account agreements in form and substance approved by the Administrative Agent. The documentation for such guaranty, security and pledge shall be substantially similar to the Loan Documents executed concurrently herewith with such modifications as are reasonably requested by Administrative Agent.

(d) To the extent that no incremental income tax liability (other than de minimus incremental income tax liability) would result from consolidating any European Credit Party's financial statements with the US Credit Parties for US tax-reporting purposes, then at the request of the Administrative Agent or the Required Lenders, Ultimate Holdco shall cause each such European Credit Party to execute and deliver to the Administrative Agent (a) a Guaranty in form and substance reasonably satisfactory to the Administrative Agent, guaranteeing the Obligations of the US Borrowers hereunder and under the other Loan Documents, and (b) Collateral Documents in form and substance reasonably satisfactory to the Agents, granting to the European Security Agent a Lien over such European Credit Party's properties and assets, in each case, to the extent such European Credit Party has, or is required to have, entered into a Guaranty or a Collateral Document with respect to the Obligations of the European Credit Parties, and to the extent such Guaranty or Collateral Document is not prohibited by the law of the jurisdiction of formation of such European Credit Party, and shall cause the pledge of all Stock of such European Credit Party to the Administrative Agent to secure all of the Obligations to the extent only a portion of such Stock was previously pledged to the Administrative Agent to secure the Obligations of the US Credit Parties.

(e) Each European Credit Party, at its cost and expense, shall promptly upon the request of either Agent execute and deliver, or cause to be executed and delivered, to the European Security Agent (a) a Guaranty in form and substance satisfactory to the Administrative Agent and the European Loan Agent, guaranteeing the Obligations of the European Borrowers hereunder and under the other Loan Documents, and (b) Collateral Documents in form and substance satisfactory to Agents, granting to the European Security Agent a Lien over such European Credit Party's properties and assets to secure the Obligations of the European Credit Parties, to the extent such Guaranty or Collateral Document is not prohibited by the law of the

jurisdiction of formation of such European Credit Party. The Administrative Agent may make any such request (i) after the occurrence and during the continuance of a Default or Event of Default, in its sole and absolute discretion and (ii) so long as no Default or Event of Default has occurred and is continuing, (x) in the exercise of reasonable credit judgment and taking into consideration the costs associated therewith in relation to the value or importance of such Guaranty or Collateral (it being understood that it is the intent of the parties that the Obligations of the European Credit Parties shall be secured by substantially all of the assets and properties of the European Credit Parties) or (y) with respect to any European Credit Party having assets with a fair market value greater than $1,500,000 (or the Equivalent Amount in an Alternative Currency). The security interests required to be granted pursuant to this Section 2.7 shall be valid and enforceable perfected security interests prior to the rights of all third Persons and subject to no other Liens, except Permitted Encumbrances. The Collateral Documents and other instruments related thereto shall be duly recorded or filed in such manner and in such places and at such times, and such other actions shall be taken, as are required by law to establish, perfect, preserve and protect the Liens, in favor of the European Security Agent, required to be granted pursuant to such documents and all taxes, fees and other charges payable in connection therewith shall be paid in full by the European Credit Parties. At the time of the execution and delivery of the additional documents, the European Credit Parties shall cause to be delivered to the Agents such opinions of counsel, mortgage policies, title surveys, real estate appraisals, certificates of title, stock certificates and other related documents as may be reasonably requested by the Administrative Agent or the European Loan Agent to assure themselves that this Section 2.7 has been complied with.

2.8 Interest Rate Agreement. Borrowers shall maintain Interest Rate Agreements providing for interest rate protection as currently in effect with respect to $60,000,000 of the Term Loans for a term expiring no earlier than March 31, 2006.

2.9 Escrow. All Escrow Material shall be deposited with and at all times held by the Escrow Agent pursuant to the Escrow Agreement.

2.10 Currency Risk Management Policy. Ultimate Holdco will maintain until the Termination Date, a currency risk management policy in accordance with the guidelines set out in Annex G (the "Currency Risk Management policy").

2.11 Post-Closing Date Matters. Credit Parties shall deliver the documents listed on Schedule A to the Post Closing Agreement, and take of all actions set forth on Schedule A to the Post Closing Agreement to the satisfaction of Appropriate Agent on or before the date specified for such delivery or action.

SECTION 3.
NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof until the Termination Date:

3.1 Indebtedness. The Credit Parties shall not and shall not cause or permit their Subsidiaries directly or indirectly to create, incur, assume, or otherwise become or remain

directly or indirectly liable with respect to any Indebtedness (other than pursuant to a Contingent Obligation permitted under Section 3.4) except:

(a) the Obligations;

(b) Indebtedness evidenced by the Subordinated Notes Documents in an aggregate principal amount not to exceed $150,000,000, in the aggregate at any time outstanding;

(c) Indebtedness not to exceed $1,000,000 in the aggregate at any time outstanding secured by purchase money Liens or incurred with respect to Capital Leases and refinancings thereof or amendments or modifications thereto that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable to any Credit Party, any Agent or any Lender, as determined by Administrative Agent, than the terms of the Indebtedness being refinanced, amended or modified;

(d) Existing Indebtedness (including intercompany loans) described in Schedule 3.1 outstanding as of the Closing Date and refinancings thereof or amendments or modifications thereto that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable to any Credit Party, any Agent or any Lender, as determined by Administrative Agent, than the terms of the Indebtedness being refinanced, amended or modified;

(e) Indebtedness consisting of intercompany loans and advances made by any US Borrower to the other US Borrower; provided that: (i) each US Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Administrative Agent; (ii) the obligations of each US Borrower with respect to such intercompany loans and advances shall be subordinated to the Obligations pursuant to Section 9.23; and (iii) at the time any such intercompany loan or advance is made, each US Borrower shall be Solvent;

(f) Indebtedness consisting of intercompany loans and advances made by any European Borrower to the other European Borrower or any other European Credit Party which is a Subsidiary of such European Borrower; provided that: (i) each European Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to European Loan Agent; (ii) the obligations of each European Borrower with respect to such intercompany loans and advances shall be subordinated to the Obligations pursuant to Section 9.23; (iii) no Event of Default shall have occurred and be continuing as of the date any such proposed intercompany loan or advance is to be made; and (iv) the aggregate amount of such intercompany loans or advances made by the European Borrowers to their respective Subsidiaries outstanding at any time shall not exceed the following amounts: (x) with respect to Subsidiaries formed under clause (ii) of Section 3.6(b), $3,500,000 (or the Equivalent Amount in an Alternative Currency) at any time during Fiscal Year in which such Subsidiary was formed, and (y) with respect to any other Subsidiaries, $3,500,000 (or the Equivalent Amount in an Alternative Currency), in each case, or such higher amount up to but not exceeding $7,500,000

as the Administrative Agent (after consultation with European Loan Agent) shall approve in writing;

(g) Indebtedness consisting of intercompany loans and advances, made by any US Borrowers to either European Borrower; provided that: (i) each US Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Administrative Agent; (ii) the obligations of each European Borrower with respect to such intercompany loans and advances shall be subordinated to the Obligations pursuant to Section 9.23; (iii) no Event of Default shall have occurred and be continuing as of the date such proposed intercompany loan or advance is to be made; (iv) after giving effect to such intercompany loans and advances (other than any such intercompany loans or advances the proceeds of which are used simultaneously to make mandatory prepayments of the Loans hereunder), the US Borrowing Availability shall be equal to or in excess of $5,000,000; and (v) the aggregate amount of such intercompany loans or advances made by the US Borrowers to European Borrowers in any Fiscal Year, together with the aggregate amount of any capital contributions made by US Borrower to European Borrowers, shall not exceed $5,000,000 in the aggregate at any time (excluding any intercompany loans or advances permitted under Section 3.1(q));

(h) Indebtedness consisting of intercompany loans and advances made by any European Borrower to either US Borrower; provided that: (i) each European Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Administrative Agent; (ii) the obligations of each US Borrower with respect to such intercompany loans and advances shall be subordinated to the Obligations pursuant to Section 9.23; and (iii) no Event of Default shall have occurred and be continuing as of the date such proposed intercompany loan or advance is to be made;

(i) Indebtedness under Interest Rate Agreements, Interest Hedge Agreements and Foreign Exchange Agreements entered into in the ordinary course of business; provided that such agreements (i) are designed solely to protect Credit Parties against fluctuations in foreign currency exchange rates or interest rates and (ii) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder;

(j) unsecured Indebtedness incurred by Credit Parties, not to exceed $1,000,000 in the aggregate outstanding at any time;

(k) unsecured Subordinated Debt (other than the Subordinated Debt permitted by clause (b) above and clause (m) below) incurred by Credit Parties, not to exceed at any time $1,000,000 in the aggregate;

(l) Indebtedness of European Credit Parties (other than European Borrowers) to banks arising out of overdrafts of deposit accounts, which overdrafts are supported by Letters of Credit issued pursuant to this Agreement and the amount of which Indebtedness does not exceed the amount of the Letter of Credit issued in support thereof;

(m) Subordinated Debt evidenced by promissory notes, which shall be in the form attached as Exhibit 3.1(m), issued by Ultimate Holdco to former managers and employees of Ultimate Holdco or its Subsidiaries (or their Family Members (as defined in the Stockholders Agreement) or their estates or beneficiaries under their estates) representing the unpaid repurchase, redemption, acquisition, or cancellation price for Stock of Ultimate Holdco, or the price to effect the termination of options to purchase Stock of Ultimate Holdco, in each case, owned by such former managers and employees of Ultimate Holdco and its Subsidiaries (or their Family Members or their estates or beneficiaries under their estates) and repurchased, redeemed, acquired, cancelled or terminated in compliance with Section 3.5(b);

(n) The Additional Indebtedness; provided that (i) no Event of Default has occurred and is continuing as of the date that such Additional Indebtedness is incurred; (ii) the Senior Leverage Ratio and Leverage Ratio shall not exceed 2.5 and 4.0, respectively, immediately after giving effect to the incurrence of such Additional Indebtedness, (iii) immediately after giving effect to the incurrence of such Additional Indebtedness, the outstanding principal amount of the Loans (including Letters of Credit that have been drawn upon) shall not exceed $290,000,000, and the sum of the principal amount of such Loans and the Subordinated Notes (including Additional Subordinated Notes, if any) shall not exceed $470,000,000 in the aggregate, (iv) the Credit Parties shall be in compliance with (x) the Subordinated Notes Indenture and each other material agreement by which such Credit Party is bound and (y) the financial covenants set forth in Sections 4.2 through 4.5, as of the last day of the most recent Fiscal Quarter ending more than 45 days prior to the date on which such Additional Indebtedness was incurred, on a pro forma basis assuming that such Additional Indebtedness was incurred on the first day of that Fiscal Quarter, and (v) the Loans hereunder shall continue to be rated "B+" or better by S&P and "B1" or better by Moody's taking into account the incurrence of such Additional Indebtedness as evidenced by ratings letters received from such rating agencies not more than 30 days prior to the incurrence of such Additional Indebtedness.

(o) Indebtedness consisting of intercompany loans and advances made by any US Borrower to any Domestic Subsidiary of Holdco (other than the US Borrowers); provided that: (i) each US Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Administrative Agent; (ii) the obligations of such Domestic Subsidiary with respect to such intercompany loans and advances shall be subordinated to the Obligations of such Domestic Subsidiary in its capacity as Guarantor pursuant to Section 9.23; (iii) at the time any such intercompany loan or advance is made, each US Borrower shall be Solvent; and (iv) no Default or Event of Default would occur and be continuing after giving effect to any such proposed intercompany loan; and (v) (A) the aggregate amount of such intercompany loans or advances made by the US Borrowers to such Domestic Subsidiaries outstanding at any time shall not exceed $1,000,000 and (B) in addition to the preceding clause (a) the aggregate amount of such intercompany loans or advances made by the US Borrowers to such Domestic Subsidiaries outstanding at any time in the case of intercompany loans made to build, own and operate a new manufacturing plant (as permitted under Section 3.6(b)(iv) shall not exceed $2,000,000;

(p) Indebtedness consisting of intercompany payables from any Credit Party to another Credit Party incurred in the ordinary course of business; provided that the total

intercompany payables of direct or indirect Subsidiaries of TWHC (other than DF) that are payable to any other Credit Party and have been outstanding in excess of 365 days from the due date of such intercompany payable (which due date shall not be later than 180 days following the date such intercompany payable was incurred), shall not exceed $2,000,000 in the aggregate at any time; and

(q) Indebtedness consisting of intercompany loans and advances of any indemnity or other payments received by Intermediate Holdco pursuant to the Merger Agreement made by (i) Intermediate Holdco, or (ii) any Credit Party to which such indemnity or other payments have been contributed, in each case, to the Credit Party which has incurred the obligation or liability with respect to which such payment has been made under the Merger Agreement; and

(r) Indebtedness consisting of intercompany loans and advances made by Spanish Holdco to DF; provided that, (i) DF shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to European Loan Agent, (ii) the obligations of DF with respect to such intercompany loans and advances shall be subordinated to the obligations pursuant to Section 9.23, (iii) no Event of Default shall have occurred and be continuing as of the date such proposed intercompany loan or advance is to be made, and (iv) the aggregate amount of such intercompany loans or advances made by Spanish Holdco to DF in any Fiscal Year shall not exceed the amounts of the distributions made in such Fiscal Year pursuant to Section 3.5(h).

3.2 Liens and Related Matters

(a) No Liens. Except as set forth on Schedule 3.2, the Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any property or asset of such Credit Party or any such Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom, except (i) Permitted Encumbrances, (ii) subleases entered into in the ordinary course of business by any Credit Party as lessor with respect to excess or unused real property leased by such Credit Party; (iii) leases entered into in the ordinary course of business by any Credit Party as lessor with respect to any excess or unused real property owned by such Credit Party; and (iv) Liens not otherwise permitted hereunder securing obligations of any Credit Party not exceeding $250,000 in the aggregate at any one time.

(b) No Negative Pledges. Except as set forth on Schedule 3.2, the Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly enter into or assume any agreement (other than the Loan Documents) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, except (a) the Subordinated Notes Documents and (b) Capital Leases or Licenses which prohibit Liens upon the assets that are subject thereto.

(c) No Restrictions on Subsidiary Distributions to Borrowers. Except as provided herein and as provided in the Subordinated Notes Documents, the Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (i) pay dividends or make any other distribution on any of such Subsidiary's Stock owned by any Borrower or any other Subsidiary; (ii) pay any

Indebtedness owed to any Borrower or any other Subsidiary; (iii) make loans or advances to any Borrower or any other Subsidiary; or (iv) except for restrictions on the transfers of specific assets subject to Capital Leases or other leases or purchase money obligations, transfer any of its property or assets to any Borrower or any other Subsidiary.

3.3 Investments. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly make or own any Investment in any Person except:

(a) Borrowers may make and own Investments in Cash Equivalents subject to a first priority perfected security interest in favor of Administrative Agent or European Security Agent (including pursuant to Control Letters); provided that such Cash Equivalents are not subject to setoff rights;

(b) The Credit Parties may make intercompany loans to other Credit Parties to the extent permitted under Section 3.1;

(c) Credit Parties may make (i) loans and advances to employees for moving, entertainment, travel and other similar expenses in the ordinary course of business not to exceed $100,000 to any employee and not to exceed $200,000 in the aggregate at any time outstanding and (ii) the Officer Loans;

(d) US Borrowers may make capital contributions to their wholly owned Domestic Subsidiaries; provided that such capital contributions shall not exceed $1,000,000 in any Fiscal Year;

(e) European Borrowers may make capital contributions to their respective Subsidiaries (and Tempur Deutschland GmbH may make capital contributions to its Subsidiaries) which do not in the aggregate exceed in any Fiscal Year the following amounts: (x) with respect to Subsidiaries formed in such Fiscal Year under clause (ii) of Section 3.6(b), $2,000,000 (or the Equivalent Amount in an Alternative Currency), and (y) with respect to any other Subsidiaries, $2,000,000 (or the Equivalent Amount in an Alternative Currency), in each case, or such higher amount up to but not exceeding $7,500,000 as the Administrative Agent (after consultation with European Loan Agent) shall approve in writing; provided that capital contributions made in compliance with Section 3.3(n) shall not be considered for purposes of calculating compliance with this clause (iv);

(f) Each Credit Party may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors (excluding Affiliates) to such Credit Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts with such Credit Party in the ordinary course of business;

(g) Each Credit Party may maintain its existing investments in its Subsidiaries as of the Closing Date;

(h) Other investments not exceeding $1,000,000 in the aggregate at any time outstanding;

(i) Investments existing on the Closing Date, as set forth on Schedule 3.3 and any renewals, amendments and replacements thereof that do not increase the amount thereof;

(j) Investments consisting of securities, promissory notes or other non-cash consideration received as proceeds of Asset Dispositions permitted by Section 3.7(b), (d) and (e);

(k) Investments consisting of loans by Ultimate Holdco to employees of any Credit Party which are used solely by such employees to simultaneously purchase the Stock of Ultimate Holdco;

(l) Investments consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security or similar legislation;

(m) Investments consisting of pledges or deposits in connection with the non-delinquent performance of bids, trade contracts or leases, in each case, incurred in the ordinary course of business; and

(n) (i) Intermediate Holdco may make capital contributions to Tempur France Sarl, and (ii) TWHC and DF may make capital contributions to each of their respective Subsidiaries; provided that, in each case (x) such capital contributions as received by such Subsidiary shall be used to pay down intercompany payables owed to any of Intermediate Holdco, DF or TWHC within 2 weeks of receipt of such capital contributions, (y) until applied pursuant to the foregoing clause (x), the proceeds of such capital contributions shall be held in a bank account subject to a first priority Lien in favor of the European Loan Agent and otherwise on terms satisfactory to the European Loan Agent, and (z) the aggregate amount of such capital contributions made and not applied pursuant to the foregoing clause (x) at any one time shall not exceed $3,500,000 in the aggregate;

(o) Any indemnity or other payments received by Intermediate Holdco pursuant to the Merger Agreement may be distributed by Intermediate Holdco to the Credit Party which has incurred the obligation or liability with respect to which such payment has been made under the Merger Agreement, which distribution may be made to such Credit Party through successive capital contributions to other Credit Parties or through intercompany loans or advances; and

(p) Spanish Holdco shall promptly make capital contributions to TWHC, and TWHC shall promptly make capital contributions to DF, of any interest paid by DF to Spanish Holdco on any intercompany loans and advances permitted under Section 3.1(r).

(q) Intermediate Holdco and any European Credit Party may make capital contributions to any of their respective Subsidiaries comprised of notes receivable owing by such Subsidiary; provided that such notes are thereafter immediately cancelled by such Subsidiary.

3.4 Contingent Obligations. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create or become or be liable with respect to any Contingent Obligation except:

(a) Letter of Credit Obligations;

(b) Those resulting from Interest Rate Agreements entered into by any Borrower pursuant to Section 2.8;

(c) Those resulting from Indebtedness permitted under Section 3.1(i);

(d) Those resulting from endorsement of negotiable instruments for collection in the ordinary course of business;

(e) Those existing on the Closing Date and described in Schedule 3.4;

(f) Those arising under indemnity agreements to title insurers to cause such title insurers to issue to any Authorized Agent mortgagee title insurance policies;

(g) Those arising with respect to customary indemnification obligations incurred in connection with Asset Dispositions permitted hereunder;

(h) Those incurred with respect to Indebtedness permitted by Section 3.1; provided that any such Contingent Obligation is subordinated to the Obligations to the same extent as the Indebtedness to which it relates is subordinated to the Obligations;

(i) Any other Contingent Obligation not expressly permitted by clauses (a) through (h) above, so long as any such other Contingent Obligations, in the aggregate at any time outstanding, do not exceed $500,000; and

(j) (A) Contingent Obligations to Dent-A-Med, Inc. pursuant to the Dent-A-Med Facility and (B) Contingent Obligations of Tempur UK, Ltd. to a third-party financial institution under a factoring and/or consumer financing or similar arrangement in form and substance satisfactory to Authorized Agents; provided that the amount of such Contingent Obligations do not exceed $6,000,000 in the aggregate outstanding at any time.

3.5 Restricted Payments. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly declare, order, pay, make or set apart (in trust or otherwise) any sum for any Restricted Payment, except that:

(a) Any Domestic Subsidiary may make payments and distributions to Ultimate Holdco that are used by Ultimate Holdco to pay federal and state income taxes then due and owing, franchise taxes and other similar expenses incurred in the ordinary course of business; provided that such Credit Party's aggregate contribution to taxes as a result of the filing of a consolidated or combined return by Ultimate Holdco shall not be greater, nor the aggregate receipt of tax benefits less, than they would have been had such Credit Party not filed a consolidated or combined return with Ultimate Holdco;

(b) (i) Any Credit Party that is a direct Subsidiary of Holdco may pay dividends to Holdco, (ii) DF may pay dividends to TWHC and TWHS, (iii) TWHS may pay dividends to TWHC, (iv) TWHC may pay dividends to Spanish Holdco, (v) Spanish Holdco may pay dividends to Holdco, (vi) Holdco, Tempur France Sarl and Tempur Italia Srl may pay

dividends to Intermediate Holdco, and (vii) Intermediate Holdco may pay dividends to Ultimate Holdco, in each case, solely to the extent necessary, either individually or in the aggregate to permit Ultimate Holdco, and Ultimate Holdco may use such dividends (x) to effect the repurchase, redemption, acquisition, cancellation or other retirement for value of the Stock of Ultimate Holdco or to effect the termination of options to purchase Stock of Ultimate Holdco, in each case, held by former managers and employees of Ultimate Holdco or its Subsidiaries (or their Family Members (as defined in the Stockholders Agreement) or their estates or beneficiaries under their estates) upon the death, disability, retirement or termination of employment of any such former managers or employees, and (y) to make payments on the subordinated promissory notes referred to in Section 3.1(m); provided that (A) the sum of all such Restricted Payments under this Section 3.5(b) shall not exceed $500,000 in any Fiscal Year or $2,000,000 during the term of this Agreement and (B) no Event of Default exists at the time of such Restricted Payment or would occur as a result thereof;

(c) (i) Any Credit Party that is a direct Subsidiary of Holdco may pay dividends to Holdco, (ii) DF may pay dividends to TWHC and TWHS, (iii) TWHS may pay dividends to TWHC, (iv) TWHC may pay dividends to Spanish Holdco, (v) Spanish Holdco may pay dividends to Holdco, (vi) Holdco, Tempur France Sarl and Tempur Italia Srl may pay dividends to Intermediate Holdco, and (vii) Intermediate Holdco may pay dividends to Ultimate Holdco, in each case, solely to the extent necessary to permit (x) Holdco, Intermediate Holdco, Spanish Holdco and/or Ultimate Holdco to pay, and Holdco, Intermediate Holdco, Spanish Holdco and/or Ultimate Holdco may pay, out-of-pocket general administrative costs and expenses incurred in the ordinary course of business, including accounting, legal and other professional fees, reimbursement of reasonable expenses of directors and executive compensation; provided that such dividend payments shall not exceed $500,000 in the aggregate in any Fiscal Year for all of the Credit Parties; and (y) Intermediate Holdco to make, and Intermediate Holdco may make, payments under the Employment Agreements and the agreements listed on Schedule 3.21;

(d) Subsidiaries of a Borrower may make Restricted Payments pro rata to the Stockholders of such Subsidiary and Subsidiaries of Tempur Holding GmbH may make Restricted Payments to Tempur Holding GmbH;

(e) Borrowers may make payments in respect of the Subordinated Notes to the extent holders of the Subordinated Notes are permitted to accept such payments by the terms of Article 12 of the Subordinated Notes Indenture;

(f) Any Credit Party may make payments to another Credit Party in the ordinary course of business in respect of the Intercompany Obligations; provided that either (i) both before and after giving effect to such payments, no Default or Event of Default has occurred and is continuing and, with respect to payments by any US Credit Party to any European Credit Party, US Borrowing Availability is at least $5,000,000 or (ii) the Administrative Agent has otherwise consented in writing to such payments;

(g) Ultimate Holdco may accrue (but not pay) dividends on the Preferred Stock; and

(h) DF may make distributions to TWHC and TWHS, and TWHS may in turn make distributions to TWHC, and TWHC may in turn promptly make distributions to Spanish Holdco, in each case, for the purpose of enabling Spanish Holdco to promptly make the intercompany loans and advances referred to in Section 3.1(r).

3.6 Restriction on Fundamental Changes. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly: (a) amend, modify or waive any term or provision of its organizational documents, including its articles of incorporation, certificates of designations pertaining to preferred stock, by laws, partnership agreement or operating agreement in any manner adverse to the rights and benefits of the Agents and Lenders under the Loan Documents or the ability of the Credit Parties to repay the Obligations unless required by law, except that Tempur France Sarl may change its corporate form from an Sarl to an SAS under the laws of France, provided that Tempur France SAS duly executes and delivers, or causes to be duly executed and delivered, Collateral Documents and such further instruments in form and substance satisfactory to the Authorized Agents, and does or causes to be done such further acts as may be necessary or proper in the opinion of Administrative Agent to evidence, continue, preserve and perfect the guarantees and security for the Obligations provided by the Credit Parties and to carry out more effectively the provisions and purposes of the Credit Agreement or any other Loan Document; (b) enter into any transaction of merger or consolidation except, upon not less than five (5) Business Days prior written notice to Administrative Agent, (i) any US Credit Party existing on the Closing Date (other than Ultimate Holdco) may merge with another US Credit Party; provided that a US Borrower shall be the survivor of any such merger to which a US Borrower is a party, (ii) TWHC may form directly-owned Subsidiaries organized under the laws of a foreign jurisdiction for the purpose of sales and distribution of products in such jurisdiction; provided that at or prior to formation of such Subsidiary, such Subsidiary shall have executed and delivered a guarantee of the Obligations of the European Credit Parties in favor of the European Security Agent and the European Security Agent shall have been granted a first priority perfected Lien (subject to Permitted Encumbrances) in the assets and Stock of such Subsidiary to secure the Obligations of the European Credit Parties in form and substance satisfactory to the Authorized Agents, and the Credit Parties shall have executed such other documents, certificates and legal opinions and taken such other action as may be required by the Administrative Agent in connection therewith, (iii) any US Borrower may form a direct wholly-owned Domestic Subsidiary to own and to exploit certain trademarks and to sell and distribute products consistent with the description of business on Schedule 3.9; provided that within 10 Business Days of formation of such Subsidiary, such US Borrower and Subsidiary shall have complied with the requirements of Section 2.7(c); (iv) any US Borrower, Holdco or Intermediate Holdco may form a direct wholly-owned Domestic Subsidiary to build, own and operate a new manufacturing plant in the United States; provided that within 10 Business Days of formation of such Subsidiary, such US Borrower and Subsidiary shall have complied with the requirements of Section 2.7(c); (v) TWHC may dissolve Tempur World Holding Sweden AB, and (vi) Intermediate Holdco and Holdco may enter into the Holdco Merger; (c) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except for any of the Specified Credit Parties; provided that the proceeds from any such liquidation, wind-up or liquidation shall be promptly applied pro rata to the remaining Scheduled Installments of the European Term Loan A; (d) acquire by purchase or otherwise all or any substantial part of the business or assets of any other Person, except that DF may transfer all of the outstanding Stock held by it of each of Tempur Japan Yugen Kaisha and

Tempur UK, Ltd. to TWHC, and TPI may transfer all of the outstanding Stock held by it of any of its Domestic Subsidiaries to Holdco; provided that on or before such transfer each of Tempur Japan Yugen Kaisha and Tempur UK, Ltd., and such Domestic Subsidiary of TPI duly execute and deliver, or cause to be duly executed and delivered, Collateral Documents and such further instruments in form and substance satisfactory to the Authorized Agents, and do or cause to be done such further acts as may be necessary or proper in the opinion of Administrative Agent to evidence, continue, preserve and perfect the guarantees and security for the Obligations provided by the Credit Parties and to carry out more effectively the provisions and purposes of the Credit Agreement or any other Loan Document, and (e) each of the European Borrowers may reduce its share capital in one or more consecutive transactions (not to exceed in the case of DF, a reduction of 1,000,000 DKK par value shares in the aggregate and, in the case of TWHC, a reduction by 500,000 DKK par value shares in the aggregate) solely to the extent necessary to make any Restricted Payments permitted to be made by such European Borrower under Section 3.5. In connection with any capital contribution permitted in Sections 3.3(e), (n) and/or (q), any additional shares or equity interests issued as a result of such capital contributions may be cancelled and not subject to any pledge or security interest in favor of the Administrative Agent, the European Loan Agent or the European Security Agent; provided that such additional shares are cancelled during the same board or shareholder meeting in which such shares are authorized and issued.

3.7 Disposal of Assets or Subsidiary Stock. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly convey, sell, lease (as lessor), sublease, transfer or otherwise dispose of, or grant any Person an option to acquire, in one transaction or a series of related transactions, any of its property, business or assets, whether now owned or hereafter acquired, except for (a) sales of inventory to customers for fair value in the ordinary course of business and dispositions of obsolete equipment not used or useful in the business; (b) Asset Dispositions by Borrowers and their Subsidiaries (excluding sales of Accounts and Stock of any of Ultimate Holdco's Subsidiaries) if all of the following conditions are met (i) the market value of assets sold or otherwise disposed of in any single transaction or series of related transactions does not exceed $250,000 end the aggregate market value of assets sold or otherwise disposed of in any Fiscal Year does not exceed $500,000, (ii) the consideration received is at least equal to the fair market value of such assets, (iii) the sole consideration received is cash, or as otherwise approved by Administrative Agent with not less than 80% of consideration in cash, (iv) the Net Proceeds of such Asset Disposition are applied as required by Section 1.5(e), (v) after giving effect to the Asset Disposition and the repayment of Indebtedness with the proceeds thereof, Borrowers are in compliance on a pro forma basis with the covenants set forth in Section 4 recomputed for the most recently ended quarter for which information is available and is in compliance with all other terms and conditions of this Agreement, and (vi) no Default or Event of Default then exists or would result from such Asset Disposition; (c) sales of property (other than as permitted in clause (a) above) to any other Credit Party not exceeding $250,000 in the aggregate in any Fiscal Year; (d) Asset Dispositions set forth on Schedule 3.7; provided that the sole consideration received is cash, or as otherwise approved by Administrative Agent with not less than 80% of consideration in cash; (e) sales of assets not otherwise permitted in clauses (a) through (d) above and (f) through (h) below, in an aggregate amount not exceeding $1,000,000 with the prior written consent of Administrative Agent; provided that the sole consideration received is cash, or as otherwise approved by Administrative Agent with not less than 80% of consideration in cash; (f) transfers of the Stock of certain Credit Parties to TWHC

and Holdco permitted under Section 3.6(d); (g) the sale of defaulted consumer accounts receivable that have been repurchased by a US Borrower, a European Borrower or one of its direct Subsidiaries from consumer finance companies pursuant to such Credit Party's contractual repurchase obligations; (h) the sale of the German Property and (i) dispositions associated with the dissolution by TWHC of Tempur World Holding Sweden AB. No European Credit Party shall license or otherwise transfer any of its Intellectual Property rights for use in North America nor sell or otherwise transfer any of its Licensed Products for use in North America (or distribution rights in respect thereof) to any Person, without the written consent of Administrative Agent, other than (x) Holdco and the US Borrower, and (y) pursuant to the Canadian Distribution Agreement with respect to Canada.

3.8 Transactions with Affiliates. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any management, consulting, investment banking, advisory or other similar services) with any Affiliate or with any director, officer or employee of any Credit Party, except (a) as set forth on Schedule 3.8; (b) transactions in the ordinary course of and pursuant to the reasonable requirements of the business of any such Credit Party or any of its Subsidiaries and upon fair and reasonable terms which are no less favorable to any such Credit Party or any of its Subsidiaries than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate and are fully disclosed to Administrative Agent in advance in the case of any such transaction or series of related transactions that involve the payments, receipts or transfers of assets by any Credit Party in excess of $500,000 in the aggregate; (c) payment of reasonable compensation (including reasonable bonus and other reasonable incentive arrangements) to officers and employees for services actually rendered to any such Credit Party or any of its Subsidiaries; (d) payment of director's fees not to exceed $500,000 in the aggregate for any Fiscal Year; (e) Restricted Payments permitted in Section 3.5 and the agreements pursuant to which such Restricted Payments are required to be made; (f) reimbursement of employee travel and lodging costs and other business expenses incurred in the ordinary course of business; (g) capital contributions permitted by Section 3.3(d) and (e); and (h) loans and advances to employees pursuant to Section 3.3(c) and (k).

3.9 Conduct of Business. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly engage in any business other than businesses of the type described on Schedule 3.9.

3.10 Changes Relating to Indebtedness. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly change or amend the terms of any of its Indebtedness permitted by Section 3.1(b), (c), (d), (j) or (k) if the effect of such amendment is to: (a) increase the interest rate on such Indebtedness (b) change the dates upon which payments of principal or interest are due on or principal amount of such Indebtedness; (c) change any event of default or add or make more restrictive any covenant with respect to such Indebtedness (d) change the redemption or prepayment provisions of such Indebtedness; (e) change the subordination provisions thereof (or the subordination terms of any guaranty thereof); (f) change or amend any other term if such change or amendment would materially increase the obligations of the obligor or confer additional material rights on the holder of such Indebtedness in a manner adverse to any Credit Party or Lenders; or (g) increase the portion of interest payable in cash

with respect to any Indebtedness for which interest is payable by the issuance of payment-in kind notes or is permitted to accrue. This Section 3.10 shall not limit or prohibit any prepayment of Indebtedness permitted under Section 3.19. The Credit Parties shall not designate any Indebtedness other than the Obligations hereunder as Designated Senior Debt under (and as defined in) the Subordinated Notes Indenture.

3.11 Fiscal Year. No Credit Party shall change its Fiscal Year or permit any of its Subsidiaries to change their respective fiscal years.

3.12 Press Release; Public Offering Materials. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure, including any prospectus, proxy statement or other materials filed with any Governmental Authority relating to a public offering of the Stock of any Credit Party, using the name of either GE Capital, LBI, Nordea, or GE ELF or any of their respective affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital, Nordea, or GE ELF, as applicable, and without the prior written consent of GE Capital, LBI, Nordea, or GE ELF, as applicable, unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital, LBI, Nordea, or GE ELF, as applicable, before issuing such press release or other public disclosure. Each Credit Party consents to the publication by any Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Such Agent or such Lender shall provide a draft of any such tombstone or similar advertising material to each Credit Party and each other Agent for review and comment prior to the publication thereof. Each Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

3.13 Subsidiaries. The Credit Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly establish, create or acquire any new Subsidiary other than as permitted by Section 3.6.

3.14 Bank Accounts; Cash Management. The US Credit Parties shall not and shall not cause or permit their Subsidiaries to establish any new bank accounts without prior written notice to Administrative Agent and unless Administrative Agent and the bank at which the account is to be opened enter into a tri-party agreement regarding such bank account pursuant to which such bank acknowledges the security interest of Administrative Agent in such bank account, agrees to comply with instructions originated by Administrative Agent directing disposition of the funds in the bank account without further consent from such Credit Party or Subsidiary, and agrees to subordinate and limit any security interest the bank may have in the bank account on terms satisfactory to Administrative Agent. Each European Credit Party shall establish and maintain the cash management systems as described in Annex I. The Credit Parties agree that with respect to banks at which any bank account is maintained which is subject to any such tri-party agreement in favor of any Authorized Agent, such Agent may give notice (an "Activation Notice") implementing the cash sweep or similar provisions of such agreement at any time at which (1) an Event of Default has occurred and is continuing, (2) such Agent believes in its reasonable credit judgment that based upon information available to it that an Event of Default

exists or could reasonably be expected to occur; or (3) Administrative Agent reasonably believes that an event or circumstance that is likely to have a Material Adverse Effect has occurred.

3.15 Hazardous Materials. The Credit Parties shall not and shall not cause or permit their Subsidiaries to cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities by the Credit Parties or any of their Subsidiaries under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations, Environmental Liabilities or adverse impacts that could not reasonably be expected to have a Material Adverse Effect.

3.16 ERISA. The Credit Parties shall not and shall not cause or permit any ERISA Affiliate to, cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect.

3.17 Sale Leasebacks. The Credit Parties shall not and shall not cause or permit any of their Subsidiaries to engage in any sale leaseback, synthetic lease or similar transaction involving any of its assets, except for the leaseback for temporary office space needs of a portion of the property located at Carl-Benz-Strasse 8, D-33803, Steinhagen, Germany by Tempur Deutschland GmbH (the "German Property") in connection with the sale thereof.

3.18 Changes to Material Contracts. No Credit Party shall terminate or change or amend the terms of the Merger Agreement, the Holdco License and Distribution Agreement or the Sub-License and Distribution Agreements without the prior written consent of the Administrative Agent (after consultation with the European Loan Agent). Except as provided in the immediately preceding sentence, no Credit Party shall change or amend, except for inconsequential technical changes, the terms of any Related Transaction Documents (other than the Subordinated Notes Documents), any Non-Competition Agreement or any confidentiality or non-competition provisions of any Employment Agreement without the prior written consent of the Administrative Agent (after consultation with the European Loan Agent), which consent shall not be unreasonably withheld (unless such change or amendment would adversely affect in any respect the Lenders or the Agents or be reasonably likely to cause a Material Adverse Effect, in which case such consent may be given or withheld in the sole discretion of the Administrative Agent). No Credit Party shall change or amend the terms of any Subordinated Notes Document to the extent prohibited by the Subordinated Notes Indenture.

3.19 Prepayments of Other Indebtedness. The Credit Parties shall not, directly or indirectly, voluntarily purchase, redeem, defease, prepay or set aside in trust or otherwise any funds for the prepayment of any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness, other than (i) the Obligations and those Contingent Obligations existing on the Closing Date and set forth on Schedule 3.21; (ii) Indebtedness secured by a Permitted Encumbrance if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Section 3.7(b); (iii) intercompany Indebtedness reflecting amounts owing to Borrowers; (iv) Indebtedness secured by the German Property in connection with the sale of the German Property permitted by Section 3.7(h); and, (v) Indebtedness described in Schedule 3.1 that is refinanced as permitted by Section 3.1(c) or (d). Without the

prior written consent of Administrative Agent, the Credit Parties shall not forgive principal of, premium, if any, interest or other amount payable in respect of any intercompany Indebtedness other than intercompany Indebtedness consisting of up to $10,000,000 in the aggregate of intercompany payables owed by US Borrowers to DF.

3.20 Real Estate Purchases. No Credit Party shall purchase a fee simple ownership interest in Real Estate without the prior written consent of the Administrative Agent, except for the purchase of a fee simple ownership interest in Real Estate by newly formed Subsidiary of US Borrowers for the purpose of establishing a manufacturing facility (as permitted under Section 3.6(b)(iv)).

3.21 Activities of Ultimate Holdco, Intermediate Holdco, Holdco and Spanish Holdco. Except as set forth on Schedule 3.21, from and after the consummation of the Related Transactions on the Closing Date none of Ultimate Holdco, Intermediate Holdco, Holdco or Spanish Holdco shall engage in any business or have any assets or incur any Indebtedness or Contingent Obligation (other than the Obligations) other than (i) owning the stock of Intermediate Holdco, Holdco, Spanish Holdco, TWHC, TPUSA, TPI, Tempur France Sarl and Tempur Italian Srl in accordance with the terms hereof, (ii) the entering into, and the performance of obligations under, this Agreement, the other Loan Documents to which it is a party and the Related Transaction Documents to which it is a party, (iii) the receipt of the Recapitalization Dividend in accordance with the terms hereof, (iv) activities associated with expenses and other amounts paid with any distributions paid to Ultimate Holdco, Intermediate Holdco, Holdco or Spanish Holdco which are permitted under Section 3.5, (v) the guarantee of the Subordinated Notes by Ultimate Holdco, Intermediate Holdco and Holdco and (vi) Intermediate Holdco entering into and performing its obligations under the Additional Canadian Distribution Agreement. Notwithstanding the foregoing, each of Ultimate Holdco, Intermediate Holdco, Holdco or Spanish Holdco may engage in activities incidental to (a) the maintenance of its corporate existence in compliance with applicable law, (b) legal, tax and accounting matters in connection with any of the foregoing activities, (c) the licensing of intellectual property rights by Holdco from the European Credit Parties and the licensing of intellectual property rights by the US Borrowers and 1390658 Ontario, Inc. from Holdco and TWI and (d) the intercompany loans incurred as a result of the upstream payment by US Borrowers of the Recapitalization Dividend, the Additional Payment and the Additional Dividend permitted under Section 3.24.

3.22 Change of Corporate Name or Location. No Credit Party shall (a) change its name as it appears in official filings in the jurisdiction of its incorporation or other organization (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its jurisdiction of incorporation or other organization, or (e) change its jurisdiction of incorporation or organization, in each case, without at least 30 days prior written notice, or in the case of a change in warehouses or locations at which Collateral is held or stored, 10 days prior written notice, to Appropriate Agent and with Administrative Agent's prior written consent (or with respect to any European Credit Party, the consent of Administrative Agent and European Security Agent).

3.23 Operating Leases. Schedule 3.23 sets forth all Operating Leases for which any Credit Party is lessee in effect on the Closing Date which provide for annual payments in excess of $25,000 in the aggregate. No Credit Party shall enter into any additional Operating Lease, if the aggregate of all payments under Operating Leases (including those set forth on Schedule 3.23) payable by all Credit Parties on a consolidated basis would exceed $4,000,000 for Fiscal Year 2003, increasing by 10% per annum for each year thereafter.

3.24 Recapitalization Dividend, Additional Payment and Additional Dividend.

(a) Notwithstanding the provisions of Sections 3.1 and 3.5, within 30 days after the Closing Date, in the case of the Recapitalization Dividend and the Additional Payment, and within 30 days after the incurrence of the Additional Indebtedness, in the case of the Additional Dividend, (i) US Borrowers may transfer to Holdco, (ii) Holdco may transfer to Intermediate Holdco, (iii) Intermediate Holdco may transfer to Ultimate Holdco and (iv) Ultimate Holdco may pay to its Stockholders and warrantholders amounts equal to the Recapitalization Dividend and the Additional Dividend; provided that in the case of the Additional Dividend, the sum of the Additional Dividend and the Recapitalization Dividend shall not exceed the sum of the principal amount of the Subordinated Notes and the Additional Subordinated Notes by more than $60,000,000. In the case of clauses (i), (ii) and (iii) above, such transfers may be accomplished by means of intercompany loans or dividends and in the case of intercompany loans, such intercompany loan may be made directly by US Borrowers to Intermediate Holdco or Ultimate Holdco.

(b) Notwithstanding the provisions of Sections 3.1 and 3.5, within 30 days after the Closing Date, (i) US Borrowers may transfer to Holdco, (ii) Holdco may transfer to Intermediate Holdco and (iii) Intermediate Holdco may pay to the applicable obliges, amounts equal to the Additional Payment. In the case of clauses (i) and (ii) above, such transfers may be accomplished by means of intercompany loans or dividends and in the case of intercompany loans, such intercompany loan may be made directly by US Borrowers to Intermediate Holdco or Ultimate Holdco.

3.25 Holdco Merger. Lenders hereby consent to the merger of Intermediate Holdco with and into Ultimate Holdco (the "Holdco Merger") at any time following the Closing Date. Upon consummation of the Holdco Merger, all intercompany loans and dividends permitted to be made to Intermediate Holdco may be made to Ultimate Holdco, as its successor, and all capital contributions and transactions permitted to be made or engaged in by Intermediate Holdco may be made or engaged in by Ultimate Holdco, as its successor.

SECTION 4.
FINANCIAL COVENANTS/REPORTING

The Credit Parties covenant and agree that from and after the date hereof until the Termination Date, Borrowers shall perform and comply with, and shall cause each of the other Credit Parties to perform and comply with, all covenants in this Section 4 applicable to such Person.

4.1 Maximum Capital Expenditures. Ultimate Holdco and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during the following periods that exceed in the aggregate the amounts set forth opposite each of such periods (the "Capex Limit"):

Period	Maximum Capital Expenditures per Period
Fiscal Year ended December 31, 2003	$ 30,000,000
Fiscal Year ended December 31, 2004	$ 30,000,000
Fiscal Year ended December 31, 2005	$ 40,000,000
Fiscal Year ended December 31, 2006	$ 40,000,000
Fiscal Year ended December 31, 2007	$ 40,000,000
Fiscal Year ended December 31, 2008	$ 40,000,000

provided however, that commencing with the Fiscal Year ended December 31, 2003 the Capex Limit referenced above will be increased in any Fiscal Year by the positive amount equal to the amount (if any), equal to the difference obtained by taking the Capex Limit minus the actual amount of any Capital Expenditures expended during such preceding Fiscal Year (the "Carry Over Amount"), and for purposes of measuring compliance herewith, the Carry Over Amount shall be deemed to be the last amount spent on Capital Expenditures in that succeeding Fiscal Year and no Carry Over Amount once carried forward pursuant to this Section 4.1 may be carried forward to any Fiscal Year thereafter.

4.2 Minimum Fixed Charge Coverage Ratio. Ultimate Holdco and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than the following:

Fiscal Quarter Ending	Minimum Fixed Charge Coverage Ratio
September 30, 2003	1.05
December 31, 2003	1.05
March 31, 2004	1.05
June 30, 2004	1.05
September 30, 2004	1.05
December 31, 2004	1.05
March 31, 2005	1.10
June 30, 2005	1.10
September 30, 2005	1.10
December 31, 2005	1.10
March 31, 2006	1.10
June 30, 2006 and thereafter	1.15

4.3 Minimum Interest Coverage Ratio. Ultimate Holdco and its Subsidiaries on a consolidated basis shall have at the end of each Fiscal Quarter, an Interest Coverage Ratio, for the 12-month period then ended of not less than 3.0.

4.4 Maximum Leverage Ratio. Ultimate Holdco and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:

Fiscal Quarter Ending	Maximum Leverage Ratio
September 30, 2003	4.25
December 31, 2003	4.25
March 31, 2004	4.25
June 30, 2004	4.25
September 30, 2004	4.00
December 31, 2004	3.75
March 31, 2005	3.75
June 30, 2005	3.75
September 30, 2005	3.50
December 31, 2005	3.50
March 31, 2006	3.50
June 30, 2006	3.25
September 30, 2006 and thereafter	3.00

4.5 Maximum Senior Leverage Ratio. Ultimate Holdco and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Senior Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following.

Fiscal Quarter Ending	Maximum Senior Leverage Ratio
September 30, 2003	2.75
December 31, 2003	2.75
March 31, 2004	2.65
June 30, 2004	2.60
September 30, 2004	2.50
December 31, 2004	2.25
March 31, 2005	2.25
June 30, 2005	2.25
September 30, 2005	2.15
December 31, 2005	2.15
March 31, 2006 and thereafter	2.00

4.6 Financial Statements and Other Reports. Ultimate Holdco will maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of Financial Statements in conformity with GAAP (other than monthly cash flow statements; provided that any accounts reflected in such cash flow statements that are used in calculating compliance with Sections 4.1

through 4.5 shall be prepared in accordance with GAAP) (it being understood that monthly Financial Statements are not required to have footnote disclosures), US Borrower Representative will deliver each of the Financial Statements and other reports described below to each Authorized Agent (and each Lender in the case of the Financial Statements and other reports described in Sections 4.6(a), (b), (d), (e), (f), (h), (i) and (o)).

(a) Monthly Financials. As soon as available and in any event within thirty (30) days after the end of each month (including the last month of each Fiscal Year), US Borrower Representative will deliver (1) the consolidated and consolidating balance sheets of Ultimate Holdco and its Subsidiaries, as at the end of such month, and the related consolidated and consolidating statements of income and cash flow for such month and for the period from the beginning of the then current Fiscal Year of Ultimate Holdco to the end of such month, (2) a report setting forth in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the most recent Projections for the current Fiscal Year delivered pursuant to Section 4.6(h) and (3) a schedule of the outstanding Indebtedness for borrowed money of Ultimate Holdco and its Subsidiaries (excluding intercompany loans and advances) describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan.

(b) Year-End Financials. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, US Borrower Representative will deliver (1) the consolidated and consolidating balance sheets of Ultimate Holdco and its Subsidiaries, as at the end of such year, and the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such Fiscal Year, (2) a schedule of the outstanding Indebtedness for borrowed money of Ultimate Holdco and its Subsidiaries (excluding intercompany loans and advances) describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan and (3) a report with respect to the consolidated Financial Statements from a firm of certified public accountants selected by Borrowers and reasonably acceptable to Administrative Agent, which report shall be prepared in accordance with Statement of Auditing Standards No. 58 (the "Statement") "Reports on Audited Financial Statements" and such report shall be "Unqualified" (as such term is defined in such Statement).

(c) Accountants' Reports. Promptly upon receipt thereof, US Borrower Representative will deliver copies of all significant reports submitted by Borrowers' firm of certified public accountants in connection with each annual, interim or special audit or review of any type of the Financial Statements or related internal control systems of Ultimate Holdco or its Subsidiaries made by such accountants, including any comment letter submitted by such accountants to management in connection with their services.

(d) Borrowing Base Certificates. As soon as available and in any event within ten (10) Business Days after the end of each month, and from time to time upon the request of Administrative Agent, US Borrower Representative will deliver a US Borrowing Base Certificate (in substantially the same form as Exhibit 4.6(d)(i), the "US Borrowing Base Certificate") as at the last day of such period. As soon as available and in any event within ten (10) Business Days after the end of each month, and from time to time upon the request of

European Loan Agent, European Borrower Representative will deliver a European Borrowing Base Certificate (in substantially the same form as Exhibit 4.6(d)(ii), the "European Borrowing Base Certificate") as at the last day of such period.

(e) Management Report. Together with each delivery of Financial Statements of Ultimate Holdco pursuant to Sections 4.6 (a) and (b) ,US Borrower Representative will deliver a management report (1) describing the operations and financial condition of Ultimate Holdco and its Subsidiaries for the month then ended and the portion of the current Fiscal Year then elapsed (or for the Fiscal Year then ended in the case of year-end financials) and (2) discussing the reasons for any significant variations. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer of Ultimate Holdco to the effect provided under Section 3.02 of the Sarbanes-Oxley Act of 2002 as at the dates and for the periods indicated.

(f) Collateral Value Report. Upon the election of Administrative Agent, which may be made not more than once each year prior to an Event of Default and at any time while and so long as an Event of Default shall be continuing, Administrative Agent may obtain, at Borrowers' expense, a report or reports of a collateral auditor satisfactory to Administrative Agent (which may be, or may be affiliated with, a Lender) with respect to the Eligible Accounts and Eligible Inventory components included in any Borrowing Base, which report shall indicate whether or not the information set forth in any Borrowing Base Certificate most recently delivered is accurate and complete in all material respects based upon a review by such auditor of the Eligible Accounts (including verification with respect to the amount, aging, identity and credit of the respective account debtors and the billing practices of Borrowers) and Eligible Inventory (including verification as to the value, location and respective types).

(g) Appraisals. From time to time after the occurrence and during the continuance of an Event of Default, if any Authorized Agent or any Lender determines that obtaining appraisals is necessary in order for such Agent or such Lender to comply with applicable laws or regulations, Administrative Agent will, at Borrowers' expense, obtain appraisal reports in form and substance and from appraisers satisfactory to Administrative Agent stating the then current fair market values of all or any portion of the Real Estate owned by Credit Parties. In addition to the foregoing, at Borrower's expense, at any time while and so long as an Event of Default shall have occurred and be continuing, Administrative Agent may obtain appraisal reports in form and substance and from appraisers satisfactory to Administrative Agent stating the then current market values of all or any portion of the Real Estate and personal property owned by any of the Credit Parties.

(h) Projections. To each Agent and Lenders, as soon as available, but not later than 30 days after the end of each Fiscal Year, an annual operating plan for Holdings, on a consolidated and consolidating basis, approved by the Board of Directors of Ultimate Holdco, for the following Fiscal Year, which (i) includes a statement of all of the material assumptions on which such plan is based, (ii) includes monthly balance sheets, income statements and statements of cash flows for the following year and (iii) integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial

performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

(i) SEC Filings and Press Releases. Promptly upon their becoming available, US Borrower Representative will deliver copies of (1) all Financial Statements, reports, notices and proxy statements sent or made available by Ultimate Holdco, Borrowers or any of their Subsidiaries to their Stockholders, (2) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Ultimate Holdco, Borrowers or any of their Subsidiaries with any securities exchange or with the Securities and Exchange Commission, any Governmental Authority or any private regulatory authority, and (3) all press releases and other statements made available by Ultimate Holdco, Borrowers or any of their respective Subsidiaries to the public concerning developments in the business of any such Person.

(j) Events of Default; Etc. Promptly upon any officer of any Credit Party obtaining knowledge of any of the following events or conditions, US Borrower Representative shall deliver copies of all notices given or received by such Credit Party with respect to any such event or condition and a certificate of US Borrower Representative's chief executive officer specifying the nature and period of existence of such event or condition and what action Ultimate Holdco, Borrowers or any-of their Subsidiaries has taken, is taking and proposes to take with respect thereto: (1) any condition or event that constitutes, or which could reasonably be expected by such officer to result in the occurrence of an Event of Default or Default; (2) any notice that any Person has given to Ultimate Holdco, any Borrower or any of their Subsidiaries or any other action taken with respect to a claimed default or event or condition of the type referred to in Section 6.1(b); (3) any event or condition that could reasonably be expected to result in any Material Adverse Effect; or (4) any default or event of default with respect to any Indebtedness of any Borrower or any of its Subsidiaries.

(k) Litigation. Promptly upon any officer of any Credit Party obtaining knowledge of (1) the institution of any action, charge, claim, demand, suit, proceeding, petition, governmental investigation, tax audit or arbitration now pending or, to the best knowledge of such Credit Party after due inquiry, threatened against or affecting any Credit Party or any of its Subsidiaries or any property of any Credit Party or any of its Subsidiaries ("Litigation") not previously disclosed by US Borrower Representative to Administrative Agent or (2) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting any Credit Party or any property of any Credit Party which, in each case, could reasonably be expected to have a Material Adverse Effect, US Borrower Representative will promptly give notice thereof to Administrative Agent and provide such other information as may be reasonably available to them to enable Administrative Agent and its counsel to evaluate such matter.

(l) Notice of Corporate and other Changes. US Borrower Representative shall provide prompt written notice of (1) all jurisdictions in which a Credit Party becomes qualified after the Closing Date to transact business, (2) any change after the Closing Date in the authorized and issued Stock of any Credit Party or any Subsidiary of any Credit Party or any amendment to their articles or certificate of incorporation, by laws, partnership agreement or other organizational documents, (3) any Subsidiary created or acquired by any Credit Party or any of its Subsidiaries after the Closing Date, such notice, in each case, to identify the applicable

jurisdictions, capital structures or Subsidiaries, as applicable, and (4) any other event that occurs after the Closing Date which would cause any of the representations and warranties in Section 5 of this Agreement or in any other Loan Document to be untrue or misleading in any material respect. The foregoing notice requirement shall not be construed to constitute consent by any of the Lenders to any transaction referred to above which is not expressly permitted by the terms of this Agreement.

(m) Borrowing Base Reports. Appropriate Borrower Representative shall deliver or cause to be delivered to:

(i) Administrative Agent, upon its request, and in any event no less frequently than 12:00 p.m. (New York time) on the first Business Day of each month (together with a copy of all or any part of the following reports requested by any Lender in writing after the Closing Date), each of the following reports, each of which shall be prepared by TPI as of the last day of the immediately preceding week or the date 2 days prior to the date of any such request: a summary of TPI's Inventory by location and type with a supporting perpetual Inventory report, and a monthly trial balance showing TPI's Accounts outstanding aged from invoice date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, in each case accompanied by such supporting detail and documentation as shall be requested by Administrative Agent in its reasonable discretion.

(ii) European Loan Agent, upon its request, and in any event no less frequently than 12:00 p.m. (Local Time) on the first Business Day of each month (together with a copy of all or any part of the following reports requested by any Lender in writing after the Closing Date), each of the following reports, each of which shall be prepared by the applicable European Borrower as of the last day of the immediately preceding week or the date 2 days prior to the date of any such request, a summary of each European Borrower's Inventory by location and type with a supporting perpetual Inventory report, and a monthly trial balance showing each European Borrower's Accounts outstanding aged from invoice date as follows: to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, in each case, accompanied by such supporting detail and documentation as shall be requested by European Loan Agent in its reasonable discretion.

(n) Other Information. With reasonable promptness, US Borrower Representative will deliver such other information and data with respect to any Credit Party or any Subsidiary of any Credit Party as from time to time may be reasonably requested by any Authorized Agent.

(o) Compliance and Excess Cash Flow Certificate. Together with each delivery of Financial Statements of Ultimate Holdco and its Subsidiaries pursuant to Sections 4.6(a) and (b), US Borrower Representative will deliver a fully and properly completed Compliance and Excess Cash Flow Certificate (in substantially the same form as Exhibit 4.6(o) (the "Compliance and Excess Cash Flow Certificate") signed by Appropriate Borrower Representative's chief executive officer or chief financial officer.

(p) Taxes. US Borrower Representative shall provide prompt written notice of (i) the execution or filing with the IRS or any other Governmental Authority of any agreement or other document extending, or having the effect of extending, the period for assessment or

collection of any Charges by any Credit Party or any of its Subsidiaries and (ii) any agreement by any Credit Party or any of its Subsidiaries or request directed to any Credit Party or any of its Subsidiaries to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which could reasonably be expected to have a Material Adverse Effect.

4.7 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP Financial statements and other information furnished to Administrative Agent pursuant to Section 4.6 or any other section (unless specifically indicated otherwise) shall be prepared in accordance with GAAP (other than monthly cash flow statements; provided that any accounts reflected in such cash flow statements that are used in calculating compliance with Sections 4.1 through 4.5 shall be prepared in accordance with GAAP) as in effect at the time of such preparation; provided that no Accounting Change shall affect financial covenants, standards or terms in this Agreement; provided further that Borrowers shall prepare footnotes to the Financial Statements required to be delivered hereunder that show the differences between the Financial Statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). Borrowers shall deliver a certified schedule along with Financial Statements required to be delivered hereunder detailing each difference between such Financial Statements and the basis for calculating financial covenant compliance resulting from any Accounting Change. All such adjustments described in clause (c) of the definition of the term Accounting Changes resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made.

SECTION 5.
REPRESENTATIONS AND WARRANTIES

To induce Agents and Lenders to enter into the Loan Documents, to make Loans and to issue or cause to be issued Letters of Credit, Borrowers and the other Credit Parties executing this Agreement, jointly and severally, represent, warrant and covenant to each Agent and each Lender that the following statements are and, after giving effect to the Related Transactions, will remain true, correct and complete until the Termination Date with respect to all Credit Parties:

5.1 Disclosure. No statement, representation or warranty of any Credit Party contained in this Agreement, the Financial Statements referred to in Section 5.5, the other Related Transactions Documents or any other document, certificate or written statement furnished to any Agent or any Lender by or on behalf of any such Person for use in connection with the Loan Documents or the Related Transactions Documents contains any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made.

5.2 No Material Adverse Effect. Since December 31, 2002, there have been no events or changes in facts or circumstances affecting any Credit Party or any of its Subsidiaries

which individually or in the aggregate have had or could reasonably be expected to have a Material Adverse Effect and that have not been disclosed herein or in the attached Disclosure Schedules.

5.3 No Conflict. The consummation of the Related Transactions does not and will not violate or conflict with any laws, rules, regulations or orders of any Governmental Authority or violate, conflict with, result in a breach of, or constitute a default (with due notice or lapse of time or both) under any Contractual Obligation or organizational documents of any Credit Party or any of its Subsidiaries other than any such violations, conflicts, breaches or defaults that could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.4 Organization, Powers, Capitalization and Good Standing.

(a) Organization and Powers. Each of the Credit Parties and each of their Subsidiaries is duly organized, validly existing and in good standing (or the equivalent in non-US jurisdictions) under the laws of its jurisdiction of organization and qualified to do business in all states where such qualification is required except where failure to be so qualified could not reasonably be expected to have a Material Adverse Effect. The jurisdiction of organization and all jurisdictions in which each Credit Party is qualified to do business are set forth on Schedule 5.4(a). Each of the Credit Parties and each of their Subsidiaries has all requisite organizational power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into each Related Transactions Document to which it is a party and to incur the Obligations, grant liens and security interests in the Collateral and carry out the Related Transactions.

(b) Capitalization. As of the Closing Date: (i) the authorized Stock of each of the Credit Parties and each of their Subsidiaries is as set forth on Schedule 5.4(b); (ii) all issued and outstanding Stock of each of the Credit Parties and each of their Subsidiaries is duly authorized and validly issued, fully paid, nonassessable, free and clear of all Liens other than those in favor of Authorized Agents, and such Stock was issued in compliance with all applicable state, federal and foreign laws concerning the issuance of securities; (iii) the identity of the holders of the Stock of each of the Credit Parties and the percentage of their fully diluted ownership of the Stock of each of the Credit Parties is set forth on Schedule 5.4(b); and (iv) no Stock of any Credit Party or any of their Subsidiaries, other than those described above, are issued and outstanding. Except as provided in Schedule 5.4(b), as of the Closing Date, there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from any Credit Party or any of their Subsidiaries of any Stock of any such entity.

(c) Binding Obligation. This Agreement is, and the other Related Transactions Documents when executed and delivered will be, the legally valid and binding obligations of the applicable parties thereto, each enforceable against each of such parties, as applicable, in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganizations, moratorium or other laws affecting creditor's rights generally and the effect of general principles of equity.

5.5 Financial Statements and Projections. All Financial Statements concerning Ultimate Holdco and its Subsidiaries which have been or will hereafter be furnished to Agents and Lenders pursuant to this Agreement, including those listed below, have been or will be prepared in accordance with GAAP (other than monthly cash flow statements; provided that any accounts reflected in such cash flow statements that are used in calculating compliance with Sections 4.1 through 4.5 shall be prepared in accordance with GAAP) consistently applied (except as disclosed therein) and do or will present fairly the financial condition of the entities covered thereby as at the dates thereof and the results of their operations for the periods then ended, subject to, in the case of unaudited Financial Statements, the absence of footnotes and normal year end adjustments.

(a) The consolidated balance sheets at December 31, 2002 and the related statement of income of Ultimate Holdco and its Subsidiaries, for the Fiscal Year then ended, audited by Ernst & Young LLP.

(b) The unaudited consolidated balance sheet at June 30, 2003 and the related statement of income of Ultimate Holdco and its Subsidiaries for the six (6) months then ended.

The Projections delivered on or prior to the Closing Date and the updated Projections delivered pursuant to Section 4.6(h) are based upon estimates and assumptions stated therein, all of which the Credit Parties believe, as of the Closing Date, to be reasonable and fair in light of current conditions and current facts known to the Credit Parties and, as of the Closing Date, reflect the Credit Parties good faith and reasonable estimates of the future financial performance of the Credit Parties and of the other information projected therein, for the periods set forth therein. The Projections constitute a reasonable basis as of the date hereof for the assessment of the future performance of the Credit Parties, on a consolidated basis, during the periods indicated therein (it being recognized by the Agents and the Lenders that the Projections as they relate to future events are not to be viewed as facts and that actual results during the period or periods covered by financial information may vary from the projected results set forth therein by a material amount), and all material assumptions used in the preparation of the Projections are set forth in the notes thereto.

5.6 Intellectual Property. Each of the Credit Parties and its Subsidiaries owns, is licensed to use or otherwise has the right to use, all Intellectual Property used and sufficient for the conduct of its business as currently conducted that is material to the condition (financial or other), business or operations of such Credit Party and its Subsidiaries and all such Intellectual Property is identified on Schedule 5.6 and fully protected and/or duly and properly registered, filed or issued in the appropriate office and jurisdictions for such registrations, filings or issuances. As of the Closing Date, except as disclosed in Schedule 5.6, the use of such Intellectual Property by the Credit Parties and their Subsidiaries and the conduct of their businesses does not and has not been alleged by any Person to infringe on the rights of any Person. Except as otherwise described in Schedule 5.6, as of the Closing Date no Credit Party is a party to or bound by any agreement or contract (whether written or oral) containing any covenant prohibiting any Credit Party from competing in any business of any kind in any territory or from competing with any Person, or prohibiting any Credit Party from doing any kind of business with any person.

5.7 Investigations, Audits, Etc. As of the Closing Date, except as set forth on Schedule 5.7, to the best knowledge of any Credit Party, no Credit Party or any of their Subsidiaries is the subject of any review or audit by the IRS or any Governmental Authority or any other governmental investigation concerning the violation or possible violation of any law.

5.8 Employee Matters. Except as set forth on Schedule 5.8, (a) no Credit Party or Subsidiary of a Credit Party nor any of their respective employees is subject to any collective bargaining agreement, (b) no petition for certification or union election is pending with respect to the employees of any Credit Party or any of their Subsidiaries and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of any Credit Party or any of their Subsidiaries, (c) there are no strikes, slowdowns, work stoppages or controversies pending or, to the best knowledge of any Credit Party after due inquiry, threatened between any Credit Party or any of their Subsidiaries and its respective employees, other than employee grievances arising in the ordinary course of business which could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect and (d) hours worked by and payment made to employees of each Credit Party and each of their Subsidiaries comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters. As of the Closing Date, except as set forth on Schedule 5.8, neither Borrower nor any of their respective Subsidiaries is party to an employment contract in which compensation exceeds $100,000 per annum.

5.9 Solvency. Each of the Credit Parties and its Subsidiaries is Solvent.

5.10 Litigation; Adverse Facts. Except as set forth on Schedule 5.10 there are no judgments outstanding against any Credit Party or any of its Subsidiaries or affecting any property of any Credit Party or any of its Subsidiaries, nor is there any Litigation pending, or to the best knowledge of any Credit Party threatened, against any Credit Party or any of its Subsidiaries which, in each case or in the aggregate, could reasonably be expected to result in any Material Adverse Effect.

5.11 Use of Proceeds; Margin Regulations

(a) No part of the proceeds of any Loan will be used for "buying" or "carrying" "margin stock" within the respective meanings of such terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any other purpose that violates the provisions of the regulations of the Board of Governors of the Federal Reserve System. If requested by Administrative Agent, each Credit Party will furnish to each Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G 3 or FR Form 0 1, as applicable, referred to in Regulation U.

(b) Borrowers shall utilize the proceeds of the Loans solely to fund a portion of the Recapitalization Dividend, to pay the Additional Payments in an aggregate amount not to exceed $40,000,000, to pay in full the Mezzanine Debt and to pay fees and expenses with respect to the Related Transactions, and for the financing of Borrowers' ordinary working capital and general corporate needs. To the greatest extent possible Borrowers will use the proceeds of the Subordinated Notes to pay the Recapitalization Dividend. Borrowers shall utilize the proceeds

of the Additional Indebtedness solely to fund the Additional Dividend and any related fees, costs and expenses. Schedule 5.11 contains a description of Borrowers' sources and uses of funds as of the Closing Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred for particular uses.

5.12 Ownership of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed in Schedule 5.12 constitutes all of the real property owned, leased, subleased, or used (pursuant to any arrangement or agreement, written, oral or tacit) by any Credit Party or any of its Subsidiaries. As of the Closing Date, except with respect to Real Estate having an aggregate fair market value of less than $250,000, each of the Credit Parties and each of its Subsidiaries owns good and marketable fee simple title to all of its owned Real Estate, and valid and marketable leasehold interests in all of its leased Real Estate, all as described on Schedule 5.12, and copies of all such leases or a summary of terms thereof reasonably satisfactory to Administrative Agent have been delivered to Administrative Agent. Schedule 5.12 further describes any Real Estate with respect to which any Credit Party or any of its Subsidiaries is a lessor, sublessor or assignor as of the Closing Date. As of the Closing Date, except with respect to personal property having an aggregate fair market value of less than $250,000, each of the Credit Parties and each of its Subsidiaries also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets. As of the Closing Date, none of the properties and assets of any Credit Party or any of its Subsidiaries are subject to any Liens other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to any Borrower that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances against the properties or assets of any Credit Party or any of its Subsidiaries. As of the Closing Date, each of the Credit Parties and each of its Subsidiaries has received all deeds, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's or Subsidiary's right, title and interest in and to all such Real Estate and other properties and assets as of the Closing Date. Schedule 5.12 also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. As of the Closing Date, no portion of any Credit Party's or any of its Subsidiaries' Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect.

5.13 Environmental Matters

(a) Except as set forth in Schedule 5.13, as of the Closing Date: (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that could not reasonably be expected to adversely impact the value or marketability of such Real Estate and that could not reasonably be expected to have a Material Adverse Effect; (ii) no Credit Party and no Subsidiary of a Credit Party has caused or suffered to occur any Release of Hazardous Materials on, at, in, under, above, to, from or about any of their Real Estate other than in compliance with Environmental Laws that could reasonably be expected to have a Material

Adverse Effect; (iii) the Credit Parties and their Subsidiaries are and have been in compliance with all Environmental Laws, except for such noncompliance that could not reasonably be expected to have a Material Adverse Effect; (iv) the Credit Parties and their Subsidiaries have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits could not reasonably be expected to have a Material Adverse Effect, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party and no Subsidiary of a Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party or Subsidiary which could reasonably be expected to have a Material Adverse Effect, and no Credit Party or Subsidiary of a Credit Party has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (vi) there is no Litigation arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses in excess of $100,000 in the aggregate or injunctive relief against, or that alleges criminal misconduct by any Credit Party or any Subsidiary of a Credit Party; (vii) no notice has been received by any Credit Party or any Subsidiary of a Credit Party identifying any of them as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any of the Credit Parties or their Subsidiaries being identified as a "potentially responsible party" under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to Administrative Agent copies of all existing environmental reports, reviews and audits and all written information that has been provided to any Credit Party pertaining to actual or potential material Environmental Liabilities, in each case relating to any of the Credit Parties or their Subsidiaries. DF does not use, and shall not use, any chlorinated solvents in its business or operations.

(b) Each Credit Party hereby acknowledges and agrees that no Agent (i) is now, nor has ever been, in control of any of the Real Estate or affairs of such Credit Party or its Subsidiaries, and (ii) has the capacity through the provisions of the Loan Documents or otherwise to influence any Credit Party's or its Subsidiaries' conduct with respect to the ownership, operation or management of any of their Real Estate or compliance with Environmental Laws or Environmental Permits.

5.14 ERISA

(a) Schedule 5.14 lists as of the Closing Date all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form IRS/DOL 5500-series for each such Plan have been delivered to the Administrative Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC (or an application for such determinations has been filed with the IRS and there is a remaining period of time under applicable Treasury regulations or IRS pronouncements in which to apply for such determinations and make any amendments necessary to obtain such

determinations), and to the knowledge of any Borrower nothing has occurred that would cause the loss of such qualification or tax exempt status. Each Plan is in material compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104 23. Neither any Credit Party nor ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA. Neither any Credit Party nor ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

(b) Except as set forth in Schedule 5.14: (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) as of the Closing Date, there are no pending, or to the knowledge of any Borrower, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 404(b)(l) of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(l4) of ERISA) of any Credit Party or ERISA Affiliate; (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA Affiliates makes up, in the aggregate, no more than 10% of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (vii) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated "AAA" by S&P or an equivalent rating by another nationally recognized rating agency.

(c) With respect to each scheme or arrangement mandated by a government other than the United States providing for post-employment benefits (a "Foreign Government Scheme or Arrangement") and with respect to each employee benefit plan maintained or contributed to by any Credit Party or any Subsidiary of any Credit Party that is not subject to United States law providing for post-employment benefits (a "Foreign Plan"): (i) all material employer and employee contributions required by law or by the terms of any Foreign Government Scheme or Arrangement or any Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices; (ii) the liability of each Credit Party and each Subsidiary of a Credit Party with respect to a Foreign Plan is reflected in accordance with normal accounting practices on the financial statements of such Credit Party or such Subsidiary, as the case may be; and (iii) each Foreign Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities unless, in each case, the failure to do so would not be reasonably likely to have a Material Adverse Effect.

5.15 Brokers. No broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

5.16 Deposit and Disbursement Accounts. Schedule 5.16 lists all banks and other financial institutions at which any Credit Party maintains deposit or other accounts as of the Closing Date, including any disbursement accounts, and such Schedule correctly identifies the name and address of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.17 Agreements and Other Documents. As of the Closing Date, each Credit Party has provided to Administrative Agent or its counsel, on behalf of Lenders, accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject and each of which is listed in Schedule 5.17: supply agreements and purchase agreements not terminable by such Credit Party within sixty (60) days following written notice issued by such Credit Party and involving transactions in excess of $250,000 per annum; leases of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of $100,000 per annum; licenses and permits held by the Credit Parties, the absence of which could reasonably be expected to have a Material Adverse Effect; instruments and documents evidencing any Indebtedness or Contingent Obligation, in excess of $50,000 in the aggregate, of such Credit Party and any Lien granted by such Credit Party with respect thereto; instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Credit Party; any distribution agreements or other agreements providing for the distribution of the Credit Parties' products; and any other Material Contracts (as defined in the Merger Agreement).

5.18 Insurance. Schedule 5.18 lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the key business terms of each such policy such as deductibles, coverage limits and term of policy.

5.19 Government Regulation. No Credit Party is an "investment company" or "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935 or the Federal Power Act.

5.20 Subordinated Notes Documents. As of the Closing Date, Borrowers have delivered to Administrative Agent a complete and correct copy of the Subordinated Notes Documents (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). No Credit Party is in default in the performance or compliance with any provisions thereof. None of the representations or warranties of any Credit Party in the Subordinated Notes Documents contain any untrue statement of a material fact or omit any fact necessary to make the statements therein not misleading. Notwithstanding anything contained in the Subordinated Notes Documents to the contrary, such representations and warranties of the Credit Parties are incorporated into this Agreement by this Section 5.20.

5.21 Taxes. All Federal and other material tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority.

5.22 Collateral Documents. Attached hereto as Schedule 5.22 are true, correct and complete copies of each of the schedules to each of the Collateral Documents updated to, and true, correct and complete as of the Closing Date.

5.23 Intercompany Payables. As of June 30, 2003, the intercompany payables listed in Schedule 5.23 constitute all of the intercompany payables owed by any Credit Party to any other Credit Party.

SECTION 6.
DEFAULT, RIGHTS AND REMEDIES

6.1 Event of Default. "Event of Default" shall mean the occurrence or existence of any one or more of the following:

(a) Payment. (1) Failure to pay any installment or other payment of principal of any Loan when due, or to repay the Revolving Loans to reduce their balance to the maximum amount of Revolving Loans then permitted to be outstanding or to reimburse any L/C Issuer for any payment made by such L/C Issuer under or in respect of any Letter of Credit when due or (2) failure to pay, within two (2) Business Days after the due date, any interest on any Loan or any other amount due under this Agreement or any of the other Loan Documents; or

(b) Default in Other Agreements. (1) Any Credit Party or any of its Subsidiaries fails to pay when due or within any applicable grace period any principal or interest on Indebtedness (other than the Loans) or any Contingent Obligations having a principal amount in excess of $2,000,000 or (2) breach or default of any Credit Party or any of its Subsidiaries (which breach or default is not waived or cured), or the occurrence of any condition or event, with respect to any Indebtedness (other than the Loans) or any Contingent Obligations, if the effect of such breach, default or occurrence is to cause or to permit the holder or holders then to cause, Indebtedness and/or Contingent Obligations having an aggregate principal amount in excess of $2,000,000 to become or be declared due prior to their stated maturity; or

(c) Breach of Certain Provisions. Failure of any Credit Party to perform or comply with any term or condition contained in that portion of Section 2.2 relating to the Credit Parties' obligation to maintain insurance, Section 2.3, Section 3 or Section 4; or

(d) Breach of Warranty. Any information contained in any US Borrowing Base Certificate or European Borrowing Base Certificate is untrue or incorrect in any respect (other than inadvertent errors or immaterial errors, in each case, not exceeding $500,000 in the aggregate in any US Borrowing Base Certificate or European Borrowing Base Certificate, as applicable), or any representation, warranty, certification or other statement made by any Credit Party in any Loan Document or in any statement or certificate (other than a US Borrowing Base Certificate or European Borrowing Base Certificate) at any time given by such Person in writing pursuant to or in connection with any Loan Document is false in any material respect (without duplication of materiality qualifiers contained therein) on the date made; or

(e) Other Defaults Under Loan Documents. Any Credit Party defaults in the performance of or compliance with any term contained in this Agreement or the other Loan Documents (other than occurrences described in other provisions of this Section 6.1 for which a different grace or cure period is specified, or for which no cure period is specified and which constitute immediate Events of Default) and such default is not remedied or waived within thirty (30) days after the earlier of (1) receipt by any Borrower Representative of notice from any Authorized Agent or Requisite Lenders of such default or (2) actual knowledge of any Borrower or any other Credit Party of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc. (1) A court enters a decree or order for relief with respect to any Credit Party in an involuntary case under the Bankruptcy Code, or any other applicable federal, state or foreign bankruptcy or similar law, which decree or order is not stayed or other similar relief is not granted under any applicable federal, state or foreign law; or (2) the continuance of any of the following events for sixty (60) days unless dismissed, bonded or discharged: (a) an involuntary case is commenced against any Credit Party, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) a decree or order of a court for the appointment of a receiver, liquidator, examiner, administrator, administrative receiver, sequestrator, trustee, custodian or other officer having similar powers over any Credit Party, or over all or a substantial part of its property, is entered; or (c) a receiver, liquidator, examiner, administrator, administrative receiver, sequestrator, trustee or other custodian (or similar official) is appointed without the consent of a Credit Party, for all or a substantial part of the property of the Credit Party; or

(g) Voluntary Bankruptcy; Appointment of Receiver, Etc. (1) any Credit Party commences a voluntary case under the Bankruptcy Code, or any other applicable federal, state or foreign bankruptcy or similar law, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consents to the appointment of or taking possession by a receiver, trustee or other custodian (or similar official) for all or a substantial part of its property; or (2) any Credit Party makes any assignment, or otherwise enters into a scheme, reorganization or other arrangement, for the benefit of creditors; or (3) the Board of Directors of any Credit Party adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 6.1(g); or

(h) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process (other than those described elsewhere in this Section 6.1) involving an amount in the aggregate at any time in excess of $1,000,000 (in either case to the extent not adequately covered by insurance in Authorized Agent's sole discretion as to which the insurance company has acknowledged coverage) is entered or filed against one or more of the Credit Parties or any of their respective assets and remains unsatisfied, undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder; or

(i) Dissolution. Any order, judgment or decree is entered against any Credit Party (other than a Specified Credit Party) decreeing the dissolution or split up of such Credit Party and such order remains undischarged or unstayed for a period in excess of fifteen (15) days; or

(j) Solvency. Any Credit Party ceases to be Solvent, fails to pay its debts as they become due or admits in writing its present or prospective inability to pay its debts as they become due; provided that any Specified Credit Party may cease to be Solvent for any consecutive twelve-month period; or

(k) Invalidity of Loan Documents. Any of the Loan Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Credit Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect; or

(l) Damage; Casualty. Any event occurs, whether or not insured or insurable, as a result of which income-producing activities cease or are substantially curtailed at any facility of any Credit Party generating more than 20% of the consolidated net income of Ultimate Holdco and their Subsidiaries for the Fiscal Year preceding such event and such cessation or curtailment continues for more than 30 days (except to the extent any net income from such activities which is not generated as a result of such event is replaced or covered by payments made under business interruption insurance); or

(m) Change of Control. A Change of Control occurs; or

(n) Subordinated Indebtedness. The failure of any Credit Party or any creditor of any Borrower or any of its Subsidiaries to comply with the terms of the Subordinated Notes Indenture or any other subordination or intercreditor agreement or any subordination provisions of any note or other document running to the benefit of any Agent or Lenders, or any party subject to or bound by such agreement challenges the enforceability thereof; or

(o) License Agreements. Any material default or breach (after giving effect to any applicable cure periods) by any Borrower occurs and is continuing under any of the following agreements or any of the following agreements shall be terminated for any reason: (i) the Holdco License and Distribution Agreement or (ii) the Sub-License and Distribution Agreements; or

(p) Collateral Documents. Any default by any Credit Party in the observance or performance of any covenant or agreement contained or incorporated by reference in any Collateral Document and such default shall continue beyond the grace period, if any, provided in such Collateral Document; or

(q) Environmental Liabilities. Any Credit Party shall incur Environmental Liabilities which could reasonably be expected to exceed $1,000,000 (net of any insurance proceeds paid to such Credit Party in connection with such Environmental Liabilities and environmental indemnity proceeds paid to such Credit Party pursuant to Section 9.02 of the Merger Agreement and, in each case, applied to such Environmental Liabilities) in any consecutive twelve-month period with respect to any Release or threatened Release (or any reasonably related Release or Releases) or presence of Hazardous Material at any single location; or any litigation is commenced against any Credit Party that seeks Environmental Liabilities which could reasonably be expected to exceed $1,000,000 (net of any insurance proceeds paid to such Credit Party in connection with such Environmental Liabilities and environmental

indemnity proceeds paid to such Credit Party pursuant to Section 9.02 of the Merger Agreement and, in each case, applied to such Environmental Liabilities) in any consecutive twelve-month period with respect to any Release or threatened Release (or any reasonably related Release or Releases) or presence of Hazardous Material at any single location and such Litigation is not, within 60 days after the commencement thereof, discharged or dismissed; or

(r) ERISA and Foreign Plans. Any Credit Party (i) shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect; (ii) shall cause or permit an event that could result in the imposition of a Lien with respect to any Foreign Plan; or (iii) shall cause or permit the fair market value of the assets of any funded Foreign Plan, the liability of each insurer for such Foreign Plan funded through insurance or the book reserve established for such Foreign Plan, together with any accrued contributions, to become insufficient to satisfy all the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with generally accepted accounting principles to the extent such underfunding could reasonably be expected to have a Material Adverse Effect.

6.2 Suspension or Termination of Commitments. Upon the occurrence of any Default or Event of Default, Administrative Agent may, and at the request of Requisite Lenders, Administrative Agent shall, without notice or demand, immediately suspend or terminate all or any portion of Lenders' obligations to make additional Revolving Credit Advances or issue or cause to be issued Letters of Credit under the Revolving Loan Commitments; provided that if the subject condition or event is waived by Requisite Lenders or cured within any applicable grace or cure period, the Revolving Loan Commitments shall be reinstated.

6.3 Acceleration and other Remedies. Upon the occurrence of any Event of Default described in Sections 6.1(f) or 6.1(e) the Commitments shall be immediately terminated and all of the Obligations, including the Revolving Loans, shall automatically become immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other requirements of any kind, all of which are hereby expressly waived by Borrowers, and the Commitments shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Administrative Agent may, and at the request of the Requisite Lenders, Administrative Agent shall, by written notice to each Borrower Representative (a) reduce the aggregate amount of the Commitments from time to time, (b) declare all or any portion of the Loans and all or any portion of the other Obligations to be, and the same shall forthwith become, immediately due and payable together with accrued interest thereon, (c) terminate all or any portion of the obligations of Authorized Agents, L/C Issuers and Lenders to make Revolving Credit Advances and issue Letters of Credit, (d) demand that Borrowers immediately deliver cash to Appropriate Agent for the benefit of L/C Issuers (and Borrowers shall then immediately so deliver) in an amount equal to 103% of the aggregate outstanding Letter of Credit Obligations and (e) exercise any other remedies which may be available under the Loan Documents or applicable law. US Borrowers hereby grant to Administrative Agent, for the benefit of US L/C Issuers and each Lender with a participation in any US Letters of Credit then outstanding, a security interest in such cash collateral to secure all

of the US Letter of Credit Obligations. Any such cash collateral shall be made available by Administrative Agent to US L/C Issuers to reimburse US L/C Issuers for payments of drafts drawn under such US Letters of Credit and any Fees, Charges and expenses of US L/C Issuers with respect to such US Letters of Credit and the unused portion thereof, after all such US Letters of Credit shall have expired or been fully drawn upon, shall be applied to repay any other Obligations. After all such US Letters of Credit shall have expired or been fully drawn upon and all Obligations shall have been satisfied and paid in full, the balance, if any, of such cash collateral shall be returned to US Borrowers. European Borrowers hereby grant to European Security Agent, for the benefit of European L/C Issuers and each Lender with a participation in any European Letters of Credit then outstanding, a security interest in such cash collateral to secure all of the European Letter of Credit Obligations. Any such cash collateral shall be made available by European Security Agent to European L/C Issuers to reimburse European L/C Issuers for payments of drafts drawn under such European Letters of Credit and any Fees, Charges and expenses of European L/C Issuers with respect to such European Letters of Credit and the unused portion thereof, after all such European Letters of Credit shall have expired or been fully drawn upon, shall be applied to repay any other Obligations of the European Credit Parties. After all such European Letters of Credit shall have expired or been fully drawn upon and all Obligations of the European Credit Parties shall have been satisfied and paid in full, the balance, if any, of such cash collateral shall be returned to European Borrowers. Borrowers shall from time to time execute and deliver to Appropriate Agent such further documents and instruments as such Agent may request with respect to such cash collateral. If any Event of Default has occurred and is continuing, European Loan Agent and European Security Agent may (with the prior written consent the Administrative Agent) and, at the written request of the Requisite Lenders or the Administrative Agent, shall, exercise any rights and remedies provided to the European Loan Agent and European Security Agent under the Loan Documents or at law or equity. If any Event of Default has occurred and is continuing, and the Obligations have been declared to be or otherwise become immediately due and payable, Administrative Agent may (and at the written request of the Requisite Lenders, shall), cause the Escrow Agent to release the Escrow Materials to it pursuant to the terms of the Escrow Agreement (it being understood that Agents and Lenders may not cause the Escrow Materials to be so released except as provided in this sentence).

6.4 Performance by Agent. If any Credit Party shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, any Authorized Agent may perform or attempt to perform such covenant, duty or agreement on behalf of such Credit Party after the expiration of any cure or grace periods set forth herein. In such event, such Credit Party shall, at the request of any Authorized Agent, promptly pay any amount reasonably expended by any Authorized Agent in such performance or attempted performance to such Agent, together with interest thereon at the highest rate of interest in effect upon the occurrence of an Event of Default as specified in Section 1.2(d) from the date of such expenditure until paid. Notwithstanding the foregoing, it is expressly agreed that no Agent shall have any liability or responsibility for the performance of any obligation of any Credit Party under this Agreement or any other Loan Document.

6.5 Application of Proceeds and Payments.

(a) So long as no Default or Event of Default has occurred and is continuing, (i) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (ii) voluntary prepayments of Revolving Loans shall be applied as determined by Appropriate Borrower Representative and voluntary prepayments of Term Loans shall be applied as in accordance with Section 1.5(a); and (iii) mandatory prepayments shall be applied as set forth in Section 1.5(e); provided that prior to application of any funds to any payments or prepayments of principal of any Loan the Appropriate Agent, in its discretion, may (provided that European Loan Agent shall first consult with the Administrative Agent), apply such funds to Fees and any expenses of the Agents then reimbursable hereunder and to interest then due on the Loans, ratably in proportion to the interest accrued as to each Loan; provided further that no payments from any European Credit Party shall be applied to principal of the US Term Loans or US Revolving Loan or any interest thereon or any Fees payable with respect thereto. All payments and prepayments applied to a particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share. Except as otherwise provided in Sections 6.5(b) and (c), as to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Commitment Termination Date, each Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of such Borrower, and each Borrower hereby irrevocably agrees that Administrative Agent shall have the continuing exclusive right to direct Appropriate Agent to apply any and all such payments against the Obligations of Borrowers as Administrative Agent may deem advisable notwithstanding any previous entry by Appropriate Agent in the Loan Account or any other books and records; provided that no payments from any European Credit Party shall be applied to principal of the US Term Loans or US Revolving Loan or any interest thereon or any Fees payable with respect thereto. In the absence of a specific determination by Administrative Agent with respect thereto, payments shall be applied to amounts then due and payable in the following order: (1) to each Agent's expenses and Fees reimbursable hereunder; (2) to interest on the Loans, ratably in proportion to the interest accrued as to each Loan; (3) to principal payments on the Loans and to provide cash collateral for Letter of Credit Obligations in the manner described in Section 6.3, ratably to the aggregate, combined principal balance of the Loans and outstanding Letter of Credit Obligations; and (4) to all other Obligations, including expenses of Lenders to the extent reimbursable under Section 1.3(e).

(b) Upon the exercise of any rights and remedies by any Authorized Agent under any of the Loan Documents with respect to Collateral pledged by any US Credit Party to secure the Obligations of the US Credit Parties after an Event of Default shall have occurred and be continuing, any and all Proceeds received by any Authorized Agent pursuant to any of the Loan Documents with respect to such Collateral shall be applied and distributed by such Agent in the following order: (1) to expenses of the Administrative Agent and Fees reimbursable hereunder; (2) to interest on the US Revolving Loan and the US Term Loans ratably in proportion to the interest accrued thereon; (3) to principal of the US Revolving Loan and the US Term Loans ratably in proportion to the outstanding principal amounts thereof; (4) to all other Obligations of the US Lenders to the extent reimbursable under Section 1.3(e), ratably in proportion to the unpaid amount thereof; (5) to fees and expenses of the European Loan Agent, the European Funding Agent and the European Security Agent; (6) to interest on the European Revolving Credit Advances and the European Term Loan A ratably in proportion to interest

accrued thereon; (7) to principal of the European Revolving Credit Advances and the European Term Loan A ratably in proportion to the outstanding principal amounts thereof; (8) to all other Obligations of the European Lenders to the extent reimbursable under Section 1.3(e), ratably in proportion to the unpaid amount thereof; and (9) to the US Borrowers or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(c) Upon the exercise of any rights and remedies by European Loan Agent, European Funding Agent or European Security Agent under any of the Loan Documents with respect to Collateral pledged by any European Credit Party to secure the Obligations of the European Credit Parties after an Event of Default shall have occurred and be continuing, any and all Proceeds received by European Loan Agent, the European Funding Agent or the European Security Agent pursuant to any of the Loan Documents with respect to such Collateral shall be applied and distributed by European Loan Agent, European Funding Agent or European Security Agent in the following order: (1) to Fees and expenses of the European Loan Agent, European Funding Agent or European Security Agent reimbursable hereunder; (2) to interest on the European Revolving Loan and the European Term Loan A ratably in proportion to the interest accrued thereon; (3) to principal of the European Revolving Credit Advances and the European Term Loan A ratably in proportion to the outstanding principal amounts thereof; (4) to all other Obligations of the European Lenders to the extent reimbursable under Section 1.3(e) ratably in proportion to the unpaid amount thereof; and (5) to the European Borrowers or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

6.6 Loss Sharing. On the first day on which any Bankruptcy Event shall occur in respect of any Credit Party or upon the date of acceleration of all or part of the Obligations in accordance with Section 6.2 (collectively, the "Reallocation Date"), the Lenders shall automatically and without further act be deemed to have purchased participations in the Loans such that as a result of such deemed purchases, such Lender shall hold an interest in every one of the Loans (including principal, interest and fee obligations of each Borrower in respect of each such Loan), whether or not such Lender shall previously have participated therein, equal to such Lender's Reallocation Percentage thereof. Simultaneously with any Reallocation Exchange, as to each US Lender that has notified Administrative Agent and US Borrower Representatives prior to the Reallocation Date that it has elected to have this sentence applied to it, the interests in Loans denominated in Alternative Currencies to be received by such US Lender shall automatically and with no further action required, be converted into the Equivalent Amount in Dollars and after the Reallocation Date all amounts accruing and owing to such US Lender in respect of such Obligations shall accrue and be payable in Dollars. Each Lender, each Person acquiring a participation from any Lender as contemplated by Section 8.1, each Borrower and each other Credit Party hereby consents to the Reallocation Exchange.

SECTION 7.
CONDITIONS TO LOANS

The obligations of Lenders and L/C Issuers to make Loans and to issue or cause to be issued Letters of Credit are subject to satisfaction of all of the applicable conditions set forth below.

7.1 Conditions to Initial Loans. The obligations of Lenders and L/C Issuers to make the Loans and to issue or cause to be issued Letters of Credit on the Closing Date are in addition to the conditions precedent specified in Section 7.2, subject to the delivery of all documents listed on, the taking of all actions set forth on and the satisfaction of all other conditions precedent listed in the Closing Checklist attached hereto as Annex C, all in form and substance, or in a manner, satisfactory to Authorized Agents and Lenders. In addition, on the Closing Date, the following conditions must be satisfied in form and substance satisfactory to Authorized Agents and Lenders:

(a) The US Borrowers shall have received not less than $140,000,000 in gross proceeds from the issuance of the Subordinated Notes;

(b) Senior Leverage Ratio and Leverage Ratio (including all funded debt and Letters of Credit to the extent drawn upon) of Ultimate Holdco and its Subsidiaries, on a consolidated basis determined in accordance with GAAP, as of and for the twelve months ending on the last day of the most recent calendar month ending prior to the Closing Date will be less than or equal to 2.5:1.0 and 4.1:1.0, respectively;

(c) Borrowers shall have combined US Borrowing Availability and European Borrowing Availability of at least $10,000,000 in the aggregate after giving effect to the Loans and Letters of Credit to be made on the Closing Date;

(d) The EBITDA of Ultimate Holdco and its Subsidiaries, on a consolidated basis determined in accordance with GAAP, for the twelve month period ending on June 30, 2003 is at least $95,000,000; and

(e) Immediately following funding of the Loans and the Letters of Credit on the Closing Date, the outstanding Obligations (including all loans and Letters of Credit to the extent drawn upon) shall be equal to or less than $240,000,000.

Notwithstanding the foregoing, the parties hereto acknowledge and agree that so long as European Lenders have executed this Agreement as of August 15, 2003 and all other conditions precedent to the initial Loans have been met, waived or deferred pursuant to the Post Closing Agreement, the US Lenders may fund the initial US Loans on August 15, 2003, and the European Lenders may fund the initial European Loans on August 18, 2003.

7.2 Conditions to All Loans. Except as otherwise expressly provided herein, no Lender or L/C Issuer shall be obligated to fund any Advance or incur any Letter of Credit Obligation, if, as of the date thereof (the "Funding Date"):

(a) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect in any material respect (without duplication of any materiality qualifier contained therein) as of such date, except to the extent that such representation or warranty expressly relates to an earlier date, in which case, such representation or warranty is untrue or incorrect in any material respect (without duplication of any materiality qualifier contained therein) as of such date, and Administrative Agent or Requisite Lenders have determined not to make such advance or incur such Letter of Credit Obligation as a result of the fact that such warranty or representation is untrue or incorrect;

(b) any Default or Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation), and Administrative Agent or Requisite Lenders shall have determined not to make any Advance or incur any Letter of Credit Obligation as a result of that Default or Event of Default; or

(c) after giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding amount of the Revolving Loan would exceed remaining Borrowing Availability (except as provided in Section 1.1(b)(i) or (ii), as applicable).

The request and acceptance by any Borrower of the proceeds of any Advance, the incurrence of any Letter of Credit Obligations or the conversion or continuation of any Loan into, or as, an IBOR Loan shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrowers that the conditions in this Section 7.2 have been satisfied and (ii) a reaffirmation by Borrowers of their guaranties and of the granting and continuance of Authorized Agents' Liens, on behalf of themselves and Lenders, pursuant to the Collateral Documents.

SECTION 8.
ASSIGNMENT AND PARTICIPATION

8.1 Assignment and Participations.Subject to the terms of this Section 8.1, any Lender may make an assignment to a Qualified Assignee or a Related Fund of, or sale of participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and the Commitments or any portion thereof or interest therein, including such Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall: (i) with respect to the Revolving Loans, the US Term Loan A, the European Term Loan A, the Letter of Credit Obligations and the related Loan Documents, require the consent of US Borrower Representative (which consent shall not be unreasonably withheld or delayed); provided that US Borrower Representative's consent shall not be necessary with respect to any assignment made (1) to any assignee who is then a Lender or an Affiliate of a Lender or a Related Fund or (2) during the existence of an Event of Default; (ii) require the consent of: (1) with respect to the US Revolving Loan, the US Term Loan A, the US Letter of Credit Obligations, the US Revolving Loan Commitments, the US Term Loan A Commitments and the related Loan Documents, Administrative Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee), and (2) with respect to the European Revolving Loan, the European Term Loan A, the European Letter of Credit Obligations, the European Revolving Loan Commitments, the European Term Loan Commitments and the related Loan Documents, notice to each of the European Loan Agent and the European Funding Agent and the consent of Administrative Agent and the European Loan Agent (which consent, in each case, shall not be unreasonably withheld or delayed with respect to a Qualified Assignee); provided that Administrative Agent's and European Loan Agent's consent shall not be necessary with respect to any assignment made to any assignee who is then a Lender or an Affiliate of a Lender or a Related Fund; (iii) be conditioned on such assignee Lender representing to the assigning Lender and the Agents that it is purchasing the applicable portions of the Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iv) after giving effect to any such partial assignment, (1) in the case of any assignment of Revolving Loans, US Term Loan A or European Term Loan A, the assignee Lender shall have a Commitment with respect to any such Loan assigned of at least $2,500,000 and the assigning

Lender shall have retained a Commitment (unless the assigning Lender shall have assigned its entire Commitment) in respect of such Loan in an amount at least equal to $2,500,000 (or such lesser amount as agreed to by US Borrower Representative and Administrative Agent) and (2) in the case of US Term Loan B, the assignee Lender and its Affiliates and Related Funds shall have Commitments of at least $1,000,000 in the aggregate and the assigning Lender and its Affiliates and Related Funds shall have Commitments (unless the assigning Lender shall have assigned its entire Commitment) of at least $1,000,000 in the aggregate (or such lesser amount as agreed to by US Borrower Representative and Administrative Agent); (v) with respect to the assignment of any US Lender's US Revolving Loan Commitment and/or US Term Loan Commitment require a payment to Administrative Agent of an assignment fee of $3,500 and with respect to the assignment of any European Lender's European Revolving Loan Commitment and/or European Term Loan Commitment require a payment to European Funding Agent of an assignment fee of $1,500; provided that such assignment fee shall not be payable for any assignment to any assignee who is then a Lender or a Related Fund or an Affiliate of a Lender or any assignment to or from GE Capital, LCPI or LBI; and (vi) shall require the execution of an assignment agreement (an "Assignment Agreement") substantially in the form attached hereto as Exhibit 8.1 and otherwise in form and substance reasonably satisfactory to, and acknowledged by, Administrative Agent). Notwithstanding the above, Administrative Agent may in its sole and absolute discretion permit any assignment by a Lender to a Person or Persons that are not Qualified Assignees. An assignment or sale of participation interests in US Term Loan B shall not require the consent of any Borrower or any Agent. In the case of an assignment by a Lender under this Section 8.1(a), the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder. In addition, any assignment by a European Lender of its Loans and Commitments shall only be made as an integrated part of (and any such assignment shall be deemed to be and constitute evidence of) an assignment on a proportionate basis of such Lender's rights and interest under the Collateral Documents to which it is a party and in the Collateral created or granted thereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Borrowers hereby acknowledge and agree that any assignment shall give rise to a direct obligation of Borrowers to the assignee and that the assignee shall be considered to be a "Lender." In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event any Lender assigns or otherwise transfers all or any part of the Obligations, such Lender shall so notify the Borrower Representatives and Borrowers shall, upon the request of such Lender, execute new Notes in exchange for the Notes, if any, being assigned. The assignee Lender shall notify the Borrower Representatives of its notice address pursuant to Section 9.3. Any assignee Lender which fails to so notify the Borrower Representatives of its notice address shall not be entitled to any notices, reports or other information required to be delivered to any Lender by any Credit Party hereunder until such time as such assignee Lender provides Borrower Representatives with its notice address.Notwithstanding the foregoing provisions of this Section 8.1(a), (a) any Lender may at any time pledge the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank, (b) any Lender that is an investment fund may assign, in whole or in part, the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to another investment fund managed by the same investment advisor or pledge such Obligations and rights to a trustee for the benefit of its

investors and (c) any Lender may assign the Obligations to an Affiliate of such Lender or to a Person that is a Lender prior to the date of such assignment.

(b) Any participation by a Lender of all or any part of its Commitments shall be made with the understanding that all amounts payable by Borrowers hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Any participation by a Lender shall be subject, after giving effect to any partial participation, to the same minimum principal and/or Commitment amount requirements as any partial assignment, as set forth in Section 8.1(a). Solely for purposes of Sections 1.8, 1.9, 8.3 and 9.1. Borrowers acknowledge and agree that a participation shall give rise to a direct obligation of Borrowers to the participant and the participant shall be considered to be a "Lender." Except as set forth in the preceding sentence no Borrower or any other Credit Party shall have any obligation or duty to any participant. No Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this Section 8.1, no Lender shall, as between Borrowers and that Lender, or any Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.

(d) Each Credit Party shall assist each Lender permitted to sell assignments or participations under this Section 8.1 as required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be reasonably requested and the prompt preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants, all on a timetable established by any Agent in its sole discretion. Each Credit Party executing this Agreement shall certify' the correctness, completeness and accuracy of all descriptions of the Credit Parties and their respective affairs, in all material respects, contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by Borrowers shall only be certified by Borrowers as having been prepared by Borrowers in compliance with the representations contained in Section 5.5. Administrative Agent shall maintain, on behalf of Borrowers, in its offices located at 500 West Monroe Street, Chicago, Illinois 60661 a "register" for recording the name, address and commitment of each Lender. The entries in such register shall be presumptive evidence of the amounts due and owing to each Lender in the absence of manifest error. Borrowers, Agents and each Lender may treat each Person whose name is recorded in such register pursuant to the terms hereof as a Lender for all purposes of this Agreement. The register described herein shall be available for inspection by the Borrowers and any Lender and any Authorized Agent, at any reasonable time upon reasonable prior notice.

(e) A Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees, pledgees and participants (including prospective assignees and participants); provided that such Lender shall obtain from assignees, pledgees or participants confidentiality covenants substantially equivalent to those contained in Section 9.13.

(f) So long as no Event of Default has occurred and is continuing, no Lender shall assign or sell participations in any portion of its Loans or Commitments to a potential Lender or participant, if, as of the date of the proposed assignment or sale, the assignee Lender or participant would be subject to capital adequacy or similar requirements under Section 1.8(a), increased costs or an inability to fund IBOR Loans under Section 1.8(b), or withholding taxes in accordance with Section 1.9.

8.2 Agents.

(a) Appointment. Each Lender hereby designates and appoints GE Capital as Administrative Agent, GE ELF as European Loan Agent, HSBC as European Funding Agent and Nordea as European Security Agent under this Agreement and the other Loan Documents, and each Lender hereby irrevocably authorizes each Authorized Agent to execute and deliver the Collateral Documents and to take such action or to refrain from taking such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. The provisions of this Section 8.2 are solely for the benefit of Agents and Lenders and neither Borrowers nor any other Credit Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, each Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Borrower or any other Credit Party or any other Person. Each Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees. No Agent shall have any duties or responsibilities except as set forth in this Agreement and the other Loan Documents.

(b) Nature of Duties. The duties of each Agent shall be mechanical and administrative in nature. No Agent shall have or be deemed to have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents or otherwise, express or implied, is intended to or shall be construed to impose upon any Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of each Credit Party in connection with the extension of credit hereunder and shall make its own appraisal of the creditworthiness of each Credit Party, and no Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than as expressly required herein). If any Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then such Agent shall send notice thereof to each Lender. Each Agent shall promptly notify each Lender any time that the Requisite Lenders have instructed such Agent to act or refrain from acting pursuant hereto.

(c) Rights, Exculpation; Etc. No Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that each Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a final non-appealable order by a court of competent jurisdiction. No Agent shall be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Lender to whom payment was due but not made, shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). In no event shall any Agent be liable for punitive, special, consequential, incidental, exemplary or other similar damages. In performing its functions and duties hereunder, each Agent shall exercise the same care which it would in dealing with loans for its own account, but no Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any Credit Party. No Agent shall be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of any Credit Party, or the existence or possible existence of any Default or Event of Default. Each Agent may at any time request instructions from Requisite Lenders or all affected Lenders with respect to all actions or approvals which by the terms of this Agreement or of any of the Loan Documents such Agent is permitted or required to take or to grant. If such instructions are promptly requested, such Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from the Requisite Lenders or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against any Agent as a result of such Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders or all affected Lenders, as applicable; and, notwithstanding the instructions of Requisite Lenders or all affected Lenders, as applicable, no Agent shall have any obligation to take any action if it believes, in good faith, that such action is deemed to be illegal by such Agent or exposes such Agent to any liability for which it has not received satisfactory indemnification in accordance with Section 8.2(e). Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on the Financial Statements referred to in Section 5.5 and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

(d) Reliance. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, telex, fax or telegram) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Each Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by such Agent in its sole discretion.

(e) Indemnification. Lenders will reimburse and indemnify each Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted to be taken by such Agent under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not reimbursed by Credit Parties; provided however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements to the extent resulting from such Agent's gross negligence or willful misconduct as determined by a final non-appealable order by a court of competent jurisdiction. If any indemnity furnished to any Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against even if so directed by the Requisite Lenders or such other portion of the Lenders as shall be prescribed by this Agreement until such additional indemnity is furnished. The obligations of Lenders under this Section 8.2(e) shall survive the payment in full of the Obligations and the termination of this Agreement.

(f) GE Capital, Nordea and GE ELF Individually. With respect to its Commitments hereunder, each of GE Capital, Nordea and GE ELF shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders," "Requisite Lenders," or any similar terms shall, unless the context clearly otherwise indicates, include each of GE Capital, Nordea and GE ELF (to the extent applicable) in its individual capacity as a Lender or one of the Requisite Lenders. Each of GE Capital, Nordea and GE ELF, either directly or through strategic affiliations, may lend money to, acquire equity or other ownership interests in, provide advisory services to and generally engage in any kind of banking, trust or other business with any Credit Party as if it were not acting as an Agent pursuant hereto and without any duty to account therefor to Lenders. Each of GE Capital, Nordea and GE ELF, either directly or through strategic affiliations, may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders. Each Lender acknowledges the potential conflict of interest between GE Capital, Nordea and GE ELF (to the extent applicable) as Lenders holding disproportionate interests in the Loans and each of GE Capital, Nordea and GE ELF as Agents.

(g) Successor Agent.

(i) Resignation. Any Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrower Representatives and Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clause (ii) below or as otherwise provided in clause (ii) below. Syndication Agent may resign at any time upon notice to Administrative Agent.

(ii) Appointment of Successor. Upon any such notice of resignation pursuant to clause (i) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default has occurred and is continuing, shall be reasonably acceptable to Borrowers; provided that the consent of the Administrative Agent shall also be required to appoint a successor European Loan Agent, successor European Funding Agent or successor European Security Agent. No successor to Syndication Agent shall be appointed. If a successor Agent shall not have been so appointed within the thirty (30) Business Day period referred to in clause (i) above, the retiring Agent, upon notice to Borrower Representatives, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above.

(iii) Successor Agent. Upon the acceptance of any appointment as an Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as an Agent, the provisions of this Section 8.2) shall continue to inure to its benefit as to any actions taken or omitted to be taken by it in its capacity as an Agent.

(h) Collateral Matters.

(i) Release of Collateral. Lenders hereby irrevocably authorize each Authorized Agent to release any Lien granted to or held by such Agent upon any Collateral (x) upon the occurrence of the Termination Date or (y) constituting property being sold or disposed of if Borrowers (or any of them) certify to such Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and such Agent may rely in good faith conclusively on any such certificate, without further inquiry).

(ii) Confirmation of Authority: Execution of Releases. Without in any manner limiting any Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in Section 8.2(h)(i)), each Lender agrees to confirm in writing, upon request by any Authorized Agent or any Borrower Representative, the authority to release any Collateral conferred upon such Agent under clauses (x) and (y) of Section 8.2(h)(i). Upon receipt by any Authorized Agent of any required confirmation from the Requisite Lenders of its authority to release any particular item or types of Collateral, and upon at least ten (10) Business Days' prior written request by Appropriate Borrower Representative, such Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to such Agent upon such Collateral; provided, however,

that (x) such Agent shall not be required to execute any such document on terms which, in such Agent's opinion, would expose such Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (y) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of any Credit Party, in respect of), all interests retained by any Credit Party, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(iii) Absence of Duty. No Agent shall have any obligation whatsoever to any Lender or any other Person to assure that the property covered by the Collateral Documents exists or is owned by Borrowers or any other Credit Party or is cared for, protected or insured or has been encumbered or that the Liens granted to any Authorized Agent have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to such Agent in this Section 8.2(h) or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by the Collateral Documents or any act, omission or event related thereto, such Agent may act in any manner it may deem appropriate, in its discretion, given such Agent's own interest in property covered by the Collateral Documents as one of the Lenders and that such Agent shall have no duty or liability whatsoever to any of the other Lenders; provided that such Agent shall exercise the same care which it would in dealing with loans for its own account.

(i) Agency for Perfection. Each Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting such Agent's security interest in assets which, in accordance with the Code in any applicable jurisdiction, can be perfected by possession or control. Should any Lender (other than Administrative Agent, European Security Agent, European Funding Agent or European Loan Agent) obtain possession or control of any such assets, such Lender shall notify Appropriate Agent thereof, and, promptly upon such Agent's request therefor, shall deliver such assets to such Agent or in accordance with such Agent's instructions or transfer control to such Agent in accordance with such Agent's instructions. Each Lender agrees that it will not have any right individually to enforce or seek to enforce any Collateral Document or to realize upon any collateral security for the Loans unless instructed to do so by Administrative Agent in writing (or with respect to the European Revolving Loan and the European Term Loan A, Administrative Agent and European Loan Agent), it being understood and agreed that such rights and remedies may be exercised only by Administrative Agent or European Loan Agent (which shall include any such exercise by Agents at the request of Requisite Lenders pursuant to Section 6.3).

(j) Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and Fees required to be paid to such Agent for the account of Lenders, unless such Agent shall have received written notice from a Lender or any Borrower Representative referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Each Agent will use reasonable efforts to notify each Lender of its receipt of any such notice, unless such notice is with respect to defaults in the payment of principal, interest and fees, in which case such Agent will notify each Lender of its receipt of such notice. Administrative Agent shall take such action with respect to such Default

or Event of Default as may be requested by Requisite Lenders in accordance with Section 6. Unless and until Administrative Agent has received any such request, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interests of Lenders.

(k) Lender Actions Against Collateral. Each Lender agrees that it will not take any action, nor institute any actions or proceedings, with respect to the Loans, against any Borrower or any Credit Party hereunder or under the other Loan Documents or against any of the Real Estate encumbered by Mortgages without the consent of the Requisite Lenders. With respect to any action by Administrative Agent, European Security Agent, European Funding Agent or European Loan Agent at the direction of Administrative Agent, to enforce the rights and remedies of Agents and the Lenders under this Agreement and the other Loan Documents, each Lender hereby consents to the jurisdiction of the court in which such action is maintained, and agrees to deliver its Notes to Administrative Agent to the extent necessary to enforce the rights and remedies of Administrative Agent for the benefit of the Lenders under the Mortgages in accordance with the provisions hereof.

(l) The Syndication Agent shall not have any duties or responsibilities, and shall incur no liability under this Agreement and the other Loan Documents. Each Lender expressly acknowledges that neither Syndication Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by Syndication Agent hereafter taken, including any review of the affairs of a Credit Party or any affiliate of a Credit Party, shall be deemed to constitute any representation or warranty by Syndication Agent to any Lender. Each Lender represents to the Syndication Agent that it has, independently and without reliance upon Syndication Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Credit Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon Syndication Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Syndication Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Credit Party or any affiliate of a Credit Party that may come into the possession of Syndication Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

8.3 Set Off and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default, each Lender is hereby authorized by Borrowers at any time or from time to time, with reasonably prompt subsequent notice to Appropriate Borrower Representative (any prior or contemporaneous notice being hereby expressly waived) to set off and to appropriate and to apply any and all (A) balances held by such Lender at any of its offices

for the account of any Borrower or any of its Subsidiaries (regardless of whether such balances are then due to any Borrower or its Subsidiaries), and (B) other property at any time held or owing by such Lender to or for the credit or for the account of any Borrower or any of its Subsidiaries, against and on account of any of the Obligations; except that no Lender shall exercise any such right without the prior written consent of Administrative Agent (or with respect to European Borrowers, Administrative Agent and European Loan Agent). Any Lender exercising a right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender in accordance with their respective Pro Rata Shares. Borrowers agree, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and upon doing so shall deliver such amount so set off to the Appropriate Agent for the benefit of all Lenders in accordance with their Pro Rata Shares. To the extent permitted under applicable law, any Lender which receives a payment through the exercise of rights under this Section 8.3 shall use reasonable efforts to forward such payment to Appropriate Agent for distribution to Lenders in accordance with the provisions hereof.

8.4 Disbursement of Funds. Appropriate Agent may, on behalf of Lenders, disburse funds to Borrowers for Loans requested. Each Lender shall reimburse Appropriate Agent on demand for all funds disbursed on its behalf by such Agent, or if such Agent so requests, each Lender will remit to such Agent its Pro Rata Share of any Loan before such Agent disburses same to Borrowers. If either Appropriate Agent elects to require that each Lender make funds available to such Agent prior to a disbursement by such Agent to Borrowers, such Agent shall advise each Lender by telephone or fax of the amount of such Lender's Pro Rata Share of the Loan requested by Appropriate Borrower Representative (i) with respect to any Index Rate Loan, no later than 1:00 p.m. (Local Time) on the Funding Date applicable thereto, and (ii) with respect to any IBOR Loan, no later than 2:00 p.m. (Local Time) on the third Business Day prior to the Funding Date applicable thereto. Each Lender shall pay such Agent such Lender's Pro Rata Share of such requested Loan, in same day funds, by wire transfer to such Agent's account on such Funding Date. If any Lender fails to pay the amount of its Pro Rata Share within one (1) Business Day after such Agent's demand, such Agent shall promptly notify' Appropriate Borrower Representative, and the applicable Borrowers shall immediately repay such amount to such Agent. Any repayment required pursuant to this Section 8.4 shall be without premium or penalty. Nothing in this Section 8.4 or elsewhere in this Agreement or the other Loan Documents, including the provisions of Section 8.5 shall be deemed to require either Appropriate Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that such Agent or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

8.5 Disbursements of Advances; Payment.

(a) Advances; Payments.

(i) US Revolving Lenders shall refund or participate in the Swing Line Loan in accordance with clauses (iii) and (iv) of Section 1.1(d). If the Swing Line Lender declines to make a Swing Line Loan or if Swing Line Availability is zero, Administrative Agent shall notify US Revolving Lenders, promptly after receipt of a Notice of US Revolving Credit

Advance and in any event prior to 1:00 p.m. (New York time) on the date such Notice of a US Revolving Credit Advance is received, by fax, telephone or other similar form of transmission. European Loan Agent shall notify European Revolving Lenders promptly after receipt of a Notice of European Revolving Credit Advance and in any event prior to 1:00 p.m. (London time) on the date such Notice of European Revolving Credit Advance is received, by fax, telephone or similar form of transmission. Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of any Revolving Credit Advance available to Appropriate Agent in same day funds in Dollars, or the Equivalent Amount in the requested Alternative Currency, as applicable, by wire transfer to Appropriate Agent's account as set forth in Section 1.1(h) not later than 11:00 a.m. (Local Time) on the requested Funding Date. After receipt of such wire transfers (or, in Appropriate Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Appropriate Agent shall make the requested Revolving Credit Advance to Borrowers as designated by Appropriate Borrower Representative in the Notice of US Revolving Credit Advance or Notice of European Revolving Credit Advance, as applicable. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) No later than the second Business Day after receipt of principal, interest and Fees (each, a "Settlement Date"), the Appropriate Agent shall advise each Lender by telephone or fax of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lender with respect to the applicable Loans. Provided that each Lender has funded all payments and Revolving Credit Advances (if applicable) required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, the Appropriate Agent shall pay or cause to be paid to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid since the previous Settlement Date for the benefit of such Lender on the Loans held by it. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex E, the signature pages hereof, or the applicable Assignment Agreement) not later than 2:00 p.m. (Local time) on the next Business Day following each Settlement Date. To the extent that any Revolving Lender (a "Non Funding Lender") has failed to fund all such payments and Revolving Credit Advances or failed to fund the purchase of all such participations, the Appropriate Agent shall be entitled to set off the funding shortfall against that Non Funding Lender's Pro Rata Share of all payments otherwise payable to that Non Funding Lender.

(b) Availability of Lender's Pro Rata Share. Appropriate Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Appropriate Agent on each Funding Date. If such Pro Rata Share is not, in fact, paid to Appropriate Agent by such Revolving Lender when due, Appropriate Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Appropriate Agent's demand, Appropriate Agent shall promptly notify Appropriate Borrower Representative and Borrowers shall immediately repay such amount to Appropriate Agent. Nothing in this Section 8.5(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require either Appropriate Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrowers may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that either Appropriate Agent advances funds to Borrowers on behalf of any Revolving Lender

and is not reimbursed therefor on the same Business Day as such Advance is made, such Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If either Appropriate Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by such Agent from Borrowers and such related payment is not received by such Agent, then such Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If either Appropriate Agent determines at any time that any amount received by such Agent under this Agreement must be returned to any Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, such Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to such Agent on demand any portion of such amount that such Agent has distributed to such Lender, together with interest at such rate, if any, as such Agent is required to pay to any Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non Funding Lender to make any Revolving Credit Advance or any payment required by it hereunder, or to purchase any participation in any Swing Line Loan to be made or purchased by it on the date specified therefor shall not relieve any other Lender (each such other Revolving Lender, an "Other Lender") of its obligations to make such Advance, make any other payment or purchase such participation on such date, but neither any Other Lender nor any Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance, make any other payment or purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" a "US Lender", a "European Lender", a US Revolving Lender", a "European Revolving Lender", a "US Term Lender" or a "European Term A Lender" (or be included in the calculation of "Requisite Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

(e) Dissemination of Information. Each Authorized Agent shall use reasonable efforts to provide Lenders and the other Agents with any notice of Default or Event of Default received by such Agent from, or delivered by such Agent to, any Credit Party, with notice of any Event of Default of which such Agent has actually become aware and with notice of any action taken by such Agent following any Event of Default, unless such notice is with respect to defaults in the payment of principal, interest and fees, in which case such Agent will notify each Lender of its receipt of such notice; provided that, in each case, such Agent shall not be liable to any Lender or the other Agent for any failure to do so.

(f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender and European Loan Agent hereby agrees with each other Lender and Agent that no Lender nor European Loan Agent shall take any action to protect or enforce its

rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of Administrative Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Administrative Agent or Requisite Lenders, except as specifically provided herein with respect to actions by European Loan Agent. Administrative Agent is authorized to issue all notices to be issued by or on behalf of the Lenders with respect to any Subordinated Debt.

8.6 Swiss and German Power of Attorney. Each European Lender hereby authorizes and empowers the European Security Agent with the right of delegation and substitution and under relief from any restrictions (including but not limited to restrictions of Section 181 German Civil Code) to execute on its sole signature on behalf of such European Lender any and all agreements, sub powers-of-attorney to third persons or other instruments and take such actions, make all statements and accept all declarations deemed necessary or useful in order to effect any Collateral on behalf of such European Lender.

SECTION 9.
MISCELLANEOUS

9.1 Indemnities. Credit Parties agree, jointly and severally, to indemnify, pay, and hold each Agent, each Lender, each L/C Issuer and their respective officers, directors, employees, agents, trustees and attorneys (the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses (including all reasonable fees and expenses of counsel to such Indemnitees) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitees as a result of such Indemnitees' being a party to this Agreement or the transactions consummated pursuant to this Agreement or otherwise relating to any of the Related Transactions (including any IBOR Breakage Fee or any other loss sustained in converting between any Alternative Currency and Dollars); provided, that Credit Parties shall have no obligation to an Indemnitee hereunder with respect to liabilities to the extent resulting from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Credit Parties agree to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

9.2 Amendments and Waivers.

(a) Except for actions expressly permitted in this Agreement or the other Loan Documents to be taken by Administrative Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Administrative Agent, Borrowers, and by Requisite Lenders or all affected Lenders, as applicable (or with respect to Collateral Documents executed by any European Credit Party, by European Loan Agent or European Security Agent, as applicable, with the consent of Administrative Agent). Except as set forth in clause (b) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver shall, unless in writing and signed by Administrative Agent and each Lender directly and adversely affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed only to affect those Lenders whose Commitments are increased and may be approved by Requisite Lenders, including those Lenders whose Commitments are increased); (ii) reduce the principal of, rate of interest on (other than any determination or waiver to charge or not charge interest at the Default Rate) or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender (which action shall be deemed only to affect those Lenders to whom such payments are made); (v) except as otherwise permitted in Section 3.7, release substantially any Guarantor or release substantially all of the Collateral (which action shall be deemed to directly affect all Lenders); (vi) amend or change Section 6.5(b); (vii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders or any of them to take any action hereunder; and (viii) amend or waive this Section 9.2 or the definitions of the terms "Requisite Lenders" insofar as such definition affects the substance of this Section 9.2. Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of any Agent or L/C Issuers under this Agreement or any other Loan Document shall be effective unless in writing and signed by such Agent or L/C Issuers, as the case may be, in addition to Lenders required hereinabove to take such action. Notwithstanding clause (i) above, the Commitments may be increased to provide for the Additional Senior Debt hereunder subject to the provisions of Section 3.1(n) hereof, and this Agreement may be amended in accordance therewith with the consent only of Administrative Agent and those Lenders, if any, whose Commitments are increased. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for any Authorized Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No-notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 9.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes.

9.3 Notices. Any notice or other communication required shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied, sent by overnight courier service or U.S. mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by fax, on the date of transmission if transmitted on a Business Day before 4:00 p.m. Local Time; (c) if delivered by overnight courier, one (1) Business Day after delivery to the courier properly addressed; or (d) if delivered by U.S. mail, three (3) Business Days after deposit with postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to any Credit Party:	c/o Tempur-Pedic, Inc. 1713 Jaggie Fox Way Lexington, Kentucky 40511 Attention: Robert Trussell and Dale Williams Telecopier No.: 859-514-4422 Telephone No. : 859-514-4757
With a copy to:	Bingham McCutchen LLP 399 Park Avenue New York, New York 10022 ATTN: Frederick F. Eisenbiegler, Esq. Fax: (212) 702-3646
	TA Associates, Inc. High Street Tower 125 High Street, Suite 2500 Boston, Massachusetts 02110 ATTN: P. Andrews McLane Fax: (617) 574-6728
	Friedman Fleischer & Lowe, LLC One Maritime Plaza, 10th Floor San Francisco, California 94111 ATTN: Christopher A. Masto Fax: (415)402-2111
If to Administrative Agent or GE Capital:	GENERAL ELECTRIC CORPORATION 500 West Monroe Street Chicago, Illinois 60661 ATTN: Tempur World Account Manager Fax: (312) 463-3848
With a copy to:	GENERAL ELECTRIC CAPITAL CORPORATION 201 High Ridge Road Stamford, Connecticut 06927-5100 ATTN: Corporate Counsel Commercial Finance - Merchant Banking Fax: (203)3167899
	and

	GENERAL ELECTRIC CAPITAL CORPORATION 500 West Monroe Street Chicago, Illinois 60661 ATTN: Corporate Counsel Commercial Finance - Merchant Banking Fax: (312) 441 6876
If to European Loan Agent or GE ELF:	GE European Leveraged Finance Limited 2/nd/ Floor, 8-10 Throgmorton Avenue London EC2N 2DL England Attention: Tempur World Account Manager Telecopier No.: +44 (0) 20 7909 05 05 Telephone No. : +44 (0) 20 7909 05 00
If to European Funding Agent or HSBC:	HSBC Bank Plc Level 17 8 Canada Square London E14 5HQ England Attention: Ingram Lyons Debt Finance Support and Agency Services Telecopier No.: 44 020 7991 4348 Telephone No. : 44 020 7991 6233
If to European Security Agent or Nordea:	Nordea Bank Danmark A/S P.O. Box 850 DK-0900 Copenhagen C Attention: 6929 International Loan Administration - Tine Scharling Telecopier No.: +45 3333 5820 Telephone No. : +45 3333 5309
If to a Lender:	To the address set forth on the signature page hereto or in the applicable Assignment Agreement

9.4 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of any Agent or any Lender to exercise, nor any partial exercise of, any power, right or privilege hereunder or under any other Loan Documents shall impair such power, right, or privilege or be construed to be a waiver of any Default or Event of Default. All rights and remedies existing hereunder or under any other Loan Document are cumulative to and not exclusive of any rights or remedies otherwise available.

9.5 Marshaling; Payments Set Aside. No Agent nor any Lender shall be under any obligation to marshal any assets in payment of any or all of the Obligations. To the extent that Borrowers make payment(s) or any Agent enforces its Liens or any Agent or any Lender exercises its right of set-off, and such payment(s) or the proceeds of such enforcement or set-off is subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid by anyone, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set off had not occurred.

9.6 Severability. The invalidity, illegality, or unenforceability in any jurisdiction of any provision under the Loan Documents shall not affect or impair the remaining provisions in the Loan Documents.

9.7 Lenders' Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several and not joint and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. In the event that any Lender at any time should fail to make a Loan as herein provided, the Lenders, or any of them, at their sole option, may make the Loan that was to have been made by the Lender so failing to make such Loan. Nothing contained in any Loan Document and no action taken by any Agent or any Lender pursuant hereto or thereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt.

9.8 Headings. Section and subsection headings are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes or be given substantive effect.

9.9 Applicable Law. THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS WHICH DOES NOT EXPRESSLY SET FORTH APPLICABLE LAW SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

9.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns except that Borrowers may not assign their rights or obligations hereunder without the written consent of all Lenders; provided that any assignment by a Lender shall be made in accordance with Section 8.1 hereof.

9.11 No Fiduciary Relationship Limited Liability. No provision in the Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty owing to Borrowers by any Agent or any Lender. Borrowers agree that no Agent nor any Lender shall have liability to Borrowers (whether sounding in tort, contract or otherwise) for losses suffered by Borrowers in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless and to the extent that it is determined that such losses resulted from the gross negligence or willful misconduct of the party from which

recovery is sought as determined by a final non-appealable order by a court of competent jurisdiction. No Agent nor any Lender shall have any liability with respect to, and Borrowers hereby waive, release and agree not to sue for, any special, indirect or consequential damages suffered by Borrowers in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.12 Construction. Each Agent, each Lender, Borrowers and each other Credit Party acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review the Loan Documents with its legal counsel and that the Loan Documents shall be construed as if jointly drafted by each Agent, each Lender, Borrowers and each other Credit Party.

9.13 Confidentiality. Each Agent and each Lender agree to exercise its best efforts to keep confidential any non-public information delivered pursuant to the Loan Documents and identified as such by Borrowers and not to disclose such information to Persons other than to potential assignees or participants or to Persons employed by or engaged by an Agent, a Lender or a Lender's assignees or participants that has agreed to comply with the covenant contained in this Section 9.13 including attorneys, auditors, professional consultants, rating agencies, insurance industry associations and portfolio management services. The confidentiality provisions contained in this Section 9.13 shall not apply to disclosures (i) required to be made by any Agent or any Lender to any regulatory or governmental agency or pursuant to legal process or (ii) consisting of general portfolio information that does not identify Borrowers. The obligations of Agents and Lenders under this Section 9.13 shall supersede and replace the obligations of Agents and Lenders under any confidentiality agreement in respect of this financing executed and delivered by any Agent or any Lender prior to the date hereof. Each Agent agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure, including any prospectus, proxy statement or other materials filed with any Governmental Authority relating to a public offering of the Stock of any Agent, using the name of any Credit Party or their affiliates without at least two (2) Business Days' prior notice to US Borrower Representative, and without the prior written consent of US Borrower Representative, not to be unreasonably withheld, unless (and only to the extent that) such Agent or Affiliate is required to do so under law and then, in any event, such Agent or Affiliate will consult with US Borrower Representative before issuing such press release or other public disclosure. Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties or by which they are bound, the obligations of confidentiality contained herein and therein, as they relate to the transactions contemplated by this Agreement and the other Loan Documents, shall not apply to the federal tax structure or federal tax treatment of such transactions, and each party hereto (and any employee, representative, agent of any party hereto) may disclose to any and all persons, without limitation of any kind the federal tax structure and federal tax treatment of such transactions. The preceding sentence is intended to cause the transactions to be treated as not having been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended, and shall be construed in a manner consistent with such purpose. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to the federal tax structure of such transactions, or any federal tax matter or federal tax idea related to such transactions.

9.14 CONSENT TO JURISDICTION. BORROWERS AND CREDIT PARTIES HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN NEW YORK COUNTY, STATE OF NEW YORK AND IRREVOCABLY AGREE THAT, SUBJECT TO ADMINISTRATIVE AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES SHALL BE LITIGATED IN SUCH COURTS. BORROWERS AND CREDIT PARTIES EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS. BORROWERS AND CREDIT PARTIES HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWERS AND CREDIT PARTIES BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO APPROPRIATE BORROWER REPRESENTATIVE, AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED. IN ANY LITIGATION, TRIAL, ARBITRATION OR OTHER DISPUTE RESOLUTION PROCEEDING RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, ALL DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF BORROWERS, CREDIT PARTIES OR ANY OF THEIR AFFILIATES SHALL BE DEEMED TO BE EMPLOYEES OR MANAGING AGENTS OF BORROWERS OR SUCH CREDIT PARTIES FOR PURPOSES OF ALL APPLICABLE LAW OR COURT RULES REGARDING THE PRODUCTION OF WITNESSES BY NOTICE FOR TESTIMONY (WHETHER IN A DEPOSITION, AT TRIAL OR OTHERWISE). BORROWERS AND CREDIT PARTIES AGREE THAT ANY AGENT'S OR ANY LENDER'S COUNSEL IN ANY SUCH DISPUTE RESOLUTION PROCEEDING MAY EXAMINE ANY OF THESE INDIVIDUALS AS IF UNDER CROSS- EXAMINATION AND THAT ANY DISCOVERY DEPOSITION OF ANY OF THEM MAY BE USED IN THAT PROCEEDING AS IF IT WERE AN EVIDENCE DEPOSITION. BORROWERS AND CREDIT PARTIES IN ANY EVENT WILL USE ALL COMMERCIALLY REASONABLE EFFORTS TO PRODUCE IN ANY SUCH DISPUTE RESOLUTION PROCEEDING, AT THE TIME AND IN THE MANNER REQUESTED BY ANY AGENT OR ANY LENDER, ALL PERSONS, DOCUMENTS (WHETHER IN TANGIBLE, ELECTRONIC OR OTHER FORM) OR OTHER THINGS UNDER THEIR CONTROL AND RELATING TO THE DISPUTE. TO THE EXTENT THAT ANY BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY (SOVEREIGN OR OTHERWISE) FROM ANY LEGAL ACTION, SUIT OR PROCEEDING FROM JURISDICTION OF ANY COURT OR FROM SET-OFF OR ANY LEGAL PROCESS (WHETHER SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OR EXECUTION OF JUDGMENT, EXECUTION OF JUDGMENT OR OTHERWISE) WITH RESPECT TO ITSELF OR ANY OF ITS PROPERTY, SUCH BORROWER HEREBY IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT OR ANY NOTE.

9.15 WAIVER OF JURY TRIAL. BORROWERS, CREDIT PARTIES, EACH AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BORROWERS CREDIT PARTIES, EACH AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER

IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS, CREDIT PARTIES, EACH AGENT AND EACH LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

9.16 Survival of Warranties and Certain Agreements. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans, issuances of Letters of Credit and the execution and delivery of the Notes. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Borrowers set forth in Sections 1.3(e), 1.8, 1.9 and 9.1 shall survive the repayment of the Obligations and the termination of this Agreement.

9.17 Entire Agreement. This Agreement, the Notes and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations, and understandings, whether oral or written, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. All Exhibits, Schedules and Annexes referred to herein are incorporated in this Agreement by reference and constitute a part of this Agreement.

9.18 Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one in the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

9.19 Replacement of Lenders.

(a) Within twenty (20) days after receipt by Appropriate Borrower Representative of written notice and demand from any Lender for payment pursuant to Section 1.8 or 1.9 or, as provided in this Section 9.19, in the case of certain refusals by any Lender to consent to certain proposed amendments, modifications, terminations or waivers with respect to this Agreement that have been approved by Requisite Lenders or all affected Lenders, as applicable (any such Lender demanding such payment or refusing to so consent being referred to herein as an "Affected Lender"), Borrowers may, at their option, notify each Agent and such Affected Lender of its intention to do one of the following:

(i) Borrowers may obtain, at Borrowers' expense, a replacement Lender ("Replacement Lender") for such Affected Lender, which Replacement Lender shall be reasonably satisfactory (notice of such satisfaction not to be unreasonably withheld or delayed) to Administrative Agent (or with respect to any European Lender, Administrative Agent and European Loan Agent). In the event Borrowers obtain a Replacement Lender that will purchase

all outstanding Obligations owed to such Affected Lender and assume its Commitments hereunder within thirty (30) days following notice of Borrowers' intention to do so, the Affected Lender shall sell and assign all of its rights and delegate all of its obligations under this Agreement to such Replacement Lender in accordance with the provisions of Section 8.1; provided that Borrowers have reimbursed such Affected Lender for any administrative fee payable pursuant to Section 8.1 and, in any case where such replacement occurs as the result of a demand for payment pursuant to Section 1.8 or 1.9, paid all amounts required to be paid to such Affected Lender pursuant to Section 1.8 or 1.9 through the date of such sale and assignment; or

(ii) Borrowers may, with Administrative Agent's consent, prepay in full all outstanding Obligations owed to such Affected Lender and terminate such Affected Lender's Pro Rata Share of the Revolving Loan Commitment and Pro Rata Share of the Term Loan Commitment, in which case the Revolving Loan Commitment and Term Loan Commitment will be reduced by the amount of such Pro Rata Share. Borrowers shall, within ninety (90) days following notice of their intention to do so, prepay in full all outstanding Obligations owed to such Affected Lender (including, in any case where such prepayment occurs as the result of a demand for payment for increased costs, such Affected Lender's increased costs for which it is entitled to reimbursement under this Agreement through the date of such prepayment), and terminate such Affected Lender's obligations under the Revolving Loan Commitment and Term Loan Commitment.

(b) In the case of a Non-Funding Lender pursuant to Section 8.5(a), at US Borrower Representative's request, Administrative Agent, in its sole discretion, or a Person acceptable to Administrative Agent shall have the right (but shall have no obligation) with the Administrative Agent's consent (which consent shall not be unreasonably withheld in the case of a Qualified Assignee) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Administrative Agent's request, sell and assign to Administrative Agent or such Person, all of the Loans and Commitments of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(c) If, in connection with any proposed amendment, modification, waiver or termination pursuant to Section 9.2 (a "Proposed Change") requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this Section 9.19(c) being referred to as a "Non-Consenting Lender"), then, so long as Administrative Agent is not a Non-Consenting Lender, at US Borrower Representative's request Administrative Agent in its sole discretion, or a Person reasonably acceptable to Administrative Agent, shall have the right (but shall have no obligation) with the Administrative Agent's consent (which consent shall not be unreasonably withheld in the case of a Qualified Assignee) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Administrative Agent's request, sell and assign to Administrative Agent or such Person, all of the Loans and Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non- Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

9.20 Delivery of Termination Statements and Mortgage Releases. On the Termination Date, and so long as no suits, actions proceedings, or claims are pending or, in the reasonable judgment of Administrative Agent, threatened against any Indemnitee asserting any damages, losses or liabilities that are indemnified liabilities hereunder, each Authorized Agent shall deliver to Appropriate Borrower Representative termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations. Notwithstanding the foregoing, each Authorized Agent agrees to deliver to Borrowers termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations notwithstanding that a suit, action, proceeding or claim is pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities; provided that the Borrowers provide a letter of credit, surety bond or other collateral that is sufficient to secure such Indemnified Liabilities, and which is satisfactory, including, but not limited to, in form and amount, to the Administrative Agent in its reasonable discretion.

9.21 Judgment Currency.

(a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in any currency (the "Original Currency") into another currency (the "Other Currency") the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Original Currency with the Other Currency at 11:00 A.M., Local Time, on the second Business Day preceding that on which final judgment is given.

(b) The obligation of a Borrower in respect of any sum due in the Original Currency from it to any Lender or any Agent hereunder or under the Notes held by such Lender shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or such Agent (as the case may be) of any sum adjudged to be so due in such Other Currency such Lender or such Agent (as the case may be) may in accordance with normal banking procedures purchase the Original Currency with such Other Currency; if the amount of the Original Currency so purchased is less than the sum originally due to such Lender or such Agent (as the case may be) in the Original Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or such Agent (as the case may be) against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to any Lender or such Agent (as the case may be) in the Original Currency, such Lender or such Agent (as the case may be) agrees to remit to such Borrower such excess.

9.22 European Monetary Union. If any currency ceases to be the lawful currency of the nation issuing the same and is replaced by the European Union Euro, then any amount payable hereunder by any party hereto in such currency shall instead be payable in the Euro and the amount so payable shall be determined by translating the amount payable in such currency to the Euro at the fixed conversion rate for such currency in Euros on the date of such event. Prior to the occurrence of the foregoing event, each amount payable hereunder in any currency will continue to be payable in only in that currency. Each Borrower agrees, at the request of the Required Lenders, at the time of or any time following such event, to enter into an agreement

amending this Agreement in such manner as the Required Lenders shall reasonably request in order to avoid any unfair burden or disadvantage resulting from the cessation of such currency as the lawful currency of the nation issuing the same and to place the parties hereto in the position they would have been m had such event not occurred, the intent being that neither party will be adversely affected economically as a result of such event and that reasonable provisions may be adopted to govern the Advances and, maintenance and repayment of Loans denominated in any Alternative Currency after the occurrence of the event described in the preceding sentence.

9.23 Subordination.

(a) Each Credit Party executing this Agreement covenants and agrees that the payment of all indebtedness, principal, interest (including interest which accrues after the commencement of any case or proceeding in bankruptcy, or for the reorganization of any Credit Party), fees, charges, expenses, attorneys' fees and any other sum, obligation or liability owing by any other Credit Party to such Credit Party, including any intercompany trade payables or royalty or licensing fees (collectively, the "Intercompany Obligations"), is subordinated, to the extent and in the manner provided in this Section 9.23, to the prior payment in full of all Obligations (herein, the "Senior Obligations") and that the subordination is for the benefit of the Agents and Lenders, and Administrative Agent may enforce such provisions directly.

(b) Each Credit Party executing this Agreement hereby (i) authorizes Administrative Agent to demand specific performance of the terms of this Section 9.23 whether or not any other Credit Party shall have complied with any of the provisions hereof applicable to it, at any time when such Credit Party shall have failed to comply with any provisions of this Section 9.23 which are applicable to it and (ii) irrevocably waives any defense based on the adequacy of a remedy at law, which might be asserted as a bar to such remedy of specific performance.

(c) Upon any distribution of assets of any Credit Party in any dissolution, winding up, liquidation or reorganization (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(i) The Agents and Lenders shall first be entitled to receive payment in full in cash of the Senior Obligations before any Credit Party is entitled to receive any payment on account of the Intercompany Obligations.

(ii) Any payment or distribution of assets of any Credit Party of any kind or character, whether in cash, property or securities, to which any other Credit Party would be entitled except for the provisions of Section 9.23, shall be paid by the liquidating trustee or agent or other Person making such payment or distribution directly to the Administrative Agent, to the extent necessary to make payment in full of all Senior Obligations remaining unpaid after giving effect to any concurrent payment or distribution or provisions therefor to the Agents and Lenders.

(iii) In the event that notwithstanding the foregoing provisions of Section 9.23, any payment or distribution of assets of any Credit Party of any kind or character, whether in cash, property or securities, shall be received by any other Credit Party on account of

the Intercompany Obligations before all Senior Obligations are paid in full, such payment or distribution shall be received and held in trust for and shall be paid over to the Administrative Agent for application to the payment of the Senior Obligations until all of the Senior Obligations shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the Agents and Lenders.

(d) No right of the Agents and Lenders or any other present or future holders of any Senior Obligations to enforce the subordination provisions herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Credit Party or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any Credit Party with the terms hereof, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

[Signature Page Follows]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

TEMPUR-PEDIC, INC., as a Borrower

By: /s/ Dale E. Williams

Name: Dale E. Williams

Title: CFO

TEMPUR PRODUCTION USA, INC.,
as a Borrower

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: President

TEMPUR WORLD HOLDING COMPANY ApS, as a Borrower

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

DAN-FOAM ApS, as a Borrower

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

Credit Parties:

TWI HOLDINGS, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: President

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: President and CEO

TEMPUR WORLD HOLDINGS, INC.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: President and CEO

TEMPUR WORLD HOLDINGS, S.L.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: President

TEMPUR-MEDICAL, INC.

By: /s/ Joel Guerin

Name: Joel Guerin

Title: President

TEMPUR-PEDIC, DIRECT RESPONSE, INC.

By: /s/ Dany Sfeir

Name: Dany Sfeir

Title: President

TEMPUR WORLD HOLDING SWEDEN AB

By: /s/ Anders Landin

Name: Anders Landin

Title: Corporate Controller

TEMPUR DANMARK A/S

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR UK, LTD.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR JAPAN YUGEN KAISHA

By: /s/ Paer Roland Siljedahl

Name: Paer Roland Siljedahl

Title: Country Manager

TEMPUR INTERNATIONAL LIMITED

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR SVERIGE AB

By: /s/ Anders Landin

Name: Anders Landin

Title: Corporate Controller

TEMPUR NORGE AS

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR SUOMI OY

By: /s/ Arto Mannonen

Name: Arto Mannonen

Title: Country Manager

TEMPUR SCHWEIZ AG

By: /s/ B. Lucy

Name: B. Lucy

Title: Managing Director

TEMPUR HOLDING GMBH

By: /s/ Raymond Krammenschneider

Name: Raymond Krammenschneider

Title: Managing Director

TEMPUR DEUTSCHLAND GMBH

By: /s/ Raymond Krammenschneider

Name: Raymond Krammenschneider

Title: Managing Director

TEMPUR PEDIC ESPANA SA

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR FRANCE SARL

By: /s/ M. Lawgaret

Name: M. Lawgaret

Title: Director of Operations

TEMPUR SINGAPORE PTE LTD.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR ITALIA SRL

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR BENELUX B.V.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

TEMPUR SOUTH AFRICA PTY. LTD.

By: /s/ Robert B. Trussell, Jr.

Name: Robert B. Trussell, Jr.

Title: Director

KRUSE INNOVATION & DESIGN GMBH

By: /s/ Raymond Krammenschneider

Name: Raymond Krammenschneider

Title: Managing Director

KRUSE POLSTERMOBEL SYSTEM GMBH

By: /s/ Raymond Krammenschneider

Name: Raymond Krammenschneider

Title: Managing Director

GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent, a US L/C Issuer
and a Lender

By: /s/ Pamela Eskra

LEHMAN COMMERCIAL PAPER INC.,
as Syndication Agent and a Lender

By: /s/ Francis Chang

Francis Chang
Vice President

GE EUROPEAN LEVERAGED FINANCE LIMITED,
as European Loan Agent

By: /s/ James Inglis

Director

HSBC BANK PLC, as European Funding Agent

By: /s/ K. A. Raja

Associate Director

NORDEA BANK DANMARK A/S,
as a European Security Agent
and a Lender

By: /s/ Hans Christiansen

Head of Corporate

/s/ Ivan Rasmussen

Head of AF

ANTARES CAPITAL CORPORATION, as a Lender

By: /s/ Daniel Barry

Director

FIFTH THIRD BANK, KENTUCKY, INC.,
as a Lender

By: /s/ William Craycraft

William Craycraft
Vice President

GE LEVERAGED LOANS LIMITED, as a Lender

By: /s/ James Inglis

Director

Exhibit 10.2

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of November 1, 2002, is among (a) TWI HOLDINGS, INC., a Delaware corporation (the "Company"), (b) FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP, a Delaware limited partnership ("FFL"), (c) FFL EXECUTIVE PARTNERS, LP, a Delaware limited partnership ("FFL-2"), (d) TA IX L.P., a Delaware limited partnership ("TA IX"), (e) TA/ATLANTIC AND PACIFIC IV L.P., a Delaware limited partnership ("TA/AP IV"), (f) TA STRATEGIC PARTNERS FUND A L.P., a Delaware limited partnership ("TA-A"), (g) TA STRATEGIC PARTNERS FUND B L.P., a Delaware limited partnership ("TA-B"), (h) TA/ADVENT VIII L.P., a Delaware limited partnership ("TA-ADV"), (i) TA INVESTORS LLC, a Delaware limited liability company ("TA-I"), (j) TA SUBORDINATED DEBT FUND, L.P., a Delaware limited partnership ("TA-SDF"), (k) GLEACHER MEZZANINE FUND I, L.P., a Delaware limited partnership ("GMF-I"), (l) GLEACHER MEZZANINE FUND P, L.P., a Delaware limited partnership ("GMF-P" and collectively with GMF-I, "GMF"), (m) the Persons listed on Schedule 1 hereto under the heading "Rollover Investors" (collectively, the "Rollover Investors"), (n) the Persons listed on Schedule 1 hereto under the heading "Other Investors" (collectively, the "Other Investors"), (o) the Persons listed on Schedule 1 hereto under the heading "Management Investors" (collectively, the "Management Investors", and individually each a "Management Investor"), (p) each other director, officer or executive employee of the Company who becomes a party to this Agreement upon acceptance by the Company of an Instrument of Accession in the form of Schedule 2 hereto (an "Instrument of Accession") executed by such director, officer or executive employee (collectively with the Management Investors, the "Managers", and each individually a "Manager") and (q) each other Person who becomes a party to this Agreement upon acceptance by the Company of an Instrument of Accession executed by such Person. TA IX, TA/AP IV, TA-A, TA-B and TA-ADV are referred to collectively herein as the "TA Equity Investors." FFL, FFL-2, the TA Equity Investors, TA-I, TA-SDF, GMF-I, GMF-P, the Rollover Investors, the Managers and each other Person who becomes a party hereto as aforesaid are referred to collectively herein as the "Holders" and each individually as a "Holder".

This Agreement is made in connection with (i) a Contribution Agreement, dated as of October 4, 2002, by and among the Company, FFL, FFL-2, TA-I, the TA Equity Investors, the Management Investors, the Rollover Investors and certain of the Other Investors (as amended and in effect from time to time, the "Contribution Agreement"), (ii) the Stockholder Agreement of even date herewith among FFL, FFL-2, the TA Equity Investors, the Rollover Investors, TA-I, TA-SDF, GMF-I, GMF-P, the Management Investors, the Other Investors and the Company (as amended and in effect from time to time, the "Stockholder Agreement"), and (iii) the Senior Subordinated Loan Agreement of even date herewith among the Company, certain of its subsidiaries, TA-I, TA-SDF, GMF-I and GMF-P (the "Senior Subordinated Loan Agreement"). In order to induce FFL, FFL-2, TA-I, the TA Equity Investors, the Rollover Investors, the Management

Investors and certain of the Other Investors to enter into the Contribution Agreement and the Stockholder Agreement and to induce TA-I, TA-SDF, GMF-I and GMF-P to enter into the Senior Subordinated Loan Agreement and the Stockholder Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The parties hereby agree as follows:

1. Definitions. As used herein, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person.

"Agreement" has the meaning specified in the preamble hereto.

"Class A Common Stock" means the Company's Class A Common Stock, $0.01 par value per share.

"Class B Common Stock" means, collectively, the Company's Class B-1 Voting Common Stock, $0.01 par value per share (the "Class B-1 Common Stock"), and the Company's Class B-2 Non-Voting Common Stock, $0.01 par value per share.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means (a) the Class A Common Stock, (b) the Class B Common Stock and (c) any shares of any other class of capital stock of the Company hereafter issued which are either (i) (A) not preferred as to dividends or assets over any class of stock of the Company, and (B) not subject to redemption pursuant to the terms thereof, or (ii) issued to the holders of shares of Common Stock upon any reclassification thereof.

"Company" has the meaning specified in the preamble hereto.

"Contribution Agreement" has the meaning specified in the preamble hereto.

"Demand Registration" has the meaning specified in Section 2(a) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FFL" has the meaning specified in the preamble hereto.

"FFL-2" has the meaning specified in the preamble hereto.

"GMF" has the meaning specified in the preamble hereto.

"GMF-I" has the meaning specified in the preamble hereto.

"GMF-P" has the meaning specified in the preamble hereto.

"Holder" means one of the Holders identified in the introductory paragraph to this Agreement or such other Person to whom such Holder shall have assigned or transferred such Holder's Registrable Securities in accordance with the Stockholder Agreement and Section 12(g) of this Agreement.

"Indemnified Party" has the meaning specified in Section 8(b) hereof.

"Indemnifying Party" has the meaning specified in Section 8(b) hereof.

"Institutional Registrable Securities" means, collectively, the Sponsor Registrable Securities and the Mezzanine Registrable Securities.

"Instrument of Accession" has the meaning specified in the preamble hereto.

"Management Investor" and "Management Investors" have the meanings specified in the preamble hereto.

"Manager" and "Managers" have the meanings specified in the preamble hereto.

"Material Transaction" means any material transaction in which the Company or any of its Subsidiaries proposes to engage or is engaged, including a purchase or sale of assets or securities, financing, merger, consolidation or any other transactions that would require disclosure pursuant to the Exchange Act, and with respect to which the Company's board of directors has reasonably determined that compliance with this Agreement may be expected to either materially interfere with the Company's ability to consummate such transaction or require the Company to disclose material, non-public information prior to such time as it would otherwise be required to be disclosed.

"Mezzanine Registrable Securities" means, at any time, all of the then issued and outstanding (a) shares of Common Stock issued or issuable upon the exercise of Warrants in accordance with their terms, (b) all other shares of Common Stock purchased by or issued (including upon conversion) from time to time to the Mezzanine Stockholders, (c) shares of any class of Common Stock into which such shares of Common Stock have been converted, and (d) shares of Common Stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Common Stock. Mezzanine Registrable Securities will continue to be Mezzanine Registrable Securities in the hands of any Holder and each Holder thereof will succeed to the rights and obligations of a Holder of Mezzanine Registrable Securities hereunder, provided that shares of Mezzanine Registrable Securities will cease to be Mezzanine Registrable Securities when transferred (i) to the Company, (ii) to a holder of Sponsor Registrable Securities, (iii) to a holder of Other Registrable Securities or (iv) pursuant to a Public Sale.

"Mezzanine Stockholders" means TA-I, TA-SDF, GMF-I and GMF-P for so long as it holds Mezzanine Registrable Securities or Warrants and any other Person to whom Mezzanine Registrable Securities or Warrants are assigned or transferred in accordance with the Stockholder Agreement and Section 12(g) of this Agreement for so long as such Person holds any Mezzanine Registrable Securities or Warrants.

"NASDAQ" has the meaning specified in Section 5(a)(vi).

"Other Investors" has the meaning specified in the preamble hereto.

"Other Registrable Securities" means, at any time, all of the then issued and outstanding (a) Rollover Shares, (b) shares of Common Stock issued or issuable to any of the Management Investors or Other Investors upon conversion of any shares of Preferred Stock issued to any of the Management Investors or Other Investors pursuant to the Contribution Agreement, (c) shares of Class A Common Stock issued to one or more Other Investors in connection with the Contribution Agreement, (d) shares of Class B-1 Common Stock issued to the Management Investors pursuant to the Contribution Agreement, (e) shares of Class B-1 Common Stock issued to the Managers upon exercise of any stock options granted by the Company in compliance with the terms of the Stockholder Agreement, (f) shares of Common Stock purchased by or issued from time to time to any Manager or any other Holder other than the Sponsor Stockholders or the Mezzanine Stockholders, (g) shares of Common Stock issued or issuable upon conversion of such shares, and (h) shares of Common Stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Common Stock. Other Registrable Securities will continue to be Other Registrable Securities in the hands of any Holder and each Holder thereof will succeed to the rights and obligations of a Holder of Other Registrable Securities hereunder, provided that shares of Other Registrable Securities will cease to be Other Registrable Securities when transferred (i) to the Company, (ii) to a holder of Sponsor Registrable Securities, (iii) to a holder of Mezzanine Registrable Securities or (iv) pursuant to a Public Sale.

"Other Stockholders" means any Person for so long as such Person holds Other Registrable Securities and any other Person to whom Other Registrable Securities are assigned or transferred in accordance with the Stockholder Agreement and Section 12(g) of this Agreement for so long as such Person holds any Other Registrable Securities.

"Person" means any individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Piggyback Registration" has the meaning specified in Section 3(a) hereof.

"Preferred Stock" means (a) the Company's Series A Convertible Preferred Stock, $0.01 par value per share and (b) any capital stock or other securities into which or for which any such shares of Preferred Stock shall have been converted or exchanged pursuant to any recapitalization, reorganization or merger of the Company.

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by any Prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Public Sale" means any sale of Common Stock to the public pursuant to a public offering registered under the Securities Act, or to the public through a broker or market-maker pursuant to the provisions of Rule 144 (or any successor rule) adopted under the Securities Act.

"registered" and "registration" means a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act and the declaration or ordering by the Commission of effectiveness of such Registration Statement.

"Registrable Securities" means all Institutional Registrable Securities and all Other Registrable Securities.

"Registration Expenses" has the meaning specified in Section 7 hereof.

"Registration Statement" means any registration statement of the Company which covers any of the Registrable Securities pursuant to the provisions of this Agreement including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

"Rollover Investors" has the meaning specified in the preamble hereto.

"Rollover Shares" means (a) the shares of Class A Common Stock issued to the Rollover Investors pursuant to the Contribution Agreement and (b) any shares of Class B-1 Common Stock issued upon conversion of such shares of Class A Common Stock.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Subordinated Loan Agreement" has the meaning specified in the preamble hereto.

"Sponsor Registrable Securities" means, at any time, all of the then issued and outstanding (a) shares of Common Stock issued or issuable to FFL, FFL-2 or any of the TA Equity Investors upon conversion of any shares of Preferred Stock issued to FFL, FFL-2 or any of the TA Equity Investors pursuant to the Contribution Agreement, (b) shares of Common Stock purchased by or issued from time to time to the Sponsor Stockholders, (c) shares of any class of Common Stock into which such shares of Common Stock have been converted, and (d) shares of Common Stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Common Stock. Sponsor Registrable Securities will continue to be Sponsor Registrable Securities in the hands of any Holder and each Holder thereof will succeed to the rights and obligations of a Holder of Sponsor Registrable Securities hereunder, provided that shares of Sponsor Registrable Securities will cease to be Sponsor Registrable Securities when transferred (i) to the Company, (ii) to a holder of Mezzanine Registrable Securities, (iii) to a holder of Other Registrable Securities or (iv) pursuant to a Public Sale.

"Sponsor Stockholders" means each of FFL, FFL-2 and the TA Equity Investors, for so long as it holds Sponsor Registrable Securities and any other Person to whom Sponsor Registrable Securities are assigned or transferred in accordance with the Stockholder Agreement and Section 12(g) of this Agreement for so long as such Person holds any Sponsor Registrable Securities.

"Stockholder Agreement" has the meaning specified in the preamble hereto.

"Stockholders" means, collectively, the Sponsor Stockholders, the Mezzanine Stockholders and the Other Stockholders.

"TA-A" has the meaning specified in the preamble hereto.

"TA-ADV" has the meaning specified in the preamble hereto.

"TA/AP IV" has the meaning specified in the preamble hereto.

"TA-B" has the meaning specified in the preamble hereto.

"TA Equity Investors" has the meaning specified in the preamble hereto.

"TA-I" has the meaning specified in the preamble hereto.

"TA IX" has the meaning specified in the preamble hereto.

"TA-SDF" has the meaning specified in the preamble hereto.

"Underwriters' Maximum Number" means, for any Piggyback Registration, Demand Registration or other registration which is an underwritten registration, that number of securities to which such registration should, in the opinion of the managing underwriters of such registration in the light of marketing factors, be limited.

"Warrants" means the warrants of the Company issued to TA-I, TA-SDF, GMF-I and GMF-P pursuant to the Senior Subordinated Loan Agreement and any other warrants of the Company transferred to any holder pursuant thereto.

2. Demand Registration.

(a) Request for Demand Registration.

(i) Subject to the limitations contained in the following paragraphs of this Section 2, (A) any Stockholders who collectively hold 10% or more of all Registrable Securities may at any time and from time to time and (B) any Mezzanine Stockholder that holds (individually or collectively with its Affiliates) Notes (as defined in the Senior Subordinated Loan Agreement) with an aggregate unpaid principal balance of at least $15,000,000 may at any time and from time to time, pursuant to this subparagraph (i), make a written request for the registration by the Company under the Securities Act of all or any part of the Registrable Securities of such Holders (such registration being herein called a "Demand

Registration"). Within ten (10) days after the receipt by the Company of any such written request, the Company will give written notice of such registration request to all Holders of Registrable Securities.

(ii) Subject to the limitations contained in the following paragraphs of this Section 2, after the receipt of such written request for a Demand Registration, (A) the Company will be obligated and required to include in such Demand Registration all Registrable Securities with respect to which the Company shall receive from Holders of Registrable Securities, within thirty (30) days after the date on which the Company shall have given to all Holders a written notice of registration request pursuant to Section 2(a)(i) hereof, the written requests of such Holders for inclusion in such Demand Registration, and (B) the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Securities. All written requests made by Holders of Registrable Securities pursuant to this subparagraph (ii) will specify the number of shares of Registrable Securities to be registered and will also specify the intended method of disposition thereof.

(b) Limitations on Demand Registration.

(i) The Holders of Registrable Securities will not be entitled to require the Company to effect (A) more than one (1) Demand Registration on Form S-1 (or other comparable form adopted by the Commission) during any twelve-month period, (B) any Demand Registration on Form S-1 (or other comparable form adopted by the Commission) unless Form S-3 (or any comparable form adopted by the Commission) is not available for such Demand Registration, (C) except in the case of a Demand Registration being made at the request of GMF, any Demand Registration on Form S-1 (or other comparable form adopted by the Commission) if the investment banker(s) or managing underwriter(s) appointed to administer such offering pursuant to Section 2(d) below are unable or unwilling to certify in writing to the Company, within forty-five (45) days of any written request referred to in Section 2(a)(i), that the gross proceeds from the sale of the Registrable Securities proposed to be registered pursuant to such Demand Registration will be reasonably likely to exceed $10,000,000, or (D) any Demand Registration prior to the date that is six months after the closing of the Company's initial public offering of its Common Stock. In addition, no Mezzanine Stockholder (collectively with its Affiliates) will be entitled to require the Company to effect more than one (1) Demand Registration on Form S-1 (or any comparable form adopted by the Commission) or more than three (3) Demand Registrations on Form S-3 (or any comparable form adopted by the Commission).

(ii) The Company shall not be obligated or required to effect the Demand Registration of any Registrable Securities pursuant to Section 2(a) hereof during the period commencing on the date falling thirty (30) days prior to the Company's estimated date of filing of, and ending on the date 180 days following the effective date of, any Registration Statement pertaining to any underwritten registration initiated by the Company, for the account of the Company, if the

written request of Holders for such Demand Registration pursuant to Section 2(a)(i) hereof shall have been received by the Company after the Company shall have given to all Holders of Registrable Securities a written notice stating that the Company is commencing an underwritten registration initiated by the Company; provided, however, that the Company will use its best efforts in good faith to cause any such Registration Statement to be filed and to become effective as expeditiously as shall be reasonably possible.

(iii) Anything contained herein to the contrary notwithstanding, the Company may delay the filing or effectiveness of any Registration Statement under this Section 2 for a period of up to 90 days after the date of a request for registration pursuant to this Section 2 if a Material Transaction exists at the time of such request.

(c) Priority on Demand Registrations.

(i) Subject to the provisions of clause (ii) of this Section 2(c), if the managing underwriters in any underwritten Demand Registration shall give written advice to the Company and the Holders of Registrable Securities to be included in such registration of an Underwriters' Maximum Number, then: (A) the Company will be obligated and required to include in such registration that number of Registrable Securities requested by the Holders thereof to be included in such registration which does not exceed the Underwriters' Maximum Number, and such number of Registrable Securities shall be allocated pro rata among the Holders of such Registrable Securities on the basis of the number of Registrable Securities requested to be included therein by each such Holder; (B) if the Underwriters' Maximum Number exceeds the number of Registrable Securities requested by the Holders thereof to be included in such registration, then the Company will be entitled to include in such registration that number of securities which shall have been requested by the Company to be included in such registration for the account of the Company and which shall not be greater than such excess; and (C) if the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities which the Company shall be required to include in such Demand Registration and the number of securities which the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities which Persons (other than the Holders of Registrable Securities as such) shall have requested be included in such registration and which shall not be greater than such excess. Neither the Company nor any of its stockholders (other than Holders of Registrable Securities) shall be entitled to include any securities in any underwritten Demand Registration unless the Company or such stockholders (as the case may be) shall have agreed in writing to sell such securities on the same terms and conditions as shall apply to the Registrable Securities to be included in such Demand Registration.

(ii) If the managing underwriters in any underwritten Demand Registration initiated by a Mezzanine Stockholder pursuant to clause (B) of Section 2(a)(i) shall give written advice to the Company and the Holders of Registrable Securities to be included in such registration of an Underwriters' Maximum Number, then: (A) the

Company will be obligated and required to include in such registration that number of Mezzanine Registrable Securities requested by such Mezzanine Stockholder to be included in such registration which does not exceed the Underwriters' Maximum Number; (B) if the Underwriters' Maximum Number exceeds the number of Mezzanine Registrable Securities requested by such Mezzanine Stockholder to be included in such registration, then the Company will be entitled to include in such registration that number of Sponsor Registrable Securities, other Mezzanine Registrable Securities and Other Registrable Securities which shall have been requested by the Holders thereof to be included in such registration and which shall not be greater than such excess; (C) if the Underwriters' Maximum Number exceeds the number of Registrable Securities requested by the Holders thereof to be included in such registration, then the Company will be entitled to include in such registration that number of securities which shall have been requested by the Company to be included in such registration for the account of the Company and which shall not be greater than such excess; and (D) if the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities which the Company shall be required to include in such Demand Registration and the number of securities which the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities which Persons (other than the Holders of Registrable Securities as such) shall have requested be included in such registration and which shall not be greater than such excess. Neither the Company nor any of its stockholders (other than the initiating Mezzanine Stockholder) shall be entitled to include any securities in any underwritten Demand Registration initiated by a Mezzanine Stockholder pursuant to clause (B) of Section 2(a)(i) unless the Company or such stockholders (as the case may be) shall have agreed in writing to sell such securities on the same terms and conditions as shall apply to the Mezzanine Registrable Securities of the initiating Mezzanine Stockholder to be included in such Demand Registration.

(d) Selection of Underwriters. The Holders of a majority of the Registrable Securities to be included in any Demand Registration shall determine whether or not such Demand Registration shall be underwritten and shall select the investment banker(s) and managing underwriter(s) to administer such offering, subject to the approval of the Company, not to be unreasonably withheld.

3. Piggyback Registrations.

(a) Rights to Piggyback.

(i) If (and on each occasion that) the Company proposes to register any of its securities under the Securities Act either for the Company's own account or for the account of any of its stockholders (other than for Holders pursuant to Section 2 hereof entitled to participate in a registration) (each such registration not withdrawn or abandoned prior to the effective date thereof being herein called a "Piggyback Registration"), the Company will give written notice to all Holders of Registrable Securities of such proposal not later than the earlier to occur of (A) the tenth day following the receipt by the Company of notice of exercise of any

registration rights by any Persons, and (B) the thirtieth day prior to the anticipated filing date of such Piggyback Registration.

(ii) Subject to the provisions contained in paragraph (b) of this Section 3 and in the last sentence of this subparagraph (ii), (A) the Company will be obligated and required to include in each Piggyback Registration all Registrable Securities with respect to which the Company shall receive from Holders of Registrable Securities, within fifteen (15) days after the date on which the Company shall have given written notice of such Piggyback Registration to all Holders of Registrable Securities pursuant to Section 3(a)(i) hereof, the written requests of such Holders for inclusion in such Piggyback Registration, and (B) the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Securities. The Holders of Registrable Securities shall be permitted to withdraw all or any part of the Registrable Securities of such Holders from any Piggyback Registration at any time prior to the effective date of such Piggyback Registration unless such Holders of Registrable Securities shall have entered into a written agreement with the Company's underwriters establishing the terms and conditions under which such Holders would be obligated to sell such securities in such Piggyback Registration. The Company will not be obligated or required to include any Registrable Securities in any registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Commission is applicable.

(b) Priority on Piggyback Registrations. If a Piggyback Registration is an underwritten registration, and the managing underwriters shall give written advice to the Company of an Underwriters' Maximum Number, then: (i) the Company shall be entitled to include in such registration that number of securities which the Company proposes to offer and sell for its own account in such registration and which does not exceed the Underwriters' Maximum Number; (ii) if the Underwriters' Maximum Number exceeds the number of securities which the Company proposes to offer and sell for its own account in such registration, then the Company will be obligated and required to include in such registration that number of Registrable Securities requested by the Holders thereof to be included in such registration and which does not exceed such excess and such Registrable Securities shall be allocated pro rata among the Holders thereof on the basis of the number of Registrable Securities requested to be included therein by each such Holder; and (iii) if the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities which the Company shall be required to include in such registration pursuant to clause (ii) and the number of securities which the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities which Persons shall have requested be included in such registration and which shall not be greater than such excess.

(c) Selection of Underwriters. In any Piggyback Registration, the Company shall (unless the Company shall otherwise agree) have the right to select the investment bankers and managing underwriters in such registration.

4. Lockup Agreements.

(a) Restrictions on Public Sale by Holders of Registrable Securities. Each Holder of Registrable Securities, if the Company or the managing underwriters so request in connection with any underwritten registration of the Company' securities, will not, without the prior written consent of the Company or such underwriters, effect any public sale or other distribution of any equity securities of the Company, including any sale pursuant to Rule 144, during the seven (7) days prior to, and during the one hundred eighty (180) day period commencing on, the effective date of such underwritten registration, except in connection with such underwritten registration; provided, that any Holder of 0.25% or less of all Registrable Securities may, by delivery of a written notice to the Company within five (5) days after receipt of such request, waive all of its rights hereunder (including, without limitation, any rights of such Holder hereunder to participate in such underwritten registration) and, upon delivery of such notice, such Holder shall thereafter cease to be subject to the restrictions contained in this Section 4(a) and shall cease to be a Holder of Registrable Securities for all purposes of this Agreement.

(b) Restrictions on Public Sale by the Company. The Company agrees not to effect any public sale or other distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such equity securities, during the period commencing on the seventh day prior to, and ending on the one hundred eightieth (180th) day following, the effective date of any underwritten Demand or Piggyback Registration, except in connection with any such underwritten registration and except for any offering pursuant to an employee benefit plan and registered on Form S-8 (or any successor form).

5. Registration Procedures.

(a) Whenever the Holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(i) prepare and file with the Commission a Registration Statement with respect to such Registrable Securities and use its best efforts to cause such Registration Statement to become effective (provided, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, the Company will furnish to counsel selected by the holders of Registrable Securities covered by such Registration Statement, copies of all such documents proposed to be filed, which documents will be subject to the timely review of such counsel and the Company will not file any Registration Statement or amendment thereto or any Prospectus or any supplement thereto, including documents incorporated by reference, to which the Holders of a majority of the Registrable Securities covered by such Registration Statement shall reasonably object);

(ii) prepare and file with the Commission such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for not more than six (6) months and, comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such effective period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement and cause the Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act;

(iii) upon request, furnish to each seller of Registrable Securities such number of copies of such Registration Statement, each amendment and supplement thereto, the Prospectus included in such Registration Statement (including each preliminary Prospectus and each Prospectus filed under Rule 424 of the Securities Act) and such other documents as each such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by each such seller (it being understood that the Company consents to the use of the Prospectus and any amendment or supplement thereto by such seller in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto);

(iv) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests, use its best efforts to keep each such registration or qualification effective, including through new filings, amendments or renewals, during the period such Registration Statement is required to be kept effective, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller; provided that the Company will not be required (A) to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph (a)(iv), (B) to subject itself to taxation in any such jurisdiction or (C) to consent to general service of process in any such jurisdiction;

(v) notify each seller of such Registrable Securities, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company will promptly prepare (and, when completed, give notice to each seller of Registrable Securities) a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; provided that upon such notification by the Company, each seller of such Registrable Securities will not offer or sell such Registrable Securities until the Company has notified such seller that it has prepared a supplement or amendment

to such Prospectus and delivered copies of such supplement or amendment to such seller;

(vi) cause all such Registrable Securities to be listed, prior to the date of the first sale of such Registrable Securities pursuant to such registration, on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed with the National Association of Securities Dealers automated quotation system ("NASDAQ");

(vii) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such Registration Statement;

(viii) enter into all such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares);

(ix) make available for inspection on a confidential basis by any seller, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by any such seller or underwriter (in each case after reasonable prior notice), all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply on a confidential basis all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement;

(x) permit any holder of Registrable Securities which holder, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Company within the meaning of Section 15 of the Securities Act, to participate in the preparation of such registration or comparable statement and to permit the insertion therein of material, furnished to the Company in writing, which in the reasonable judgment of such holder and its counsel should be included, provided that such material shall be furnished under such circumstances as shall cause it to be subject to the indemnification provisions provided pursuant to Section 8(b) hereof;

(xi) in the event of the issuance of any stop order suspending the effectiveness of a Registration Statement, or of any order suspending or preventing the use of any related Prospectus or suspending the qualification of any Registrable Securities included in such Registration Statement for sale in any jurisdiction, the Company will use its best efforts promptly to obtain the withdrawal of such order;

(xii) if requested by the managing underwriter or underwriters or any holder of Registrable Securities in connection with any sale pursuant to a Registration Statement, promptly incorporate in a Prospectus supplement or post-effective amendment such information relating to such underwriting as the managing underwriter or underwriters or such holder reasonably requests to be included therein, and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such Prospectus supplement or post-effective amendment;

(xiii) cooperate with the holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be sold under such registration, and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(xiv) use its best efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities within the United States and having jurisdiction over the Company as may reasonably be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(xv) use its best efforts to obtain:

(A) at the time of effectiveness of each registration, a "comfort letter" from the Company's independent certified public accountants covering such matters of the type customarily covered by "cold comfort letters" as the Holders of a majority of the Registrable Securities covered by such registration and the underwriters reasonably request; and

(B) at the time of any underwritten sale pursuant to a Registration Statement, a "bring-down comfort letter", dated as of the date of such sale, from the Company's independent certified public accountants covering such matters of the type customarily covered by comfort letters as the Holders of a majority of the Registrable Securities covered by such Registration Statement and the underwriters reasonably request;

(xvi) use its best efforts to obtain, at the time of effectiveness of each Piggyback Registration and at the time of any sale pursuant to each registration, an opinion or opinions, favorable in form and scope to the Holders of a majority of the Registrable Securities covered by such registration, from counsel to the Company in customary form; and

(xvii) otherwise comply with all applicable rules and regulations of the Commission, and make generally available to its security holders (as contemplated by Section 11(a) under the Securities Act) an earnings statement satisfying the provisions of Rule 158 under the Securities Act no later than ninety (90) days after

the end of the twelve month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover said twelve month period.

6. Cooperation by Prospective Sellers, Etc.

(a) Each prospective seller of Registrable Securities will furnish to the Company in writing such information as the Company may reasonably require from such seller, and otherwise reasonably cooperate with the Company in connection with any Registration Statement with respect to such Registrable Securities.

(b) The failure of any prospective seller of Registrable Securities to furnish any information or documents in accordance with any provision contained in this Agreement shall not affect the obligations of the Company under this Agreement to any remaining sellers who furnish such information and documents unless in the reasonable opinion of counsel to the Company or the underwriters, such failure impairs or may impair the viability of the offering or the legality of the Registration Statement or the underlying offering.

(c) The Holders of Registrable Securities included in any Registration Statement will not (until further notice) effect sales thereof after receipt of telegraphic or written notice from the Company to suspend sales to permit the Company to correct or update such Registration Statement or Prospectus; but the obligations of the Company with respect to maintaining any Registration Statement current and effective shall be extended by a period of days equal to the period such suspension is in effect.

(d) At the end of any period during which the Company is obligated to keep any Registration Statement current and effective as provided by Section 5 hereof (and any extensions thereof required by the preceding paragraph (c) of this Section 6), the Holders of Registrable Securities included in such Registration Statement shall discontinue sales of shares pursuant to such Registration Statement upon receipt of notice from the Company of its intention to remove from registration the shares covered by such Registration Statement which remain unsold, and such Holders shall notify the Company of the number of shares registered which remain unsold promptly after receipt of such notice from the Company.

(e) Notwithstanding any other provision herein to the contrary, no Holder of Registrable Securities which constitute warrants or options shall be required to exercise such warrants or options in connection with any registration until the actual sale of the shares of Common Stock issuable upon exercise of such warrants or options. The Company shall enter into such agreements and shall otherwise cooperate with the Holders of Registrable Securities in order to ensure that such Holders are not required to exercise any warrants or options prior to the date of the actual sale of the shares of Common Stock issuable upon exercise of such warrants or options.

7. Registration Expenses.

(a) All costs and expenses incurred or sustained in connection with or arising out of each registration pursuant to Sections 2 and 3 hereof, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with the blue sky qualification of Registrable Securities), printing expenses, messenger, telephone and delivery expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of one counsel representing the Holders of Registrable Securities, such counsel to be selected by the Holders of a majority of the Registrable Securities to be included in such registration, fees and disbursements of all independent certified public accountants (including the expenses relating to the preparation and delivery of any special audit or "cold comfort" letters required by or incident to such registration), and fees and disbursements of underwriters (excluding discounts and commissions), the reasonable fees and expenses of any special experts retained by the Company of its own initiative or at the request of the managing underwriters in connection with such registration, and fees and expenses of all (if any) other Persons retained by the Company (all such costs and expenses being herein called, collectively, the "Registration Expenses"), will be borne and paid by the Company. The Company will, in any case, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, and the fees and expenses incurred in connection with the listing of the securities to be registered on each securities exchange on which similar securities of the Company are then listed.

(b) The Company will not bear the cost of nor pay for any stock transfer taxes imposed in respect of the transfer of any Registrable Securities to any purchaser thereof by any Holder of Registrable Securities in connection with any registration of Registrable Securities pursuant to this Agreement.

(c) To the extent that Registration Expenses incident to any registration are, under the terms of this Agreement, not required to be paid by the Company, each Holder of Registrable Securities included in such registration will pay all Registration Expenses which are clearly solely attributable to the registration of such Holder's Registrable Securities so included in such registration, and all other Registration Expenses not so attributable to one Holder will be borne and paid by all sellers of securities included in such registration in proportion to the number of securities so included by each such seller.

8. Indemnification.

(a) Indemnification by the Company. The Company will indemnify each Holder requesting or joining in a registration and each underwriter of the securities so registered, the officers, directors and partners of each such Person and each Person who controls any thereof (within the meaning of the Securities Act) against any and all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any Prospectus, offering circular or other document incident to any registration, qualification

or compliance (or in any related Registration Statement, notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of any rule or regulation promulgated under the Securities Act applicable to the Company and relating to any action or inaction required of the Company in connection with any such registration, qualification or compliance, and the Company will reimburse each such Holder, underwriter, officer, director, partner and controlling person for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such claim, loss, damage or liability arises out of or is based on any untrue statement or omission based upon written information furnished to the Company in an instrument duly executed by such Holder, underwriter, officer, director, partner or controlling person and stated to be specifically for use in such Prospectus, offering circular or other document.

(b) Indemnification by Each Holder. Each Holder requesting or joining in a registration will indemnify each underwriter of the securities so registered, the Company and its officers and directors and each Person, if any, who controls any thereof (within the meaning of the Securities Act) and their respective successors in title and assigns against any and all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any Prospectus, offering circular or other document incident to any registration, qualification or compliance (or in any related Registration Statement, notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statement therein not misleading, and such Holder will reimburse each underwriter, the Company and each other Person indemnified pursuant to this paragraph (b) for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that this paragraph (b) shall apply only if (and only to the extent that) such statement or omission was made in reliance upon written information furnished to such underwriter or the Company in an instrument duly executed by such Holder and stated to be specifically for use in such Prospectus, offering circular or other document (or related Registration Statement, notification or the like) or any amendment or supplement thereto; and, provided further, that each Holder's liability hereunder with respect to any particular registration shall be limited to an amount equal to the net proceeds received by such Holder from the Registrable Securities sold by such Holder in such registration.

(c) Indemnification Proceedings. Each party entitled to indemnification pursuant to this Section 8 (the "Indemnified Party") shall give notice to the party required to provide indemnification pursuant to this Section 8 (the "Indemnifying Party") promptly after such Indemnified Party acquires actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party (at its expense) to assume the defense of any claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be acceptable to the Indemnified Party, and the Indemnified Party may participate in such defense at such party's expense; and provided, further, that the failure

by any Indemnified Party to give notice as provided in this paragraph (c) shall not relieve the Indemnifying Party of its obligations under this Section 8 except to the extent that the failure results in a failure of actual notice to the Indemnifying Party and such Indemnifying Party is damaged solely as a result of the failure to give notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. The reimbursement required by this Section 8 shall be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

9. Contribution in Lieu of Indemnification. If the indemnification provided for in Section 8 hereof is unavailable to a party that would have been an Indemnified Party under any such section in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each party that would have been an Indemnifying Party thereunder shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and such Indemnified Party on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or such Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and each Holder of Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 9 shall include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding any provision of this Section 9 to the contrary, (a) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation and (b) each Holder's liability hereunder with respect to any particular registration shall be limited to an amount equal to the net proceeds received by such Holder from the Registrable Securities sold by such Holder in such registration.

10. Rule 144 Requirements; Form S-3. From time to time after the earlier to occur of (a) six months following the date on which there shall first become effective a Registration Statement filed by the Company under the Securities Act, or (b) the date on which the Company shall register a class of securities under Section 12 of the Exchange Act, the Company will make every effort in good faith to take all steps necessary to ensure that the Company will be eligible to register securities on Form S-3 (or any

comparable form adopted by the Commission) as soon thereafter as possible, and to make publicly available and available to the Holders of Registrable Securities, pursuant to Rule 144 or Rule 144A of the Commission under the Securities Act, such information as shall be necessary to enable the Holders of Registrable Securities to make sales of Registrable Securities pursuant to such Rules. The Company will furnish to any Holder of Registrable Securities, upon request made by such Holder at any time after the undertaking of the Company in the preceding sentence shall have first become effective, a written statement signed by the Company, addressed to such Holder, describing briefly the action the Company has taken or proposes to take to comply with the current public information requirements of Rule 144 and Rule 144A. The Company will, at the request of any Holder of Registrable Securities, upon receipt from such Holder of a certificate certifying (i) that such Holder has held such Registrable Securities for the applicable holding period under Rule 144 with respect to such Holder's possession of such Registrable Securities, as in effect on the date of such certificate, (ii) that such Holder has not been an affiliate (as defined in Rule 144) of the Company for more than the ninety (90) preceding days, and (iii) as to such other matters as may be appropriate in accordance with such Rule, remove from the stock certificates representing such Registrable Securities that portion of any restrictive legend which relates to the registration provisions of the Securities Act.

11. Participation in Underwritten Registrations. (a) No Person may participate in any underwritten registration pursuant to this Agreement unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled, under the provisions hereof, to approve such arrangements, and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required by the terms of such underwriting arrangements. Any Holder of Registrable Securities to be included in any underwritten registration shall be entitled at any time to withdraw such Registrable Securities from such registration prior to its effective date in the event that such Holder shall disapprove of any of the terms of the related underwriting agreement.

(b) Notwithstanding the priorities set forth in Sections 2(c) and 3(b) above, but subject to the priority of the Holders of Mezzanine Registrable Securities set forth in clause (A) of Section 2(c)(ii) above, in the event that the managing underwriters in any underwritten Demand Registration or Piggyback Registration inform the Company in writing that the inclusion of any Other Registrable Securities therein would impair the marketability of the Registrable Securities to be included in such registration, the Company shall be required to include in such registration only such number of Other Registrable Securities as the managing underwriters determine would not negatively impair the Registrable Securities to be sold in connection therewith. If any such event shall occur, the Holders of Institutional Registrable Securities shall be entitled to include in such registration, the number of Registrable Securities that Holders of Other Registrable Securities would have been entitled to include in such registration but for such restriction described above (such Registrable Securities to be allocated pro rata among the Holders of Institutional Registrable Securities on the basis of the number of Registrable Securities requested to be included therein by each such Holder).

12. Miscellaneous.

(a) No Inconsistent Agreements. The Company has not previously entered into any agreement with respect to its Common Stock granting any registration rights to any Person, and will not on or after the date of this Agreement enter into any agreement with respect to its securities which grants demand registration rights to anyone or which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless such amendment, modification, supplement, waiver or consent is approved in writing by the Holders of at least fifty-one percent (51%) of the Registrable Securities and the Company; provided, however, that no amendment, modification or waiver of any provision of this Agreement that adversely affects the rights of any Party (as hereinafter defined) to this Agreement shall be effective against such adversely affected Party unless approved in writing by the holders of at least a majority of the Registrable Securities then held by all members of such Party; provided, that if such Party consists of the Holders of the Mezzanine Registrable Securities, and GMF holds at least 20% of the outstanding shares of Class B Common Stock (in a fully-diluted basis) included in the Mezzanine Registrable Securities, the approval of GMF shall also be required. As used in this Section 12(b), "Party" means any one of the following entities or groups: (i) the Company, (ii) the Holders of Sponsor Registrable Securities, (iii) the Holders of Mezzanine Registrable Securities and (iv) the Holders of Other Registrable Securities.

(c) Registrable Securities Held by the Company. Whenever the consent or approval of Holders of Registrable Securities is required pursuant to this Agreement, Registrable Securities held by the Company shall not be counted in determining whether such consent or approval was duly and properly given by such Holders.

(d) Term. The agreements of the Company contained in this Agreement shall continue in full force and effect so long as any Holder holds any Registrable Securities.

(e) Remedies. In the event of a breach by the Company of its obligations under this Agreement, each Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(f) Notices. Any notice provided for in this Agreement will be in writing and will be deemed properly delivered if either personally delivered or sent by overnight courier or telecopier or mailed certified or registered mail, return receipt requested, postage prepaid, to the recipient at the address specified below:

(i) if to a Holder, at such Holder's address on the stock transfer books of the Company; and

(ii) if to the Company, at:

TWI Holdings, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President
Facsimile: (859) 514-4422

with copies to:

TA Associates, Inc.
High Street Tower, Suite 2500
125 High Street
Boston, MA 02110
Attention: P. Andrews (Andy) McLane
Facsimile: (617) 574-6725

and to:

Friedman Fleischer & Lowe, LLC
One Maritime Plaza, 10th Floor
San Francisco, CA 94111
Attention: Christopher A. Masto
Fax: (415) 402-2111

and to:

Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Attention: Robert M. Wolf, Esq.
Fax: (617) 951-8736

and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 12(f). Any such notice shall be effective (A) if delivered personally or by telecopy, when received, (B) if sent by overnight courier, when receipted for, and (C) if mailed, three (3) days after being mailed as described above.

(g) Successors and Assigns. This Agreement and the rights of any Holder hereunder may be assigned to, and shall inure to the benefit of, any Person to whom such Holder transfers Registrable Securities, provided that such transfer is made in compliance with the provisions of the Stockholder Agreement and the transferee agrees to be bound by all of the terms and conditions of this Agreement by executing and delivering to the Company an Instrument of Accession.

(h) Counterparts. This Agreement may be executed in two or more counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement, nor shall they affect their meaning, construction or effect.

(j) Governing Law. The validity, performance, construction and effect of this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to principles of conflicts of law.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as an instrument under seal as of the date first written above.

TWI HOLDINGS, INC.

By: /s/ Jeffrey S. Barber

Name: Jeffrey S. Barber
Title: Vice President

FRIEDMAN FLEISCHER & LOWE
CAPITAL PARTNERS, LP

By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

FFL EXECUTIVE PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

TA IX L.P.
By: TA Associates IX, LLC, its General
Partner
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA/ATLANTIC AND PACIFIC IV L.P.
By: TA Associates AP IV L.P., its
General Partner
By: TA Associates, Inc., its General
Partner

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA/ADVENT VIII L.P.
By: TA Associates VIII LLC, its General
Partner
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND A L.P.
By: TA Associates SPF L.P., its General
Partner
By: TA Associates, Inc., its General
Partner

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND B L.P.
By: TA Associates SPF L.P., its General
Partner
By: TA Associates, Inc., its General
Partner

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA INVESTORS LLC
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

TA SUBORDINATED DEBT FUND, L.P.
By: TA Associates SDF LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

GLEACHER MEZZANINE FUND I, L.P.
By: Gleacher Mezzanine LLC, its General Partner

By: /s/ Mary Gay

Name: Mary Gay
Title: Managing Director

GLEACHER MEZZANINE FUND P, L.P.
By: Gleacher Mezzanine LLC, its General Partner

By: /s/ Mary Gay

Name: Mary Gay
Title: Managing Director

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.

/s/ Mrs. R. B. Trussell, Jr.

Mrs. R. B. Trussell, Jr.

/s/ David C. Fogg

David C. Fogg

/s/ H. Thomas Bryant

H. Thomas Bryant

/s/ Jeffrey P. Heath

Jeffrey P. Heath

Schedule 1

Rollover Investors

Mrs. R.B. Trussell, Jr.
David C. Fogg
Keric DeChant
Alain Falourd
Hubert Guy
David Hoeller
Robert Hoeller
Thomas Jameson
Keansburg Investments Limited
Frank Passante
John Paul Pucek
Dr. and Mrs. Mark Rukavina
David Shear
James B. Smith
Robert Steggert
Strafe & Company
John G. and Cathryn R. Vandersalm, joint tenants
James H. Wheeler III, M.D.
David Wright
Jean H. Downey Living Trust
Mary Creed Owens
Howard Stewart
Donald J. Hoeller Revocable Living Trust dated 2/29/88
Victoria Hekkers
Robert W. and Mary M. Mulcahy

Management Investors

Robert B. Trussell, Jr.
David C. Fogg
H. Thomas Bryant
Jeffrey P. Heath
Hugh Murphy
Joel Guerin

Other Investors

Antares Capital Corporation
Mikael Magnusson
George Khouri
Lynda Davey and Alan Schiffres, tenants in common
Robert Eckert, as Trustee of The Eckert Family Trust u/t/a dated 1/31/02

SCHEDULE 2
TO REGISTRATION
RIGHTS AGREEMENT

Instrument of Accession

Reference is made to that certain Registration Rights Agreement dated as of _____ __, 2002, a copy of which is attached hereto (as amended and in effect from time to time, the "Registration Rights Agreement"), among TWI Holdings, Inc., a Delaware corporation (the "Company"), and the Holders (as defined therein).

The undersigned, _____, [in order to become] [is] the owner or holder of _____ shares of the [Series A Convertible Preferred Stock, $.01 par value per share] [Class A] [Class B-1] [Class B-2] Common Stock, $.01 par value per share (the "Shares") of the Company [and] hereby agrees that by his [her] [its] execution hereof the undersigned is a Holder party to the Registration Rights Agreement subject to all of the restrictions and conditions applicable to Holders set forth in such Registration Rights Agreement, and all of the Shares [purchased by the undersigned in connection herewith] [owned by the undersigned as of the date hereof] (and any and all shares of Common Stock of the Company issued in respect thereof) are [Sponsor] [Mezzanine] [Other] Registrable Securities, subject to all the restrictions and conditions applicable to [Sponsor] [Mezzanine] [Other] Registrable Securities as set forth in the Registration Rights Agreement. This Instrument of Accession shall take effect and shall become a part of said Registration Rights Agreement immediately upon acceptance thereof by the Company.

Executed as of the date set forth below under the laws of the State of Delaware.

Signature: _____

Address: _____
_____
_____

Date: _____

Accepted:

TWI HOLDINGS, INC.

By: _____

Date: _____

Exhibit 10.3

STOCKHOLDER AGREEMENT

This STOCKHOLDER AGREEMENT (this "Agreement"), dated as of November 1, 2002, is among (a) TWI HOLDINGS, INC., a Delaware corporation (the "Company"), (b) FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP, a Delaware limited partnership ("FFL"), (c) FFL EXECUTIVE PARTNERS, LP, a Delaware limited partnership ("FFL-2"), (d) TA IX, L.P., a Delaware limited partnership ("TA-IX"), (e) TA/ATLANTIC AND PACIFIC IV, L.P., a Delaware limited partnership ("TA/AP-IV"), (f) TA STRATEGIC PARTNERS FUND A L.P., a Delaware limited partnership ("TA-A"), (g) TA STRATEGIC PARTNERS FUND B L.P., a Delaware limited partnership ("TA-B"), (h) TA/ADVENT VIII L.P., a Delaware limited partnership ("TA-ADV"), (i) TA INVESTORS LLC, a Delaware limited liability company ("TA-I"), (j) TA SUBORDINATED DEBT FUND, L.P., a Delaware limited partnership ("TA-SDF"), (k) GLEACHER MEZZANINE FUND I, L.P., a Delaware limited partnership ("GMF-I"), (l) GLEACHER MEZZANINE FUND P, L.P., a Delaware limited partnership ("GMF-P" and collectively with GMF-I, "GMF"), (m) the Persons listed on Schedule 1 hereto under the heading "Other Investors" (the "Other Investors"), (n) the Persons listed on Schedule 1 hereto under the heading "Management Investors" (the "Management Investors"), (o) any officer, employee or director of the Company or any of its Subsidiaries who becomes a party to this Agreement by executing an Instrument of Accession ("Instrument of Accession") in the form of Schedule 2 hereto (collectively with the Management Investors, the "Managers"), and (p) each other Person who becomes a party to this Agreement by executing an Instrument of Accession.

WHEREAS, the parties hereto wish to set forth their relative rights with regard to the transfer and issuance of the Company's securities, election of the Company's Board of Directors and certain other matters concerning the Company's capital stock;

NOW, THEREFORE, the parties to this Agreement hereby agree as follows:

Section 1. DEFINITIONS. For all purposes of this Agreement, the following terms shall have the meanings set forth below:

Affiliate. Affiliate shall mean, with respect to any Stockholder, any Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Stockholder and shall include (a) any Person who is a director or beneficial holder of at least 10% of the then outstanding capital stock (or partnership interests or other shares of beneficial interest) of such Stockholder and Family Members of any such Person, (b) any Person of which such Stockholder or an Affiliate (as defined in clause (a) above) of such Stockholder directly or indirectly, either beneficially owns at least 10% of the then outstanding capital stock (or partnership interests or other shares of beneficial interest) or constitutes at least a 10% equity participant, (c) any Person of which an Affiliate (as defined in clause (a) above) of

such Stockholder is a partner, director or executive officer, and (d) in the case of a specified Person who is an individual, Family Members of such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under direct or indirect common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

Approved Sale. See Section 3.1.

Charter. Charter shall mean the Company's Certificate of Incorporation and all amendments thereto.

Class A Common Stock. See definition of Common Stock.

Class B Common Stock. Class B Common Stock means, collectively, the Class B-1 Common Stock and the Class B-2 Common Stock.

Class B-1 Common Stock. See definition of Common Stock.

Class B-2 Common Stock. See definition of Common Stock.

Class B Price Per Share. Class B Price Per Share means, with respect to any Co-Sale Transfer, the price per share of Class B Common Stock included in the Securities to be transferred (determined on a fully-diluted basis).

Common Stock. Common Stock shall mean (a) the Company's Class A Common Stock, $.01 par value per share (the "Class A Common Stock"), (b) the Company's Class B-1 Voting Common Stock, $.01 par value per share (the "Class B-1 Common Stock"), (c) the Company's Class B-2 Non-Voting Common Stock, $.01 par value per share (the "Class B-2 Common Stock"), and (d) any shares of any other class of capital stock of the Company hereafter issued which are either (i) (A) not preferred as to dividends or assets over any class of stock of the Company, and (B) not subject to redemption pursuant to the terms thereof, or (ii) issued to the holders of shares of Common Stock upon any reclassification thereof.

Company. See preamble.

Company Election Period. See Section 2.4.

Contribution Agreement. Contribution Agreement shall mean the Contribution Agreement dated as of October 4, 2002 among the Company, the Sponsor Investors, certain shareholders of TWI and certain other parties.

Co-Sale Transfer. Co-Sale Transfer shall mean any Transfer of outstanding shares of Sponsor Securities (at, in the event such Sponsor Securities are shares of

Series A Preferred Stock, a price per share in excess of the Liquidation Value Per Share) which, together with all prior Transfers of Sponsor Securities (at, in the event such Sponsor Securities are shares of Series A Preferred Stock, a price per share in excess of the Liquidation Value Per Share) represents in the aggregate more than 10% of the outstanding shares of Class B Common Stock (determined on a fully-diluted basis).

Eligible Co-Sale Securities. Eligible Co-Sale Securities shall mean shares of Class B Common Stock (on a fully-diluted basis) which constitute Eligible Securities.

Eligible Securities. Eligible Securities shall mean, at any time, (a) with respect to any Management Securities, all such Securities which at such time are not specified as "Unvested Shares" under any Management Stock Purchase Agreements pursuant to which such Securities were issued, and (b) with respect to any Sponsor Securities, Mezzanine Securities and Other Securities, all such Securities.

Family Limited Liability Company. Family Limited Liability Company means, with respect to any individual, any limited liability company created for the benefit of such individual and/or one or more of such individual's Related Persons and controlled by such individual.

Family Limited Partnership. Family Limited Partnership means, with respect to any individual, any limited partnership created for the benefit of such individual and/or one or more of such individual's Related Persons and controlled by such individual.

Family Members. Family Members shall mean, with respect to any individual, any Related Person, Family Trust, Family Limited Liability Company or Family Limited Partnership of such individual.

Family Trust. Family Trust shall mean, with respect to any individual, any trust created for the benefit of such individual and/or one or more of such individual's Related Persons and controlled by such individual.

FFL. See preamble.

FFL-2. See preamble.

GMF. See preamble.

GMF-I. See preamble.

GMF-P. See preamble.

Instrument of Accession. See preamble.

Liquidation Value Per Share. Liquidation Value Per Share means, with respect to the Series A Preferred Stock, as of any date, the Series A Redemption Price (as defined in the Charter) as of such date.

Major Holder. Major Holder shall mean each of the Sponsor Investors and the Mezzanine Investors, and each other holder or holders (excluding the Company) that, together with their respective Family Members, at the relevant time of determination, hold at least one percent (1%) or more of the then outstanding shares of Class B Common Stock (determined on a fully-diluted basis).

Majority Rollover Holders. Majority Rollover Holders shall mean the holder or holders at the relevant time of determination of more than fifty percent (50%) of the number of then issued and outstanding shares of Class B Common Stock held by the Rollover Holders (determined on a fully-diluted basis).

Management Investors. See preamble.

Management Securities. Management Securities shall mean (a) the shares of Series A Preferred Stock, Class A Common Stock and Class B Common Stock issued to the Managers or their Family Members pursuant to the Contribution Agreement, (b) the shares of Class B Common Stock held by or issued to the Managers from time to time in accordance with the Management Stock Purchase Agreements and upon exercise of Stock Options issued to the Managers from time to time in compliance with the terms hereof, (c) all other shares of the Company's capital stock purchased by or issued from time to time to any of the Managers, (d) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (e) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. Management Securities will continue to be Management Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of Management Securities hereunder, provided that shares of Management Securities will cease to be Management Securities when transferred (i) to the Company, (ii) to a Sponsor Stockholder, (iii) to a Mezzanine Stockholder, (iv) to an Other Stockholder or (v) pursuant to a Public Sale.

Management Stockholders. Management Stockholders shall mean (a) each of the Managers, (b) each of the Family Members of the Managers who receive Management Securities pursuant to the Contribution Agreement, and (c) any other Person to whom Management Securities are transferred, in each case, for so long as such Person holds any Management Securities.

Management Stock Purchase Agreements. Management Stock Purchase Agreements shall mean any agreements entered into from time to time between the Company and any Management Stockholder entitling or requiring the Company to

repurchase any Securities from such Management Stockholder for any reason, each as amended and in effect from time to time.

Manager. See preamble.

Merger Agreement. Merger Agreement shall mean the Agreement and Plan of Merger dated as of October 4, 2002 among the Company, TWI Acquisition Corp., a Delaware corporation, TWI and certain stockholders of TWI.

Mezzanine Debt Documents. Mezzanine Debt Documents shall mean the Senior Subordinated Loan Agreement among the Company, certain of its Subsidiaries and the Mezzanine Investors, and all agreements, instruments and documents entered into in connection therewith, as the same may be amended, restated, modified or supplemented and in effect from time to time.

Mezzanine Investors. Mezzanine Investors shall mean, collectively, GMF-I, GMF-P, TA-I and TA-SDF.

Mezzanine Offer Notice. See Section 2.4.

Mezzanine Securities. Mezzanine Securities shall mean (a) the warrants to purchase shares of Class B Common Stock issued to the Mezzanine Investors pursuant to the Mezzanine Debt Documents, (b) all shares of Class B Common Stock issued or issuable upon exercise of such warrants, (c) the shares of Series A Preferred Stock issued to the Mezzanine Investors pursuant to the Contribution Agreement, (d) all other shares of the Company's capital stock purchased by or issued from time to time to any of the Mezzanine Investors, (e) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (f) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. Mezzanine Securities will continue to be Mezzanine Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of Mezzanine Securities hereunder, provided that shares of Mezzanine Securities will cease to be Mezzanine Securities when transferred (i) to the Company, (ii) to a Sponsor Stockholder, (iii) to a Manager, (iv) to an Other Stockholder or (v) pursuant to a Public Sale.

Mezzanine Stockholder. Mezzanine Stockholder shall mean any of the Mezzanine Investors for so long as such Person holds Mezzanine Securities and any other Person to whom Mezzanine Securities are transferred for so long as such Person holds any Mezzanine Securities.

Non-Transferring Stockholders. See Section 2.4.

Offer Notice. See Section 2.2.

Other Election Period. See Section 2.3.

Other Investors. See preamble.

Other Offer Notice. See Section 2.3.

Other Securities. Other Securities shall mean (a) the shares of Series A Preferred Stock and Class A Common Stock issued to any of the Other Investors pursuant to the Contribution Agreement, (b) all shares of Class B-1 Common Stock issued or issuable upon conversion of such shares of Class A Common Stock, (c) all other shares of the Company's capital stock purchased by or issued from time to time to any of the Other Investors or to any other Person who is not a Sponsor Stockholder, a Mezzanine Stockholder or a Manager and who becomes a Stockholder by executing an Instrument of Accession, (d) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (e) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. Other Securities will continue to be Other Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of Other Securities hereunder, provided that shares of Other Securities will cease to be Other Securities when transferred (i) to the Company, (ii) to a Sponsor Stockholder, (iii) to a Mezzanine Stockholder, (iv) to a Manager or (v) pursuant to a Public Sale.

Other Stockholder. Other Stockholder shall mean any of the Other Investors for so long as such Person holds Other Securities and any other Person to whom Other Securities are issued or transferred for so long as such Person holds any Other Securities.

Participating Series A Stockholders. See Section 2.2.

Participating Stockholders. See Section 2.2.

Person. Person shall mean an individual, partnership, limited liability company, corporation, association, trust, joint venture, unincorporated organization, or any government, governmental department or agency or political subdivision thereof.

Personal Representative. Personal Representative shall mean the successor or legal representative (including, without limitation, a guardian, executor, administrator or conservator) of a dead or incompetent Stockholder.

Preferred Stock. Preferred Stock shall mean the Company's Series A Preferred Stock, $.01 par value per share (the "Series A Preferred Stock"), and any other series of Preferred Stock of the Company issued from time to time.

Public Sale. Public Sale shall mean any sale of Class B Common Stock to the public pursuant to a public offering registered under the Securities Act or to the public through a broker or market-maker pursuant to the provisions of Rule 144 (or any successor rule) adopted under the Securities Act.

Qualified Public Offering. Qualified Public Offering shall mean the Company's underwritten public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale of shares of Class B Common Stock in which not less than $25,000,000 of gross proceeds from such public offering are received by the Company for the account of the Company.

Related Persons. Related Persons shall mean, with respect to any individual, such individual's parents, spouse, children and grandchildren.

Required Sponsor Holders. Required Sponsor Holders shall mean the holder or holders at the relevant time of determination of more than fifty percent (50%) of the number of then issued and outstanding shares of Class B Common Stock included in the Sponsor Securities (determined on a fully-diluted basis).

Rollover Holders. Rollover Holders shall mean the TWI Shareholders (as such term is defined in the Contribution Agreement).

Securities. Securities shall mean the Sponsor Securities, the Mezzanine Securities, the Management Securities and the Other Securities.

Securities Act. Securities Act shall mean the Securities Act of 1933, as amended.

Series A Co-Sale Transfer. Series A Co-Sale Transfer shall mean any Transfer of outstanding shares of Series A Preferred Stock constituting Sponsor Securities at a price per share equal to or less than the Liquidation Value Per Share which, together with all prior Transfers of Series A Preferred Stock constituting Sponsor Securities at a price per share equal to or less than the Liquidation Value Per Share, represents in the aggregate more than 10% of the outstanding shares of Class B Common Stock (determined on a fully-diluted basis).

Series A Offer Notice. See Section 2.2.

Series A Preferred Stock. See definition of Preferred Stock.

Sponsor Investors. Sponsor Investors shall mean, collectively, FFL, FFL-2, TA IX, TA/AP IV, TA-ADV, TA-A and TA-B.

Sponsor Securities. Sponsor Securities shall mean (a) the shares of Series A Preferred Stock issued to any of the Sponsor Investors pursuant to the Contribution Agreement, (b) all shares of Class B-1 Common Stock issued or issuable upon

conversion of such shares of Series A Preferred Stock, (c) all other shares of the Company's capital stock purchased by or issued from time to time to any of the Sponsor Investors, (d) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (e) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. Sponsor Securities will continue to be Sponsor Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of Sponsor Securities hereunder, provided that shares of Sponsor Securities will cease to be Sponsor Securities when transferred (i) to the Company, (ii) to a Manager, (iii) to a Mezzanine Stockholder, (iv) to an Other Stockholder or (v) pursuant to a Public Sale.

Sponsor Stockholder. Sponsor Stockholder shall mean any of the Sponsor Investors for so long as such Person holds Sponsor Securities and any other Person to whom Sponsor Securities are transferred for so long as such Person holds any Sponsor Securities.

Sponsor Stockholder Restriction Period. Sponsor Stockholder Restriction Period shall mean the period beginning on the Closing Date (as defined in the Merger Agreement) and ending on the earlier to occur of (a) in the event of a final determination, pursuant to Section 3.06 of the Merger Agreement, that no Additional Payments (as defined in the Merger Agreement) are payable by the Company, the date on which such final determination is made, and (b) in the event of a final determination, pursuant to Section 3.06 of the Merger Agreement, that Additional Payments are payable by the Company, the date on which such Additional Payments shall have been paid in full in cash.

Stockholder Election Period. See Section 2.4.

Stockholders. Stockholders shall mean, collectively, the Sponsor Stockholders, the Mezzanine Stockholders, the Management Stockholders and the Other Stockholders.

Stock Options. Stock Options shall mean any stock option agreements between the Company and certain of the Managers entered into from time to time in compliance with the terms hereof, in each case as amended and in effect from time to time.

Subsidiary. Subsidiary shall mean any corporation, association, trust, or other business entity, of which the designated parent shall at any time own or control directly or indirectly through a Subsidiary or Subsidiaries at least a majority (by number of votes) of the outstanding shares of capital stock (or other shares of beneficial interest) which are (a) entitled ordinarily, in the absence of contingencies, to vote for the election of a majority of such business entity's directors (or Persons exercising similar functions), even though the right so to vote has been suspended by

the happening of such a contingency, or (b) entitled at the time to vote for the election of a majority of such business entity's directors (or Persons exercising similar functions), whether or not the right so to vote exists by reason of the happening of a contingency.

TA-A. See preamble.

TA/AP-IV. See preamble.

TA-ADV. See preamble.

TA-B. See preamble.

TA-I. See preamble.

TA-IX. See preamble.

TA-SDF. See preamble.

Transfer. See Section 2.1.

Transferring Mezzanine Stockholder. See Section 2.4.

Transferring Other Stockholder. See Section 2.3.

Transferring Series A Stockholder. See Section 2.2.

Transferring Stockholder. See Section 2.2.

TWI. TWI shall mean Tempur World, Inc., a Delaware corporation.

Voting Securities. Voting Securities shall mean the shares of Class A Common Stock, Class B-1 Common Stock, Series A Preferred Stock and any other class or series of capital stock of the Company entitled to vote generally upon all matters presented for a vote of stockholders of the Company.

Warrant Securities. Warrant Securities shall mean (a) any warrants to purchase shares of Class B Common Stock, (b) any shares of Class B Common Stock originally issued upon exercise of any such warrants, (c) all shares of the Company's capital stock issued or issuable with respect to such shares upon conversion of such shares and (d) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock.

Section 2. RESTRICTIONS ON TRANSFER OF SECURITIES.

2.1. Transfer. No Stockholder may sell, assign, pledge or otherwise transfer (a "Transfer") any interest in any Securities, either voluntarily or involuntarily, by operation of law or otherwise, except:

(a) in the case of any Management Stockholder, (i) to such Management Stockholder's Family Members, provided that such transferee agrees to be bound by repurchase rights in favor of the Company identical to those contained in any applicable Management Stock Purchase Agreement, (ii) to such Management Stockholder's Personal Representative, (iii) pursuant to the terms of any Management Stock Purchase Agreement to which such Management Stockholder is a party, (iv) to any other Management Stockholder, provided that the total amount of Securities transferred pursuant to this clause (iv) shall not exceed 33-1/3% of the number of shares of Class B Common Stock (determined on a fully-diluted basis) constituting Eligible Securities held by the transferring Management Stockholder on the date hereof without the prior written approval of the Board of Directors of the Company, and (v) to any other Person pursuant to such Management Stockholder's co-sale rights under Section 2.2; or

(b) in the case of any Other Stockholder, (i) to such Other Stockholder's Family Members, (ii) to such Other Stockholder's Personal Representative, (iii) to any other Person pursuant to such Other Stockholder's co-sale rights under Section 2.2 or (iv) to any Management Stockholder or to any Other Stockholder, so long as such transferring Other Stockholder has complied with the provisions of Section 2.3; or

(c) subject to the provisions of the final sentence of this Section 2.1, in the case of any Sponsor Stockholder (i) to its Affiliates, (ii) as a distribution to its members or partners, in case of a Sponsor Stockholder organized as a limited liability company, limited partnership or general partnership, (iii) to any other Person pursuant to such Sponsor Stockholder's co-sale rights under Section 2.2 or (iv) with respect to any Co-Sale Transfer or Series A Co-Sale Transfer, to any other Person so long as such Sponsor Stockholder has complied with the provisions of Section 2.2; or

(d) in the case of any Mezzanine Stockholder (i) to its Affiliates, (ii) as a distribution to its members or partners, in case of any Mezzanine Stockholder organized as a limited liability company, limited partnership or general partnership (iii) to any successor purchasing substantially all of its assets, (iv) with respect to any Transfer of Warrant Securities, subject to obtaining any consent required under the Senior Subordinated Loan Agreement included in the Mezzanine Debt Documents, to any purchaser of notes issued under the Senior Subordinated Loan Agreement included in the Mezzanine Debt Documents, (v) to any other Person pursuant to such Mezzanine Stockholder's co-sale rights under Section 2.2, or (vi) with respect to any Transfer of Warrant Securities, to any other Person so long as (A) such Person is not engaged, directly or indirectly, in the manufacturing, marketing or sale of any products which are competitive with any products manufactured, marketing or sold by the Company, and is not an Affiliate of any Person directly or indirectly engaged in any such

activities, and (B) such Mezzanine Stockholder has complied with the provisions of Section 2.4;

(e) pursuant to a pledge of Securities to any third party to secure obligations of the Stockholder to such third party; or

(f) pursuant to a Public Sale or an Approved Sale or to the Company to the extent a Stockholder is required to Transfer Securities to the Company pursuant to the Charter or any Management Stock Purchase Agreement;

provided that (x) the restrictions contained in this Section 2 will continue to be applicable to the Securities after any Transfer pursuant to clauses (a), (b), (c), (d) or (e) above, and (y) the transferee of such Securities in any Transfer pursuant to clauses (a), (b), (c), (d) or (e) above shall either be a party hereto or shall have executed and delivered to the Company an Instrument of Accession.

Notwithstanding the foregoing provisions of this Section 2.1, during the Sponsor Stockholder Restriction Period, no Sponsor Stockholder may Transfer any interest in any Securities, either voluntarily or involuntarily, by operation of law or otherwise, except to the extent that such Transfer is permitted under the foregoing terms of this Section 2.1 and either (A) such Securities are being transferred pursuant to the foregoing clauses (c)(i) or (c)(ii), (B) such Securities are being transferred to another Sponsor Stockholder or an Affiliate of another Sponsor Stockholder, or (C) such Securities are being transferred in connection with a pledge thereof to any lender extending financing to the Company or any of its Subsidiaries as security for such financing or in connection with a bankruptcy reorganization of the Company.

2.2. Participation Rights. No Sponsor Stockholder may make any Co-Sale Transfer or Series A Co-Sale Transfer of Securities pursuant to subclause (c)(iv) of Section 2.1 unless such Sponsor Shareholder complies with the provisions of this Section 2.2. At least 30 days prior to any such Co-Sale Transfer, the transferring Stockholder (the "Transferring Stockholder") will deliver a written notice (the "Offer Notice") to the Company and to each of the other Stockholders. The Offer Notice will disclose in reasonable detail the proposed number of Securities to be transferred, the class or classes of such Securities, the proposed price (including the Class B Price Per Share), terms and conditions of the Transfer and the identity of the transferee. Each of the other Stockholders may elect to participate in the contemplated sale by delivering written notice to the Transferring Stockholder within 30 days after delivery of the Offer Notice. If any of such other Stockholders elects to participate in such sale (the "Participating Stockholders"), each of the Transferring Stockholder and the Participating Stockholders will be entitled to sell in the contemplated sale, at the Class B Price Per Share, a number of Eligible Securities that constitute, or are convertible into, the number of shares of Class B Common Stock equal to the product of (i) the fraction, the numerator of which is the sum of the number of Eligible Co-Sale Securities (on a fully-diluted basis) held by such Person, and the denominator of which

is the aggregate number of Eligible Co-Sale Securities (on a fully-diluted basis) owned by the Transferring Stockholder and the Participating Stockholders, multiplied by (ii) the number of Eligible Co-Sale Securities (on a fully-diluted basis) to be sold in the contemplated sale.

> For example, if the notice from the Transferring Stockholder contemplated a sale of 100 shares of Series A Preferred Stock by the Transferring Stockholder, the Transferring Stockholder at such time owns 300 shares of Series A Preferred Stock and each share of Series A Preferred Stock at such time is convertible into one share of Class B-1 Common Stock, and if one Participating Stockholder elects to participate in such sale and such Participating Stockholder owns 100 shares of Class A Common Stock which constitute Eligible Securities and each share of Class A Common Stock at such time is convertible into one share of Class B-1 Common Stock, such Transferring Stockholder would be entitled to sell 75 shares of Series A Preferred Stock (convertible into 75 shares of Class B-1 Common Stock) (300/400 x 100 shares) and such Participating Stockholder would be entitled to sell 25 shares of Class A Common Stock (convertible into 25 shares of Class B-1 Common Stock) (100/400 x 100 shares).

The Transferring Stockholder will use its best efforts to obtain the agreement of the prospective transferee(s) to the participation of the Participating Stockholders in any contemplated sale and will not transfer any of its Eligible Securities to the prospective transferee(s) if the prospective transferee(s) declines to allow the participation of the Participating Stockholders on the terms specified herein.

In addition, at least 30 days prior to any such Series A Co-Sale Transfer, the transferring Stockholder (the "Transferring Series A Stockholder") will deliver a written notice (the "Series A Offer Notice") to the Company and to each of the other holders of Series A Preferred Stock. The Series A Offer Notice will disclose in reasonable detail the proposed number of shares of Series A Preferred Stock to be transferred, the proposed price, terms and conditions of the Transfer and the identity of the transferee. Each of the other holders of Series A Preferred Stock may elect to participate in the contemplated sale by delivering written notice to the Transferring Series A Stockholder within 30 days after delivery of the Series A Offer Notice. If any of such other holders of Series A Preferred Stock elects to participate in such sale (the "Participating Series A Stockholders"), each of the Transferring Series A Stockholder and the Participating Series A Stockholders will be entitled to sell in the contemplated sale a number of shares of Series A Preferred Stock equal to the product of (i) the fraction, the numerator of which is the sum of the number of shares of Series A Preferred Stock held by such Person, and the denominator of which is the aggregate number of shares of Series A Preferred Stock owned by the Transferring Series A Stockholder and the Participating Series A Stockholders, multiplied by (ii) the number of shares of Series A Preferred Stock to be sold in the contemplated sale.

The Transferring Series A Stockholder will use its best efforts to obtain the agreement of the prospective transferee(s) to the participation of the Participating Series A Stockholders in any contemplated sale and will not transfer any of its shares of Series A Preferred Stock to the prospective transferee(s) if the prospective transferee(s) declines to allow the participation of the Participating Series A Stockholders on the terms specified herein.

2.3. First Right of Purchase (Other Securities). No Other Stockholder may make any Transfer of Other Securities to any Management Stockholder or Other Stockholder pursuant to clause (b)(iv) of Section 2.1 unless such Other Stockholder complies with the provisions of this Section 2.3. At least 30 days prior to any such Transfer, the transferring Other Stockholder (the "Transferring Other Stockholder") will deliver a written notice (the "Other Offer Notice") to the Company. The Other Offer Notice will disclose in reasonable detail the proposed number of Other Securities to be transferred, the proposed price, terms and conditions of the Transfer and the identity of the transferee. The Company may elect to purchase all (but not less than all) of the Other Securities specified in the Other Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Other Stockholder within 30 days after the delivery of the Other Offer Notice (the "Other Election Period"). If the Company elects to purchase all of the Other Securities being offered, the Transfer of such Other Securities will be consummated within 30 days after the expiration of the Other Election Period. If the Company does not elect to purchase all of the Other Securities being offered, the Transferring Other Stockholder may, within 90 days after the expiration of the Other Election Period, complete the Transfer of such Other Securities to one or more Management Stockholders or Other Stockholders at a price and on terms no more favorable to the transferees than the price and terms offered to the Company in the Other Offer Notice, provided, that no such Transfer may be completed unless each of such transferees shall have executed and delivered to the Company an Instrument of Accession (unless such transferee is already a party to this Agreement). If the Transferring Other Stockholder fails to consummate such Transfer within the 90 day period after the expiration of the Other Election Period, any subsequent proposed transfer of such Other Securities shall be once again subject to the provisions of this Section 2.3.

2.4. First Right of Purchase (Warrant Securities). No Mezzanine Stockholder may make any Transfer of Warrant Securities pursuant to clause (d)(vi) of Section 2.1 unless such Mezzanine Stockholder complies with the provisions of this Section 2.4. At least 30 days prior to any such Transfer, the transferring Mezzanine Stockholder (the "Transferring Mezzanine Stockholder") will deliver a written notice (the "Mezzanine Offer Notice") to the Company (which will within five (5) business days thereafter deliver the same to each of the Sponsor Stockholders holding shares of Class B Common Stock or Securities convertible into or exercisable for Class B Common Stock (the "Non-Transferring Stockholders")). The Mezzanine Offer Notice will disclose in reasonable detail the proposed number of Warrant Securities to be transferred, the proposed price, terms and conditions of the Transfer and the identity of

the transferee. The Company may elect to purchase all (but not less than all) of the Warrant Securities specified in the Mezzanine Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Mezzanine Stockholder within 15 days after the delivery of the Mezzanine Offer Notice (the "Company Election Period"). If the Company does not elect to purchase such Warrant Securities prior to the expiration of the Company Election Period, the Non-Transferring Stockholders may elect to purchase all (but not less than all) of the Warrant Securities specified in the Mezzanine Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Mezzanine Stockholder and the Non-Transferring Stockholders within 15 days after the expiration of the Company Election Period (the "Stockholder Election Period"). If the Company or any Non-Transferring Stockholders elect to purchase all of the Warrant Securities being offered, the Transfer of such Warrant Securities will be consummated within 30 days after the expiration of the Company Election Period. If more than one Non-Transferring Stockholder elects to purchase all of the Warrant Securities being offered, each Non-Transferring Stockholder electing to purchase such Warrant Securities will be entitled to purchase from the Transferring Mezzanine Stockholder a pro rata portion of such Warrant Securities (based upon the respective number of shares of Class B Common Stock then held by such Non-Transferring Stockholder (determined on a fully-diluted basis)). If neither the Company nor any of the Non-Transferring Stockholders elects to purchase all of the Warrant Securities being offered, the Transferring Mezzanine Stockholder may, within 90 days after the expiration of the Stockholder Election Period, complete the Transfer of such Warrant Securities at a price and on terms no more favorable to the transferees than the price and terms offered to the Company and the Non-Transferring Stockholders in the Mezzanine Offer Notice, provided, that no such Transfer may be completed unless each of such transferees shall have executed and delivered to the Company an Instrument of Accession. If the Transferring Mezzanine Stockholder fails to consummate such Transfer within the 90 day period after the expiration of the Stockholder Election Period, any subsequent proposed transfer of such Warrant Securities shall be once again subject to the provisions of this Section 2.4.

2.5. Transfers of Securities in Breach of this Agreement. In the event of any Transfer of Securities in breach of this Agreement, commencing immediately upon the date of such attempted Transfer (a) such Transfer shall be void and of no effect, (b) no dividend of any kind or any distribution pursuant to any liquidation, redemption or otherwise shall be paid by the Company to the transferring Stockholder or the purported transferee in respect of such Securities (all such rights to payment by the transferring Stockholder and/or the purported transferee being deemed waived), (c) the voting rights of such Securities, if any, shall terminate, and (d) neither the transferring Stockholder nor the purported transferee shall be entitled to exercise any rights with respect to such Securities until such Transfer in breach of this Agreement has been rescinded.

Section 3. SALE OF THE COMPANY.

3.1. Approved Sale. In the event the sale of the Company (whether by merger, consolidation, sale of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole or sale of Securities constituting all or a majority of the outstanding shares of Class B Common Stock (determined on a fully-diluted basis)) is approved by the Company's Board of Directors and consented to by the Required Sponsor Holders (an "Approved Sale"), each Stockholder hereby waives, subject to Section 3.3 and to the extent permitted by applicable law, all rights to object to or dissent from such Approved Sale and hereby agrees to consent to and raise no objection against such Approved Sale.

3.2. Obligations of Stockholders. The Company and the Stockholders hereby agree to cooperate fully in any Approved Sale and not to take any action prejudicial to or inconsistent with such Approved Sale. Without limiting the generality of the foregoing, each Stockholder hereby agrees to (i) vote such Stockholder's Securities to approve the terms of any such Approved Sale and such matters ancillary thereto as may be necessary in the judgment of the Board of Directors of the Company to effect such Approved Sale, (ii) waive any appraisal rights that such Stockholder would have with respect to such Approved Sale, (iii) in an Approved Sale structured as a sale of stock, sell all of such Stockholder's Securities on the terms and conditions approved by the Board of Directors of the Company and (iv) upon request, deliver such Stockholder's Securities (together with executed instruments of transfer) in escrow (pending receipt of the purchase price therefor) to counsel for the Company in such sale.

3.3. Received Consideration. The obligations of the Stockholders with respect to any Approved Sale are subject to the satisfaction of the conditions that (i) upon the consummation of such sale, all of the Stockholders will receive the same form and amount of consideration per share of Class B Common Stock (determined on a fully-diluted basis), or if any such Stockholders are given an option as to the form and amount of consideration to be received per share of Class B Common Stock (determined on a fully-diluted basis), all Stockholders will be given the same option, (ii) at least 80% of the consideration per share of Class B Common Stock (determined on a fully-diluted basis) shall be paid in cash or marketable securities, (iii) the representations and warranties to be made by any Mezzanine Stockholder shall be limited to authority to sell the Mezzanine Securities and title to the Mezzanine Securities and (iv) the aggregate liability of each such Stockholder with respect to any indemnification obligations in connection with such Approved Sale shall be limited to the proceeds received by such Stockholder in connection with such Approved Sale.

3.4. Proxy. Each Stockholder hereby appoints Required Sponsor Holders as such Stockholder's true and lawful proxy and attorney in connection with any Approved Sale, with full power of substitution, to vote all Voting Securities owned by such Stockholder or over which such Stockholder has voting control to effectuate the agreements set forth in this Section 3 in the event of any breach by such Stockholder of its obligations under this Section 3. The proxies and powers granted by each Stockholder pursuant to this Section 3.4 are coupled with an interest and are given to

secure the performance of such Stockholder's duties under this Section 3. Such proxies are irrevocable for so long as this Section 3 remains in effect and will survive the death, incompetence or disability of any Stockholder who is an individual and the merger, liquidation or dissolution of any Stockholder that is a corporation, partnership or other entity.

Section 4. BOARD OF DIRECTORS; INFORMATION RIGHTS; AFFILIATE TRANSACTIONS.

4.1. Board of Directors; Voting Agreements. (a) Subject to paragraphs (b) and (c) below, in any and all elections of directors of the Company (whether at a meeting or by written consent in lieu of a meeting), each Stockholder shall vote, or cause to be voted, or cause such Stockholder's designees as directors to vote, all Voting Securities owned by such Stockholder or over which such Stockholder has voting control so as to fix the number of directors of the Company at five, and to nominate and elect such five directors of the Company as follows:

(i) Four individuals designated by the Required Sponsor Holders, one of whom will serve as the Chairman of the Board of Directors of the Company; and

(ii) One individual (who shall be Robert B. Trussell, Jr. as long as he is an employee of the Company or one of its Subsidiaries, and thereafter another management employee of the Company or one of its Subsidiaries) designated by the Majority Rollover Holders; provided, that in the event that the Rollover Holders and their Family Members at any time after the end of the Sponsor Stockholder Restriction Period cease to collectively own outstanding shares of Class B Common Stock (determined on a fully-diluted basis) equal to at least five percent (5%) of the outstanding shares of Class B Common Stock (determined on a fully-diluted basis), then such individual shall thereafter be the Chief Executive Officer of the Company.

(b) If any vacancy shall occur in the Board of Directors of the Company as a result of death, disability, resignation or any other termination of a director, the replacement for such vacating director shall be designated by the Person or Persons who originally designated such vacating director. The Person or Persons entitled to designate a director or a replacement for a director pursuant to this Section 4.1 shall be the only Person or Persons entitled to cause the removal of such director, with or without cause. Each Stockholder hereby agrees to vote or cause to be voted or cause such Stockholder's designees as directors to vote all Voting Securities owned by such Stockholder or over which such Stockholder has voting control so as to comply with this Section 4.1(b).

(c) The Board of Directors of the Company may at any time increase the number of directors of the Company to a number greater than five, and any vacancies

thereby created shall be filled by one or more individuals designated by the Required Sponsor Holders pursuant to this Section 4.1.

4.2. PROXY. EACH STOCKHOLDER HEREBY GRANTS TO THE BOARD OF DIRECTORS OF THE COMPANY AN IRREVOCABLE PROXY, COUPLED WITH AN INTEREST, TO VOTE ALL OF THE VOTING SECURITIES OWNED BY SUCH STOCKHOLDER OR OVER WHICH SUCH STOCKHOLDER HAS VOTING CONTROL TO THE EXTENT NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SECTION 4 IN THE EVENT OF ANY BREACH BY SUCH STOCKHOLDER OF HIS, HER OR ITS OBLIGATIONS UNDER THE VOTING AGREEMENT CONTAINED HEREIN.

4.3. Action by Stockholders. Each Stockholder further agrees that such Stockholder will not vote any Voting Securities owned by such Stockholder or over which such Stockholder has voting control, or take any action by written consent, or take any other action as a stockholder of the Company, to circumvent the voting arrangements required by this Section 4. Without limiting the generality of the foregoing, each Stockholder agrees not to (a) vote any Voting Securities owned by such Stockholder or over which such Stockholder has voting control, or take any other action as a stockholder of the Company, to approve any sale of the Company which is not an Approved Sale or (b) commence or maintain any shareholder's derivative suit challenging any Approved Sale. In addition, during the Sponsor Stockholder Restriction Period, each Sponsor Stockholder agrees not to take any actions which would violate the terms of the third sentence of Section 3.06(d) of the Merger Agreement.

4.4. Expense Reimbursement. The Company hereby agrees to pay all reasonable expenses incurred by the directors designated pursuant to this Section 4 in connection with their attendance at meetings of the Company's Board of Directors (including all reasonable travel and lodging expenses related thereto).

4.5. Information Rights. So long as the Majority Rollover Holders have the right to designate a director pursuant to Section 4.1(a)(ii) above, the Company agrees to (a) deliver to such director a copy of the Company's audited annual financial statements, unaudited quarterly financial statements and unaudited monthly operating reports in substantially the form currently prepared, and an annual budget and business plan, such items to be delivered at such times as they are delivered to other members of the Company's Board of Directors (or if such items are not delivered to the Company's Board of Directors, promptly after such items are available) and (b) provide such director reasonable access to the books, records, properties and officers of the Company as long as such access does not violate any federal or applicable state law. In the event that the Majority Rollover Holders no longer have the right to designate a director pursuant to Section 4(a)(ii) above, the Company agrees to deliver to one representative designated by the Majority Rollover Holders a copy of the Company's audited annual financial statements and unaudited quarterly financial

statements, and an annual budget and business plan, such items to be delivered at such times as they are delivered to the members of the Company's Board of Directors (or if such items are not delivered to the Board of Directors, promptly after such items are available). The Company's obligation to provide such information and access is subject to receipt by the Company of a confidentiality agreement, in substantially the form of Annex 3.06(d) to the Merger Agreement, executed by such director or representative pursuant to which such director or representative agrees to maintain the confidentiality of all non-public information received from the Company; provided, that such director or representative shall be permitted to release copies of the annual and quarterly financial statements of the Company to any Rollover Holder who requests a copy, provided that such Rollover Holder has previously executed a confidentiality agreement in substantially the form of Annex 3.06(d) to the Merger Agreement and a copy of such executed confidentiality agreement has been delivered to the Company.

4.6. Transactions with Affiliates. In addition to the limitations set forth in the Merger Agreement relating to transactions with Affiliates, the Company shall not enter into any agreement or transaction (other than Permitted Transactions (as defined below)) with any Affiliate (an "Affiliate Transaction"), unless the terms of such Affiliate Transaction are not less favorable to the Company than those that would be obtained in an arm's-length transaction if such transaction were with a Person who is not an Affiliate. In addition to the above requirements, in the event that the Affiliate Transaction provides for consideration having a value in excess of $2,000,000, the Company shall also obtain the consent of a majority of the disinterested members of the Company's Board of Directors prior to entering into such Affiliate Transaction. In addition to the above requirements, in the event that the Affiliate Transaction provides for consideration having a value in excess of $5,000,000, the Company shall also obtain a fairness opinion from an investment banking firm of national standing. As used herein, "Permitted Transactions" shall mean (i) any transaction fees or expenses or similar payments to any of the Sponsor Investors or any of their Affiliates made in connection with the closing of the transactions contemplated by the Contribution Agreement or the Merger Agreement, (ii) any dividends or distributions made on any securities of the Company in accordance with the terms of the Charter, (iii) the issuance of any securities of the Company made in compliance with the terms of Section 5 hereof or (iv) any payments made to the holders of securities of the Company in connection with any Approved Sale made in accordance with the terms of Section 3 hereof.

Section 5. LIMITED FIRST REFUSAL RIGHTS.

5.1. Pre-Emptive Rights. Except for the issuance of shares of Class B Common Stock (or securities convertible into or containing options or rights to acquire shares of Class B Common Stock) (a) pursuant to a Public Sale, (b) as consideration for the acquisition of all or any substantial portion of the assets or all or any portion of the capital stock of any Person or to any lender in connection with any financing

extended to the Company or any of its Subsidiaries, (c) upon conversion of shares of Series A Preferred Stock or Class A Common Stock, (d) pursuant to any Stock Option or any other management stock option plan or any other issuance of shares of Class B Common Stock to any employee of the Company, or (e) with respect to which the Required Sponsor Holders have waived their rights to purchase any securities pursuant to this Section 5.1 (and do not participate in such purchase), if the Company authorizes the issuance and sale of any shares of any class of capital stock or any securities convertible into or containing options or rights to acquire any shares of any class of capital stock (other than as a dividend on the outstanding Class A Common Stock, Class B Common Stock or Series A Preferred Stock), the Company will first offer to sell to each Major Holder a pro rata portion of such securities equal to the percentage determined by dividing (y) the number of shares of Class B Common Stock held by such Major Holder and his or her Family Members (determined on a fully-diluted basis) by (z) the number of shares of Class B Common Stock then outstanding (determined on a fully-diluted basis). Each Major Holder will be entitled to purchase all or part of such stock or securities at the same price and on the same terms as such stock or securities are to be offered to any other Persons. In the event of a sale of capital stock of the Company in units consisting of shares of Common Stock and shares of Preferred Stock, each Stockholder exercising any rights under this Section 5.1 shall be required to purchase units of shares of Preferred Stock and Common Stock in the same ratio as is proposed to be sold in such offering. In the event that any portion of the shares of capital stock of the Company held by any Management Stockholders are subject to repurchase rights in favor of the Company, the Company may require that similar repurchase rights in favor of the Company shall apply with respect to the same portion of shares of capital stock of the Company purchased by such Management Stockholders pursuant to this Section 5.1.

5.2. Major Holders' Exercise of Right. Each Major Holder entitled to purchase securities under this Section 5 must exercise such Major Holder's purchase rights hereunder within 30 days after receipt of written notice from the Company describing in reasonable detail the stock or securities being offered, the purchase price thereof, the payment terms and such Major Holder's percentage allotment.

5.3. Company's Exercise of Right. Upon the expiration of the offering period described above, the Company will be free to sell such stock or securities which the Major Holders entitled to purchase such stock or securities have not elected to purchase during the 90 days following such expiration on terms and conditions no more favorable to the purchasers thereof, in the aggregate, than those offered to such Major Holders. Any stock or securities offered or sold by the Company after such 90-day period must be reoffered to the Major Holders entitled to purchase such stock or securities pursuant to the terms of this Section 5.

Section 6. ADDITIONAL LEGEND. So long as any Securities are subject to the provisions hereof, all certificates or instruments representing Securities will have imprinted on them the following legend:

The shares represented by this certificate are subject to the terms of a certain Stockholder Agreement, dated as of November 1, 2002, among the issuer of this certificate and certain stockholders. The Stockholder Agreement contains certain restrictive provisions relating to the voting and transfer of shares of the stock represented hereby. A copy of the Stockholder Agreement is on file at the Company's principal offices. Upon written request to the Company's Secretary, a copy of the Stockholder Agreement will be provided without charge to appropriately interested persons.

Section 7. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 8. ENTIRE AGREEMENT. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

Section 9. SUCCESSORS AND ASSIGNS. This Agreement will bind and inure to the benefit of and be enforceable by the Company and the Stockholders and their respective successors and assigns.

Section 10. COUNTERPARTS. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together will constitute one and the same agreement.

Section 11. REMEDIES. The Stockholders will be entitled to enforce their rights under this Agreement specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages are not an adequate remedy for any breach of the provisions of this Agreement and that any Stockholder shall have the remedy of specific performance and/or injunctive relief in order to enforce or prevent any violation of the provisions of this Agreement. In the event of any dispute involving the terms of this Agreement, the prevailing party shall be entitled to collect reasonable fees and expenses incurred by the prevailing party in connection with such dispute from the other parties to such dispute.

Section 12. NOTICES. Any notice provided for in this Agreement will be in writing and will be deemed properly delivered if either personally delivered or sent by telecopier, overnight courier or mailed certified or registered mail, return receipt requested, postage prepaid to the recipient (a) if to any Stockholder, at the address listed for such Stockholder in the stock records of the Company and (b) if to the Company, at 1713 Jaggie Fox Way, Lexington, Kentucky 40511, telecopier number (859) 514-4422, Attention: President, with copies to TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, Massachusetts 02110, telecopier number (617) 574-6728, Attention: P. Andrews McLane, and to Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10/th/ Floor, San Francisco, California 94111, telecopier number (415) 402-2111, Attention: Christopher A. Masto, and to Robert M. Wolf, Esq., Bingham McCutchen LLP, 150 Federal Street, Boston, Massachusetts 02110, telecopier number (617) 951-8736. Any such notice shall be effective (i) if delivered personally or by telecopier, when received, (ii) if sent by overnight courier, when receipted for, and (iii) if mailed, 3 days after being mailed as described above. The Company agrees to make available to each Stockholder upon request an address list of all Stockholders to ensure correct delivery of all notices hereunder.

Section 13. AMENDMENT AND WAIVER. No modification, amendment or waiver of any provision of this Agreement will be effective against the Company or the Stockholders unless such modification, amendment or waiver is approved in writing by the Required Sponsor Holders and the holders of at least a majority of the outstanding shares of Class B Common Stock constituting Securities (determined on a fully-diluted basis) then held by all Stockholders; provided, that no amendment, modification or waiver of any provision of this Agreement that adversely affects the rights of any Party (as hereinafter defined) to this Agreement shall be effective against such adversely affected Party unless approved in writing by the holders of at least a majority of the outstanding shares of Class B Common Stock constituting Securities (determined on a fully-diluted basis) then held by all members of such Party; provided that if such Party consists of the Mezzanine Stockholders, and GMF holds at least 20% of the outstanding shares of Class B Common Stock (on a fully-diluted basis) included in the Warrant Securities, the approval of GMF shall also be required. As used in this Section 13, the term "Party" means each of the following entities or groups: (a) the Sponsor Stockholders, (b) the Mezzanine Stockholders, (c) the Management Stockholders, and (d) the Other Stockholders. The failure of any party hereto to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

Section 14. EMPLOYMENT. Nothing contained in this Agreement is intended to create for any Stockholder who is an officer, employee or director of the Company or any of its Subsidiaries a right to continued employment with the Company or any of its Subsidiaries or employment in the same position or on the same terms as those currently in effect.

Section 15. TERMINATION. This Agreement will terminate upon the earliest to occur of (a) the completion of any voluntary or involuntary liquidation or dissolution of the Company and (b) the completion of a Disposition Event (as defined in the Charter) in accordance with the terms hereof.

Section 16. GOVERNING LAW. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Section 17. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 18. CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

Section 19. CALCULATION OF FULLY-DILUTED EQUITY. All references herein to calculations of the Company's equity or any type or class thereof as then outstanding "on a fully diluted basis" or as "fully diluted" or similar terms shall mean such equity or type or class thereof at any date as diluted by the issuance of all shares of such equity or type or class thereof then issuable upon the exercise or conversion of all then outstanding and exercisable warrants, options or convertible securities pursuant to which the Company is then obligated to issue such equity or type or class thereof (and if such exercise or conversion results in the issuance of convertible securities, as further diluted by the conversion of such convertible securities), but specifically excluding all shares issuable under Stock Options which are not then exercisable. For purposes of determining the number of outstanding shares of Class B Common Stock held by any Stockholder on a fully-diluted basis hereunder at any time, such Stockholder shall be deemed to hold that number of shares of Class B Common Stock as is equal to (i) the number of outstanding shares of Class B Common Stock then held by such Stockholder plus (ii) the number of shares of Class B Common Stock ultimately issuable upon conversion or exercise of any other outstanding Securities then held by such Stockholder. Calculation of the number of outstanding shares of Class B Common Stock held by any Stockholder on a fully-diluted basis hereunder in connection with any Approved Sale shall be made after giving effect to any redemption of shares of capital stock required by the Charter and shall therefore exclude any shares of Class B Common Stock that would be issuable upon conversion of any shares of capital stock so redeemed.

Section 20. RIGHTS OF CERTAIN LENDERS. The respective obligations of the Mezzanine Investors under this Agreement shall apply only in their respective

capacities as stockholders of the Company and shall not limit or impair any of their respective rights or remedies under any of the Mezzanine Debt Documents.

IN WITNESS WHEREOF, the parties hereto have executed this Stockholder Agreement on the day and year first above written.

TWI HOLDINGS, INC.

By: /s/ Caleb S. Everett

Title: Vice President

FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

FFL EXECUTIVE PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

TA IX, L.P.
By: TA Associates IX, LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA/ATLANTIC AND PACIFIC IV L.P.
By: TA Associates AP IV, L.P., its
General Partner
By: TA Associates, Inc., its General
Partner

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA/ADVENT VIII L.P.
By: TA Associates VIII LLC, its General
Partner
By: TA Associates, Inc., its Manager

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND A L.P.
By: TA Associates SPF L.P., its General
Partner
By: TA Associates, Inc., its General
Partner

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND B L.P.
By: TA Associates SPF L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA INVESTORS LLC
By: TA Associates, Inc., its Manager

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA SUBORDINATED DEBT FUND, L.P.
By: TA Associates SDF LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

GLEACHER MEZZANINE FUND I, L.P.
By: Gleacher Mezzanine LLC, its General Partner

By: /s/ Elliott Jones

Name: Elliott Jones
Title: Managing Partner

GLEACHER MEZZANINE FUND P, L.P.
By: Gleacher Mezzanine LLC., its General Partner

By: /s/ Elliott Jones

Name: Elliott Jones
Title: Managing Partner

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.

/s/ Mrs. R. B. Trussell, Jr.

Mrs. R. B. Trussell, Jr.

/s/ David C. Fogg

David C. Fogg

/s/ H. Thomas Bryant

H. Thomas Bryant

/s/ Jeffrey P. Heath

Jeffrey P. Heath

SCHEDULE 1
TO STOCKHOLDER
AGREEMENT

Management Investors

Robert B. Trussell, Jr.
Mrs. R. B. Trussell, Jr.
David C. Fogg
H. Thomas Bryant
Jeffrey P. Heath
Hugh Murphy
Joel Guerin

Other Investors

Keric DeChant
Alain Falourd
Hubert Guy
Victoria Hekkers
David Hoeller
Robert Hoeller
Thomas Jameson
Keansburg Investments Limited
John Paul Pucek
Robert W. and Mary M. Mulcahy
Frank Passante
Dr. and Mrs. Mark Rukavina
David Shear
James B. Smith
Robert Steggert
Strafe & Company
John G. and Cathryn R. Vandersalm, as joint tenants
James H. Wheeler III, M.D.
David Wright
Jean H. Downey Living Trust
Mary Creed Owens
Howard Stewart
Donald J. Hoeller Revocable Living Trust dated 2/29/88
Mikael Magnusson
George Khouri
Lynda Davey and Alan Schiffres, tenants in common
Robert Eckert, as Trustee of The Eckert Family Trust u/t/a dated 1/31/02
Antares Capital Corporation

SCHEDULE 2
TO STOCKHOLDER
AGREEMENT

Instrument of Accession

The undersigned, _____, in order to become the owner or holder of _____ shares of [[Class A] [Class B-1] [Class B-2] Common Stock, $.01 par value per share] [Series A Preferred Stock, $.01 par value per share], of TWI Holdings, Inc., a Delaware corporation, hereby agrees to become a Stockholder party to that certain Stockholder Agreement, dated as of _____ __, 2002 (the "Stockholder Agreement"), a copy of which is attached hereto. This Instrument of Accession shall become a part of such Stockholder Agreement.

Executed as of the date set forth below under the laws of the State of Delaware.

Signature:
_____

Address:
_____
_____
_____

Date:
_____

Accepted:

TWI HOLDINGS, INC.

By:
_____

Date:
_____

Exhibit 10.4

SERIES A PREFERRED STOCK
STOCKHOLDER AGREEMENT

This SERIES A PREFERRED STOCK STOCKHOLDER AGREEMENT (this "Agreement"), dated as of November 1, 2002, is among (a) TWI HOLDINGS, INC., a Delaware corporation (the "Company"), (b) FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP, a Delaware limited partnership ("FFL-1"), (c) FFL EXECUTIVE PARTNERS, LP, a Delaware limited partnership ("FFL-2"), (d) TA IX, L.P., a Delaware limited partnership ("TA-IX"), (e) TA/ATLANTIC AND PACIFIC IV, L.P., a Delaware limited partnership ("TA/AP-IV"), (f) TA STRATEGIC PARTNERS FUND A L.P., a Delaware limited partnership ("TA-A"), (g) TA STRATEGIC PARTNERS FUND B L.P., a Delaware limited partnership ("TA-B"), (h) TA/ADVENT VIII L.P., a Delaware limited partnership ("TA-ADV"), (i) TA INVESTORS LLC, a Delaware limited liability company ("TA-I"), and (j) each other Person who becomes a party to this Agreement by executing an Instrument of Accession ("Instrument of Accession") in the form of Schedule 1 hereto.

WHEREAS, the Company and its stockholders have entered into a Stockholder Agreement dated as of the date hereof (the "Stockholder Agreement") providing for the relative rights of the stockholders of the Company with regard to the transfer and issuance of the Company's securities, election of the Company's Board of Directors and certain other matters concerning the Company's capital stock; and

WHEREAS, the stockholders who are parties to this Agreement, who collectively own a majority of the outstanding shares of Series A Preferred Stock (as defined below), as well as a majority of the outstanding shares of Class B-1 Common Stock (as defined below) on a fully-diluted basis, wish to set forth their relative rights with regard to the election of the Company's Board of Directors and certain other matters regarding governance of the Company;

NOW, THEREFORE, the parties to this Agreement hereby agree as follows:

Section 1. DEFINITIONS. For all purposes of this Agreement, the following terms shall have the meanings set forth below:

Affiliate. Affiliate shall mean, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person and shall include (a) any Person who is a director or beneficial holder of at least 10% of the then outstanding capital stock (or partnership interests or other shares of beneficial interest) of such specified Person and Family Members of any such specified Person, (b) any Person of which such specified Person or an Affiliate (as defined in clause (a) above) of such specified Person directly or indirectly, either beneficially owns at least 10% of the then outstanding capital stock

(or partnership interests or other shares of beneficial interest) or constitutes at least a 10% equity participant, (c) any Person of which an Affiliate (as defined in clause (a) above) of such specified Person is a partner, director or executive officer, and (d) in the case of a specified Person who is an individual, Family Members of such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under direct or indirect common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

Charter. Charter shall mean the Company's Certificate of Incorporation and all amendments thereto.

Class A Common Stock. See definition of Common Stock.

Class B Common Stock. Class B Common Stock means, collectively, the Class B-1 Common Stock and the Class B-2 Common Stock.

Class B-1 Common Stock. See definition of Common Stock.

Class B-2 Common Stock. See definition of Common Stock.

Common Stock. Common Stock shall mean (a) the Company's Class A Common Stock, $.01 par value per share (the "Class A Common Stock"), (b) the Company's Class B-1 Voting Common Stock, $.01 par value per share (the "Class B-1 Common Stock"), (c) the Company's Class B-2 Non-Voting Common Stock, $.01 par value per share (the "Class B-2 Common Stock"), and (d) any shares of any other class of capital stock of the Company hereafter issued which are either (i) (A) not preferred as to dividends or assets upon liquidation over any class of stock of the Company, and (B) not subject to redemption pursuant to the terms thereof, or (ii) issued to the holders of shares of Common Stock upon any reclassification thereof.

Company. See preamble.

Contribution Agreement. Contribution Agreement shall mean the Contribution Agreement dated as of October 4, 2002 among the Company, the FFL Investors, the TA Investors and certain other investors.

Family Limited Liability Company. Family Limited Liability Company shall mean, with respect to any individual, any limited liability company created for the benefit of such individual and/or one or more of such individual's Related Persons and controlled by such individual.

Family Limited Partnership. Family Limited Partnership shall mean, with respect to any individual, any limited partnership created for the benefit of such

individual and/or one or more of such individual's Related Persons and controlled by such individual.

Family Members. Family Members shall mean, with respect to any individual, any Related Person, Family Trust, Family Limited Liability Company or Family Limited Partnership of such individual.

Family Trust. Family Trust shall mean, with respect to any individual, any trust created for the benefit of such individual and/or one or more of such individual's Related Persons and controlled by such individual.

FFL. FFL shall mean Friedman Fleischer & Lowe, LLC.

FFL-1. See preamble.

FFL-2. See preamble.

FFL Investors. FFL Investors shall mean, collectively, FFL-1 and FFL-2.

FFL Securities. FFL Securities shall mean (a) the shares of Series A Preferred Stock issued to any of the FFL Investors pursuant to the Contribution Agreement, (b) all shares of Class B-1 Common Stock issued or issuable upon conversion of such shares of Series A Preferred Stock, (c) all other shares of the Company's capital stock purchased by or issued from time to time to any of the FFL Investors, (d) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (e) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. FFL Securities will continue to be FFL Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of FFL Securities hereunder, provided that shares of FFL Securities will cease to be FFL Securities when transferred (i) to the Company, (ii) to a TA Stockholder or (iii) pursuant to a Public Sale.

FFL Stockholder. FFL Stockholder shall mean any of the FFL Investors for so long as such Person holds FFL Securities and any other Person to whom FFL Securities are transferred for so long as such Person holds any FFL Securities.

Instrument of Accession. See preamble.

Loan Documents. Loan Documents shall mean the Senior Credit Documents and the Subordinated Loan Documents.

Majority FFL Holders. Majority FFL Holders shall mean the holder or holders at the relevant time of determination of more than fifty percent (50%) of the number of

then issued and outstanding shares of Class B Common Stock included in the FFL Securities (determined on a fully-diluted basis).

Majority TA Holders. Majority TA Holders shall mean the holder or holders at the relevant time of determination of more than fifty percent (50%) of the number of then issued and outstanding shares of Class B Common Stock included in the TA Securities (determined on a fully-diluted basis).

Person. Person shall mean an individual, partnership, limited liability company, corporation, association, trust, joint venture, unincorporated organization, or any government, governmental department or agency or political subdivision thereof.

Preferred Stock. Preferred Stock shall mean the Company's Series A Preferred Stock, $.01 par value per share (the "Series A Preferred Stock"), and any other series of Preferred Stock of the Company issued from time to time.

Public Sale. Public Sale shall mean any sale of Class B Common Stock to the public pursuant to a public offering registered under the Securities Act or to the public through a broker or market-maker pursuant to the provisions of Rule 144 (or any successor rule) adopted under the Securities Act.

Qualified Public Offering. Qualified Public Offering shall mean the Company's underwritten public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale of shares of Class B Common Stock in which not less than $25,000,000 of gross proceeds from such public offering are received by the Company for the account of the Company.

Registration Rights Agreement. Registration Rights Agreement shall mean the Registration Rights Agreement dated as of the date hereof among the Company and its stockholders.

Related Persons. Related Persons shall mean, with respect to any individual, such individual's parents, spouse, children and grandchildren.

Securities. Securities shall mean the FFL Securities and the TA Securities.

Securities Act. Securities Act shall mean the Securities Act of 1933, as amended.

Senior Credit Documents. Senior Credit Documents shall mean the Amended and Restated Credit Agreement dated as of the date hereof among the Company, certain of its Subsidiaries, General Electric Capital Corporation, as Administrative Agent and a lender, Nordea Bank Danmark A/S, as European Loan Agent and a lender, and the other financial institutions party thereto, and the Loan Documents, as defined in such Amended and Restated Credit Agreement, each as amended, supplemented or

otherwise modified, replaced, extended, renewed or refunded and in effect from time to time.

Series A Preferred Stock. See definition of Preferred Stock.

Stockholder Agreement. See preamble.

Stockholders. Stockholders shall mean, collectively, the FFL Stockholders and the TA Stockholders.

Stock Options. Stock Options shall mean any stock option agreements between the Company and certain officers, employees and directors of the Company and its Subsidiaries entered into from time to time, in each case as amended and in effect from time to time.

Subordinated Loan Documents. Subordinated Loan Documents shall mean the Senior Subordinated Loan Agreement among the Company, certain of its Subsidiaries, Gleacher Mezzanine Fund I, L.P., Gleacher Mezzanine Fund II, L.P., TA Investors LLC and TA Subordinated Debt Fund, L.P., and the Credit Documents, as defined in such Senior Subordinated Loan Agreement, each as amended, supplemented or otherwise modified, replaced, extended, renewed or refunded and in effect from time to time.

Subsidiary. Subsidiary shall mean any corporation, association, trust, or other business entity, of which the designated parent shall at any time own or control directly or indirectly through a Subsidiary or Subsidiaries at least a majority (by number of votes) of the outstanding shares of capital stock (or other shares of beneficial interest) which are (a) entitled ordinarily, in the absence of contingencies, to vote for the election of a majority of such business entity's directors (or Persons exercising similar functions), even though the right so to vote has been suspended by the happening of such a contingency, or (b) entitled at the time to vote for the election of a majority of such business entity's directors (or Persons exercising similar functions), whether or not the right so to vote exists by reason of the happening of a contingency.

TA. TA shall mean TA Associates, Inc., a Delaware corporation.

TA-A. See preamble.

TA/AP-IV. See preamble.

TA-ADV. See preamble.

TA-B. See preamble.

TA-I. See preamble.

TA Investors. TA Investors shall mean, collectively, TA IX, TA/AP IV, TA-ADV, TA-A and TA-B.

TA-IX. See preamble.

TA Securities. TA Securities shall mean (a) the shares of Series A Preferred Stock issued to any of the TA Investors pursuant to the Contribution Agreement, (b) all shares of Class B-1 Common Stock issued or issuable upon conversion of such shares of Series A Preferred Stock, (c) all other shares of the Company's capital stock purchased by or issued from time to time to any of the TA Investors, (d) all shares of the Company's capital stock issued or issuable upon conversion of such shares, and (e) all shares of the Company's capital stock issued with respect to such shares by way of stock dividend or stock split or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's capital stock. TA Securities will continue to be TA Securities in the hands of any holder and each transferee thereof will succeed to the rights and obligations of a holder of TA Securities hereunder, provided that shares of TA Securities will cease to be TA Securities when transferred (i) to the Company, (ii) to an FFL Stockholder or (iii) pursuant to a Public Sale.

TA Stockholder. TA Stockholder shall mean any of the TA Investors for so long as such Person holds TA Securities and any other Person to whom TA Securities are transferred for so long as such Person holds any TA Securities.

Transfer. See Section 2.1.

Voting Securities. Voting Securities shall mean the shares of Class A Common Stock, Class B-1 Common Stock, Series A Preferred Stock and any other class or series of capital stock of the Company entitled to vote generally upon all matters presented for a vote of stockholders of the Company.

Section 2. RESTRICTIONS ON TRANSFER OF SECURITIES.

2.1. Transfer. No Stockholder may sell, assign, pledge or otherwise transfer (a "Transfer") any interest in any Securities, either voluntarily or involuntarily, by operation of law or otherwise, except in accordance with the provisions of Section 2 of the Stockholder Agreement; provided, that in the event that any transferee of Securities is required to execute an instrument of accession to the Stockholder Agreement as a condition precedent to such Transfer under the terms of the Stockholder Agreement, it shall be a condition precedent to such Transfer that such transferee shall either be a party hereto or shall have executed and delivered to the Company and each of the other parties hereto an Instrument of Accession.

2.2. Additional Restriction on Transfer. In addition to the restrictions on Transfer set forth in Section 2.1, (a) no FFL Investor may Transfer any FFL Securities if, as a result of such Transfer, the FFL Investors would collectively cease to own at

least 51% of the shares of Class B Common Stock (determined on a fully-diluted basis) included in the FFL Securities unless such FFL Investor has received the prior written consent of the Majority TA Holders to such Transfer and (b) no TA Investor may Transfer any TA Securities if, as a result of such Transfer, the TA Investors would collectively cease to own at least 51% of the shares of Class B Common Stock (determined on a fully-diluted basis) included in the TA Securities unless such TA Investor has received the prior written consent of the Majority FFL Holders to such Transfer; provided, that the restrictions on Transfer set forth in this Section 2.2 shall not apply with respect to any Transfer that constitutes a Public Sale.

2.3. Transfers of Securities in Breach of this Agreement. In the event of any Transfer of Securities in breach of this Agreement, commencing immediately upon the date of such attempted Transfer (a) such Transfer shall be void and of no effect, (b) no dividend of any kind or any distribution pursuant to any liquidation, redemption or otherwise shall be paid by the Company to the transferring Stockholder or the purported transferee in respect of such Securities (all such rights to payment by the transferring Stockholder and/or the purported transferee being deemed waived), (c) the voting rights of such Securities, if any, shall terminate, and (d) neither the transferring Stockholder nor the purported transferee shall be entitled to exercise any rights with respect to such Securities until such Transfer in breach of this Agreement has been rescinded.

Section 3. BOARD OF DIRECTORS; CONSENT TO CERTAIN ACTIONS.

3.1. Board of Directors. (a) Subject to paragraphs (b) and (c) below, in any and all elections of directors of the Company or any of its Subsidiaries (whether at a meeting or by written consent in lieu of a meeting), each Stockholder shall vote, or cause to be voted, or cause such Stockholder's designees as directors to vote, all Voting Securities owned by such Stockholder or over which such Stockholder has voting control so as to fix the number of directors of the Company and each of its Subsidiaries at five, and to nominate and elect such five directors of the Company and each of its Subsidiaries as follows:

(i) Two individuals designated by the Majority TA Holders, one of whom will serve as the Chairman of the Board of Directors of the Company;

(ii) Two individuals designated by the Majority FFL Holders; and

(iii) One individual determined in accordance with Section 4.1(a)(ii) of the Stockholder Agreement.

In addition, the Company will take all actions required by law so that a quorum for meetings of the board of directors of the Company and each of its Subsidiaries will include at least one member thereof designated by the Majority FFL Holders who is also an employee of FFL or one of its Affiliates, and at least one member thereof designated by the Majority TA Holders who is also an employee of TA or one of its

Affiliates. Such actions, shall include, without limitation, making necessary or appropriate amendments to the charter or bylaws of the Company or any Subsidiary of the Company.

(b) If any vacancy shall occur in the Board of Directors of the Company or any of its Subsidiaries as a result of death, disability, resignation or any other termination of a director, the replacement for such vacating director shall be designated by the Person or Persons who originally designated such vacating director; provided, that in case of any such vacancy occurring as a result of the death, disability, resignation or other termination of any director designated pursuant to Section 3.1(a)(iii), the replacement for such vacating director shall be determined in accordance with such Section 3.1(a)(iii). The Person or Persons entitled to designate a director or a replacement for a director pursuant to this Section 3.1 shall be the only Person or Persons entitled to cause the removal of such director, with or without cause; provided, that the removal of any director designated pursuant to Section 3.1(a)(iii) may only be made in accordance with the terms of Section 4.1(b) of the Stockholder Agreement. Each Stockholder hereby agrees to vote or cause to be voted or cause such Stockholder's designees as directors to vote all Voting Securities owned by such Stockholder or over which such Stockholder has voting control so as to comply with this Section 3.1(b).

(c) Subject in each case to Section 3.2 below, the Board of Directors of the Company or any of its Subsidiaries may at any time increase the number of directors of the Company or such Subsidiary to a number greater than five. In the event that the Board of Directors of the Company or any of its Subsidiaries increases the number of directors of the Company or any of its Subsidiaries to a number greater than five, any vacancies thereby created shall be filled in accordance with Section 3.2 hereof.

(d) Each Stockholder shall take all such actions, and shall cause such Stockholder's designees to take all such actions, so as to provide that any committee of the Board of Directors of the Company or any of its Subsidiaries shall include at least one member designated by the Majority FFL Holders and at least one member designated by the Majority TA Holders.

(e) The board and committee designation and governance provisions set forth in this Section 3.1 may be waived with respect to any Subsidiary of the Company (including, without limitation, any Subsidiary of the Company organized under the laws of a laws of any foreign jurisdiction) with the approval of (i) the Board of Directors of the Company (subject to Section 3.2 hereof) or (ii) the Majority FFL Holders and the Majority TA Holders.

3.2. Consent to Certain Actions. The Company hereby agrees that the Company will not take, and will not permit any of its Subsidiaries to take, any of the actions set forth on Schedule 2 attached hereto and incorporated by reference, and each of the Stockholders hereby agrees that it shall not take, and shall not vote any Voting

Securities owned by it or over which it has voting control for or approve, or cause any of the directors designated by it to vote for or approve, any of the actions set forth on Schedule 2, unless such action has been approved by either (a) the affirmative vote of (i) at least one of the directors designated by the Majority FFL Holders who is also an employee of FFL or one of its Affiliates and (ii) at least one of the directors designated by the Majority TA Holders who is also an employee of TA or one of its Affiliates or (b) the Majority FFL Holders and the Majority TA Holders. The Company will make any necessary or appropriate amendments to the charter or bylaws of the Company or any Subsidiary of the Company to reflect the provisions of this Section 3.2.

3.3. PROXY. EACH FFL STOCKHOLDER HEREBY GRANTS TO THE MAJORITY TA HOLDERS, AND EACH TA STOCKHOLDER HEREBY GRANTS TO THE MAJORITY FFL HOLDERS, AN IRREVOCABLE PROXY, COUPLED WITH AN INTEREST, TO VOTE ALL OF THE VOTING SECURITIES OWNED BY SUCH STOCKHOLDER OR OVER WHICH SUCH STOCKHOLDER HAS VOTING CONTROL TO THE EXTENT NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SECTION 3 IN THE EVENT OF ANY BREACH BY SUCH STOCKHOLDER OF ITS OBLIGATIONS UNDER THE VOTING AGREEMENT CONTAINED HEREIN.

3.4. Action by Stockholders. Each Stockholder further agrees that such Stockholder will not vote any Voting Securities owned by such Stockholder or over which such Stockholder has voting control, or take any action by written consent, or take any other action as a stockholder of the Company, to circumvent the voting arrangements required by this Section 3.

Section 4. ADDITIONAL LEGEND. So long as any Securities are subject to the provisions hereof, all certificates or instruments representing Securities will have imprinted on them the following legend:

> The shares represented by this certificate are subject to the terms of a certain Series A Preferred Stock Stockholder Agreement, dated as of November 1, 2002, among the issuer of this certificate and certain stockholders. The Series A Preferred Stock Stockholder Agreement contains certain restrictive provisions relating to the voting and transfer of shares of the stock represented hereby. A copy of the Series A Preferred Stock Stockholder Agreement is on file at the Company's principal offices. Upon written request to the Company's Secretary, a copy of the Series A Preferred Stock Stockholder Agreement will be provided without charge to appropriately interested persons.

Section 5. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other

jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 6. ENTIRE AGREEMENT. Except as otherwise expressly set forth herein, this Agreement, together with the Stockholder Agreement, embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. The parties hereto acknowledge and agree that the terms and conditions of this Agreement are in addition to, and not in lieu of, the terms and conditions of the Stockholder Agreement; provided, that in the event of any conflict between this Agreement and the Stockholder Agreement, the terms of this Agreement shall be controlling.

Section 7. SUCCESSORS AND ASSIGNS. This Agreement will bind and inure to the benefit of and be enforceable by the Company and the Stockholders and their respective successors and assigns.

Section 8. COUNTERPARTS. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together will constitute one and the same agreement.

Section 9. REMEDIES. The Stockholders will be entitled to enforce their rights under this Agreement specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages are not an adequate remedy for any breach of the provisions of this Agreement and that any Stockholder shall have the remedy of specific performance and/or injunctive relief in order to enforce or prevent any violation of the provisions of this Agreement. In the event of any dispute involving the terms of this Agreement, the prevailing party shall be entitled to collect reasonable fees and expenses incurred by the prevailing party in connection with such dispute from the other parties to such dispute.

Section 10. NOTICES. Any notice provided for in this Agreement will be in writing and will be deemed properly delivered if either personally delivered or sent by telecopier, overnight courier or mailed certified or registered mail, return receipt requested, postage prepaid to the recipient (a) if to any TA Stockholder, to TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, Massachusetts 02110, telecopier number (617) 574-6728, Attention: P. Andrews McLane, (b) if to any FFL Stockholder, to Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10/th/ Floor, San Francisco, California 94111, telecopier number (415) 402-2111, Attention: Christopher A. Masto and (c) if to the Company, at 1713 Jaggie Fox Way, Lexington, Kentucky 40511, telecopier number (859) 514-4422, Attention:

President, with copies to TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, Massachusetts 02110, telecopier number (617) 574-6728, Attention: P. Andrews McLane, and to Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 10/th/ Floor, San Francisco, California 94111, telecopier number (415) 402-2111, Attention: Christopher A. Masto, and to Robert M. Wolf, Esq., Bingham McCutchen LLP, 150 Federal Street, Boston, Massachusetts 02110, telecopier number (617) 951-8736. Any such notice shall be effective (i) if delivered personally or by telecopier, when received, (ii) if sent by overnight courier, when receipted for, and (iii) if mailed, 3 days after being mailed as described above.

Section 11. AMENDMENT AND WAIVER. No modification, amendment or waiver of any provision of this Agreement will be effective against the Company or the Stockholders unless such modification, amendment or waiver is approved in writing by the Majority FFL Holders and the Majority TA Holders. The failure of any party hereto to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

Section 12. TERMINATION. This Agreement will terminate upon the earliest to occur of (a) the completion of any voluntary or involuntary liquidation or dissolution of the Company and (b) the completion of a Disposition Event (as defined in the Charter).

Section 13. GOVERNING LAW. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Section 14. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 15. CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

Section 16. CALCULATION OF FULLY-DILUTED EQUITY. All references herein to calculations of the Company's equity or any type or class thereof as then outstanding "on a fully diluted basis" or as "fully diluted" or similar terms shall mean such equity or type or class thereof at any date as diluted by the issuance of all shares of such equity or type or class thereof then issuable upon the exercise or conversion of all then outstanding and exercisable warrants, options or convertible securities pursuant to which the Company is then obligated to issue such equity or type or class thereof (and if such exercise or conversion results in the issuance of convertible

securities, as further diluted by the conversion of such convertible securities), but specifically excluding all shares issuable under Stock Options which are not then exercisable. For purposes of determining the number of outstanding shares of Class B Common Stock held by any Stockholder on a fully-diluted basis hereunder at any time, such Stockholder shall be deemed to hold that number of shares of Class B Common Stock as is equal to (i) the number of outstanding shares of Class B Common Stock then held by such Stockholder plus (ii) the number of shares of Class B Common Stock ultimately issuable upon conversion or exercise of any other outstanding Securities then held by such Stockholder.

IN WITNESS WHEREOF, the parties hereto have executed this Series A Preferred Stock Stockholder Agreement on the day and year first above written.

TWI HOLDINGS, INC.

By: /s/ Caleb S. Everett

Title:Vice President

FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

FFL EXECUTIVE PARTNERS, LP
By: Friedman Fleischer & Lowe GP, LLC,
its General Partner

By: /s/ Christopher Masto

Name: Christopher Masto
Title: Managing Member

TA IX, L.P.
By: TA Associates IX, LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA/ATLANTIC AND PACIFIC IV L.P.
By: TA Associates AP IV, L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA/ADVENT VIII L.P.
By: TA Associates VIII LLC, its General Partner
By: TA Associates, Inc., its Manager

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND A L.P.
By: TA Associates SPF L.P., its General Partner
By: TA Associates, Inc., its General Partner
By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA STRATEGIC PARTNERS FUND B L.P.
By: TA Associates SPF L.P., its General Partner
By: TA Associates, Inc., its General Partner

By: /s/ P.Andrews McLane

Name: P.Andrews McLane
Title: Senior Managing Director

TA INVESTORS LLC
By: TA Associates, Inc., its Manager

By: /s/ P. Andrews McLane

Name: P. Andrews McLane
Title: Senior Managing Director

SCHEDULE 1
TO STOCKHOLDER
AGREEMENT

Instrument of Accession

The undersigned, _____, in order to become the owner or holder of _____ shares of [[Class A] [Class B-1] [Class B-2] Common Stock, $.01 par value per share] [Series A Preferred Stock, $.01 par value per share], of TWI Holdings, Inc., a Delaware corporation, hereby agrees to become a [FFL] [TA] Stockholder party to that certain Series A Preferred Stock Stockholder Agreement, dated as of _____ __, 2002 (the "Stockholder Agreement"), a copy of which is attached hereto. This Instrument of Accession shall become a part of such Stockholder Agreement.

Executed as of the date set forth below under the laws of the State of Delaware.

Signature:
_____

Address:
_____
_____
_____

Date:
_____

Accepted:

TWI HOLDINGS, INC.

By:
_____

Date:
_____

SCHEDULE 2
TO STOCKHOLDER
AGREEMENT

Consent to Certain Actions

(a) The issuance, purchase, redemption or repurchase of any Preferred Stock, Common Stock or other securities of the Company and its Subsidiaries, including, without limitation, options and warrants, but excluding any issuance of (i) any options to purchase Class B-1 Common Stock issued pursuant to the terms of the Company's 2002 Stock Option Plan and (ii) any Class B-1 Common Stock upon conversion of stock of another class, or upon exercise of any options or warrants;

(b) the declaration or payment of any dividends or other distributions in respect of the capital of the Company and its Subsidiaries;

(c) the making of an initial public offering of the securities of the Company or any of its Subsidiaries;

(d) the incurrence by the Company or any of its Subsidiaries of any indebtedness for borrowed money (including, without limitation, the establishment of a line of credit at any bank or other financial institution), other than any indebtedness for borrowed money incurred pursuant to the Loan Documents as in effect on the date of this Agreement or otherwise permitted under the Loan Documents as in effect on the date of this Agreement, or any trade indebtedness incurred in the ordinary course of business;

(e) any amendment or modification of any of the terms of any Loan Documents as in effect on the date of this Agreement;

(f) any action to effect the voluntary, or which would precipitate an involuntary, dissolution or winding-up of the Company or any of its Subsidiaries;

(g) any material amendment, modification or waiver of any rights under the Charter or the By-laws of the Company, including, without limitation, any amendment, modification or waiver of any of the powers, designations, preferences or rights of the Series A Preferred Stock as in effect on the date of this Agreement;

(h) any amendment or modification of, or the granting of any waiver under, or the failure to enforce any of the rights of the Company pursuant to, the Stockholder Agreement or the Registration Rights Agreement;

(i) the entering into or consummating of any Approved Sale (as defined in the Stockholder Agreement) or any approval by the Company's Board of Directors or

consent by the Required Sponsor Holders (as defined in the Stockholder Agreement) with respect thereto;

(j) the entering into or consummating of any merger or consolidation (other than a merger or consolidation between the Company and one of its Subsidiaries or between two of its Subsidiaries), or any sale or other disposition of any assets of the Company or any of its Subsidiaries or any voting stock of any Subsidiary of the Company (other than sales of assets in the ordinary course of business consistent with past practice or sales of assets having a value of less than $2,000,000 individually or $5,000,000 in the aggregate during any fiscal year);

(k) the acquisition by the Company or any of its Subsidiaries of any stock, indebtedness, obligations or liabilities of, or the acquisition by the Company or any of its Subsidiaries of any division or line of business or all or a substantial portion of the properties or assets of, or the making by the Company or any of its Subsidiaries of any loans, advances, capital contributions or transfers of property (other than sales of inventory in the ordinary course of business and other than acquisitions or sales of property and assets having a value of less than $2,000,000 individually or $5,000,000 in the aggregate during any fiscal year) to, any Person;

(l) the appointment, replacement or termination of the Chief Executive Officer of the Company and its Subsidiaries, or the entry into, termination of, or extension of any term under any employment agreement with such officer;

(m) the establishment of, or any material amendment to, any stock option, stock purchase, pension, insurance or benefit plan for any employee of the Company or any of its Subsidiaries;

(n) any increase in the size of the board of directors of the Company or any of its Subsidiaries and the designation of any directors to fill vacancies created such any such increase; and any waiver of the board and committee designation and governance provisions set forth in Section 3.1 hereof with respect to any Subsidiary of the Company and the designation of any directors (or Persons performing similar functions) of any such Subsidiary;

(o) any approval by the Required Sponsor Holders (as defined in the Stockholder Agreement) of any modification, amendment or waiver of any of the provisions of the Stockholder Agreement, including without limitation, any waiver by the Required Sponsor Holders (as defined in the Stockholder Agreement) of preemptive rights under Section 5.1 of the Stockholder Agreement;

(p) any conversion of shares of Series A Preferred Stock into Class B-1 Common Stock which would result in the mandatory conversion of all outstanding shares of Series A Preferred Stock pursuant to the terms of the Charter; and

(q) the entering into by the Company or any of its Subsidiaries of any agreement obliging, committing or binding the Company or any such Subsidiary to do any thing or take any action referred to in clauses (a) - (p) above, and any amendment or modification of any such agreement.

Exhibit 10.5

TWI HOLDINGS, INC.

2002 STOCK OPTION PLAN

Table of Contents

TWI HOLDINGS, INC.

2002 STOCK OPTION PLAN

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, directors and consultants of the Company and its Affiliates and to provide additional incentives for them to promote the success of the Company's business. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code but not all Options granted hereunder are required to be Incentive Options.

2. Definitions

As used in this Plan the following terms shall have the following meanings:

2.1. Act means the Securities Act of 1933, as amended.

2.2. Affiliate means a parent or subsidiary corporation of the Company, as defined in Sections 424(e) and (f), respectively, of the Code.

2.3. Board means the Company's Board of Directors.

2.4. Code means the Internal Revenue Code of 1986, as amended from time to time, or any statute successor thereto, and any regulations issued from time to time thereunder.

2.5. Committee means a committee appointed by the Board, responsible for the administration of the Plan, as provided in Section 5 of the Plan. No member of the Committee shall be eligible to receive an Incentive Option under the Plan, and no individual shall be eligible for membership on the Committee within one year of having received an Incentive Option under the Plan. For any period during which no Committee is in existence, all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.6. Company means TWI Holdings, Inc., a corporation organized under the laws of the State of Delaware.

2.7. Employment Agreement means an agreement, if any, between the Company and an Optionee, setting forth, inter alia, conditions and restrictions upon the transfer of shares of Stock.

2.8. Fair Market Value means the value of a share of Stock on any date as determined by the Committee.

2.9. Grant Date means the date as of which an Option is granted, as determined under Section 7.

2.10. Incentive Option means an Option which by its terms is to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

2.11. Nonstatutory Option means any Option that is not an Incentive Option.

2.12. Option means an option to purchase shares of Stock granted under the Plan.

2.13. Option Agreement means an agreement between the Company and an Optionee, setting forth the terms and conditions of an Option.

2.14. Option Price means the price paid by an Optionee for a share of Stock upon exercise of an Option.

2.15. Optionee means a person eligible to receive an Option, as provided in Section 6, to whom an Option shall have been granted under the Plan.

2.16. Plan means this 2002 Stock Option Plan of the Company, as amended from time to time.

2.17. Stock means Class B Common Stock, par value $.01 per share, of the Company.

2.18. Stock Restriction Agreement means an agreement between the Company and the Optionee in such form as the Committee may prescribe in connection with the grant of any Option, setting forth certain restrictions upon the transfer of shares of Stock.

2.19. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any Affiliate). Whether a person is a Ten Percent Owner shall be determined with respect to each Option based on the facts existing immediately prior to the Grant Date of such Option.

3. Term of the Plan

Options may be granted hereunder at any time in the period commencing on the adoption of the Plan by the Board and ending immediately prior to the tenth anniversary of the earlier of the adoption of the Plan by the Board or approval of the Plan by the Company's shareholders. Options granted prior to shareholder approval of the Plan are hereby expressly conditioned upon such approval, and shall be void ab initio in the event the shareholders of the Company shall fail to approve the Plan within twelve (12) months of the Board's approval of the Plan.

4. Stock Subject to the Plan

At no time shall the number of shares of Stock then outstanding which are attributable to the exercise of Options granted under the Plan, plus the number of shares then issuable upon exercise of outstanding Options granted under the Plan, exceed 18,871.14 shares, subject, however, to the provisions of Section 17 of the Plan. Shares to be issued upon the exercise of Options granted under the Plan may be either authorized but unissued shares or shares held by the Company in its treasury. If any Option expires, terminates, or is canceled for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted.

5. Administration

The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making the following determinations with respect to each Option to be granted by the Company in addition to any other determination allowed the Committee under the Plan: (a) the employee, director or consultant to receive the Option; (b) whether the Option (if granted to an employee) will be an Incentive Option or Nonstatutory Option; (c) the Grant Date of the Option; (d) the number of shares subject to the Option; (e) the Option Price; (f) the Option period; (g) the Option exercise date or dates; (h) any provisions for the loan of all or part of the Option Price; and (i) the effect of termination of employment or other association with the Company and its Affiliates on the subsequent exercisability of the Option. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees and consultants, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in this Plan shall be conclusive.

6. Eligibility: Maximum Grant Per Individual

An Option shall be granted only to an employee, director or consultant of one or more of the Company or an Affiliate. A director of one or more of the Company or any Affiliate who is not also an employee of one or more of the Company or an Affiliate shall not be eligible to receive an Incentive Option. In no event shall the number of shares with respect to which Options may be granted hereunder to any one individual exceed sixty-six and two-thirds percent (66 2/3%) of the number of shares of Stock subject to the Plan as set forth in Section 4, as the same may be adjusted from time to time in accordance with Section 17.

7. Time of Granting Options

The granting of an Option shall take place at the time specified in the Option Agreement. Only if expressly so provided in the Option Agreement shall the Grant Date be the date on which an Option Agreement shall have been duly executed and delivered by the Company and the Optionee.

8. Option Price

The Option Price under each Incentive Option shall be not less than 100% of the Fair Market Value of Stock on the Grant Date, or not less than 110% of the Fair Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The Option Price under each Nonstatutory Option shall not be so limited solely by reason of this Section 8.

9. Option Period

No Incentive Option may be exercised on or after the tenth anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date, if the Optionee is a Ten Percent Owner. The Option period under each Nonstatutory Option shall not be so limited solely by reason of this Section 9. An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may accelerate the exercisability of such Option in whole or in part at any time, provided the acceleration of the exercisability of any Incentive Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code.

10. Limit on Incentive Option Characterization

An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year do not have an aggregate Fair Market Value (as of the date of the grant of the Option) in excess of the "current limit". The current limit for any Optionee for any calendar year shall be $100,000 minus the aggregate Fair Market Value at the Grant Date of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates, after December 31, 1986. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

11. Exercise of Option

An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 22, specifying the number of shares with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash, or certified or bank check payable to the order of the Company in an amount equal to the Option Price of the shares to be purchased or, if the Committee had so authorized on the grant of any particular Option hereunder (and subject to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company) by delivery of that number of shares of Stock having a Fair Market Value equal to the Option Price of the shares to be purchased. Receipt by the Company of such notice and payment shall constitute the exercise of the Option. Within 30 days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates for the number of shares then being purchased. Such shares shall be fully paid and nonassessable. Nothing herein shall be construed to preclude the Company from participating in a so-called "cashless exercise", provided the Optionee or other person exercising the Option and each other party involved in any such exercise shall comply with such procedures, and enter into such agreements, of indemnity or otherwise, as the Company shall specify.

12. Restrictions on Issue of Shares

12.1. Violation of Law. Notwithstanding any other provision of the Plan, if, at any time, in the reasonable opinion of the Company the issuance of shares of Stock covered by the exercise of any Option may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation; and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares with respect to which such Option has been exercised are at the time of the issuance of such shares effectively registered under the Act; or

(b) the Company shall have received an opinion, in form and substance satisfactory to the Company, from the Company's legal counsel to the effect that the sale, transfer, assignment, pledge, encumbrance or other disposition of such Shares or such beneficial interest, as the case may be, does not require registration under the Act or any applicable state securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events.

12.2. Execution of Stock Restriction Agreement; Interpretation. Whenever shares are to be issued pursuant to an Option, the Company shall be under no obligation to issue such shares until such time, if ever, as the person who exercises such Option, in whole or in part, shall have executed and delivered to the Company the Stock Restriction Agreement specified by the Committee in connection with the grant of such Option, if any. In the event of any conflict between the provisions of this Plan and provisions of a Stock Restriction Agreement or Employment Agreement, the provisions of the Stock Restriction Agreement or Employment Agreement shall control, but insofar as possible the provisions of the Plan and any such Stock Restriction Agreement or Employment Agreement shall be construed so as to give full force and effect to all such provisions.

12.3. Placement of Legends. Each certificate representing shares issued upon the exercise of an Option will bear restrictive legends which may refer to applicable restrictions under the Stock Restriction Agreement and Employment Agreement, if any.

13. Purchase for Investment; Subsequent Registration

13.1. Investment Representation. Unless the shares to be issued upon exercise of an Option granted under the Plan have been effectively registered under the Act, the Company shall be under no obligation to issue any shares covered by any Option unless the person who exercises such Option, in whole or in part, shall give a written representation to the Company which is satisfactory in form and substance to its counsel and upon which the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the Option on his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

13.2. Registration. If the Company shall deem it necessary or desirable to register under the Act or other applicable statutes any shares with respect to which an Option shall have been granted, or to qualify any such shares for exemption from the Act or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each Option holder, or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors from such holder against all losses, claims, damage and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or such managing underwriter, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to such underwritten public offering of securities.

13.3. Placement of Legends; Stop Orders; etc. Each share of Stock issued pursuant to an Option granted under this Plan may bear a reference to the investment representation made in accordance with Section 13.1 in addition to any other applicable restriction under the Plan and the terms of the Option and to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to said Stock. All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14. Withholding; Notice of Disposition of Stock
Prior to Expiration of Specified Holding Period

14.1. Tax Withholding. Whenever shares are to be issued in satisfaction of an Option granted hereunder, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares.

14.2. Notification of Disposition. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of such shares prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

15. Termination of Association with the Company

Unless the Committee shall specify otherwise in the grant of a particular Option under the Option Agreement, if the Optionee's employment or other association with the Company is terminated, whether voluntarily or otherwise, the Option shall immediately cease to be exercisable in any respect. Military or sick leave shall not be deemed a termination of employment or other association, provided that it does not exceed the longer of 90 days or the period during which the absent Optionee's reemployment rights, if any, are guaranteed by statute or by contract.

16. Transferability of Options

Options shall not be transferable, other than by will or the laws of descent and distribution, and may be exercised during the life of the Optionee only by the Optionee.

17. Adjustments for Corporate Transactions

17.1. Stock Dividend, Etc. In the event of any stock dividend payable in Stock or any split-up or contraction in the number of shares of Stock after the date of the Option Agreement and prior to the exercise in full of the Option, the number of shares subject to such Option Agreement and the price to be paid for each share subject to the Option shall be proportionately adjusted.

17.2. Stock Reclassification. In the event of any reclassification or change of outstanding shares of Stock, shares of stock or other securities equivalent in kind and value to those shares an Optionee would have received if he or she had held the full number of shares of Stock subject to the Option immediately prior to such reclassification or change and had continued to hold those shares (together with all other shares, stock and securities thereafter issued in respect thereof) to the time of the exercise of the Option shall thereupon be subject to the Option.

17.3. Consolidation or Merger. Subject to the remainder of this Section 17.3, in the event of any consolidation or merger of the Company with or into another company or in case of any sale or conveyance to another company or entity of the property of the Company as a whole or substantially as a whole, shares of stock or other securities equivalent in kind and value to those shares and other securities an Optionee would have received if he or she had held the full number of shares of Stock remaining subject to the Option immediately prior to such consolidation, merger, sale or conveyance and had continued to hold those shares (together with all other shares, stock and securities thereafter issued in respect thereof) to the time of the exercise of the Option shall thereupon be subject to the Option. However, unless any Option Agreement shall provide different or additional terms, in any such transaction the Committee, in its discretion, may provide instead that any outstanding Option shall terminate, to the extent not exercised by the Optionee prior to termination, either (a) at the close of a period of not less than ten (10) days specified by the Committee and commencing on the Committee's delivery of written notice to the Optionee of its decision to terminate such Option without payment of consideration as provided in the following clause or (b) as of the date of the transaction, in consideration of the Company's payment to the Optionee of an amount of cash equal to the difference between the aggregate Fair Market Value of the shares of Stock for which the Option is then exercisable and the aggregate exercise price for such shares under the Option.

17.4. Dissolution or Liquidation. Upon dissolution or liquidation of the Company, the Option shall terminate, but the Optionee (if at the time in the employ of or otherwise associated with the Company or any of its Affiliates) shall have the right, immediately prior to such dissolution or liquidation, to exercise the Option to the extent exercisable on the date of such dissolution or liquidation.

17.5. Related Matters. Any adjustment required by this Section 17 shall be determined and made by the Committee. No fraction of a share shall be purchasable or deliverable upon exercise, but in the event any adjustment hereunder of the number of shares covered by the Option shall cause such number to include a fraction of a share, such number of shares shall be adjusted to the nearest smaller whole number of shares. In the event of changes in the outstanding Stock by reason of any stock dividend, split-up, contraction, reclassification, or change of outstanding shares of Stock of the nature contemplated by this Section 17, the number of shares of Stock available for the purposes of the Plan as stated in Section 4 shall be correspondingly adjusted.

18. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Options granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and such Options and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

19. Limitation of Rights in Stock;
No Special Employment or Other Rights

The Optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock covered by an Option, except to the extent that the Option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee or his agent. Any Stock issued pursuant to the Option shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation, the By-laws of the Company, the Stock Restriction Agreement and the Employment Agreement. Nothing contained in the Plan or in any Option shall confer upon any Optionee any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease the compensation of the Optionee from the rate in existence at the time of the grant of an Option.

20. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

21. Termination and Amendment of the Plan

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. No termination or amendment of the Plan may, without the consent of the Optionee to whom any Option shall theretofore have been granted, adversely affect the rights of such Optionee under such Option.

22. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to the Optionee, at his or her residence address last filed with the Company and (ii) if to the Company, 1713 Jaggie Fox Way, Lexington, KY 40511, Attention: President, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

23. Governing Law

The Plan and all Options and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

* ---------- * ---------- *

The following does not form part of this Plan but is included solely for informational purposes:

Date of Board Approval:	November 1, 2002
Date of Shareholder Approval:	November 1, 2002

Exhibit 10.6

AMENDED AND RESTATED
EMPLOYMENT AND NONCOMPETITION AGREEMENT
(Robert B. Trussell, Jr.)

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is executed as of this 4/th/ day of October, 2002, and effective as of the Closing Date (as defined below in the Merger Agreement referred to below, the "Closing Date"), by and between Tempur World, Inc., a Delaware corporation (the "Company"), and Robert B. Trussell, Jr., an individual ("Employee").

RECITALS

Pursuant to the Agreement and Plan of Merger, dated as of October 4, 2002 (the "Merger Agreement"), among the Company, TWI Holdings, Inc., a Delaware corporation ("Parent"), TWI Acquisition Corp., a Delaware corporation ("Purchaser") and certain shareholders of the Company, on the Closing Date, the Purchaser will be merged into the Company, with the Company as the surviving corporation.

The Company desires to continue to employ Employee from and after the Closing Date by amending and restating in its entirety the existing Employment Agreement dated as of December 31, 1999 between the Company and Employee (the "Former Agreement"), and Employee desires to continue to be employed by the Company in such manner, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Closing Date, the Company employs Employee, and Employee accepts employment by the Company, for the period commencing on the Closing Date and ending on the second anniversary of the Closing Date, subject to earlier termination as hereinafter set forth in Article III (the "Employment Term"). Following the expiration of the Employment Term, the Employment Term shall be automatically renewed for successive one-year periods (collectively, the "Renewal Terms"; individually, a "Renewal Term") unless, at least 90 days prior to the expiration of the Employment Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in

which case the Employee's employment with the Company, and the Company's obligations hereunder, shall terminate as of the end of the Employment Term or said Renewal Term, as applicable, provided however that Employee shall agree to continue his employment hereunder at the option of the Company for a period of 6 months following written notice by either party of intention to terminate or not to renew (other than any such written notice given within 90 days following a Change in Control). Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee. As used herein, "Change in Control" shall mean a change in the ownership of the Company, such that more than 50% of the equity securities of the Company are acquired by any person or group (as such terms are defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) that does not own common stock of the Company on the Closing Date; provided, however, no Change in Control shall be deemed to occur (a) as a result of the consummation of the transactions contemplated by the Merger Agreement or (b) if such Change in Control is effected pursuant to any internal reorganization of the Company (including, by way of example, establishment of a new holding company for the Company) that does not result in a change of more than 50% of the ultimate equity ownership of the Company.

1.2 Position and Duties. Employee shall be employed in the position of Chief Executive Officer, and shall be subject to the authority of, and shall report to, the Company's Board of Directors. Employee's duties and responsibilities shall include all those customarily attendant to such position and such other duties and responsibilities as may be assigned by the Board of Directors. Employee shall devote Employee's entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of $310,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

2.2 Performance Bonus. Employee will be eligible to earn an annual performance-based bonus based on a formula approved by the Company's Board of Directors and incorporated herein by this reference for each full or pro-rata portion of the fiscal year during which Employee is employed by the Company (a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto shall be determined annually in the sole discretion of the Company's Board of Directors (the "Performance Bonus"). The amount of the Performance Bonus will vary based on the achievement of performance criteria in the formula established by the Company's Board of Directors, but the formula will be set to target a Performance Bonus

equal to 30% of Base Salary as of January 1/st/ of the Bonus Year if the performance criteria in the formula are met.

2.3 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.4 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.5 Automobile Allowance. The Company shall either pay to Employee an automobile allowance of $600.00 per month or provide Employee with an automobile for business and personal use.

2.6 Vacation. Employee shall be entitled to vacation in any calendar year in accordance with the Company's general vacation policies for similarly situated executive employees.

2.7 Grant of Stock Options. On or promptly following the Closing Date, Parent shall grant Employee options to purchase shares of the Class B-1 Voting Common Stock of Parent representing 1.750% of the fully-diluted common stock of Parent as of the Closing Date for a purchase price per share equal to the fair market value per share of Class B-1 Voting Common Stock of Parent (as determined by the Board of Directors of Parent), pursuant to a Stock Option Agreement between Parent and Employee. Such options shall vest on an annual basis in equal installments over a four-year period from the Closing Date. Such options, and any shares issued upon exercise of such options, shall be subject to certain termination and repurchase rights of the Parent upon termination of employment of Employee, and shall be subject to restrictions on transfer as set forth in the Stock Option Agreement, the Stock Repurchase Agreement attached thereto as an exhibit and the Stockholder Agreement among Parent and its stockholders.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligation under Article IV hereof) for "Good Reason" (as hereinafter defined) if Employee gives written notice thereof to the Company (which notice shall specify the grounds upon which such notice is given) and the Company fails, within 30 days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice. "Good Reason" shall mean any of the following: (i) a material reduction in the Employee's duties and responsibilities hereunder; (ii) relocation of Employee's principal workplace over 60 miles from the Company's existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (iii) the Company's material breach of the Agreement which is not cured within 30 days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties, (ii) Employee's willful engagement in illegal conduct which is materially and demonstrably injurious to the Company, (iii) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (iv) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii) or (iv) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i)

automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for 90 days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs and any stock options to which the Employee is entitled under the Stock Option Agreement, (ii) payment of Base Salary for the duration of the Term or the Renewal Term (as applicable) (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof, and (iv) continuation of the welfare plans of the Company as detailed in Paragraph 2.3 hereof for the duration of the Severance Period. Notwithstanding the above, in the event of a Section 3.1(a) or (b) Termination during the Initial Term hereof, Employee shall be entitled to the payments described in this Section for a Severance Period of a minimum of 6 months.

(b) Section 3.1(c) and 3.1(d) Termination. If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary and in the case of 3.1(d) hereof, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and any stock options to which the Employee is entitled under the

Stock Option Agreement, and (ii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof.

ARTICLE IV

CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee's use of general skills and know-how acquired during and prior

to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company's or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company's or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

4.2 Noncompetition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Nonsolicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leave his or her employment with the Company or any of its subsidiaries.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company any of Employee's previous employer's confidential information or trade secrets.

Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties.

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to obtain injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to 15 written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within 30 days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 5.1):

(a) If to the Company: Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President

(b) If to Employee: Robert B. Trussell, Jr.
248 Holiday Road
Lexington, KY 40502

6.2 Entire Agreement. This Agreement contains the entire understanding and the full and complete agreement of the parties and, effective as of the Closing Date, supersedes and replaces any prior understandings and agreements among the parties with respect to the subject

matter hereof (including, without limitation, the Former Agreement). The Employee hereby acknowledges and agrees that (a) no amounts are owed to him under the Former Agreement, other than any accrued salary payments for the current payroll period, and (b) effective upon the Closing Date, the Former Agreement shall terminate and be of no further force or effect, and accordingly the Employee shall have no rights to terminate his employment under the Former Agreement for "Good Reason" (as defined in the Former Agreement) with respect to any "Change in Control" (as defined in the Former Agreement) relating to the transactions contemplated by the Merger Agreement.

6.3 Amendment. This Agreement may be altered, amended or modified only in a writing, signed by both of the parties hereto. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Construction. This Agreement shall be governed by the internal laws of the State of Kentucky, without regard to any rules of construction concerning the party responsible for the drafting hereof.

6.8. Effective Date. The terms and conditions of this Agreement shall be effective as of the Closing Date. Prior to the Closing Date, the terms and conditions of Employee's employment with the Company shall be as set forth in the Former Agreement. In the event that the Merger Agreement is terminated, this Agreement shall be null and void and of no further force and effect, and the Former Agreement shall remain in full force and effect until amended or terminated in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Title: CEO

EMPLOYEE:

/s/ Robert B. Trussell, Jr.

Robert B. Trussell, Jr.

WITNESSED BY:

/s/ William H. Poche

Date: 10/4/02

Exhibit 10.7

AMENDED AND RESTATED
EMPLOYMENT AND NONCOMPETITION AGREEMENT
(David C. Fogg)

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is executed as of this 4/th/day of October, 2002, and effective as of the Closing Date (as defined in the Merger Agreement referred to below, the "Closing Date"), by and between Tempur World, Inc., a Delaware corporation (the "Company"), and David C. Fogg, an individual ("Employee").

RECITALS

Pursuant to the Agreement and Plan of Merger, dated as of October 4, 2002 (the "Merger Agreement"), among the Company, TWI Holdings, Inc., a Delaware corporation ("Parent"), TWI Acquisition Corp., a Delaware corporation ("Purchaser") and certain shareholders of the Company, on the Closing Date, the Purchaser will be merged into the Company, with the Company as the surviving corporation.

The Company desires to directly employ Employee from and after the Closing Date by amending and restating in its entirety the existing Employment Agreement dated as of December 31, 1999 between Tempur-Pedic, Inc., a Kentucky corporation and wholly-owned subsidiary of the Company ("TPI"), and Employee (the "Former Agreement"), and Employee desires to be directly employed by the Company in such manner, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Closing Date, the Company employs Employee, and Employee accepts employment by the Company, for the period commencing on the Closing Date and ending on the first anniversary of the Closing Date, subject to earlier termination as hereinafter set forth in Article III (the "Employment Term"). Following the expiration of the Employment Term, the Employment Term shall be automatically renewed for successive one-year periods (collectively, the "Renewal Terms"; individually, a "Renewal Term") unless, at least 90 days prior to the expiration of the Employment Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in

which case the Employee's employment with the Company, and the Company's obligations hereunder, shall terminate as of the end of the Employment Term or said Renewal Term, as applicable, provided however that Employee shall agree to continue his employment hereunder at the option of the Company for a period of 6 months following written notice by either party of intention to terminate or not to renew (other than any such written notice given within 90 days following a Change in Control). Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee. As used herein, "Change in Control" shall mean a change in the ownership of the Company, such that more than 50% of the equity securities of the Company are acquired by any person or group (as such terms are defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) that does not own common stock of the Company on the Closing Date; provided, however, no Change in Control shall be deemed to occur (a) as a result of the consummation of the transactions contemplated by the Merger Agreement or (b) if such Change in Control is effected pursuant to any internal reorganization of the Company (including, by way of example, establishment of a new holding company for the Company) that does not result in a change of more than 50% of the ultimate equity ownership of the Company.

1.2 Position and Duties. Employee shall be employed in the position of Executive Vice President or such other executive position as may be assigned from time to time by the Company's Chief Executive Officer. In such capacity, Employee shall be subject to the authority of, and shall report to, the Company's Chief Executive Officer. Employee's duties and responsibilities shall include all those customarily attendant to such position and such other duties and responsibilities as may be assigned by the Chief Executive Officer. Employee shall devote Employee's entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of $260,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

2.2 Performance Bonus. Employee will be eligible to earn an annual performance-based bonus based on a formula approved by the Company's Board of Directors and incorporated herein by this reference for each full or pro-rata portion of the fiscal year during which Employee is employed by the Company (a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto shall be determined annually in the sole discretion of the Company's Board of Directors (the "Performance Bonus"). The amount of the Performance

Bonus will vary based on the achievement of performance criteria in the formula established by the Company's Board of Directors, but the formula will be set to target a Performance Bonus equal to 30% of Base Salary as of January 1/st/ of the Bonus Year if the performance criteria in the formula are met.

2.3 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.4 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.5 Automobile Allowance. The Company shall either pay to Employee an automobile allowance of $600.00 per month or provide Employee with an automobile for business and personal use.

2.6 Vacation. Employee shall be entitled to vacation in any calendar year in accordance with the Company's general vacation policies for similarly situated executive employees.

2.7 Grant of Stock Options. On or promptly following the Closing Date, Parent shall grant Employee options to purchase shares of the Class B-1 Voting Common Stock of Parent representing 0.850% of the fully-diluted common stock of Parent as of the Closing Date for a purchase price per share equal to the fair market value per share of Class B-1 Voting Common Stock of Parent (as determined by the Board of Directors of Parent), pursuant to a Stock Option Agreement between Parent and Employee. Such options shall vest on an annual basis in equal installments over a four-year period from the Closing Date. Such options, and any shares issued upon exercise of such options, shall be subject to certain termination and repurchase rights of the Parent upon termination of employment of Employee, and shall be subject to restrictions on transfer as set forth in the Stock Option Agreement, the Stock Repurchase Agreement attached thereto as an exhibit and the Stockholder Agreement among Parent and its stockholders.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligation under Article IV hereof) for "Good Reason" (as hereinafter defined) if Employee gives written notice thereof to the Company (which notice shall specify the grounds upon which such notice is given) and the Company fails, within 30 days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over 60 miles from the Company's existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of the Agreement which is not cured within 30 days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties, (ii) Employee's willful engagement in illegal conduct which is materially and demonstrably injurious to the Company, (iii) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (iv) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii) or (iv) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i)

automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for 90 days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs and any stock options to which the Employee is entitled under the Stock Option Agreement, (ii) payment of Base Salary for the duration of the Term or the Renewal Term (as applicable) (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof, and (iv) continuation of the welfare plans of the Company as detailed in Paragraph 2.3 hereof for the duration of the Severance Period. Notwithstanding the above, in the event of a Section 3.1(a) or (b) Termination during the Initial Term hereof, Employee shall be entitled to the payments described in this Section for a Severance Period of a minimum of 12 months.

(b) Section 3.1(c) and 3.1(d) Termination. If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary and in the case of 3.1(d) hereof, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and any stock options to which the Employee is entitled under the

Stock Option Agreement, and (ii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof.

ARTICLE IV

CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee's use of general skills and know-how acquired during and prior

to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company's or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company's or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

4.2 Noncompetition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Nonsolicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leave his or her employment with the Company or any of its subsidiaries.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company any of Employee's previous employer's confidential information or trade secrets.

Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties.

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to obtain injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to 15 written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within 30 days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 5.1):

(a) If to the Company: Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President

(b) If to Employee: David Fogg
3085 Paris Pike
Lexington, KY 40511

6.2 Entire Agreement. This Agreement contains the entire understanding and the full and complete agreement of the parties and, effective as of the Closing Date, supersedes and replaces any prior understandings and agreements among the parties and/ or TPI with respect to

the subject matter hereof (including, without limitation, the Former Agreement). The Employee hereby acknowledges and agrees that (a) no amounts are owed to him under the Former Agreement, other than any accrued salary payments for the current payroll period, and (b) effective upon the Closing Date, the Former Agreement shall terminate and be of no further force or effect, and accordingly the Employee shall have no rights to terminate his employment under the Former Agreement for "Good Reason" (as defined in the Former Agreement) with respect to any "Change in Control" (as defined in the Former Agreement) relating to the transactions contemplated by the Merger Agreement.

6.3 Amendment. This Agreement may be altered, amended or modified only in a writing, signed by both of the parties hereto. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Construction. This Agreement shall be governed by the internal laws of the State of Kentucky, without regard to any rules of construction concerning the party responsible for the drafting hereof.

6.8. Effective Date. The terms and conditions of this Agreement shall be effective as of the Closing Date. Prior to the Closing Date, the terms and conditions of Employee's employment with TPI shall be as set forth in the Former Agreement. In the event that the Merger Agreement is terminated, this Agreement shall be null and void and of no further force and effect, and the Former Agreement shall remain in full force and effect until amended or terminated in accordance with its terms.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Title: CEO

EMPLOYEE:

/s/ David C. Fogg

David C. Fogg

WITNESSED BY:

/s/ Robert B. Trussell, Jr.

Date: 10/4/02

Acknowledgement and Agreement

Tempur-Pedic, Inc. hereby acknowledges and agrees to the terms of this Agreement as they relate to the termination of the Former Agreement, and agrees that the Former Agreement shall terminate as of the Closing Date.

TEMPUR-PEDIC, INC.

By: /s/ Jeffrey T. Lillich

Name: Jeffrey T. Lillich
Title: Vice President of Finance
Date: 10/4/02

Exhibit 10.8

AMENDED AND RESTATED
EMPLOYMENT AND NONCOMPETITION AGREEMENT
(H. Thomas Bryant)

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is executed as of this 4/th/ day of October, 2002, and effective as of the Closing Date (as defined in the Merger Agreement referred to below, the "Closing Date"), by and between Tempur World, Inc., a Delaware corporation (the "Company"), and H. Thomas Bryant, an individual ("Employee").

RECITALS

Pursuant to the Agreement and Plan of Merger, dated as of October 4, 2002 (the "Merger Agreement"), among the Company, TWI Holdings, Inc., a Delaware corporation ("Parent"), TWI Acquisition Corp., a Delaware corporation ("Purchaser") and certain shareholders of the Company, on the Closing Date, the Purchaser will be merged into the Company, with the Company as the surviving corporation.

The Company desires to continue to employ Employee from and after the Closing Date by amending and restating in its entirety the existing Employment Agreement dated as of June 18, 1999 between the Company and Employee (the "Former Agreement"), and Employee desires to continue to be employed by the Company in such manner, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Closing Date, the Company employs Employee, and Employee accepts employment by the Company, for the period commencing on the Closing Date and ending on the first anniversary of the Closing Date, subject to earlier termination as hereinafter set forth in Article III (the "Employment Term"). Following the expiration of the Employment Term, the Employment Term shall be automatically renewed for successive one-year periods (collectively, the "Renewal Terms"; individually, a "Renewal Term") unless, at least 90 days prior to the expiration of the Employment Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in

which case the Employee's employment with the Company, and the Company's obligations hereunder, shall terminate as of the end of the Employment Term or said Renewal Term, as applicable, provided however that Employee shall agree to continue his employment hereunder at the option of the Company for a period of 6 months following written notice by either party of intention to terminate or not to renew (other than any such written notice given within 90 days following a Change in Control). Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee. As used herein, "Change in Control" shall mean a change in the ownership of the Company, such that more than 50% of the equity securities of the Company are acquired by any person or group (as such terms are defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) that does not own common stock of the Company on the Closing Date; provided, however, no Change in Control shall be deemed to occur (a) as a result of the consummation of the transactions contemplated by the Merger Agreement or (b) if such Change in Control is effected pursuant to any internal reorganization of the Company (including, by way of example, establishment of a new holding company for the Company) that does not result in a change of more than 50% of the ultimate equity ownership of the Company.

1.2 Position and Duties. Employee shall be employed in the position of Executive Vice President or such other executive position as may be assigned from time to time by the Company's Chief Executive Officer. In such capacity, Employee shall be subject to the authority of, and shall report to, the Company's Chief Executive Officer. Employee's duties and responsibilities shall include all those customarily attendant to such position and such other duties and responsibilities as may be assigned by the Chief Executive Officer. Employee shall devote Employee's entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of $250,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

2.2 Performance Bonus. Employee will be eligible to earn an annual performance-based bonus based on a formula approved by the Company's Board of Directors and incorporated herein by this reference for each full or pro-rata portion of the fiscal year during which Employee is employed by the Company (a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto shall be determined annually in the sole discretion of the Company's Board of Directors (the "Performance Bonus"). The amount of the Performance

Bonus will vary based on the achievement of performance criteria in the formula established by the Company's Board of Directors, but the formula will be set to target a Performance Bonus equal to 30% of Base Salary as of January 1/st/ of the Bonus Year if the performance criteria in the formula are met.

2.3 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.4 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.5 Automobile Allowance. The Company shall either pay to Employee an automobile allowance of $600.00 per month or provide Employee with an automobile for business and personal use.

2.6 Vacation. Employee shall be entitled to vacation in any calendar year in accordance with the Company's general vacation policies for similarly situated executive employees.

2.7 Grant of Stock Options. On or promptly following the Closing Date, Parent shall grant Employee options to purchase shares of the Class B-1 Voting Common Stock of Parent representing 0.900% of the fully-diluted common stock of Parent as of the Closing Date for a purchase price per share equal to the fair market value per share of Class B-1 Voting Common Stock of Parent (as determined by the Board of Directors of Parent), pursuant to a Stock Option Agreement between Parent and Employee. Such options shall vest on an annual basis in equal installments over a four-year period from the Closing Date. Such options, and any shares issued upon exercise of such options, shall be subject to certain termination and repurchase rights of the Parent upon termination of employment of Employee, and shall be subject to restrictions on transfer as set forth in the Stock Option Agreement, the Stock Repurchase Agreement attached thereto as an exhibit and the Stockholder Agreement among Parent and its stockholders.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligation under Article IV hereof) for "Good Reason" (as hereinafter defined) if Employee gives written notice thereof to the Company (which notice shall specify the grounds upon which such notice is given) and the Company fails, within 30 days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over 60 miles from the Company's existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of the Agreement which is not cured within 30 days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties, (ii) Employee's willful engagement in illegal conduct which is materially and demonstrably injurious to the Company, (iii) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (iv) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii) or (iv) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i)

automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for 90 days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs and any stock options to which the Employee is entitled under the Stock Option Agreement, (ii) payment of Base Salary for the duration of the Term or the Renewal Term (as applicable) (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof, and (iv) continuation of the welfare plans of the Company as detailed in Paragraph 2.3 hereof for the duration of the Severance Period. Notwithstanding the above, in the event of a Section 3.1(a) or (b) Termination during the Initial Term hereof, Employee shall be entitled to the payments described in this Section for a Severance Period of a minimum of 12 months.

(b) Section 3.1(c) and 3.1(d) Termination. If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary and in the case of 3.1(d) hereof, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and any stock options to which the Employee is entitled under the

Stock Option Agreement, and (ii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof.

ARTICLE IV

CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee's use of general skills and know-how acquired during and prior

to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company's or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company's or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

4.2 Noncompetition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Nonsolicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leave his or her employment with the Company or any of its subsidiaries.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company any of Employee's previous employer's confidential information or trade secrets.

Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties.

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to obtain injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to 15 written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within 30 days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 5.1):

(a) If to the Company: Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President

(b) If to Employee: H. Thomas Bryant
c/o Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511

6.2 Entire Agreement. This Agreement contains the entire understanding and the full and complete agreement of the parties and, effective as of the Closing Date, supersedes and

replaces any prior understandings and agreements among the parties with respect to the subject matter hereof (including, without limitation, the Former Agreement). The Employee hereby acknowledges and agrees that (a) no amounts are owed to him under the Former Agreement, other than any accrued salary payments for the current payroll period, and (b) effective upon the Closing Date, the Former Agreement shall terminate and be of no further force or effect, and accordingly the Employee shall have no rights to terminate his employment under the Former Agreement for "Good Reason" (as defined in the Former Agreement) with respect to any "Change in Control" (as defined in the Former Agreement) relating to the transactions contemplated by the Merger Agreement.

6.3 Amendment. This Agreement may be altered, amended or modified only in a writing, signed by both of the parties hereto. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Construction. This Agreement shall be governed by the internal laws of the State of Kentucky, without regard to any rules of construction concerning the party responsible for the drafting hereof.

6.8. Effective Date. The terms and conditions of this Agreement shall be effective as of the Closing Date. Prior to the Closing Date, the terms and conditions of Employee's employment with the Company shall be as set forth in the Former Agreement. In the event that the Merger Agreement is terminated, this Agreement shall be null and void and of no further force and effect, and the Former Agreement shall remain in full force and effect until amended or terminated in accordance with its terms.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Title: CEO

EMPLOYEE:

/s/ H. Thomas Bryant

H. Thomas Bryant

WITNESSED BY:

/s/ William H. Poche

Date: 10/4/02

Exhibit 10.9

AMENDED AND RESTATED
EMPLOYMENT AND NONCOMPETITION AGREEMENT
(Jeffrey P. Heath)

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is executed as of this 4/th/ day of October, 2002, and effective as of the Closing Date (as defined in the Merger Agreement referred to below, the "Closing Date"), by and between Tempur World, Inc., a Delaware corporation (the "Company"), and Jeffrey P. Heath, an individual ("Employee").

RECITALS

Pursuant to the Agreement and Plan of Merger, dated as of October 4, 2002 (the "Merger Agreement"), among the Company, TWI Holdings, Inc., a Delaware corporation ("Parent"), TWI Acquisition Corp., a Delaware corporation ("Purchaser") and certain shareholders of the Company, on the Closing Date, the Purchaser will be merged into the Company, with the Company as the surviving corporation.

The Company desires to continue to employ Employee from and after the Closing Date by amending and restating in its entirety the existing Employment Agreement dated as of December 31, 1999 between the Company and Employee (the "Former Agreement"), and Employee desires to continue to be employed by the Company in such manner, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Closing Date, the Company employs Employee, and Employee accepts employment by the Company, for the period commencing on the Closing Date and ending on the first anniversary of the Closing Date, subject to earlier termination as hereinafter set forth in Article III (the "Employment Term"). Following the expiration of the Employment Term, the Employment Term shall be automatically renewed for successive one-year periods (collectively, the "Renewal Terms"; individually, a "Renewal Term") unless, at least 90 days prior to the expiration of the Employment Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in

which case the Employee's employment with the Company, and the Company's obligations hereunder, shall terminate as of the end of the Employment Term or said Renewal Term, as applicable, provided however that Employee shall agree to continue his employment hereunder at the option of the Company for a period of 6 months following written notice by either party of intention to terminate or not to renew (other than any such written notice given within 90 days following a Change in Control). Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee. As used herein, "Change in Control" shall mean a change in the ownership of the Company, such that more than 50% of the equity securities of the Company are acquired by any person or group (as such terms are defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) that does not own common stock of the Company on the Closing Date; provided, however, no Change in Control shall be deemed to occur (a) as a result of the consummation of the transactions contemplated by the Merger Agreement or (b) if such Change in Control is effected pursuant to any internal reorganization of the Company (including, by way of example, establishment of a new holding company for the Company) that does not result in a change of more than 50% of the ultimate equity ownership of the Company.

1.2 Position and Duties. Employee shall be employed in the position of Chief Financial Officer or such other executive position as may be assigned from time to time by the Company's Chief Executive Officer. In such capacity, Employee shall be subject to the authority of, and shall report to, the Company's Chief Executive Officer. Employee's duties and responsibilities shall include all those customarily attendant to such position and such other duties and responsibilities as may be assigned by the Chief Executive Officer. Employee shall devote Employee's entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of $180,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

2.2 Performance Bonus. Employee will be eligible to earn an annual performance-based bonus based on a formula approved by the Company's Board of Directors and incorporated herein by this reference for each full or pro-rata portion of the fiscal year during which Employee is employed by the Company (a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto shall be determined annually in the sole discretion of the Company's Board of Directors (the "Performance Bonus"). The amount of the Performance

Bonus will vary based on the achievement of performance criteria in the formula established by the Company's Board of Directors, but the formula will be set to target a Performance Bonus equal to 30% of Base Salary as of January 1/st/ of the Bonus Year if the performance criteria in the formula are met.

2.3 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.4 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.5 Automobile Allowance. The Company shall either pay to Employee an automobile allowance of $600.00 per month or provide Employee with an automobile for business and personal use.

2.6 Vacation. Employee shall be entitled to vacation in any calendar year in accordance with the Company's general vacation policies for similarly situated executive employees.

2.7 Grant of Stock Options. On or promptly following the Closing Date, Parent shall grant Employee options to purchase shares of the Class B-1 Voting Common Stock of Parent representing 0.625% of the fully-diluted common stock of Parent as of the Closing Date for a purchase price per share equal to the fair market value per share of Class B-1 Voting Common Stock of Parent (as determined by the Board of Directors of Parent), pursuant to a Stock Option Agreement between Parent and Employee. Such options shall vest on an annual basis in equal installments over a four-year period from the Closing Date. Such options, and any shares issued upon exercise of such options, shall be subject to certain termination and repurchase rights of the Parent upon termination of employment of Employee, and shall be subject to restrictions on transfer as set forth in the Stock Option Agreement, the Stock Repurchase Agreement attached thereto as an exhibit and the Stockholder Agreement among Parent and its stockholders.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligation under Article IV hereof) for "Good Reason" (as hereinafter defined) if Employee gives written notice thereof to the Company (which notice shall specify the grounds upon which such notice is given) and the Company fails, within 30 days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over 60 miles from the Company's existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of the Agreement which is not cured within 30 days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties, (ii) Employee's willful engagement in illegal conduct which is materially and demonstrably injurious to the Company, (iii) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (iv) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii) or (iv) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i)

automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for 90 days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs and any stock options to which the Employee is entitled under the Stock Option Agreement, (ii) payment of Base Salary for the duration of the Term or the Renewal Term (as applicable) (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof, and (iv) continuation of the welfare plans of the Company as detailed in Paragraph 2.3 hereof for the duration of the Severance Period. Notwithstanding the above, in the event of a Section 3.1(a) or (b) Termination during the Initial Term hereof, Employee shall be entitled to the payments described in this Section for a Severance Period of a minimum of 12 months.

(b) Section 3.1(c) and 3.1(d) Termination. If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary and in the case of 3.1(d) hereof, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and any stock options to which the Employee is entitled under the

Stock Option Agreement, and (ii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof.

ARTICLE IV

CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee's use of general skills and know-how acquired during and prior

to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company's or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company's or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

4.2 Noncompetition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Nonsolicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leave his or her employment with the Company or any of its subsidiaries.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company any of Employee's previous employer's confidential information or trade secrets.

Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties.

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to obtain injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to 15 written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within 30 days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 5.1):

(a) If to the Company: Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President

(b) If to Employee: Jeffrey Heath
c/o Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511

6.2 Entire Agreement. This Agreement contains the entire understanding and the full and complete agreement of the parties and, effective as of the Closing Date, supersedes and

replaces any prior understandings and agreements among the parties with respect to the subject matter hereof (including, without limitation, the Former Agreement). The Employee hereby acknowledges and agrees that (a) no amounts are owed to him under the Former Agreement, other than any accrued salary payments for the current payroll period, and (b) effective upon the Closing Date, the Former Agreement shall terminate and be of no further force or effect, and accordingly the Employee shall have no rights to terminate his employment under the Former Agreement for "Good Reason" (as defined in the Former Agreement) with respect to any "Change in Control" (as defined in the Former Agreement) relating to the transactions contemplated by the Merger Agreement.

6.3 Amendment. This Agreement may be altered, amended or modified only in a writing, signed by both of the parties hereto. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Construction. This Agreement shall be governed by the internal laws of the State of Kentucky, without regard to any rules of construction concerning the party responsible for the drafting hereof.

6.8. Effective Date. The terms and conditions of this Agreement shall be effective as of the Closing Date. Prior to the Closing Date, the terms and conditions of Employee's employment with the Company shall be as set forth in the Former Agreement. In the event that the Merger Agreement is terminated, this Agreement shall be null and void and of no further force and effect, and the Former Agreement shall remain in full force and effect until amended or terminated in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Title: CEO

EMPLOYEE:

/s/ Jeffrey P. Heath

Jeffrey P. Heath

WITNESSED BY:

/s/ William H. Poche

Date: 10/4/02

Exhibit 10.10

TWI HOLDINGS, INC.
TEMPUR WORLD, INC.
1713 Jaggie Fox Way
Lexington, KY 40511

July 3, 2003

Jeffrey P. Heath
c/o Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511

Re: Separation Agreement

Dear Jeff:

You have indicated your interest in continuing as an employee of Tempur World, Inc. (the "Company") for a period through July 11, 2003, and thereafter resigning, subject to the execution of a written agreement regarding severance and other matters, including the status of (a) the shares of capital stock of TWI Holdings, Inc. ("Holdings") held by you subject to (i) the Stockholder Agreement dated as of November 1, 2002 (the "Stockholder Agreement") among Holdings and its stockholders and (ii) the Registration Rights Agreement dated as of November 1, 2002 (the "Registration Rights Agreement") among Holdings and its stockholders and (b) the options to purchase shares of capital stock of Holdings issued to you pursuant to the Stock Option Agreement dated November 1, 2002 (the "Stock Option Agreement") between Holdings and you. Under the terms of your Amended and Restated Employment Agreement dated as of October 4, 2002 (the "Employment Agreement") between the Company and you, you are entitled to certain severance payments in connection with a termination of employment by the Company without "Cause" (as such term is defined in the Employment Agreement) following execution of a release and waiver in form satisfactory to the Company. The Company is willing to offer to you the compensation, severance payments and other benefits to which you would be entitled under the Employment Agreement in connection with a termination of employment by the Company without Cause, and certain additional compensation and benefits, as set forth below in exchange for your agreement to the following:

1. Interim Employment; Resignation. You hereby resign as an officer and employee of the Company, as an officer of Holdings, and as an officer and director of each subsidiary of the Company in which you hold any such office, effective as of July 11, 2003 (the "Termination Date"). You acknowledge and agree that such resignation shall not constitute a resignation for "Good Reason", as such term is used

in the Employment Agreement. The Company and you agree that from the date hereof through the Termination Date, you will continue to work as an employee of the Company (and will be subject to the authority of, and report to, the Chief Executive Officer of the Company), and will continue to receive your current salary and participate in the Company's group medical and dental insurance plans. Although you may continue to use your title as Executive Vice President and Chief Financial Officer of the Company through the Termination Date, from and after the date hereof, you agree not to enter into any contracts or obligations on behalf of Holdings, the Company or any subsidiaries of the Company without the prior approval of the Chief Executive Officer of the Company. Until the Termination Date, you agree to devote your full time and best efforts to the performance of your duties as an employee, unless the Chief Executive Officer of the Company agrees that you may devote less than your full time to such duties. In accordance with the foregoing, the Company and you agree that the Employment Agreement is hereby amended by deleting Articles I, II, III and V therefrom.

2. Accrued Vacation Pay. On or promptly after the Termination Date, the Company will pay you an amount corresponding to your actual accrued and unused vacation time (if any) as of the Termination Date, calculated in accordance with the Company's policies. You acknowledge that any vacation time taken by you between the date of this Agreement and the Termination Date will reduce the amount of any such payment.

3. Severance Benefits. In exchange for your agreement to the terms and conditions of this Agreement, the Company agrees to make severance payments to you equivalent to (i) one year of salary payments (constituting a total of $180,000), (ii) the maximum amount of the performance bonus payment you would be eligible to receive under the Employment Agreement during the fiscal year ending December 31, 2003 (constituting a total of $54,000) and (iii) an automobile allowance of $600 per month (collectively, the "Severance Amount") during the one year period after the Termination Date ending on July 10, 2004 (such period hereinafter referred to as the "Severance Period"), in accordance with the Company's regular payroll schedule. As additional consideration to you under this Agreement, the Severance Amount includes the full amount of the maximum performance bonus payment which you would be entitled to receive under the Employment Agreement if you remained employed by the Company through December 31, 2003, instead of the pro-rated portion of such bonus payment which would be payable under the Employment Agreement in connection with a termination of employment without Cause. The obligation of the Company to pay the Severance Amount shall terminate in the event of any Benefit Termination Event. As used in this Agreement, "Benefit Termination Event" shall mean (a) any breach by you of the terms of Article IV of the Employment Agreement, regardless of the validity of all or part of such Article IV or of the other provisions of the Employment Agreement or (b) any breach by you of your obligations under this Agreement (including, without limitation, your obligation to continue to work as an employee of the Company during the period prior to the

Termination Date and your obligation to execute and deliver the reaffirmation agreement referred to in the last sentence of Section 13(a) below) or any other written agreement between you and Holdings or the Company. The foregoing severance payments are in lieu of any other severance payments under the Employment Agreement.

4. Outplacement Services. To assist you in your search for a new position, the Company will pay for up to six months of outplacement services by an outplacement firm selected by the Company in connection with your search for a new position. The obligation of the Company to pay for such services shall terminate in the event of a Benefit Termination Event.

5. Health Insurance. On or after the Termination Date, the Company will issue you a notice of your rights to continue medical and dental insurance benefits under the law known as "COBRA." If you make a timely election of such benefits and timely pay the initial premium, such COBRA coverage will be retroactive to the date you would otherwise have lost coverage under the Company's group medical and dental plans, and shall continue for a period of 18 months thereafter. Notwithstanding anything to the contrary in the notice of COBRA rights, provided that a Benefit Termination Event has not occurred prior to the Termination Date, your premium obligation for such coverage shall be limited to the share of such premiums charged to active employees for the same coverage. Your premium obligation may, at the Company's option, be deducted from the Severance Amount. As additional consideration to you under this Agreement, the premium obligation coverage under COBRA will continue for the full 18 month period of COBRA coverage, instead of the one year period provided for under the Employment Agreement in connection with a termination of employment without Cause.

6. Promissory Note; Common Stock. TWI is the holder of a Stockholder Note dated November 1, 2002 in the principal amount of $23,017.21 payable by you (the "Note"), which is secured by a pledge of 202.23 shares of Class B-1 Voting Common Stock of Holdings (the Class B-1 Common Shares") held by you. As an additional severance payment to you, provided that a Benefit Termination Event does not occur prior to the Termination Date, upon the Termination Date, all amounts owed by you under the Note shall be forgiven, the Note shall be cancelled, and the pledge of the Class B-1 Common Shares shall be released. You will be responsible for any income taxes on any income deemed to be recognized by you in connection with such forgiveness of indebtedness. You acknowledge and agree that the Class B-1 Common Shares are subject to the restrictions on transfer set forth in the Stockholder Agreement, and that such restrictions shall remain in effect following the Termination Date.

7. Stock Options. Under the Stock Option Agreement, options for 1,180 shares of Class B-1 Voting Common Stock (the "Options") have been granted to you, all of which are unvested. The exercise price for the Options is $800.00 per share.

Provided that a Benefit Termination Event does not occur prior to the Termination Date, upon the Termination Date, the vesting of Options for 295 shares (the "Vested Options"), representing the Options that would have become vested had you remained employed by the Company through November 1, 2003, shall become vested and exercisable. As additional consideration to you under this Agreement, the acceleration of vesting of the Options will constitute a full year of vesting of the Options, instead of the pro-rated portion of such one-year period as provided for under the Employment Agreement and the Stock Option Agreement in connection with a termination without Cause.

Section 4(a)(iv) of the Stock Option Agreement provides that the Vested Options will terminate on the 90/th/ day following the Termination Date. As additional consideration to you under this Agreement, provided that a Benefit Termination Event does not occur prior to the Termination Agreement, Holdings agrees that the Stock Option Agreement is hereby amended as of the Termination Date to provide that the Vested Options shall terminate on the earliest to occur of (i) November 1, 2012 and (ii) the date after the completion of the first Disposition Event (as defined in the Stock Option Agreement) (other than a Qualified Public Offering (as defined in the Stock Option Agreement)) to occur after the Termination Date. You acknowledge and agree that as a result of such amendment, the Vested Options will not be treated as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code.

In accordance with Section 4(b) of the Stock Option Agreement, Holdings and you acknowledge and agree that all of Options other than the Vested Options (constituting Options for a total of 885 shares) shall irrevocably expire and terminate with effect from the Termination Date, without any payment or consideration to you, and you shall have no further rights in respect of such Options.

The provisions of this Section 7 shall be deemed to be an amendment to the terms of the Stock Option Agreement, and the Vested Options shall remain subject to the terms of the Stock Option Agreement, as amended by this Section 7; provided, that in the event of any conflict between this Section 7 and the Stock Option Agreement, the terms of this Section 7 shall be controlling.

8. Return of Documents. Immediately upon the Termination Date, you shall return to the Company, and so certify in writing to the Company, all of Holdings', the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to Holdings', the Company's and its subsidiaries' business (and all copies thereof), which are in your possession or under your control, regardless of whether such papers, documents or things contain Confidential Information or Trade Secrets (as such terms are defined in the Employment Agreement).

9. Confidentiality. You acknowledge and agree that you shall remain subject to all of the provisions of Section 4.1 of the Employment Agreement.

10. Non-Competition. You hereby (a) reaffirm your non-competition and non-solicitation agreements contained in Sections 4.2 and 4.3 of the Employment Agreement, (b) acknowledge and agree that you will be subject to such non-competition and non-solicitation agreements for a period of two (2) years after the Termination Date and (c) acknowledge and agree that the severance payments, the continuation of insurance benefits and other benefits referred to above are being paid to you in partial consideration of such non-competition and non-solicitation obligations. You acknowledge and agree that you shall also remain subject to the provisions of Sections 4.4, 4.5, 4.6 and 4.7 of the Employment Agreement.

11. Waiver. You acknowledge that the agreement of Holdings to maintain the effectiveness of the Vested Options and the agreement of the Company to pay you the accrued vacation time and severance, bonus and other payments and benefits referred to above are being made in satisfaction of all claims which you may have against Holdings, the Company and the Company Affiliates (as defined below) with respect to the termination of your employment.

12. Confidentiality; Non-Disparagement; Reference. Each of the parties hereto agrees to keep all of the terms and provisions of this Agreement confidential and to not disclose any of the terms or provisions hereof to any third party without the prior written consent of the other parties hereto; provided, however, that the terms and provisions hereof may be disclosed by you to any of your professional advisors who need to know such information (it being understood that (i) you shall inform such professional advisors of the confidential nature of such information and shall direct them to treat such information confidentially in accordance with the terms hereof and (ii) you shall be responsible for any breach of the confidentiality obligations hereunder by your professional advisors). You agree that from and after the date hereof, you shall not make any remarks, statements or comments to any person disparaging the integrity or reputation of Holdings, the Company or any of the Company Affiliates (as defined below). Holdings and the Company agree that from and after the date hereof, (i) they shall not authorize the making of any remarks, statements or comments to any person disparaging your integrity or reputation and (ii) the Company's Director of Human Resources, to whom you agree to direct all requests for references for you, will respond to any such request for a written reference by providing a copy of the letter attached hereto as Attachment A, and will respond to any such request for an oral reference by providing information consistent with the letter attached hereto as Attachment A.

13. Mutual Releases.

(a) You agree that the benefits to be provided to you under this Agreement shall be in complete and final settlement of, and release Holdings, the Company and

their respective subsidiaries and affiliates, and all of their respective past and present directors, trustees, officers, shareholders, employees, agents, insurers, successors and assigns, and all others connected with any of them, both individually and in their official capacities (collectively, the "Company Affiliates"), from, any and all causes of action, rights or claims that you have had in the past, now have or might now have for the time period up to and including the Effective Date (as defined in Section 14), including any such causes of action, rights or claims which are in any way related to, connected with or arising out of your employment and its termination, pursuant to The Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act of 1990), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, or any other federal, state or local employment law, regulation or other requirement or common law, or pursuant to any written or oral contract, agreement or understanding between you and Holdings, the Company or any of the Company Affiliates, other than any causes of action, rights or claims arising against Holdings or the Company to enforce this Agreement, the Stock Option Agreement, the Stockholder Agreement or the Registration Rights Agreement. You also (i) agree not to file a lawsuit or initiate an arbitration proceeding asserting any such claims and (ii) represent and warrant to Holdings and the Company that you have not assigned any such claims. In addition, on the Termination Date, you agree to execute and deliver to the Company a written agreement in form and substance satisfactory to the Company reaffirming the provisions of this Section 13(a) with respect to the time period up to and including the Termination Date.

(b) Holdings and the Company each agree that the agreements contained in this Agreement shall be in complete and final settlement of, and release you from, any and all causes of action, rights or claims that Holdings, the Company or any of their subsidiaries have had in the past, now have or might now have for the time period up to and including the Effective Date (as defined in Section 14), including any such causes of action, rights or claims which are in any way related to, connected with or arising out of your status as a stockholder, officer, director or employee of Holdings or the Company or any of their subsidiaries, or pursuant to any written or oral contract, agreement or understanding between you and Holdings or the Company, other than any causes of action, rights or claims arising against you to enforce this Agreement, Articles IV or VI of the Employment Agreement, the Stock Option Agreement, the Stockholder Agreement or the Registration Rights Agreement. Holdings and the Company, on their own behalf and on behalf of their subsidiaries, also (i) agree not to file a lawsuit or initiate an arbitration proceeding asserting any such claims and (ii) represent and warrant to you that they have not assigned any such claims. In addition, on the Termination Date, Holdings and the Company agree to execute and deliver to you a written agreement in form and substance satisfactory to you reaffirming the provisions of this Section 13(b) with respect to the time period up to and including the Termination Date.

14. Acknowledgment. The offer contained in this Agreement is made without prejudice and without any admission of liability. This is an important legal document, and you may wish to consult with an attorney of your own choice in deciding whether to accept the offer contained in this Agreement. You acknowledge that you are entering into this Agreement voluntarily in order to receive the payments described above, and that you have read and understand this Agreement and the release contained herein. You understand that the Company would not make the payments referred to herein without your voluntary consent to this Agreement. You acknowledge that you were given a period of at least 21 days in which to consider this Agreement. If you sign this Agreement in less than 21 days, you acknowledge that you have done so voluntarily. For the seven day period following the execution of this Agreement, you may revoke this Agreement by written notice to the Company. If you revoke this Agreement, all terms of this Agreement shall be void and of no effect, and you agree to return to the Company any consideration paid to you under this Agreement at the time you deliver your notice of revocation. This Agreement shall not become effective or enforceable until the seven day revocation period has expired. If you do not revoke this Agreement, then, at the expiration of such seven day period (the "Effective Date"), this Agreement shall take effect as a legally binding agreement among you, Holdings and the Company. Nothing in this Agreement shall be construed to affect the Equal Employment Opportunity Commission's independent right and responsibility to enforce the law or to interfere with your right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or any similar state or local government agency (the "Commission"). You acknowledge that you understand, however, that while this Agreement does not affect your right to file a charge or participate in an investigation or proceeding conducted by the Commission, it does bar any claim you might have to receive monetary damages in connection with any Commission proceeding or action concerning matters covered by this Agreement.

15. Withholding. All payments by the Company described in this Agreement will be reduced by all taxes and other amounts that the Company is required to withhold under applicable law.

16. Entire Agreement. This Agreement (together with the Stock Option Agreement, the Stockholder Agreement, the Registration Rights Agreement and Articles IV and VI of the Employment Agreement) sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings, whether written or oral.

17. Equitable Remedies. You hereby acknowledge and agree that upon any breach by you of your obligations under Sections 8, 9 or 10 hereof, the Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief.

18. Severability. The parties hereto agree that if any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

19. Further Assurances. Each party shall execute and deliver all such further documents and instruments and do all acts and things as the other parties may after the date hereof reasonably require to carry out or better evidence or perfect the full intent and meaning of this Agreement. In addition, if requested by the Company after the date hereof, you agree to cooperate fully in any litigation or arbitration proceeding involving Holdings, the Company or any of its subsidiaries which relates to the period during which you were employed by the Company.

20. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, personal representatives, successors and assigns.

21. Governing Law. This Agreement shall be construed and enforced in accordance with the substantive laws of the State of Delaware.

22. Amendments, Waivers, Etc. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and fully executed by the parties hereto, and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Please indicate your agreement to the foregoing by signing a counterpart of this letter and returning it to us.

Sincerely,

TWI HOLDINGS, INC.

By:/s/ Robert B. Trussell, Jr.

Title: President and CEO

TEMPUR WORLD, INC.

By:/s/ Robert B. Trussell, Jr.

Title: President and CEO

I, the undersigned, having had the time to reflect, freely accept the above settlement and agree to the terms of this Agreement. I acknowledge and agree that no representative of Holdings or the Company has made any representation to or agreement with me relating to this Agreement which is not contained in the express terms of this Agreement. I acknowledge and agree that my execution and delivery of this Agreement is based upon my independent review of this Agreement, and I hereby expressly waive any and all claims or defenses by me against the enforcement of this Agreement which are based upon allegations or representations, projections, estimates, understandings or agreements by Holdings, the Company or any of their representatives that are not contained in the express terms of this Agreement.

/s/ Jeffrey P. Heath
- ---
Jeffrey P. Heath

7/14/03

(Date)

Exhibit 10.11

CONSULTANT'S AGREEMENT

This Agreement effective July 12, 2003 is made between and among Tempur-Pedic, Inc., and Tempur World, Inc. (collectively referred to as "the Company"), and Jeff Heath, ("Consultant").

WHEREAS, Consultant has acquired extensive knowledge of and experience in the business as conducted by the Company;

WHEREAS, the Company desires to obtain the benefit of Consultant's knowledge and experience by retaining Consultant, and Consultant desires to accept such position, for the term and upon the other conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties agree as follows:

Term: This Agreement shall commence on July 12, 2003 and shall terminate on July 12, 2004 (the "Consulting Term") unless earlier terminated for any reason by either party hereto upon Thirty (30) days prior written notice.

Consultations: During the Consulting Term Consultant shall make himself available at reasonable times to provide business consulting services to the officers, directors and other representatives of the Company as reasonably requested by the Chief Executive Officer of the Company (hereafter, the "Executive"), or his designees and the Company will provide Consultant with reasonable access to the facilities and senior management. Consultant shall not represent the Company, its Board of Directors, its officers or any other members of the Company in any transactions or communications, nor shall Consultant make claim to do so unless authorized by the Executive or his designees.

Consultant agrees to consult with the Executive or his designees in the event a situation arises in which his opinion, if expressed, or his actions, if taken, could possibly affect the interests or reputation of the Company. While Consultant is free at all times to express his opinions he agrees that any such opinion(s) expressed or actions taken are his and not those of the Company and, if not specifically authorized by the Company in writing, may, at the option of the Company, result in termination of this Agreement.

It is understood that this Agreement will require Consultant to provide consultation regarding strategic planning initiatives and other aspects of the Company's business which may require the Company to disclose to Consultant secret, proprietary and confidential information concerning the Company and its business affairs. Consultant also acknowledges that, during the course of his employment with the Company prior to the date hereof, he has been entrusted with certain personnel, business, financial, technical and other information and material which are the property of the Company and which involve confidential information of the Company and the Company's employees. Consultant agrees to maintain the confidentiality of all Company trade secrets, proprietary and confidential information.

Consultant agrees that all inventions, developments or improvements made by the Consultant, either alone or in conjunction with others, at any time or any place during the term of the Consultant's assignment with the Company, whether or not reduced to writing or practice during the term, which relate to the business in which the Company or any subsidiary or affiliate is engaged or in which the Company or any subsidiary or affiliate intends to engage, shall be the exclusive property of the Company. The Consultant shall promptly disclose any such invention, development or improvement to the Company, and, at the request and expense of the Company, shall assign all of the Consultant's

rights to the same to the Company. Upon termination of the assignment, Consultant shall deliver to the Company, all drawings, manuals, letters, notes, notebooks, reports, computer files and all other materials (including all copies of such materials), relating to such confidential information or the business of the Company which are in the possession or under the control of Consultant.

Compensation: For the performance of the services to rendered to the Company pursuant to the terms of this Agreement, the Company shall pay the Consultant Six Thousand Dollars ($6,000) per month on a monthly basis. The Consultant shall submit an itemized statement of services performed during any particular month by the fifth (5th) day of the next succeeding month. The amount shall be paid to the Consultant within fifteen (15) business days of the Company's receipt of such statement.

Expenses: In the event that Consultant is required, in connection with the performance of services hereunder, to incur business expenses, e.g. travel and lodging, the Company shall reimburse Consultant for all reasonable and necessary expenses that have been approved in advance by the Executive or his designees. In connection with such expenses, Consultant shall submit to the Company documentation substantiating same, e.g., receipts, and shall be reimbursed within fifteen (15) business days of the Company's receipt of an invoice together with such substantiating documentation.

Time Devoted To Work: In the performance of the services, the time Consultant is to work on any given day will be entirely within Consultant's control and the Company will rely upon Consultant to put in such amount of time as is reasonably necessary to fulfill the spirit and purpose of this agreement.

Status: The Consultant is engaged as an independent contractor and shall be treated as such for all purposes, including but not limited to Federal and State taxation, withholding, unemployment insurance, and workers' compensation. It is understood that the Company will not withhold any amounts for payment of taxes from the compensation of Consultant and that Consultant will be solely responsible to pay all applicable taxes from said payments, including payments owed to any employees and subagents of Consultant. Consultant will not be considered an employee of the Company for any purpose.

Representations and Warranties: The Consultant will make no representations, warranties, or commitments binding the Company without the Executive's prior written consent.

Employment of Others. The Company may from time to time request that the Consultant arrange for the services of others. All costs to the Consultant for those services will be paid by the Company but in no event shall the Consultant employ others without the prior authorization of the Company.

No Adequate Remedy: The Consultant understands that if the Consultant fails to fulfill the Consultant's obligations under this Agreement, the damages to the Company would be very difficult to determine. Therefore, in addition to any other rights or remedies available to the Company at law, in equity, or by statute, the Consultant hereby consents to the specific enforcement of this Agreement by the Company through an injunction or restraining order issued by an appropriate court.

Modification: This Agreement may be modified or amended only in writing and signed by both the Executive and Consultant.

Governing Laws: The laws of Kentucky will govern the validity, construction and performance of this Agreement. Any legal proceeding related to this Agreement must be litigated in an appropriate Kentucky state or federal court, and both the Company and the Consultant hereby consent to the exclusive jurisdiction of such court for this purpose.

Construction: Wherever possible, each provision of this Agreement will be interpreted so that it is valid under the applicable law. In the event any portion of this Agreement is declared invalid, the remainder of this Agreement also will continue to be valid.

Waivers: No failure or delay by either the Company or Consultant in exercising any right or remedy under this Agreement will waive any provision of the Agreement. Nor will any single or partial exercise by either the Company or Consultant of any right or remedy under this Agreement preclude either of them from otherwise or further exercising these rights or remedies, or any other rights or remedies granted by any law or any related document.

Notices: All notices and other communications required or permitted under this Agreement shall be in writing and sent by registered first-class mail, postage prepaid, addressed to the party's last know business address and shall be effective five days after mailing to the address stated at the beginning of this Agreement. These addresses may be changed at any time by like notice.

This Consulting Agreement is supplemental to the Separation Agreement between Consultant and the Company dated July 3, 2003 which Separation Agreement shall continue in full force and effect.

The parties to this Agreement have read this Agreement and understand it.

/s/ Jeffrey P. Heath

Consultant

Date: 7/14/2003

TEMPUR-PEDIC, INC.

/s/ H. Thomas Bryant

Title: CEO Date 7-14-2003

TEMPUR WORLD, INC.

/s/ H. Thomas Bryant

Title: EVP Date 7-14-2003

Tempur World Inc.

EMPLOYMENT AND NONCOMPETITION AGREEMENT

THIS AGREEMENT is executed as of this 11 day of July 2003, by and between Tempur-World, Inc. (the "Company"), and Dale Williams, an individual ("Employee").

RECITALS

The Company desires to employ Employee, and Employee desires to be employed by the Company, on the terms and conditions set forth herein.

The parties believe it is in their best interests to make provision for certain aspects of their relationship during and after the period in which Employee is employed by the Company.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. The Company employs Employee, and Employee accepts employment by the Company, for the period commencing on July 7, 2003, and ending on July 6, 2004, subject to earlier termination following the initial Employment Term, as hereinafter set forth in Article III (the "Employment Term"). Following the expiration of the Employment Term, the Employment Term shall be automatically renewed for successive one-year periods (collectively, the "Renewal Terms"; individually, a "Renewal Term") unless, at least 90 days prior to the expiration of the Employment Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in which case the Employee's employment with the Company, and the Company's obligations hereunder, shall terminate as of the end of the Employment Term or said Renewal Term, as applicable; provided, however, that Employee shall agree to continue his employment hereunder at the option of the Company for a period of 3 months following written notice by either party of intention to terminate or not to renew. Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee.

1.2 Position and Duties. Employee shall be employed in the position of Senior Vice President and Chief Financial Officer or such other executive position as may be assigned from time to time by the Company's Chief Executive Officer. In such capacity, Employee shall be subject to the authority of, and

shall report to, the Company's Chief Executive Officer. Employee's duties and responsibilities shall be as generally described in the letter agreement dated July 7, 2003, incorporated herein by this reference (the "Letter Agreement"), and shall include all those customarily attendant to such position and such other duties and responsibilities as may be assigned from time to time by the Chief Executive Officer. Employee shall devote Employee's entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of $225,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

2.2 Performance Bonus. Employee will be eligible to earn an annual performance-based bonus based on a formula approved by the Company's Board of Directors for each full or pro-rata portion of the fiscal year during which Employee is employed by the Company (a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto shall be determined annually in the sole discretion of the Company's Board of Directors (the "Performance Bonus"). The amount of the Performance Bonus will vary based on the achievement of performance criteria in the fonnula established by the Company's Board of Directors, but the formula will be set to target a Performance Bonus equal to 30% of Base Salary as of January 1st of the Bonus Year if the performance criteria in the formula are met. The Company's Annual Performance Bonus Program is generally described in the Letter Agreement.

2.3 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401 (a) of the Internal Revenue Code of 1986, as amended, and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.4 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.5 Automobile Allowance. The Company shall pay to Employee an automobile allowance of $600.00 per month..

2.6 Vacation. Employee shall be entitled to 15 vacation days in any calendar year to be taken in accordance with the Company's general vacation policies for similarly situated executive employees.

2.7 Grant of Stock Options. Employee shall be granted options to purchase 1,000 shares of the Class B-1 Voting Common Stock of TWI Holdings, Inc. for a purchase price per share equal to the fair

market value per share of Class B-1 Voting Common Stock of TWI Holdings, Inc. on the date hereof (as determined by the Board of Directors of TWI Holdings, Inc., currently estimated to be $1,250 per share), pursuant to a Stock Option Agreement between TWI Holdings, Inc. and Employee. On the first anniversary of the date hereof, 25% of the options shall become vested, and quarterly thereafter, 6.25% of the options shall become vested, such that all of the options shall be vested on and after the fourth anniversary of the date hereof. Such options, and any shares issued upon exercise of such options, shall be subject to certain termination and repurchase rights of TWI Holdings, Inc. upon termination of employment of Employee, and shall be subject to restrictions on transfer as set forth in the Stock Option Agreement, the Stock Repurchase Agreement attached thereto as an exhibit and the Stockholder Agreement among TWI Holdings, Inc. and its stockholders. Future options may be granted as determined by the Board of Directors of TWI Holdings, Inc.

2.8. Additional Benefits. The Company shall provide Employee with a Relocation Package and Major Company Paid Benefits as described in the Letter Agreement.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligation under Article IV hereof) for "Good Reason" (as hereinafter defined) if Employee gives written notice thereof to the Company (which notice shall specify the grounds upon which such notice is given) and the Company fails, within 30 days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over 60 miles from the Company's existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of the Agreement which is not cured within 30 days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties, (ii) Employee's willful engagement in illegal conduct which is materially and demonstrably injurious to the Company, (iii) Employee's conviction by a court of competent

jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (iv) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii) or (iv) of this Section and specifying the particulars thereof in detail.

d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (1) automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for 90 days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be detemlined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or Federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary, the value of any accrued but unused vacation, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to

the Bonus Year in which the termination occurs and any stock options to which the Employee is entitled under the Stock Option Agreement, (ii) payment of Base Salary for a period of Six (6) months (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof, and (iv) continuation of the welfare plans of the Company as detailed in Paragraph 2.3 hereof for the duration of the Severance Period.

(b) Section 3.1(c) and 3.1(d) Termination. If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company, (i) any unpaid Base Salary and in the case of 3.1 (d) hereof, the value of any accrued but unused vacation, a pro- rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and any stock options to which the Employee is entitled under the Stock Option Agreement, and (ii) reimbursement of expenses to which Employee is entitled under Section 2.4 hereof.

ARTICLE IV

CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

4.1 Covenants Regarding Confidential Information. Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example:

business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee's use of general skills and knowhow acquired during and prior to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company's or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company's or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

4.2 Noncompetition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Nonsolicitation. For a two year period following the termination of Employee's employment for any reason or without reason. Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leave his or her employment with the Company or any of its subsidiaries.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company any of Employee's previous employer's confidential information or trade secrets. Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties.

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to obtain injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to 15 written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within 30 days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 5.1):

(a) If to the Company
Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511
Attention: President

(b) If to Employee:
Mr. Dale Williams
c/o Tempur World, Inc.
1713 Jaggie Fox Way
Lexington, KY 40511

6.2 Entire Agreement. This Agreement contains the entire understanding and the full and complete agreement of the parties.

6.3 Amendment. This Agreement may be altered, amended or modified only in a writing, signed by both of the parties hereto. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect,

and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law: Construction. This Agreement shall be governed by the internal laws of the State of Kentucky, without regard to any rules of construction concerning the party responsible for the drafting hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this day and year written above.

COMPANY:

TEMPUR WORLD, INC.

By: /s/ Robert B. Trussell, Jr.

Title: CEO

EMPLOYEE:

/s/ Dale E. Williams

Dale E. Williams

WITNESSED BY:

/s/ Hugh B. Murphy

Date: 7/11/03

[Remainder of Page Intentionally Left Blank]

[LOGO] TEMPUR WORLD(TM)

ATTACHMENT TO DALE WILLIAMS AGREEMENT

"LETTER AGREEMENT"

Mr. Dale Williams July 3, 2003

Dear Dale,

On behalf of the Board of Directors, Tom Bryant, and the Tempur World organization, I'm pleased to present you this offer to join the company as Senior Vice President and Chief Financial Officer. We feel very strongly that you will be a key addition to the company's success as we grow.

The following is a confirmation of the employment specifics as we discussed. Please let me know if you have any questions on any of these items.

Employment Agreement: Pending your acceptance of the terms below, the company will prepare an Employment and Non-Competition Agreement for your signature. This document contains additional specifics concerning the terms and conditions of your employment.

Position: Senior Vice President and Chief Financial Officer, Tempur World

Reports To: This position reports directly to the Chief Executive Officer, Tempur World

Start Date: July 7, 2003.

Compensation: Your base salary will be $225,000

Annual Performance Bonus Program: The company's annual performance bonus is based on a quantitative and qualitative formula approved by the Company's Board of Directors. Specifically, 25% Sales, 25% EBITDA and 50% Board discretion. The formula is set to target a bonus equal to 30% of your Base Salary as of January 1st of each year.

You are eligible to participate in the 2003 plan and your award level will be prorated to your length of employment with the company.

The Sales and EBITDA segments are based on the current prorated 2003 forecast. Eighty percent of these targets would equal zero bonus and 100% would equal the target bonus of 30%. The bonuses are not capped i.e., if the actual sales and EBITDA are 110% of plan, then a bonus of 110% of target percentage would be achieved. For the discretionary element of the bonus, the Board will weigh other items such as net working capital, free cash flow and other intangibles.

Salary Reviews: Your Base Salary will be reviewed and be subject to adjustment by the Board of Directors on or about January 1 of each year beginning with January 1, 2004.

Equity Incentive: 1000 stock options per Tempur World Stock Option Plan (qualified) at a $1250 strike price (Fair Market Value to be confirmed by valuation consultant so as to create no

income to you at issuance). Options vest 25% per year for four (4) years and are then exercisable over 10 years. The vesting schedule is 25% in the first 12 months and 6.25% per quarter thereafter. Future options may be granted as determined by the Board of Directors of Tempur World.

Auto Allowance: You'll receive an automobile allowance of $600.00 per month

Salary Continuation/Severance: Six months per the terms of your Employment Agreement.

Relocation: Your relocation package is designed to make the transition to Lexington as smooth as possible. It includes

.. Reimbursement of up to 6% Real Estate Commission on the sale of your primary residence

.. Usual and customary Closing Costs on the sale of your home

.. Full packing and transportation of typical household goods (booked by the company)

.. Furnished temporary housing in Lexington for up to 90 days (booked by the company)

.. Incidental travel expenses

.. One-time gross-up on the 2003 taxable portion of relocation reimbursements

.. Home Commute: The company agrees to provide you bi-weekly RT travel to Minneapolis, per the company's standard travel policy. All flights should be booked by TPI's travel desk.

Major Company Paid Benefits:

. Vacation - Fifteen (15) vacation days effective upon hire. Three Sick days are also part of the benefits package.

. Company paid life insurance equal to three times your base salary, capped at $250k, ADD, short-term and long-term disability insurance. You can also voluntarily buy additional Life Insurance and Long Term Disability coverage at attractive group rates.

. Company paid Health Insurance for the employee (employees currently pay $39.77 per biweekly pay period for employee plus spouse coverage). Additionally, you can enroll in our "Section 125", or Cafeteria plan. This allows you to deduct for certain benefits on a Pre-Tax basis i.e., using whole dollars.

. 401K Retirement Plan whereby the Company will match dollar for dollar up to 3% of your savings and $.50 for each dollar of your savings on the 4th and 5th %. There is a oneyear waiting period before participation begins. You will receive more information on the plan closer to your entry date.

. Liberal Employee Purchase plan including a free Tempur-Pedic mattresses after 90 days employment and again on every employment anniversary!

. Nine paid holidays.

Job Description:

Responsibilities: The Chief Financial Officer will formulate and lead the firm's overall financial plans and activities. This will include financial reporting and controls, treasury, tax, investor and lender relations, strategic planning, financial analysis, financial systems management, and budgeting. Specific responsibilities include:

.. Focus on growing the business, optimizing existing systems, and bringing the financial picture into sharp focus.

.. Provide the strategic and financial leadership to position the company for a liquidity event, most likely through an IPO.

.. Act as a business partner to the Chief Executive Officer and a significant contributor to the strategic management of the firm.

.. Work with the CEO in coordinating the company's strategic planning process. Ensure that efficient and accurate financial forecasting, planning and capital budgeting systems are in place. Direct the preparation of realistic operating budgets and management reports. Develop costing systems and coordinate critical and ongoing financial analysis activities of the company's operations focusing on cost containment and asset maximization.

.. Present, analyze and interpret relevant financial data to the CEO, other line managers, and the Board of Directors. Develop financial performance measurements and make appropriate recommendations.

.. Develop and implement plans to optimize the corporation's capital structure and the financial strategies to support growth and development.

.. Direct all treasury activities, including maintaining and expanding relationships with commercial and investment banks.

.. Provides financial leadership in mergers and acquisitions, joint ventures, and partnerships including due diligence, deal structuring, negotiations, integration, etc.

.. Manage tax planning and reporting activities and provides a liaison with regulatory authorities.

.. Maintain a system of internal controls and audit procedures including managing the company's relationship with its outside audit firm.

.. Responsible for the development and management of the financial organization and professional staff.

Thank you again, Dale. I look forward to having you join the company.

To indicate your agreement with the essential terms of our offer I would appreciate your signing as indicated below and returning this page via fax to Hugh Murphy at: 859-514-5778.

Sincerely,

Bob Trussell, Chief Executive Officer

AGREED TO BY: _____ DATE: _____

Exhibit 12.1

TWI Holdings Inc

Ratio of Earnings To Fixed Charges (unaudited)

	Pre-Predecessor			Predecessor			TWI Holdings	Combined	TWI Holdings	Combined	TWI Holdings
	(a)	(a)	(a)							(b)	(b)
	Twelve Months Ended April 30, 1998	Twelve Months Ended April 30, 1999	Eight Months ended December 31, 1999	Twelve Months Ended December 31, 2000	Twelve Months Ended December 31, 2001	Period from January 1, 2002 to October 31, 2002	Period from November 1, 2002 to December 31, 2002	Twelve Months Ended December 31, 2002	Six Months Ended June 30, 2003	Proforma As Adjusted Twelve Months Ended December 30, 2002	Proforma As Adjusted Six Months Ended June 30, 2003
FIXED CHARGES:											
Interest Expense	—	—	—	4,626,238	6,952,564	6,604,562	3,046,460	9,651,022	8,452,766	22,593,022	14,923,766
Interest Portion of Rental Expense (c)	—	—	—	70,193	44,987	105,365	4,358	109,723	45,754	109,723	45,754
Amortization of debt issue costs and Discount or Premium Relating to Indebtedness	—	—	—	—	159,073	1,115,608	370,969	1,486,577	1,328,471	2,927,577	2,070,471
TOTAL FIXED CHARGES	—	—	—	4,696,431	7,156,624	7,825,535	3,421,787	11,247,322	9,826,991	25,630,322	17,039,991
EARNINGS:											
Income From Continuing Operation Before Income Taxes	—	—	—	19,265,000	23,500,000	32,377,000	(1,965,000)	30,412,000	42,486,000	16,029,000	35,273,000
Fixed charges	—	—	—	4,696,431	7,156,624	7,825,535	3,421,787	11,247,322	9,826,991	25,630,322	17,039,991
TOTAL	—	—	—	23,961,431	30,656,624	40,202,535	1,456,787	41,659,322	52,312,991	41,659,322	52,312,991
RATIO OF EARNINGS TO FIXED CHARGES	—	—	—	5.10	4.28	5.14	0.43	3.70	5.32	1.63	3.07

(a) The pre-predecessor consolidated information is unavailable for these periods.

(b) To give effect to the reduction in interest expense due to refinancing.

(c) Interest portion of rental expense is based upon an average imputed interest rate of 11.1% within the Company's operating leases.

Exhibit 21.1

SUBSIDIARIES OF TWI HOLDINGS, INC.

Entity	State or Country of Organization
Tempur World, Inc.	Delaware
Tempur World Holdings, Inc.	Delaware
Tempur-Pedic, Inc.	Kentucky
Tempur Production USA, Inc.	Virginia
Tempur-Medical, Inc.	Kentucky
Tempur-Pedic, Direct Response, Inc.	Kentucky
Tempur World Holdings S.L.	Spain
Tempur World Holding Company ApS	Denmark
Tempur World Holding Sweden AB	Sweden
Dan Foam ApS	Denmark
Tempur UK, Ltd.	United Kingdom
Tempur Yugen Kaisha	Japan
Tempur International Limited	United Kingdom
Tempur Danmark A/S	Denmark
Tempur Suomi OY	Finland
Tempur Norge AS	Norway
Tempur Sverige AB	Sweden
Tempur Italia Srl	Italy
Tempur France SARL	France
Tempur Holding GmbH	Germany
Kruse System GmbH	Germany
Tempur Deutschland GmbH	Germany
Tempur Schweiz AG	Switzerland
Tempur Pedic Espana SA	Spain
Tempur Singapore Pte Ltd.	Singapore
Tempur Benelux B.V.	Netherlands
Tempur South Africa p.t.y.	South Africa

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated June 20, 2003, in the Registration Statement and related Prospectus of TWI Holdings, Inc. and Subsidiaries, dated September 23, 2003, for the registration of 10 1/4% Senior Subordinated Notes due 2010.

/s/ ERNST & YOUNG LLP

Louisville, Kentucky
September 23, 2003

Exhibit 23.2

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

This Registration Statement on Form S-4 includes the accountant's report previously issued by Arthur Andersen LLP which has ceased operations. The reprinting of the accountant's report is not equivalent to a current reissuance of such report as would be required if Arthur Andersen was still operating. Because Arthur Andersen has not consented to the inclusion of the accountant's report in this Registration Statement, your ability to make a claim against Arthur Andersen may be limited or prohibited.

Exhibit 25.1

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

A U.S. National Banking Association (Jurisdiction of incorporation or organization if not a U.S. national bank)	41-1592157 (I.R.S. Employer Identification No.)
Sixth Street and Marquette Avenue Minneapolis, Minnesota (Address of principal executive offices)	55479 (Zip code)

Stanley S. Stroup, General Counsel
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
(612) 667-1234
(Agent for Service)

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.
(Exact name of obligor as specified in its charter)

KENTUCKY VIRGINIA (State or other jurisdiction of incorporation or organization)	61-1187378 61-1368322 (I.R.S. Employer Identification No.)
1713 Jaggie Fox Way Lexington, Kentucky	40511
4700 Boone Trail Road South Duffield, Virginia (Address of principal executive offices)	24244 (Zip code)

---

10 1/4% Senior Subordinated Notes due 2010
(Title of the indenture securities)

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

The Board of Governors of the Federal Reserve System
Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. ist below all exhibits filed as a part of this Statement of Eligibility. Wells Fargo Bank incorporates by reference into this Form T-1 the exhibits attached hereto.

Exhibit 1. a. A copy of the Articles of Association of the trustee now in effect.***

Exhibit 2. a. A copy of the certificate of authority of the trustee to commence business issued June 28, 1872, by the Comptroller of the Currency to The Northwestern National Bank of Minneapolis.*

b. A copy of the certificate of the Comptroller of the Currency dated January 2, 1934, approving the consolidation of The Northwestern National Bank of Minneapolis and The Minnesota Loan and Trust Company of Minneapolis, with the surviving entity being titled Northwestern National Bank and Trust Company of Minneapolis.*

c. A copy of the certificate of the Acting Comptroller of the Currency dated January 12, 1943, as to change of corporate title of Northwestern National Bank and Trust Company of Minneapolis to Northwestern National Bank of Minneapolis.*

d. A copy of the letter dated May 12, 1983 from the Regional Counsel, Comptroller of the Currency, acknowledging receipt of notice of

name change effective May 1, 1983 from Northwestern National Bank of Minneapolis to Norwest Bank Minneapolis, National Association.*

e. A copy of the letter dated January 4, 1988 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation and merger effective January 1, 1988 of Norwest Bank Minneapolis, National Association with various other banks under the title of "Norwest Bank Minnesota, National Association."*

f. A copy of the letter dated July 10, 2000 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation effective July 8, 2000 of Norwest Bank Minnesota, National Association with various other banks under the title of "Wells Fargo Bank Minnesota, National Association."****

Exhibit 3. A copy of the authorization of the trustee to exercise corporate trust powers issued January 2, 1934, by the Federal Reserve Board.*

Exhibit 4. Copy of By-laws of the trustee as now in effect.***

Exhibit5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. Consolidated Reports of Condition attached.

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to exhibit number 25 filed with registration statement number 33-66026.

*** Incorporated by reference to exhibit T3G filed with registration statement number 022-22473.

**** Incorporated by reference to exhibit number 25.1 filed with registration statement number 001-15891.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank Minnesota, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 18th day of September, 2003.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

By: /s/ Joseph P. O'Donnell

Joseph P.O'Donnell
Corporate Trust Officer

EXHIBIT 6

September 18, 2003

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

By: /s/ Joseph P. O'Donnell

Joseph P. O'Donnell
Corporate Trust Officer

EXHIBIT 7

Consolidated Report of Condition of

Wells Fargo Bank Minnesota, National Association
of Sixth Street and Marquette Avenue, Minneapolis, MN 55479
And Foreign and Domestic Subsidiaries,
at the close of business June 30, 2003, filed in accordance with 12 U.S.C.
(Section) 161 for National Banks.

		Dollar Amounts In Millions
ASSETS		
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 1,820
Interest-bearing balances		63
Securities:		
Held-to-maturity securities		0
Available-for-sale securities		1,865
Federal funds sold and securities purchased under agreements to resell:		
Federal funds sold in domestic offices		10,646
Securities purchased under agreements to resell		117
Loans and lease financing receivables:		
Loans and leases held for sale		20,213
Loans and leases, net of unearned income	18,159	
LESS: Allowance for loan and lease losses	283	
Loans and leases, net of unearned income and allowance		17,876
Trading Assets		440
Premises and fixed assets (including capitalized leases)		148
Other real estate owned		6
Investments in unconsolidated subsidiaries and associated companies		0
Customers' liability to this bank on acceptances outstanding		17
Intangible assets		
Goodwill		291
Other intangible assets		11
Other assets		1,380
Total assets		$54,893
LIABILITIES		
Deposits:		
In domestic offices		$36,876
Noninterest-bearing	24,165	
Interest-bearing	12,711	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		4,858
Noninterest-bearing	1	
Interest-bearing	4,857	
Federal funds purchased and securities sold under agreements to repurchase:		
Federal funds purchased in domestic offices		1,391
Securities sold under agreements to repurchase		286

	Dollar Amounts In Millions
Trading liabilities	50
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	6,718
Bank's liability on acceptances executed and outstanding	18
Subordinated notes and debentures	0
Other liabilities	1,192
Total liabilities	$51,389
Minority interest in consolidated subsidiaries	0
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	100
Surplus (exclude all surplus related to preferred stock)	2,134
Retained earnings	1,208
Accumulated other comprehensive income	62
Other equity capital components	0
Total equity capital	3,504
Total liabilities, minority interest, and equity capital	$54,893

I, Karen B. Martin, Vice President of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

Karen B. Martin
Vice President

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Jon R. Campbell
Marilyn A. Dahl Directors
Gerald B. Stenson

LETTER OF TRANSMITTAL

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

Offer to Exchange 10 1/4% Senior Subordinated Notes due 2010
registered under the Securities Act of 1933 for
All Outstanding 10 1/4% Senior Subordinated Notes due 2010

Pursuant to the Prospectus, dated , 2003

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2003 UNLESS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

To: **Wells Fargo Bank Minnesota, National Association,** as Exchange Agent

By Registered or Certified Mail
or Overnight Courier:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
213 Court Street, Suite 703
Middletown, CT 06457
Attn: Joseph P. O'Donnell

By Hand Delivery:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
213 Court Street, Suite 703
Middletown, CT 06457
Attn: Joseph P. O'Donnell

By Facsimile:

(860) 704-6219
Attn: Joseph P. O'Donnell

Confirm by Telephone:

(860) 704-6217

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY. YOU SHOULD READ THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL BEFORE COMPLETING IT.

The undersigned acknowledges that he or she has received the prospectus, dated , 2003 (the "Prospectus"), of Tempur-Pedic, Inc., a Kentucky corporation, and Tempur Production USA, Inc., a Virginia corporation (together, the "Company"), and this letter of transmittal (the "Letter of Transmittal"), which together constitute the Company's offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $150,000,000 of its 10¼% Senior Subordinated Notes due 2010 and the associated guarantees (together, the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Company's issued and outstanding 10¼% Senior Subordinated Notes due 2010 and the associated guarantees (together, the "Old Notes"), which have not been registered under the Securities Act. Capitalized terms used but not defined herein shall have the same meanings given them in the Prospectus. The Exchange Offer is subject to all of the terms and conditions set forth in the Prospectus, including, without limitation, the right of the Company to waive, subject to applicable laws, conditions. In the event of any conflict between the Letter of Transmittal and the Prospectus, the Prospectus shall govern.

The terms of the Exchange Notes are substantially identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Old Notes for which they may be exchanged pursuant to the Exchange Offer, but the Exchange Notes are freely transferable by holders thereof (except as provided herein or in the Prospectus). For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. Interest on the Exchange Notes will accrue at the rate of 10¼% per annum and will be payable semi-annually in arrears on each February 15 and August 15, commencing on February 15, 2004. The Exchange Notes will mature on August 15, 2010.

The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension as promptly as practicable by oral or written notice thereof.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW. THE INSTRUCTIONS INCLUDED IN THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS, THIS LETTER OF TRANSMITTAL AND THE NOTICE OF GUARANTEED DELIVERY MAY BE DIRECTED TO THE EXCHANGE AGENT. SEE INSTRUCTION 11.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, list the certificate numbers and principal amount of Old Notes on a separate signed schedule and affix the schedule to this Letter of Transmittal.

DESCRIPTION OF OLD NOTES

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear on certificates)	Certificate Number(s)*	Aggregate Amount of Old Notes	Principal Amount Tendered**
Total			

* Need not be completed if Old Notes are being tendered by book-entry transfer.
** Unless otherwise indicated in this column, ALL of the Old Notes represented by the certificates will be deemed to have been tendered. See Instruction 2. Old Notes tendered must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

☐ **CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution: _____

DTC Book-Entry Account: _____

Transaction Code Number: _____

☐ **CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered
Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

If Delivered by Book-Entry Transfer, Complete the Following:

DTC Book-Entry Account: _____

Transaction Code Number: _____

☐ **CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name: _____

Address: _____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned further represents that (i) the undersigned is not an "affiliate," as defined in Rule 405 of the Securities Act, of the Company, (ii) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes, (iii) any of the Exchange Notes received by the undersigned will be acquired in the ordinary course of business and (iv) if the undersigned is a broker-dealer, that it will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities and that it will deliver a prospectus in connection with any resale of such Exchange Notes.

The undersigned also acknowledges that this Exchange Offer is being made by the Company based upon the Company's understanding of an interpretation by the staff of the Securities and Exchange Commission (the "Commission") as set forth in no-action letters issued to third parties, that the Exchange Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that: (i) such holders are not affiliates of the Company within the meaning of Rule 405 under the Securities Act; (ii) such Exchange Notes are acquired in the ordinary course of such holder's business; and (iii) such holders are not engaged in, and do not intend to engage in, a distribution of the Exchange Notes and have no arrangement or understanding with any person to participate in the distribution of the Exchange Notes. However, the staff of the Commission has not considered the Exchange Offer in the context of a request for a no-action letter, and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer as it has in other circumstances.

Any broker-dealer and any holder who has an arrangement or understanding with any person to participate in the distribution of Exchange Notes may not rely on the applicable interpretations of the staff of the Commission. Consequently, these holders must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. If the undersigned is a broker-dealer, it acknowledges that the staff of the Commission considers broker-dealers that acquired Old Notes directly from the Company, but not as a result of market-making activities or other trading activities, to be making a distribution of the Exchange Notes.

If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes acquired by such broker-dealer as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned

hereunder shall be binding upon the successors, assigns, heirs, personal representatives, executors, administrators, trustees in bankruptcy and other legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer—Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the section entitled "Special Issuance Instructions" below, please issue the Exchange Notes in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the book-entry account indicated above maintained at DTC. Similarly, unless otherwise indicated under the section entitled "Special Delivery Instructions" below, please send the Exchange Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the section entitled "Description of Old Notes."

THE UNDERSIGNED, BY COMPLETING THE SECTION ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH SECTION ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 3, 4, 5 AND 7)

To be completed **ONLY** if certificates for Old Notes not tendered and/or Exchange Notes are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter of Transmittal above or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at DTC other than the account indicated above.

Issue Exchange Notes and/or Old Notes to:

Name(s):_____
(Please Type or Print)

(Please Type or Print)

Address:_____

(Including Zip Code)
(Complete accompanying Substitute Form W-9)

Credit unexchanged Old Notes delivered by book-entry transfer to the DTC account set forth below.

(DTC Account Number, if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3, 4, 5 AND 7)

To be completed **ONLY** if certificates for Old Notes not tendered and/or Exchange Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) on this Letter of Transmittal above or to such person(s) at an address other than shown in the box entitled "Description of Old Notes" on this Letter of Transmittal above.

Mail Exchange Notes and/or Old Notes to:

Name(s):_____
(Please Type or Print)

(Please Type or Print)

Address:_____
(Please Type or Print)

(Including Zip Code)

IMPORTANT: THIS LETTER OF TRANSMITTAL, OR A FACSIMILE HEREOF, OR AN AGENT'S MESSAGE (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ABOVE.

PLEASE SIGN HERE
(To be completed by all tendering holders of Old Notes, regardless of whether Old Notes are being physically delivered herewith)

This Letter of Transmittal must be signed by the holder(s) of Old Notes exactly as their name(s) appear(s) on certificate(s) for Old Notes or, if delivered by a participant in DTC, exactly as such participant's name appears on a security position listing as the owner of Old Notes, or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this Letter of Transmittal. If any signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below beside "Capacity" and submit evidence satisfactory to the Company of such person's authority to so act. See Instruction 4.

If the signature appearing below is not of the record holder(s) of the Old Notes then the record holder(s) must sign a valid bond power.

X _____

X _____
(Signature(s) of Registered Holder(s) or Authorized Signatory)

Date: _____
(Please Type or Print)

Name: _____
(Please Type or Print)

Capacity: _____
(Please Type or Print)

Address: _____

_____
(Including Zip Code)

Area Code and Telephone No.: ( ) _____

Please complete Substitute Form W-9 Herein

MEDALLION SIGNATURE GUARANTEE
(If Required by Instruction 3)

_____
(Name of Eligible Institution Guaranteeing Signatures)

_____
(Address (including Zip Code) and Telephone Number (including Area Code) of Firm)

_____
(Authorized Signature)

_____
(Printed Name)

_____
(Title)

_____
(Date)

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer to Exchange
Registered 10¼% Senior Subordinated Notes due 2010 for
Outstanding 10¼% Senior Subordinated Notes due 2010
of Tempur-Pedic, Inc. and
Tempur Production USA, Inc.

1. *Delivery of this Letter of Transmittal and Old Notes; Guaranteed Delivery Procedures.* A holder of Old Notes may tender the same by (i) properly completing and signing this Letter of Transmittal or a facsimile thereof (all references in the Prospectus to the Letter of Transmittal shall be deemed to include a facsimile thereof) and delivering the same, together with the certificate or certificates, if applicable, representing the Old Notes being tendered and any required signature guarantees and any other documents required by this Letter of Transmittal, to the Exchange Agent at its address set forth above on or prior to the Expiration Date, (ii) complying with the procedure for book-entry transfer described below or (iii) complying with the guaranteed delivery procedures described below. Old Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof.

The Exchange Agent will make a request to establish an account with respect to the Old Notes at The Depositary Trust Company, or DTC, for purposes of the Exchange Offer promptly after the date of the Prospectus. Any financial institution that is a participant in DTC's system, including Euroclear and Clearstream, may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's account at DTC in accordance with DTC's Automated Tender Offer Program procedures for such transfer. However, although delivery of Old Notes may be effected through book-entry transfer at DTC, an Agent's Message (as defined in the next paragraph) in connection with a book-entry transfer and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at the address specified on the cover page of this Letter of Transmittal on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

A holder may tender Old Notes that are held through DTC by transmitting its acceptance through DTC's Automatic Tender Offer Program ("ATOP"), for which the transaction will be eligible, and DTC will then edit and verify the acceptance and send an Agent's Message to the Exchange Agent for its acceptance. The term "Agent's Message" means a message transmitted by DTC to, and received by, the Exchange Agent and forming part of the book-entry confirmation, which states that DTC has received an express acknowledgment from the participant tendering the Old Notes that such participant has received the Letter of Transmittal and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against such participant. Delivery of an Agent's Message will also constitute an acknowledgment from the tendering DTC participant that the representations and warranties set forth in this Letter of Transmittal are true and correct.

DELIVERY OF THE AGENT'S MESSAGE BY DTC WILL SATISFY THE TERMS OF THE EXCHANGE OFFER AS TO EXECUTION AND DELIVERY OF A LETTER OF TRANSMITTAL BY THE PARTICIPANT IDENTIFIED IN THE AGENT'S MESSAGE. DTC PARTICIPANTS MAY ALSO ACCEPT THE EXCHANGE OFFER BY SUBMITTING A NOTICE OF GUARANTEED DELIVERY THROUGH ATOP.

Holders of Old Notes whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures:

- such tender must be made through an Eligible Institution (as defined in Instruction 4 below),
- prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery or a properly transmitted Agent's Message in lieu of Notice of Guaranteed

Delivery), setting forth the name and address of the holder of Old Notes, the certificate number or numbers of such Old Notes and the principal amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three business days after the Expiration Date, the Letter of Transmittal (or facsimile thereof), together with the Old Notes tendered or a book-entry confirmation and any other documents required by this Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and

- such properly completed and executed Letter of Transmittal (or facsimile thereof), as well as the Old Notes tendered or a book-entry confirmation and all other documents required by this Letter of Transmittal, are received by the Exchange Agent within three business days after the Expiration Date.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE OLD NOTES AND ALL OTHER REQUIRED DOCUMENTS, OR BOOK-ENTRY TRANSFER AND TRANSMISSION OF AN AGENT'S MESSAGE BY A DTC PARTICIPANT, ARE AT THE ELECTION AND RISK OF THE TENDERING HOLDERS. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY OR DTC. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OR NOMINEES TO EFFECT THE TENDERS FOR SUCH HOLDERS. SEE "THE EXCHANGE OFFER" SECTION OF THE PROSPECTUS.

2. *Partial Tenders; Withdrawals.* If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Old Notes tendered in the section entitled "Description of Old Notes—Principal Amount Tendered." A newly issued certificate for the Old Notes submitted but not tendered will be sent to such holder as soon as practicable after the Expiration Date. All Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise clearly indicated.

If not yet accepted, a tender pursuant to the Exchange Offer may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal to be effective:

- the Exchange Agent must receive a written notice, which may be by telegram, telex, facsimile transmission or letter, of withdrawal at the address set forth above, or
- for DTC participants, holders must comply with DTC's standard operating procedures for electronic tenders and the Exchange Agent must receive an electronic notice of withdrawal from DTC.

Any notice of withdrawal must:

- specify the name of the person who deposited the Old Notes to be withdrawn,
- identify the Old Notes to be withdrawn, including the certificate number or numbers and principal amount of the Old Notes to be withdrawn,
- be signed by the person who tendered the Old Notes in the same manner as the original signature on the Letter of Transmittal, including any required signature guarantees, and
- specify the name in which any Old Notes are to be re-registered, if different from that of the withdrawing holder.

The Exchange Agent will return the properly withdrawn Old Notes without cost to the holder as soon as practicable following receipt of the notice of withdrawal. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes or otherwise comply with the book-entry transfer facility's procedures. All questions as to the validity, form and eligibility, including time of receipt, of any notice of withdrawal will be determined by the Company, in its sole discretion, and such determination will be final and binding on all parties.

3. *Tender by Holder.* Except in limited circumstances, only a DTC participant listed on a DTC securities position listing may tender Old Notes in the Exchange Offer. Any beneficial owner of Old Notes who is not the registered holder and is not a DTC participant and who wishes to tender should arrange with such registered holder to execute and deliver this Letter of Transmittal on such beneficial owner's behalf or must, prior to completing and executing this Letter of Transmittal and delivering his, her or its Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the registered holder or properly endorsed certificates representing such.

4. *Signatures on this Letter of Transmittal, Bond Powers and Endorsements; Guarantee of Signatures.* If this Letter of Transmittal is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without alteration, enlargement or any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

When this Letter of Transmittal is signed by the registered holder (including any participant in DTC whose name appears on a security position listing as the owner of the Old Notes) of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the Exchange Notes are to be issued to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) must be guaranteed by an Eligible Institution (as defined below).

If this Letter of Transmittal is signed by a person other than the registered holder or holders of any Old Notes specified therein, such certificate(s) must be endorsed by such registered holder(s) or accompanied by separate written instruments of transfer or endorsed in blank by such registered holder(s) exchange in form satisfactory to the Company and duly executed by the registered holder, in either case signed exactly as such registered holder(s) name(s) appear(s) on the Old Notes.

If this Letter of Transmittal or any certificates of Old Notes or separate written instruments of transfer or exchange are signed or endorsed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by the Company, evidence satisfactory to the Company of their authority to so act must be submitted with this Letter of Transmittal.

Signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution unless the Old Notes tendered pursuant thereto are tendered (i) by a registered holder (including any participant in DTC whose name appears on a security position listing as the owner of the Old Notes) who has not completed the box entitled "Special Payment Instructions" or "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution. In the event that signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each of the foregoing an "Eligible Institution").

5. *Special Issuance and Delivery Instructions.* Tendering holders of Old Notes should indicate in the applicable box the name and address to which Exchange Notes issued pursuant to the Exchange Offer are to be issued or sent, if different from the name or address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at DTC as such holder may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name or address of the person signing this Letter of Transmittal.

6. *Tax Identification Number.* United States federal income tax law generally requires that a tendering holder whose Old Notes are accepted for exchange must provide the Exchange Agent with such holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below or otherwise establish a basis for exemption from backup withholding. If such holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the current TIN or an adequate basis for an exemption, such tendering holder may be subject to a $50 penalty imposed by the Internal Revenue Service (the "IRS"). In addition, the holder of Exchange Notes may be subject to backup withholding on all reportable payments made after the exchange. The backup withholding rate currently is 28%.

Certain holders are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

Under the federal income tax laws, payments that may be made by the Company on account of Exchange Notes issued pursuant to the Exchange Offer may be subject to backup withholding. To prevent backup withholding, each tendering holder of Old Notes must provide its correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the holder is a U.S. person (including a U.S. resident alien), that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the IRS that such holder is subject to a backup withholding as a result of a failure to report all interest or dividends or (iii) the IRS has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Old Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Exchange Agent a completed Form W-8BEN, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Old Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9, write "applied for" in lieu of its TIN and complete the Certificate of Awaiting Taxpayer Identification Number. Note: checking this box or writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If a holder checks the box in Part 2 of the Substitute Form W-9 or writes "applied for" on that form, backup withholding at the applicable rate will nevertheless apply to all reportable payments made to such holder. If such a holder furnishes its TIN to the Exchange Agent within 60 days, however, any amounts so withheld shall be refunded to such holder. If, however, the holder has not provided the Exchange Agent with its TIN within such 60-day period, the Exchange Agent will remit such previously retained amounts to the IRS as backup withholding.

Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in overpayment of taxes, a refund may be obtained from the IRS.

7. *Transfer Taxes.* Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith. If, however, Exchange Notes are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes in connection with the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter of Transmittal.

8. *Waiver of Conditions.* The Company reserves the right to waive satisfaction of any or all conditions enumerated in the Prospectus.

9. *No Conditional Tenders.* No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Notes nor shall any of them incur any liability for failure to give any such notice.

10. *Mutilated, Lost, Stolen or Destroyed Old Notes.* Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

11. *Requests for Assistance or Additional Copies.* Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter of Transmittal, should be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(See Instruction 6)

PAYORS' NAME: TEMPUR-PEDIC, INC. AND TEMPUR PRODUCTION USA, INC.

SUBSTITUTE

Form W-9

Department of the Treasury

Internal Revenue Service

Payor's Request for Taxpayer Identification Number ("TIN") and Certification

Part 1—PLEASE PROVIDE YOUR TIN AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. For individuals, this is your Social Security Number ("SSN"). For sole proprietors or if your account is in more than one name, see the Instructions in the enclosed Guidelines. For other entities, it is your Employer Identification Number ("EIN"). If you do not have a number, see how to get a TIN in the enclosed Guidelines.

TIN

_____

Social Security Number

OR

_____

Employer Identification Number

Part 2—TIN Applied For ☐

Part 3—Exempt Payee. Check box at right if you are an exempt payee. ☐

Certification—Under penalties of perjury, I certify that:

(1) the number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),

(2) I am not subject to backup withholding because (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

(3) I am a U.S. person (including a U.S. resident alien).

Certification Instructions—You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax returns and you have not been notified by the IRS that you are no longer subject to backup withholding. The Internal Revenue Service does not require your consent to any provisions of this document other than the certifications required to avoid backup withholding.

Signature of U.S. Person _____

Date _____

Name _____

Address _____

City _____ State _____ Zip _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING ON ANY PAYMENTS MADE TO YOU ON ACCOUNT OF THE EXCHANGE NOTES. IN ADDITION, FAILURE TO PROVIDE SUCH INFORMATION MAY RESULT IN A PENALTY IMPOSED BY THE IRS. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, a percentage (currently 28%) of all reportable payments made to me will be withheld until I provide a number and such retained amounts will be remitted to the Internal Revenue Service as backup withholding.

Signature: _____

Date: _____

NOTICE OF GUARANTEED DELIVERY

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

Offer to Exchange 10¼% Senior Subordinated Notes due 2010
Registered under the Securities Act of 1933 for
All Outstanding 10¼% Senior Subordinated Notes due 2010

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Tempur-Pedic, Inc., a Kentucky corporation, and Tempur Production USA, Inc., a Virginia corporation (together, the "Company"), made pursuant to the prospectus, dated , 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if certificates for Old Notes of the Company are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Company prior to 5:00 P.M., New York City time, on the Expiration Date (as defined below) of the Exchange Offer. This form may be delivered or transmitted by facsimile transmission, mail or hand delivery to Wells Fargo Bank Minnesota, National Association (the "Exchange Agent") as set forth below. Capitalized terms used but not defined herein shall have the same meanings given them in the Prospectus or the Letter of Transmittal.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2003 UNLESS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

To: **Wells Fargo Bank Minnesota, National Association,** as Exchange Agent

By Registered or Certified Mail
or Overnight Courier:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
213 Court Street, Suite 703
Middletown, CT 06457
Attn: Joseph P. O'Donnell

By Hand Delivery:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Department
213 Court Street, Suite 703
Middletown, CT 06457
Attn: Joseph P. O'Donnell

By Facsimile:

(860) 704-6219
Attn: Joseph P. O'Donnell

Confirm by Telephone:

(860) 704-6217

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box in the Letter of Transmittal.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Old Notes set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus. By so tendering, the undersigned does hereby make, at and as of the date hereof, the representations and warranties of a tendering holder of Old Notes set forth in the Letter of Transmittal.

The undersigned understands that tenders of Old Notes will be accepted only in authorized denominations. The undersigned understands that tenders of Old Notes pursuant to the Exchange Offer may not be withdrawn after 5:00 p.m., New York City time, on the Expiration Date. Tenders of Old Notes may be withdrawn if the Exchange Offer is terminated or as otherwise provided in the Prospectus.

All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the successors, assigns, heirs, personal representatives, executors, administrators, trustees in bankruptcy and other legal representatives of the undersigned.

Principal Amount of Old Notes Tendered:*

$

If Old Notes will be delivered by book-entry transfer, provide account number.
Account Number:

Certificate Nos. (if available):

Total Principal Amount Represented by Old Notes Certificate(s):

$

* Must be in denominations of principal amount of $1,000 and any integral multiple thereof.

PLEASE SIGN HERE

X _____

X _____ _____

Signature(s) of Holder(s) or Authorized Signatory **Date**

This Notice of Guaranteed Delivery must be signed by the holder(s) of Old Notes exactly as their name(s) appear(s) on the certificate(s) for the Old Notes or, if delivered by a participant in DTC, exactly as such participants name appears on a security position listing as the owner of Old Notes or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If any signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below beside "Capacity" and submit evidence satisfactory to the Company of such person's authority to so act as provided in the Letter of Transmittal.

Please Type or Print

Name(s):

Capacity:

Address(es):

Area Code and Telephone Number:

GUARANTEE

The undersigned, a member of a registered national securities exchange, or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, hereby guarantees that the certificates representing the principal amount of Old Notes tendered hereby in proper form for transfer, or timely confirmation of the book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company pursuant to the procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Prospectus, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantee and any other documents required by the Letter of Transmittal, will be received by the Exchange Agent at the address set forth above, within three business days after the Expiration Date.

Name of Firm:

Authorized Signature

Address:

Name:

(Please Type or Print)

Title:

Area Code and Tel. No.:

Date:

DO NOT SEND CERTIFICATES FOR OLD NOTES WITH THIS FORM. CERTIFICATES FOR OLD NOTES SHOULD ONLY BE SENT WITH YOUR LETTER OF TRANSMITTAL.

CLIENT LETTER

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

Offer to Exchange 10¼% Senior Subordinated Notes due 2010
registered under the Securities Act of 1933 for
All Outstanding 10¼% Senior Subordinated Notes due 2010

To Our Clients:

Enclosed for your consideration is a prospectus, dated , 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Tempur-Pedic, Inc., a Kentucky corporation, and Tempur Production USA, Inc., a Virginia corporation (together, the "Company"), to exchange its 10¼% Senior Subordinated Notes due 2010 and the associated guarantees, which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for its outstanding 10¼% Senior Subordinated Notes due 2010 and the associated guarantees (together, the "Old Notes"), which are not registered under the Securities Act, upon the terms and subject to the conditions described in the Prospectus. The Exchange Offer is being made in order to satisfy obligations of the Company contained in the Registration Rights Agreement, dated as of August 15, 2003, among the Company, the Guarantors referred to therein and the Initial Purchasers referred to therein.

This material is being forwarded to you as the beneficial owner of the Old Notes carried by us in your account but not registered in your name. A tender of such Old Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Old Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Old Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange offer will expire at 5:00 p.m., New York City time, on , 2003, unless extended by the Company (the "Expiration Date"). Any Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Expiration Date.

The Exchange Offer is not conditioned upon any minimum number of Old Notes being tendered.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Old Notes.
2. The Exchange Offer is subject to conditions set forth in the Prospectus in the section captioned "The Exchange Offer—Conditions to the Exchange Offer."
3. The Exchange Offer expires at 5:00 p.m., New York City time, on the Expiration Date, unless extended by the Company.
4. Any transfer taxes incident to the transfer of the Old Notes from the tendering holder to the Company will be paid by the Company, except as otherwise provided in the Prospectus and the Letter of Transmittal.

IF YOU WISH TO TENDER YOUR OLD NOTES, PLEASE SO INSTRUCT US BY COMPLETING, EXECUTING AND RETURNING TO US THE INSTRUCTION FORM ON THE BACK OF THIS LETTER. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Old Notes.

If we do not receive written instructions in accordance with the procedures presented in the Prospectus and the Letter of Transmittal, we will not tender any of the Old Notes in your account. Unless a specific contrary instruction is given in the space provided, your signature(s) hereon will constitute an instruction to us to tender all the Old Notes held by us for your account.

Please carefully review the enclosed material as you consider the Exchange Offer.

INSTRUCTIONS WITH RESPECT TO
THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by the Company with respect to its Old Notes.

This will instruct you to tender the Old Notes held by you for the account of the undersigned, upon and subject to terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

Please tender the Old Notes held by you for the account of the undersigned as indicated below:

- The aggregate face amount of Old Notes held by you for the account of the undersigned is (fill in amount):

  $ _____ of 10¼% Senior Subordinated Notes due 2010.

- With respect to the Exchange Offer, the undersigned hereby instructs you (check appropriate box):

  ☐ To TENDER the following Old Notes held by you for the account of the undersigned (insert principal amount of Old Notes (in integral multiples of $1,000 only) to be tendered (if any)):

  $ _____ of 10¼% Senior Subordinated Notes due 2010.

  ☐ NOT to TENDER any Old Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Old Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner of Old Notes; (b) to make such agreements, representations and warranties, on behalf of the undersigned, as are set forth in the Letter of Transmittal; and (c) to take such other action as may be necessary under the Prospectus or the Letter of Transmittal to effect the valid tender of such Old Notes.

Name of beneficial owner(s) (please print): _____

Signature(s): _____

Address: _____

Telephone Number: _____

Taxpayer Identification or Social Security Number: _____

Date: _____

TEMPUR-PEDIC, INC.
TEMPUR PRODUCTION USA, INC.

Broker Dealer Letter Regarding the Offer to Exchange
Outstanding 10 1/4% Senior Subordinated Notes due 2010
For
10 1/4% Senior Subordinated Notes due 2010

Pursuant to the Prospectus dated , 2003

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2003, UNLESS EXTENDED (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED FROM TIME TO TIME, THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

, 2003

To Securities Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Enclosed for your consideration is a Prospectus dated , 2003 (the "Prospectus") and a Letter of Transmittal (the "Letter of Transmittal") that together constitute the offer (the "Exchange Offer") by Tempur-Pedic, Inc, a Kentucky corporation, and Tempur Production USA, Inc., a Virginia corporation (together, the "Company"), to exchange up to $150,000,000 in principal amount of its 10¼% Senior Subordinated Notes due 2010 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for any and all outstanding 10¼% Senior Subordinated Notes due 2010, issued and sold in a transaction exempt from registration under the Securities Act (the "Old Notes"), upon the terms and conditions set forth in the Prospectus. The Prospectus and Letter of Transmittal more fully describe the Exchange Offer. Capitalized terms used but not defined herein have the meanings given to them in the Prospectus.

We are asking you to contact your clients for whom you hold Old Notes registered in your name or in the name of your nominee. In addition, we ask you to contact your clients who, to your knowledge, hold Old Notes registered in their own name.

Enclosed are copies of the following documents:

1. The Prospectus;
2. The Letter of Transmittal for your use in connection with the tender of Old Notes and for the information of your clients;
3. The Notice of Guaranteed Delivery to be used to accept the Exchange Offer if the Old Notes and all other required documents cannot be delivered to the Exchange Agent prior to the Expiration Date;
4. A form of letter that may be sent to your clients for whose accounts you hold Old Notes registered in your name or the name of your nominee, with space provided for obtaining the clients' instructions with regard to the Exchange Offer;
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

6. Return envelopes addressed to Wells Fargo Bank Minnesota, National Association, as Exchange Agent.

DTC participants will be able to execute tenders through the DTC Automated Tender Offer Program.

Please note that the Exchange Offer will expire at 5:00 p.m., New York City time, on , 2003, unless extended by the Company. We urge you to contact your clients as promptly as possible.

Upon request, the Company may reimburse you for customary and reasonable mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will not pay any fee or commission to any broker or dealer or to any other person (other than the Exchange Agent for the Exchange Offer).

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Old Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Old Notes wish to tender, but it is impracticable for them to forward their certificates for Old Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer—Guaranteed Delivery Procedures."

Very truly yours,

TEMPUR-PEDIC, INC.

TEMPUR PRODUCTION USA, INC.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to the Exchange Agent for the Old Notes, at its address and telephone number set forth on the front of the Letter of Transmittal.

Nothing herein or in the enclosed documents shall constitute you or any person as an agent of the Company or the Exchange Agent, or authorize you or any other person to make any statements on behalf of either of them with respect to the Exchange Offer, except for statements expressly made in the Prospectus and the Letter of Transmittal.

TAX GUIDELINES
GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer—Social Security numbers have nine digits separated by two hyphens: *i.e.*, 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: *i.e.*, 00-0000000. The table below will help determine the number to give the payer.

	For this type of account:	**Give the SOCIAL SECURITY number of:**
1.	An individual's account	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(l)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4.	a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5.	Sole proprietorship account or an account of a single-owner LLC	The owner(3)

	For this type of account:	**Give the EMPLOYER IDENTIFICATION number of:**
6.	Sole proprietorship account or an account of a single-owner LLC	The owner(3)
7.	A valid trust, estate, or pension trust account	The legal entity (do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title)(4)
8.	Corporate account or an account of an LLC electing corporate status on Form 8832	The corporation
9.	Association, club, religious, charitable, educational or other tax-exempt organization account	The organization
10.	Partnership or multi-member LLC account	The partnership
11.	A broker or registered nominee	The broker or nominee
12.	Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a Social Security number, that person's number must be furnished.
(2) Circle the minor's name and furnish the minor's social security number.
(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your Social Security number or employer identification number (if you have one).
(4) List first and circle the name of the legal trust, estate, or pension trust.

Note: If no name is circled when there is more than one name listed, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
Page 2

Obtaining a Number

If you do not have a taxpayer identification number or if you do not know your number, obtain Form SS-5, Application for Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number. Section references in these guidelines refer to sections under the Internal Revenue Code of 1986, as amended.

Payees specifically exempted from withholding include:

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or wholly-owned agency or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government or any political subdivision, agency or instrumentality thereof. Payees that may be exempt from backup withholding include:
- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Colombia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940, as amended.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign corporations.
- Payments made to a nominee.
- Mortgage or student loan interest pad to you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART 2 OF THE FORM, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER.

Certain payments other than interest, dividends, and patronage dividends, which are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under Sections 6041,6041A, 6045, 6050A and 6050N.

Privacy Act Notice—Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold a portion of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Penalty for Failure to Furnish Taxpayer Identification Number—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Failure to Report Certain Dividend and Interest Payments—If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an under-payment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) Civil Penalty for False Information With Respect to Withholding—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) Criminal Penalty for Falsifying Information—Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.