

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:) Chapter 11 Cases
)
COMFORT CO., INC., a) Case No. 08-12305 (MFW)
Delaware corporation, *et. al.*,¹)
) (Jointly Administered)
Debtors.)
)

**DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE
BANKRUPTCY CODE**

DUANE MORRIS LLP
Michael R. Lastowski (DE 3892)
Richard W. Riley (DE 4052)
Sommer L. Ross (DE 4598)
1100 North Market Street, Suite 1200
Wilmington, Delaware 19801-1246
Phone: (302) 657-4900
Fax: (302) 657-4901

Attorneys for the Debtors and Debtors in Possession

Dated: Wilmington, Delaware
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¹ The Debtors in these cases along with the last four digits of each Debtor's federal tax identification number, are: Comfort Co., Inc. (0360); Sleep Innovations, Inc. (6386); Advanced Innovations Central, LLC (7109); Advanced Innovations East, LLC (2669); Advanced Innovations West, LLC (2116); Advanced Urethane Technologies, Inc. (1725); AUT Brenham, Inc. (7286); AUT Dallas, Inc. (7706); AUT Lebanon, Inc. (7928); AUT Newburyport, Inc. (7032); and AUT West Chicago, Inc. (7561). The address for all of the Debtors is 187 Route 36, Suite 101, West Long Branch, New Jersey 07764.

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Comfort Co., Inc., Sleep Innovations, Inc., Advanced Innovations Central, LLC, Advanced Innovations East, LLC, Advanced Innovations West, LLC, Advanced Urethane Technologies, Inc., AUT Brenham, Inc., AUT Dallas, Inc., AUT Lebanon, Inc., AUT Newburyport, Inc. and AUT West Chicago, Inc. (collectively, the “Debtors”) hereby propose the following Joint Plan Of Reorganization Under Chapter 11 Of The Bankruptcy Code.

Reference is made to the Disclosure Statement accompanying this Plan, including the exhibits thereto, for a discussion of the Debtors’ history, business, properties, results of operations, and projections for future operations and risk factors, together with a summary and analysis of this Plan. All Creditors entitled to vote on this Plan are encouraged to review the Disclosure Statement and this Plan carefully before voting to accept or reject this Plan.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

I.

DEFINITIONS AND CONSTRUCTION OF TERMS

A. Definitions.

Unless otherwise defined herein, or the context otherwise requires, the following terms shall have the respective meanings set forth below:

Administrative Claim

means any right to payment constituting a cost or expense of administration of these Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under sections 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Estates, any actual and necessary costs and expenses of operating the Debtors’ business, any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, and any fees or charges assessed against the Estates under section 1930 of title 28 of the United States Code and any Claim for goods delivered to the Debtors within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code.

***Administrative Claims
Bar Date***

means the first business day on or after the thirtieth (30th) day after the Effective Date, unless a prior bar date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court.

Allowed

means, with reference to any Claim, (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under this Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated Claim or (y) interest, penalties or attorneys' fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in this Plan or a Final Order of the Court.

***Amended and Restated
By-Laws***

means the Amended and Restated By-Laws of Reorganized Holdings, which shall be in substantially the form contained in the Plan Supplement.

***Amended and Restated
Certificate of
Incorporation***

means the Second Amended and Restated Certificate of Incorporation of Reorganized Holdings, which shall be in substantially the form contained in the Plan Supplement.

Avoidance Actions

means claims and causes of action arising under sections 544, 545, 547, 548, 549, 550 and 551 of the Bankruptcy Code.

Ballots

means the ballots distributed with the Disclosure Statement to Creditors entitled to vote on this Plan, and on which Creditors shall indicate, among other things, acceptance or rejection of this Plan.

Bankruptcy Code

means title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the Petition Date or as otherwise applicable to these Chapter 11 Cases.

<i>Bankruptcy Rules</i>	means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, and local rules of the Court, as the context may require, as in effect on the Petition Date or as otherwise applicable to these Chapter 11 Cases.
<i>Bar Date</i>	means, with respect to all Claims other than Administrative Claims and Governmental Unit Claims, January 15, 2009, the deadline established pursuant to the Bar Date Order by which proofs of such Claims must be filed in these Chapter 11 Cases.
<i>Bar Date Order</i>	means the Court's Order (A) Setting Bar Dates For Filing Proofs Of Claim, (B) Approving The Form And Manner For Filing Proofs Of Claim And (C) Approving Notice Thereof entered on November 21, 2008 [D.I. 255].
<i>Business Day</i>	means any day not designated as a legal holiday by Bankruptcy Rule 9006(a) and any day on which commercial banks are open for business, and not authorized, by law or executive order, to close, in the City of New York, New York.
<i>Cash</i>	means cash and cash equivalents denominated in legal tender of the United States of America.
<i>Cash Collateral</i>	means "cash collateral" as defined in section 363(a) of the Bankruptcy Code.
<i>Causes of Action</i>	means any and all actions, causes of action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, now owned or hereafter acquired by the Debtors, and the Cash and non-Cash proceeds thereof, whether arising under the Bankruptcy Code or other federal, state or foreign law, equity or otherwise, including, without limitation, any Avoidance Actions and any other causes of action arising under the Bankruptcy Code.
<i>Chapter 11 Cases</i>	means the Chapter 11 Cases commenced by the Debtors on October 3, 2008.
<i>Claim</i>	means any claim, as such term is defined in section 101(5) of the Bankruptcy Code.

<i>Claims Objection Deadline</i>	means, except with respect to Fee Claims, the last day for filing objections to Claims and Administrative Claims, which day shall be one hundred-twenty (120) days after the Effective Date or such later date as the Court may order.
<i>Class</i>	means each category or group of Claims or Equity Interests as classified or designated in Section II.A and Section IV of this Plan in accordance with section 1123(a)(1) of the Bankruptcy Code.
<i>Class 6 Claims Reserve</i>	has the meaning set forth in Section VI.C of this Plan.
<i>Collateral</i>	means any property or interest in property of the Estates subject to a Lien to secure the payment or performance of a Claim, which Lien has not been avoided or is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.
<i>Confirmation Date</i>	means the date on which the Confirmation Order is entered on the Court's docket.
<i>Confirmation Hearing</i>	means the hearing to consider confirmation of this Plan pursuant to section 1128 of the Bankruptcy Code, as it may be adjourned or continued from time to time.
<i>Confirmation Order</i>	means the order entered by the Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.
<i>Court</i>	means the United States Bankruptcy Court for the District of Delaware having jurisdiction over these Chapter 11 Cases, or any other court having jurisdiction over these Chapter 11 Cases.
<i>Creditor</i>	means "creditor" as defined in section 101(10) of the Bankruptcy Code.
<i>Creditors' Committee</i>	means the Official Committee of Unsecured Creditors appointed in these Chapter 11 Cases on October 16, 2008 by the United States Trustee for the District of Delaware, pursuant to section 1102(a) of the Bankruptcy Code, as constituted from time to time.
<i>Debtors</i>	has the meaning set forth in the introductory paragraph of this Plan.
<i>DIP Agent</i>	means JPMorgan, in its capacity as administrative agent for the DIP Lenders under the DIP Credit Agreement.

<i>DIP Claims</i>	means the Superpriority Claims granted pursuant to the Final DIP Order in respect of the DIP Credit Agreement.
<i>DIP Credit Agreement</i>	means that certain Credit and Guarantee Agreement dated as of October 7, 2008 (as amended, supplemented or otherwise modified from time to time), among the Debtors, the DIP Agent and the DIP Lenders.
<i>DIP Lenders</i>	means the lenders from time to time party to the DIP Credit Agreement.
<i>Disbursing Agent</i>	means the Reorganized Debtors or the Person chosen by the Reorganized Debtors to act in such capacity.
<i>Disclosure Statement</i>	means the Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 Of The Bankruptcy Code and all schedules and exhibits attached thereto, as approved by the Court pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such Disclosure Statement may be amended, supplemented or otherwise modified from time to time.
<i>Disputed Claim</i>	means in reference to any Claim or Administrative Claim, any portion of a Claim or Administrative Claim that is not an Allowed Claim.
<i>Distributions</i>	means the Cash and other distributions to be made pursuant to, and in accordance with, this Plan.
<i>Effective Date</i>	means the first Business Day on which all of the conditions specified in Section XIV.B of this Plan have been satisfied or waived in accordance with Section XIV.C of this Plan; <u>provided, however</u> , that if a stay of the Confirmation Order is in effect on such date, the Effective Date will be the first Business Day after such stay is no longer in effect.
<i>Equity Interest</i>	means any equity security issued and outstanding immediately prior to the Effective Date, within the meaning of section 101(16) of the Bankruptcy Code, or any other instrument evidencing an ownership interest in any of the Debtors whether or not transferable, and any right to acquire any such equity security or instrument, including any option, warrant or other right, contractual or otherwise, to acquire, sell or subscribe for any such equity security or instrument.

<i>Estates</i>	means the estates of the Debtors, individually or collectively, as is appropriate in the context, created in these Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.
<i>Existing Equity Interest</i>	means any Equity Interest in Holdings.
<i>Exit Facility</i>	means that certain exit credit facility not to exceed \$40 million to be entered into on the Effective Date by the Reorganized Debtors with the Exit Facility Agent and the lenders participating in such exit financing.
<i>Exit Facility Agent</i>	means JPMorgan, in its capacity as administrative agent for the lenders under the Exit Facility.
<i>Federal Judgment Rate</i>	means the rate of interest provided for in 28 U.S.C. § 1961, as in effect on the Petition Date.
<i>Fee Claims</i>	means an Administrative Claim under sections 330(a), 331 or 503 of the Bankruptcy Code for compensation of a Professional or other Person for services rendered or expenses incurred in these Chapter 11 Cases on or prior to the Confirmation Date, including the reasonable non-legal expenses of the individual members of the Creditors' Committee incurred in the discharge of their duties as members of the Creditors' Committee.
<i>Final DIP Order</i>	means the Court's Final Order Under 11 U.S.C. §§ 105, 361, 362, 363(c), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) And 364(e) And Fed. R. Bankr. P. 2002, 4001 And 9014 (I) Authorizing Debtors To Obtain Postpetition Financing, (II) Authorizing Debtors To Use Cash Collateral And (III) Granting Adequate Protection To Prepetition Secured Lenders, entered on October 29, 2008 [D.I. 140].
<i>Final Order</i>	means an order or judgment of the Court, or other court of competent jurisdiction, as entered on the docket of such court, the operation or effect of which has not been stayed, reversed, vacated, modified or amended, and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal, petition for certiorari, or seek review or rehearing has expired and as to which no appeal, petition for certiorari, or petition for review or rehearing was filed or, if filed, remains pending; <u>provided, however</u> , that the possibility that a motion may be filed, pursuant to Rules 9023 or 9024 of the Bankruptcy Rules or Rules 59 or 60(b) of the Federal Rules of Civil Procedure or other applicable law, shall not mean that an order or judgment is not a Final Order.

<i>First Lien Agent</i>	means JPMorgan (or any successor thereto), in its capacity as administrative agent for the First Lien Lenders under the First Lien Credit Agreement.
<i>First Lien Claims</i>	means the Claims of the First Lien Lenders and the First Lien Agent arising under or in connection with the First Lien Credit Agreement, including the swap termination obligations, in the aggregate principal amount of approximately \$275 million, plus accrued and unpaid interest, as of the Petition Date.
<i>First Lien Credit Agreement</i>	means that certain First Lien Credit Agreement, dated as of April 3, 2007 (as amended, supplemented or otherwise modified from time to time), by and among Holdings, Sleep Innovations, the First Lien Agent and the First Lien Lenders.
<i>First Lien Deficiency Claim</i>	means the aggregate amount of First Lien Claims after deducting the \$125 million Allowed First Lien Secured Claim.
<i>First Lien Lenders</i>	means the lenders from time to time party to the First Lien Credit Agreement, and any such lender holding First Lien Claims consisting of swap termination obligations.
<i>First Lien Secured Claims</i>	means that portion, equal to \$125 million, of the First Lien Claims that are Secured Claims.
<i>General Unsecured Claim</i>	means an Unsecured Claim against any of the Debtors that is not an Administrative Claim, Fee Claim, Priority Tax Claim, or Other Priority Claim, and specifically includes the First Lien Deficiency Claims and the Second Lien Claims.
<i>Governmental Unit</i>	means “governmental unit” as defined in section 101(27) of the Bankruptcy Code.
<i>Governmental Unit Bar Date</i>	means April 1, 2009, the deadline established pursuant to the Bar Date Order by which Governmental Unit proofs of Claim must be filed in these Chapter 11 Cases.
<i>Guarantors</i>	means the Debtors other than Sleep Innovations.
<i>Holdings</i>	means Comfort Co., Inc., a Delaware corporation and a Debtor.
<i>Impaired</i>	means “impaired” as defined in section 1124 of the Bankruptcy Code.
<i>Initial Distribution Date</i>	means the Effective Date or as soon thereafter as is practicable.

<i>Intercompany Claims</i>	means any Claim held by one Debtor against any other Debtor(s), including, without limitation, (a) any account reflecting intercompany book entries by such Debtor against any other Debtor(s), (b) any Claim not reflected in book entries that is held by such Debtor against any other Debtors(s), and (c) any derivative Claim asserted or assertable by or on behalf of such Debtor against any other Debtor(s).
<i>Intercompany Equity Interest</i>	means an Equity Interest in a Debtor held by another Debtor.
<i>Issued New Equity</i>	means the shares of New Equity distributed on the Initial Distribution Date.
<i>JPMorgan</i>	means JPMorgan Chase Bank, N.A., a national banking association.
<i>Lien</i>	means “lien” as defined in section 101(37) of the Bankruptcy Code.
<i>Management Incentive Plan</i>	means the post-Effective Date incentive plan described in Section VIII.E.5 of this Plan and included in the Plan Supplement.
<i>New Equity</i>	means the shares of common stock of Reorganized Holdings issued pursuant to this Plan and with the rights and obligations as set forth in the applicable Plan Supplement Documents.
<i>Ordinary Course Administrative Claims</i>	means Administrative Claims against the Debtors that represent liabilities (a) to a seller of goods or services on account of such seller’s postpetition provision of goods and/or services and (b) that were otherwise incurred in the ordinary course of business by the Debtors.
<i>Other Amended and Restated Governing Documents</i>	means with respect to each of the Reorganized Debtors (other than Reorganized Holding) such entity’s amended and restated certificate of incorporation, operating agreement or limited partnership agreement, as the case may be, each of which will be in effect on the Effective Date, and shall be in substantially the form contained in the Plan Supplement.
<i>Other Priority Claim</i>	means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code (other than Administrative Claims and Priority Tax Claims).

<i>Other Secured Claim</i>	means any Secured Claim, other than the DIP Claims and the First Lien Secured Claims, and specifically excluding the Second Lien Claims.
<i>Person</i>	means any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, or any other Entity (as defined in section 101(15) of the Bankruptcy Code).
<i>Petition Date</i>	means October 3, 2008, the date on which the Debtors filed their voluntary petitions for relief commencing these Chapter 11 Cases.
<i>Plan</i>	means this Plan, as it may be amended, supplemented or otherwise modified from time to time, together with all addenda, exhibits, schedules or other attachments hereto.
<i>Plan Supplement</i>	means the supplement to this Plan containing the Plan Supplement Documents.
<i>Plan Supplement Documents</i>	means the documents to be included in the Plan Supplement, including those identified in Section XI.J of this Plan.
<i>Priority Tax Claim</i>	means any Claim that is entitled to a priority in right of payment under sections 502(i) or 507(a)(8) of the Bankruptcy Code.
<i>Pro Rata</i>	means, with respect to any Claim, at any time, the proportion that the amount of a Claim in a particular Class bears to the aggregate amount of all Claims (including Disputed Claims) in such Class, unless in each case this Plan provides otherwise.
<i>Professional</i>	means (i) any professional employed in these Chapter 11 Cases pursuant to sections 327 or 328 of the Bankruptcy Code or otherwise and (ii) any professional or other Person seeking compensation or reimbursement of expenses in connection with these Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.
<i>Registration Rights Agreement</i>	means the Registration Rights Agreement, which shall be in substantially the form contained in the Plan Supplement, and which shall set forth certain registration rights in respect of the New Equity to be issued pursuant to the Plan.
<i>Reorganized Debtors</i>	means the Debtors, or any successors thereto by merger, consolidation, or otherwise, on and after the Effective Date.

<i>Reorganized Holdings</i>	means Holdings, or any successor thereto by merger, consolidation, or otherwise, on and after the Effective Date.
<i>Restructured Term Loan Agreement</i>	means the Restructured Term Loan Agreement, which shall be in substantially the form contained in the Plan Supplement, and which shall set forth the terms of the restructured term loans to be issued to the holders of First Lien Secured Claims pursuant to the Plan.
<i>Scheduled</i>	means, with respect to any Claim or Equity Interest, the status and amount if any, of such Claim or Equity Interest as set forth in the Schedules.
<i>Schedules</i>	means the schedules of assets and liabilities, statements of financial affairs, and lists of holders of Claims and Equity Interests filed with the Court by the Debtors pursuant to section 521 of the Bankruptcy Code, including any amendments, modifications or supplements thereto.
<i>Second Lien Agent</i>	means JPMorgan (or any successor thereto), in its capacity as administrative agent for the Second Lien Lenders under the Second Lien Credit Agreement.
<i>Second Lien Lenders</i>	means the lenders from time to time party to the Second Lien Credit Agreement.
<i>Second Lien Claims</i>	means the Claims of the Second Lien Lenders and the Second Lien Agent arising under the Second Lien Credit Agreement in the aggregate principal amount of \$50 million, plus accrued and unpaid interest, as of the Petition Date.
<i>Second Lien Credit Agreement</i>	means that certain Second Lien Credit Agreement, dated as of April 3, 2007 (as amended, supplemented, or otherwise modified from time to time), among Holdings, Sleep Innovations, the Second Lien Agent, Wilmington Trust Company, in its capacity as collateral agent for the Second Lien Lenders, and the Second Lien Lenders.
<i>Secured Claim</i>	means a Claim that is secured by a Lien on Collateral, to the extent of the value (as of the Effective Date or such other date as may be established by the Court) of such Collateral determined by a Final Order pursuant to section 506(a) of the Bankruptcy Code or as otherwise set forth in this Plan or agreed upon in writing by the Debtors and the holder of such Claim.

<i>Securities Act</i>	means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
<i>Sleep Innovations</i>	means Sleep Innovations, Inc., a New Jersey corporation and a Debtor.
<i>Stockholders Agreement</i>	means the Stockholders Agreement, which shall be in substantially the form contained in the Plan Supplement, and which shall set forth certain corporate governance and stockholder matters in respect of the New Equity to be issued pursuant to this Plan.
<i>Substantive Consolidation Order</i>	means the Confirmation Order or such other order of the Court providing for the substantive consolidation of the Debtors.
<i>Substantively Consolidated Debtors</i>	means the Debtors, as substantively consolidated pursuant to the Substantive Consolidation Order.
<i>Superpriority Claim</i>	means “Superpriority Claim” as defined in the Final DIP Order.
<i>Unsecured Claim</i>	means any Claim that is not a Secured Claim.

B. Interpretation, Application of Definitions and Rules of Construction.

Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and plural, and pronouns stated in the masculine, feminine or neuter shall include the masculine, feminine and neuter, such meanings to be applicable to both the singular and plural forms of the terms defined. Capitalized terms in this Plan that are not defined herein shall have the same meanings assigned to such terms by the Bankruptcy Code or Bankruptcy Rules, as the case may be. The words “herein,” “hereof,” and “hereunder” and other words of similar import refer to this Plan as a whole and not to any particular section or subsection in this Plan unless expressly provided otherwise. The words “includes” and “including” are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. Captions and headings to articles, sections and exhibits are inserted for convenience of reference only, are not a part of this Plan, and shall not be used to interpret this Plan. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply to this Plan. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

II.

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

A. Introduction.

In accordance with section 1123(a)(1) of the Bankruptcy Code, all Claims and Equity Interests, except Administrative Claims, Priority Tax Claims and DIP Claims, are placed in the Classes set forth below.

A Claim or Equity Interest is placed in a particular Class only to the extent that such Claim or Equity Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of such Claim or Equity Interest falls within the description of such other Classes. A Claim or Equity Interest is also placed in a particular Class for the purpose of receiving Distributions pursuant to this Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or Equity Interest in that Class and such Claim or Equity Interest has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Unclassified Claims (not entitled to vote on this Plan).

- (a) Administrative Claims.
- (b) Priority Tax Claims.
- (c) DIP Claims.

2. Unimpaired Classes of Claims and Equity Interests (deemed to have accepted this Plan and, therefore, not entitled to vote on this Plan).

- (a) Class 1: Other Priority Claims.
Class 1 consists of all Other Priority Claims.
- (b) Class 3: Other Secured Claims.
Class 3 consists of all Other Secured Claims.
- (c) Class 7: Intercompany Claims.
Class 7 consists of all Intercompany Claims.
- (d) Class 8: Intercompany Equity Interests.
Class 8 consists of all Intercompany Equity Interests.

3. Impaired Classes of Claims and Equity Interests (entitled to vote on this Plan).

- (a) Class 2: First Lien Secured Claims.

Class 2 consists of all First Lien Secured Claims.

(b) Class 4: First Lien Deficiency Claims.

Class 4 consists of all First Lien Deficiency Claims.

(c) Class 5: Second Lien Claims.

Class 5 consists of all Second Lien Claims.

(d) Class 6: General Unsecured Claims Other than First Lien Deficiency Claims and Second Lien Claims.

Class 6 consists of all General Unsecured Claims other than First Lien Deficiency Claims and Second Lien Claims.

4. Impaired Classes of Claims and Equity Interests (deemed to have rejected this Plan and, therefore, not entitled to vote on this Plan).

(a) Class 9: Existing Equity Interests.

Class 9 consists of all Existing Equity Interests.

B. Acceptance.

Consistent with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, a Class of Creditors shall have accepted this Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Allowed Claims of such Class that have timely voted to accept or reject this Plan.

C. Cram Down.

The Debtors request that, in the event Classes 2, 4, or 5 vote to accept this Plan, the Court confirm this Plan in accordance with the provisions of section 1129(b) of the Bankruptcy Code as to any Class that votes (or that is deemed) to reject this Plan.

III.

TREATMENT OF ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

A. Administrative Claims.

1. Distribution.

Except with respect to Administrative Claims that are Fee Claims, each holder of an Allowed Administrative Claim shall receive (a) Cash in the amount of such Allowed Administrative Claim on the later of the Initial Distribution Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon, which treatment shall be reasonably acceptable to the Exit Facility Agent; provided, however, that Allowed Ordinary Course Administrative Claims shall be paid in full in the ordinary course of business of the Reorganized Debtors in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such Allowed Ordinary Course Administrative Claims.

2. Bar Date for Administrative Claims.

Unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing applications for allowance of Administrative Claims (except for (i) Fee Claims, (ii) Ordinary Course Administrative Claims and (iii) DIP Claims), which date will be the first business day on or after the thirtieth (30th) day after the Effective Date. Holders of Administrative Claims, (except for (i) Fee Claims, (ii) Ordinary Course Administrative Claims and (iii) DIP Claims) not paid prior to the Effective Date, shall submit requests for payment on or before the Administrative Claims Bar Date or forever be barred from doing so. The notice of confirmation of this Plan, to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f), will set forth the Administrative Claims Bar Date. The Reorganized Debtors shall have ninety (90) days (or such longer period as may be allowed by order of the Court) following the Administrative Claims Bar Date to review and object to any then unpaid Administrative Claims.

3. Fee Claims.

All requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Reorganized Debtors and their counsel, the United States Trustee, counsel to the Creditors' Committee, counsel to the Exit Facility Agent and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or any other order(s) of the Court, no later than forty-five (45) days after the Effective Date. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Fee Claims against the Debtors, the Reorganized Debtors or their respective properties, and such Fee Claims shall be deemed discharged *nunc pro tunc* as of the Effective Date. Objections to any Fee Claims must be filed and served on the Reorganized Debtors and their counsel and the requesting party no later than thirty (30) days (or such longer period as may be allowed by order of the Court) after the date on which an application for final allowance of such Fee Claims was filed and served. A Fee Claim shall constitute an Allowed Administrative Claim upon entry of a Final Order approving such Fee Claim.

B. Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, which shall be reasonably acceptable to the Exit Facility Agent, each holder of an Allowed Priority Tax Claim shall receive Cash installment payments in accordance with section 1129(a)(9)(C) of the Bankruptcy Code.

C. DIP Claims.

Except to the extent a holder of a DIP Claim agrees to convert its DIP Claim on the Effective Date into loans or letters of credit, as applicable, outstanding under the Exit Facility, on the Effective Date, the Debtors shall pay in full in Cash all DIP Claims with the proceeds of the initial drawing under the Exit Facility.

D. First Lien Adequate Protection Claims.

The Administrative Claims of the First Lien Lenders arising under section 507(b) of the Bankruptcy Code in connection with the use of Cash Collateral of the First Lien Lenders and the priming Liens granted by the Court in respect of the DIP Credit Agreement under the Final DIP Order shall be Allowed Administrative Claims pursuant to this Plan. The First Lien Lenders shall retain any distributions made by the Debtors after the Petition Date on account of such Administrative Claims, and otherwise the treatment of the First Lien Secured Claims set forth in Section IV.B of this Plan shall be in full satisfaction of such Administrative Claims.

IV.

TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Class 1 – Other Priority Claims.

1. Distributions.

Except to the extent that a holder of an Allowed Other Priority Claim and the Debtors agree to a different treatment, which shall be reasonably acceptable to the Exit Facility Agent, each holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction of such Claim, payment in full in Cash in an amount equal to such Allowed Other Priority Claim on or as soon as practicable after the later of the Initial Distribution Date and the date when such Other Priority Claim becomes an Allowed Other Priority Claim. All Allowed Other Priority Claims which are not due and payable on or before the Effective Date shall be paid by the Reorganized Debtors in the ordinary course of business in accordance with the terms thereof.

2. Impairment and Voting.

Class 1 is unimpaired under this Plan. Holders of Allowed Other Priority Claims are presumed to accept this Plan and are not entitled to vote to accept or reject this Plan.

B. Class 2 – First Lien Secured Claims.

1. Allowance of First Lien Secured Claims and Distribution.

The First Lien Secured Claims shall be deemed fully secured and Allowed in the aggregate amount of \$125 million. On the Effective Date, in full satisfaction of the Allowed First Lien Secured Claims, the Reorganized Debtors shall:

- a. execute and deliver to the First Lien Agent, on behalf of holders of First Lien Secured Claims, the Restructured Term Loan Agreement, and pursuant thereto issue to the holders of First Lien Secured Claims term notes in the aggregate original principal amount of \$100 million, with the following general terms:²
 - (i) secured by a Lien on substantially all of the Reorganized Debtors' assets and property, junior to the Lien securing the Exit Facility;
 - (ii) interest shall be payable in kind at LIBOR (to be defined in the Restructured Term Loan Agreement) plus 8.0%, except that interest shall be payable in Cash at the rate of 1% per annum, in either case on a quarterly basis: provided, however, that all interest shall be paid in Cash at LIBOR plus 6.0% upon satisfaction of certain financial metrics to be set forth in the Restructured Term Loan Agreement;
 - (iii) the maturity date of the Restructured Term Loan Agreement shall be the six year anniversary of the Effective Date;
 - (iv) as more fully set forth in the applicable Plan Supplement Documents, until the earlier of the third anniversary of the Effective Date, and the date on which all interest on the term notes shall be payable in Cash, the transfer by a holder of any term notes under the Restructured Term Loan Agreement must be accompanied by the transfer to the same transferee of a like percentage of the shares of Issued New Equity then held by such holder; and
 - (v) the obligations under the Restructured Term Loan Agreement shall be guaranteed by the Guarantors; and

² The terms of the Restructured Term Loan Agreement contained herein are only intended to provide an overview of the significant terms thereof. For a complete description of the terms and conditions of the Restructured Term Loan Agreement, reference should be made to the Restructured Term Loan Agreement in the Plan Supplement. In the event that a conflict or inconsistency exists between this Plan and the Restructured Term Loan Agreement, the Restructured Term Loan Agreement shall control in all respects.

- b. issue to the First Lien Agent, on behalf of the holders of First Lien Secured Claims, shares representing an aggregate of at least 75% of the Issued New Equity (prior to giving effect to shares of New Equity issued on the Effective Date that constitute restricted stock under the Management Incentive Plan).

2. **Impairment and Voting.**

Class 2 is Impaired under this Plan. Each holder of a First Lien Claim is entitled to vote to accept or reject this Plan.

- C. **Class 3 – Other Secured Claims.**

1. **Distributions.**

Except to the extent that a holder of an Allowed Other Secured Claim and the Debtors agree to a different treatment, which shall be reasonably acceptable to the Exit Facility Agent, at the sole option of the Debtors, in full and final satisfaction of such Claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or to receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim in full and complete satisfaction of such Allowed Other Secured Claim on the later of the Initial Distribution Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim in full and complete satisfaction of such Allowed Other Secured Claim on the later of the Initial Distribution Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable.

2. **Impairment and Voting.**

Class 3 is unimpaired under this Plan. Holders of Allowed Other Secured Claims are presumed to accept this Plan and are not entitled to vote to accept or reject this Plan.

- D. **Class 4 – First Lien Deficiency Claims.**

1. **Allowance of First Lien Deficiency Claims and Distributions.**

First Lien Deficiency Claims shall be deemed Allowed General Unsecured Claims in the aggregate amount of \$155,693,443.33. On the Effective Date, and in the case of clause (b) below, from time to time thereafter, a holder of a First Lien Deficiency Claim shall receive the following, on a Pro Rata basis, in full satisfaction of such Class 4 Claim:

- a. shares representing an aggregate of 6.8% of the Issued New Equity; and

- b. 68% of the net proceeds of all recoveries on Avoidance Actions.

2. Impairment and Voting.

Class 4 is Impaired under this Plan. Each holder of a First Lien Deficiency Claim is entitled to vote to accept or reject this Plan.

E. Class 5 – Second Lien Claims.

1. Allowance of Second Lien Claims and Distributions.

Second Lien Claims shall be deemed Allowed General Unsecured Claims in the aggregate amount of \$52,208,997.76. On the Effective Date, and in the case of clause (b) below, from time to time thereafter, a holder of a Second Lien Claim shall receive the following, on a Pro Rata basis, in full satisfaction of such Class 5 Claim:

- a. shares representing an aggregate of 2.3 % of the Issued New Equity; and
- b. 23% of the net proceeds of all recoveries on Avoidance Actions.

2. Impairment and Voting.

Class 5 is Impaired under this Plan. Each holder of a Second Lien Claim is entitled to vote to accept or reject this Plan.

F. Class 6 – General Unsecured Claims Other Than First Lien Deficiency Claims and Second Lien Claims.

1. Distributions.

On the later of the Initial Distribution Date or the date on which a specific Class 6 Claim becomes an Allowed General Unsecured Claim, and in the case of clause (b) below, from time to time thereafter, a holder of an Allowed Class 6 Claim shall receive its Pro Rata share of the following in full satisfaction of such Class 6 Claim:

- a. shares representing an aggregate of 0.9% of the Issued New Equity; and
- b. 9% of the net proceeds of all recoveries on Avoidance Actions.

2. Impairment and Voting.

Class 6 is Impaired under this Plan. Each holder of an Allowed Class 6 Claim is entitled to vote to accept or reject this Plan.

G. Class 7 – Intercompany Claims.

1. Distributions.

All Intercompany Claims will remain outstanding and shall not be discharged by this Plan or the Confirmation Order, but shall instead be liquidated, determined and satisfied in accordance, and in a manner consistent, with the Debtors' historical practices as if these Chapter 11 Cases had not been commenced.

2. Impairment and Voting.

Class 7 is unimpaired under this Plan. Holders of Intercompany Claims are presumed to accept this Plan and are not entitled to vote to accept or reject this Plan.

H. Class 8 – Intercompany Equity Interests.

1. Distributions.

Holders of Intercompany Equity Interests shall be reinstated, and holders shall retain their Intercompany Equity Interests.

2. Impairment and Voting.

Class 8 is unimpaired under this Plan. Holders of Intercompany Equity Interests are presumed to accept this Plan and are not entitled to vote to accept or reject this Plan.

I. Class 9 – Existing Equity Interests.

1. Distributions.

Holders of Existing Equity Interests shall receive no Distribution under this Plan on account of such Existing Equity Interests. All Existing Equity Interests and all instruments evidencing them shall be cancelled and deemed worthless as of the Effective Date.

2. Impairment and Voting.

Class 9 is Impaired. The holders of Existing Equity Interests are deemed to have rejected this Plan and shall not be entitled to vote to accept or reject this Plan.

V.

PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed.

Unless otherwise provided in this Plan, on the Initial Distribution Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each holder of an Allowed Claim, shall receive the full amount of the Distributions

that this Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under this Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If, and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth Section VI of this Plan. Except as otherwise provided herein, holders of Claims shall not be entitled to interest, dividends, or accruals on the Distributions provided for herein, regardless of whether such Distributions are delivered on or at any time after the Effective Date.

B. Disbursing Agent.

Except as provided herein, all Distributions under this Plan shall be made by the Reorganized Debtors as Disbursing Agent or by such other Person designated by the Reorganized Debtors as a Disbursing Agent on the Effective Date. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court. Additionally, in the event that the Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors.

C. Rights and Powers of Disbursing Agent.

1. Powers of the Disbursing Agent.

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Court, pursuant to this Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date.

Except as otherwise ordered by the Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions in General.

Except as otherwise provided herein, the Reorganized Debtors shall make Distributions to holders of Allowed Claims at the address for each such holder as indicated on the Debtors' records as of the date of any such Distribution; provided, however, that the manner of such Distributions shall be determined at the discretion of the Reorganized Debtors; and

provided further, that the address for each holder of an Allowed Claim shall be deemed to be the address set forth in any proof of claim filed by that holder.

2. Minimum Distributions.

The Reorganized Debtors shall not be required to make partial Distributions or payments of fractions of shares of New Equity and such fractions of shares shall be deemed to be zero.

3. Undeliverable Distributions and Unclaimed Property.

In the event that any Distribution to any holder is returned as undeliverable, no Distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such Distribution shall be made to such holder without interest; provided, however, such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any holder to such Distribution shall be discharged and forever barred.

E. Compliance with Tax Requirements/Allocations.

In connection with this Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental authority, and all Distributions pursuant hereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in this Plan to the contrary, the Reorganized Debtors and the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the Distribution to be made under this Plan to generate sufficient funds to pay applicable withholding taxes, withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of such Claims, to any portion of such Claims for accrued but unpaid prepetition interest.

F. Setoffs.

The Debtors and the Reorganized Debtors may withhold (but not set off except as set forth below) from Distributions under this Plan on account of any Allowed Claim (other than a Class 1 Claim, a DIP Claim, a Class 2 Claim, a Class 4 Claim or a Class 5 Claim) an amount equal to any claims or Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the holder of any such Allowed Claim. In the event that any such claims or Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the holder of any such Allowed Claim are adjudicated by Final Order or otherwise

resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any such Allowed Claim and any Distributions to be made pursuant hereto on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims or Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims or Causes of Action that the Debtors or the Reorganized Debtors may possess against any such holder, except as specifically provided herein.

VI.

PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, OR DISPUTED CLAIMS

A. Limitation of Applicability.

The resolution of all contingent, unliquidated, or Disputed Claims is governed exclusively by this Section VI.

B. Objections To and Resolution Of Claims.

The Reorganized Debtors shall have the exclusive right after the Effective Date to make and to file objections to, or otherwise contest the allowance of, Administrative Claims (other than Fee Claims) and Claims that are not Allowed Claims as of the Effective Date. Unless otherwise ordered by the Court, objections to, or other proceedings concerning the allowance of, Administrative Claims and Claims shall be filed and served upon the holders of the Administrative Claims or Claims as to which the objection is made, or otherwise commenced, as the case may be, as soon as practicable, but in no event later than the Claims Objection Deadline.

Objections to, or other proceedings contesting the allowance of, Administrative Claims and Claims may be litigated to judgment, settled or withdrawn, in the Reorganized Debtors' sole discretion, subject to the consent of the Exit Facility Agent in the case of Administrative Claims. The Debtors may settle any such objections or proceedings without Court approval or may seek Court approval.

C. Reserve for Disputed Class 6 Claims.

(a) Establishment of Class 6 Claims Reserve. On the Initial Distribution Date, the Reorganized Debtors shall place into reserve, from the Issued New Equity to be distributed to holders of Class 6 Claims, shares of Issued New Equity equal to the number of shares of Issued New Equity to which holders of Disputed Class 6 Claims would be entitled under this Plan as of such date as if the Disputed Class 6 Claims were Allowed Class 6 Claims either in the amounts of the Claims as filed or in such amounts as estimated by the Court. Additionally, upon receipt by the Reorganized Debtors of net recoveries of Avoidance Actions, the Reorganized Debtors shall place into reserve that portion of net recoveries of Avoidance Actions attributable to holders of Disputed Class 6 Claims.

(b) **New Equity Held in General Unsecured Claims Reserve.** New Equity held in the Class 6 Claims Reserve shall be held by the Reorganized Debtors in trust for the benefit of holders of Allowed Class 6 Claims. New Equity held in the Class 6 Claims Reserve shall not constitute property of the Reorganized Debtors or any of them and no New Equity held in the Class 6 Claims Reserve shall have any voting or other rights unless and until it is distributed in accordance herewith. The Reorganized Debtors shall pay, or cause to be paid, out of any dividends paid on account of New Equity held in the Class 6 Claims Reserve, any tax imposed on the Class 6 Claims Reserve by any governmental unit with respect to income generated by New Equity held in the Class 6 Claims Reserve and any costs associated with maintaining the Class 6 Claims Reserve. Any New Equity held in the Class 6 Claims Reserve after all Class 6 Claims have been Allowed or disallowed, shall be distributed by the Disbursing Agent, in a supplemental Distribution, Pro Rata, to holders of Allowed Class 6 Claims in accordance with Section IV of this Plan.

(c) **Net Recoveries of Avoidance Actions Held in Class 6 Claims Reserve.** Net recoveries of Avoidance Actions held in the Class 6 Claims Reserve shall be held by the Reorganized Debtors in trust for the benefit of holders of Allowed Class 6 Claims. Those net recoveries shall not constitute property of the Reorganized Debtors or any of them. Any net recoveries of Avoidance Actions held in the Class 6 Claims Reserve after all Class 6 Claims have been Allowed or disallowed, shall be distributed by the Disbursing Agent in a supplemental Distribution, Pro Rata, to holders of Allowed Class 6 Claims in accordance with Section IV of this Plan.

D. No Distributions Pending Allowance.

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no Distribution provided under this Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

E. Distributions Following Allowance.

Notwithstanding anything to the contrary set forth herein or in the Confirmation Order, each holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Initial Distribution Date shall receive the Distribution to which such holder of an Allowed Claim is entitled at such time that the Reorganized Debtors determine, in their discretion, to make subsequent Distributions to holders of other Claims which are Allowed following the Initial Distribution Date, provided that the Reorganized Debtors shall make such Distributions at least semi-annually. Nothing set forth herein is intended to, nor shall it, prohibit the Reorganized Debtors, in their discretion, from making a Distribution on account of any Claim at any time after such Claim becomes an Allowed Claim.

F. Estimation.

The Reorganized Debtors may at any time, request that the Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Disputed Claim. The Court will retain jurisdiction to estimate any Disputed Claim at any time, including during proceedings

concerning any objection to such Disputed Claim. In the event that the Court estimates any Disputed Claim, such estimated amount may constitute either (a) the Allowed amount of such Disputed Claim, (b) the amount on which a reserve is to be calculated for purposes of any reserve requirement in this Plan, or (c) a maximum limitation on such Disputed Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Disputed Claim, the Debtors, or the Reorganized Debtors as the case may be, may elect to object to ultimate payment of the Disputed Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

VII.

SUBSTANTIVE CONSOLIDATION OF THE DEBTORS

This Plan is predicated upon, and it is a condition precedent to confirmation of this Plan, that the Court provide in the Substantive Consolidation Order for the substantive consolidation of the Debtors into a single Debtor for purposes of this Plan and the Distributions hereunder.

Pursuant to such Substantive Consolidation Order (i) all assets and liabilities of the Substantively Consolidated Debtors will be deemed to be merged solely for purposes of this Plan and Distributions to be made pursuant to this Plan, (ii) the obligations of each Debtor will be deemed to be the obligation of the Substantively Consolidated Debtors solely for purposes of this Plan and Distributions hereunder, (iii) any Claims filed or to be filed will be deemed Claims against the Substantively Consolidated Debtors, (iv) each Claim filed in the chapter 11 case of any Debtor will be deemed filed against the Substantively Consolidated Debtors in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (v) all transfers, disbursements and Distributions made by any Debtor hereunder will be deemed to be made by the Substantively Consolidated Debtors, and (vi) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the Substantively Consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their Pro Rata share of assets available for Distribution to such Class without regard to which Debtor was originally liable for such Claim. Such substantive consolidation shall not affect (a) the legal and corporate structure of the Reorganized Debtors or any Intercompany Claims or (b) other pre- and post-Petition Date guarantees that are required to be maintained (i) in connection with executory contracts or unexpired leases that were entered into during these Chapter 11 Cases, if any, or that have been, or will hereunder be, assumed, (ii) pursuant to the express terms of this Plan, or (iii) in connection with the Exit Facility or the Restructured Term Loan Agreement. The substantive consolidation proposed herein shall not affect each Debtor's obligation to file the necessary operating reports and pay any required fees pursuant to 28 U.S.C. § 1930(a)(6). Such obligations shall continue until an order is entered closing, dismissing or converting such Debtor's Chapter 11 Case.

Unless the Court has approved the substantive consolidation of the Debtors by a prior order, this Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Debtors. If no objection to substantive consolidation is timely

filed and served, then the Substantive Consolidation Order may be entered by the Court. If any such objection is timely filed and served, a hearing with respect to the substantive consolidation of the Debtors shall be scheduled by the Court, which hearing may coincide with the Confirmation Hearing.

VIII.

PROVISIONS REGARDING IMPLEMENTATION OF PLAN

A. Substantive Consolidation.

The Debtors shall be substantively consolidated for the purposes described in, and in accordance with the provisions of, Section VII of this Plan.

B. Exit Facility.

On the Effective Date, the Reorganized Debtors shall enter into the Exit Facility and the Restructured Term Loan Agreement. The Confirmation Order shall authorize the Reorganized Debtors to enter into the Exit Facility and to execute and deliver all documents and instruments relating thereto. The amounts borrowed under the Exit Facility shall be used to make the required Cash Distributions under this Plan, refinance the DIP Facility, satisfy certain Plan related expenses, and to fund the Reorganized Debtors on and after the Effective Date.

C. New Equity.

On or prior to the Effective Date, the Debtors will have taken all steps necessary to authorize the New Equity and to issue the Issued New Equity pursuant to this Plan.

D. Section 1145 Exemption.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Equity pursuant to this Plan shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution, or sale of securities. In addition, under section 1145 of the Bankruptcy Code, the New Equity will be freely tradable by the recipients thereof, subject to: (i) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at any time of any future transfer of such New Equity; (ii) the terms of the Stockholders Agreement and the Registration Rights Agreement; (iii) the restrictions, if any, on the transferability of the New Equity; and (iv) any applicable regulatory approval.

E. Corporate Governance and Management of the Reorganized Debtors.

1. The Initial Boards of Directors.

Matters related to the corporate governance of the Reorganized Debtors and the initial board of directors of Reorganized Holdings shall be set forth in the relevant Plan

Supplement Documents. The First Lien Agent the holders of a majority in dollar amount of the First Lien Claims shall have the right in their capacities as holders of New Equity, to nominate five (5) independent members of Reorganized Holdings' board of directors. In addition, the Chief Executive Officer of Reorganized Holdings shall serve as a member of the board of directors and also shall nominate one (1) member of Reorganized Holdings' board of directors.

Subject to the Stockholders Agreement and Reorganized Holdings' Amended and Restated By-laws relating to the filling of vacancies, if any, on the board of directors, the members of the board of directors as constituted on the Effective Date will continue to serve at least until the first annual meeting of stockholders after the Effective Date.

The identities, affiliations and the amount of compensation of the initial nominees to the board of directors of Reorganized Holdings shall be disclosed in the Plan Supplement. The members of the initial boards of directors or equivalent governing bodies of the Reorganized Debtors other than Reorganized Holdings shall be selected by the initial board of directors of Reorganized Holdings and shall consist, at least in part, of officers and directors of Reorganized Holdings. The directors of each Debtor on the day immediately preceding the Effective Date that are not otherwise appointed as members of the initial board of directors or the equivalent governing body for the corresponding Reorganized Debtor shall be deemed to have resigned from the board of directors of such Reorganized Debtor as of the Effective Date.

2. Management of Reorganized Debtors.

Except to the extent otherwise disclosed prior to the Confirmation Hearing, the officers of the Reorganized Debtors shall be substantially the same as the officers of the Debtors on the Effective Date. The Reorganized Debtors' officers shall serve in accordance with any employment agreement with the Reorganized Debtors and applicable nonbankruptcy law, as the case may be. The Debtors will disclose the terms of such employment agreements prior to the Confirmation Hearing.

3. Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and Other Amended and Restated Governing Documents.

The adoption of the Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and Other Amended and Restated Governing Documents shall be deemed to have occurred and be effective as of the Effective Date without any further action by the directors, stockholders, partners or members (as the case may be) of the Debtors or the Reorganized Debtors. The Amended and Restated Certificate of Incorporation shall be in form and substance consistent with the terms of the Stockholders Agreement and will, among other things, contain appropriate provisions governing the authorization of (x) the shares of New Equity to be issued and outstanding on the Effective Date and (y) prohibiting the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code. Each of the Other Amended and Restated Governing Documents shall be in form and substance consistent with the terms of the Stockholders Agreement and shall, among other things, contain appropriate provisions prohibiting the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code. On or prior to the Effective Date, the

Debtors will, if required by applicable state law, file with the Secretary of State of the appropriate jurisdiction the Amended and Restated Certificate of Incorporation and Other Amended and Restated Governing Documents.

4. Powers of Officers.

The officers of the Reorganized Debtors shall have the power to enter into and to execute any Plan Supplement Document to which the Reorganized Debtors are to be a party and to take such other or further action as they deem reasonable and appropriate to effectuate the terms of this Plan.

5. Reorganized Debtors' Management Incentive Plan.

On the Effective Date, the Management Incentive Plan shall become effective and shall provide, among other things, for (i) the issuance on the Effective Date of shares representing 15% of the Issued New Equity, (ii) the issuance on the Effective Date of shares of New Equity as restricted stock, and (iii) shares of New Equity to be reserved for potential issuance after the Effective Date as performance-based grants of equity, restricted stock, or options, in each such case, to management and non-management members of Reorganized Holdings' board of directors. The Management Incentive Plan shall be as set forth in the Plan Supplement.

6. Corporate Structure.

Except as otherwise set forth herein or as modified by appropriate corporate action after the Effective Date, the corporate structure and equity ownership of the Debtors shall be unchanged.

IX.

EFFECT OF CONFIRMATION OF THIS PLAN

A. Continued Corporate Existence.

Except as otherwise expressly provided for in Section VIII.E above, the Debtors, as Reorganized Debtors, shall continue to exist after the Effective Date with all of the powers of a corporation, partnership or limited liability company, as the case may be, under the laws of their respective jurisdiction of organization, and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law, except as such rights may be limited and conditioned by this Plan and the documents and instruments executed and delivered in connection herewith. In addition, the Reorganized Debtors may operate their business free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy Rules or by the Court, subject only to the terms and conditions of this Plan as well as the documents and instruments executed and delivered in connection herewith, including without limitation, the Plan Supplement Documents.

B. Dissolution of Creditors' Committee.

The Creditors' Committee shall continue in existence until the Effective Date and shall continue to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code and shall perform such other duties as it may have been assigned by the Court prior to the Effective Date. On the Effective Date, the Creditors' Committee shall be dissolved and its members shall be deemed released of all of their duties, responsibilities and obligations in connection with these Chapter 11 Cases or this Plan and its implementation, and the retention of the Creditors' Committee's attorneys, and financial advisors shall terminate, except that the Creditors' Committee shall continue to have standing and a right to be heard with respect to (i) all Fee Claims, (ii) any appeals of the Confirmation Order, (iii) any adversary proceedings pending as of the Effective Date to which it may be a party, (iv) post-Effective Date modifications to this Plan, and (v) applications for payment of fees and reimbursement of expenses related to the foregoing.

C. Vesting of Property.

Except as otherwise expressly provided in this Plan, on the Effective Date, or as soon as practicable thereafter, the Reorganized Debtors shall be vested with all of the property of their respective Estates free and clear of all Claims, Liens, encumbrances, charges and other interests of holders of Claims and Equity Interests, except those specifically arising pursuant to, or in connection with, this Plan.

D. Discharge of the Debtors.

Except as otherwise expressly provided in this Plan, the Confirmation Order, the Plan Supplement Documents or a separate order of the Court, the rights afforded herein and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any kind or nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors, their respective Estates or any of their respective assets or properties, arising prior to the Effective Date. Except as otherwise expressly specified in this Plan, as of the Effective Date, the Confirmation Order shall discharge all debts of, Claims against, Liens on, and Equity Interests in the Debtors, their respective assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim or Equity Interest with respect thereto was filed, whether the Claim or Equity Interest is Allowed, or whether the holder thereof votes to accept this Plan or is entitled to receive a Distribution hereunder. Except as otherwise expressly provided in this Plan, after the Effective Date, any holder of such discharged Claim or Equity Interest shall be precluded from asserting any other or further Claim against, or Equity Interest in, the Debtors, the Reorganized Debtors, or any of their respective assets or properties, based on any document, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the Effective Date.

E. Injunction.

Except as otherwise expressly provided in this Plan, the Confirmation Order, the Plan Supplement Documents or a separate order of the Court, all Persons who have held, hold, or may

hold Claims against, or Equity Interests in, the Debtors that arose before or were held as of the Effective Date, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors or the Reorganized Debtors with respect to any such Claim or Equity Interest, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors or the Reorganized Debtors on account of any such Claim or Equity Interest, (c) creating, perfecting, or enforcing any Lien or other encumbrance of any kind against the Debtors or the Reorganized Debtors or against the property or interests in property of the Debtors or the Reorganized Debtors on account of any such Claim or Equity Interest and (d) asserting any right of setoff or subrogation of any kind against any obligation due from the Debtors or the Reorganized Debtors or against the property or interests in property of the Debtors or the Reorganized Debtors on account of any such Claim or Equity Interest. Such injunction shall extend to successors of the Debtors (including, without limitation, the Reorganized Debtors) and their respective properties and interests in property.

F. Preservation of Causes of Action.

Except as expressly provided in this Plan, the Confirmation Order, the Plan Supplement Documents, or separate of the Court, the Reorganized Debtors shall retain all rights and all Causes of Action, including but not limited to, all Avoidance Actions and those arising under sections 505, 553 and 1123(b)(3)(B) of the Bankruptcy Code, including all tax setoff and refund rights arising under section 505 of the Bankruptcy Code. Nothing contained in this Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense that the Debtors have that is not specifically waived or relinquished by this Plan. The Reorganized Debtors shall have, retain, reserve and be entitled to assert all such Claims, Causes of Action, rights of setoff and other legal or equitable defenses that the Debtors have as fully as if these Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any Claim that are not specifically waived or relinquished by this Plan may be asserted after the Effective Date.

G. Claims Incurred After the Effective Date.

Claims incurred by the Reorganized Debtors after the Effective Date, including Claims for Professionals' fees and expenses incurred after the Effective Date, may be paid by the Reorganized Debtors in the ordinary course of business and without the need for Court approval.

H. Releases by the Debtors and Estates.

Except as otherwise expressly provided in this Plan, the Confirmation Order, the Plan Supplement Documents or a separate order of the Court, on the Effective Date, the Debtors and the Reorganized Debtors, on behalf of themselves and their respective Estates, release unconditionally and irrevocably, and are hereby deemed to and hereby unconditionally and irrevocably release, each and all of (a) the Debtors' officers and directors who were serving in such capacity on or after the Petition Date, (b) the members of the Creditors' Committee, (c) the DIP Lenders, the DIP Agent, the First Lien Agent, the First Lien Lenders, the Second Lien Agent, and the Second Lien Lenders, and (d) all of the respective officers, directors, employees, partners, advisors, attorneys, financial advisors, accountants and other professionals of each of

the foregoing described in clauses (a) through (c), in each case, in their respective capacities as such, (collectively clauses (a) through (d) being the “Released Parties” and each a “Released Party”) from any and all claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken in their respective capacities described above or any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, these Chapter 11 Cases, or this Plan, except that the foregoing release shall not apply to any express contractual or financial obligations owed to the Debtors or Reorganized Debtors by any Released Party referenced in clause (a) above or any obligation arising under this Plan or an agreement entered into pursuant to, in connection with or contemplated by, this Plan.

I. Releases by Holders of Claims.

On and as of the Effective Date, all Persons who vote to accept this Plan as set forth on the relevant Ballot, shall be deemed, by virtue of their treatment under this Plan, to have unconditionally and irrevocably released the Debtors and the other Released Parties and covenanted with the Reorganized Debtors and the other Released Parties not to (a) sue or otherwise seek recovery from any of the Reorganized Debtors or any other Released Party on account of any Claim, including but not limited to, any Claim based upon tort, breach of contract, violations of federal or state securities laws or otherwise, based upon any act, occurrence, or failure to act from the beginning of time through the Effective Date in any way relating to the Debtors, these Chapter 11 Cases or this Plan or (b) assert against any of the Reorganized Debtors or any other Released Party any Claim, obligation, right, Cause of Action or liability that any holder of a Claim or may be entitled to assert, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, or occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, these Chapter 11 Cases, or this Plan; provided, however, that (i) the foregoing release shall not apply to obligations arising under this Plan or an agreement entered into pursuant to, in connection with, or contemplated by, this Plan, (ii) the foregoing release shall not apply to release any Person who would otherwise be a Released Party but votes to reject this Plan as set forth on the relevant Ballot and, thereby, elects not to provide to any Released Party the release and covenant as described in this paragraph, and (iii) the foregoing release shall not be construed to prohibit a party in interest from seeking to enforce the terms of this Plan or an agreement entered into pursuant to, in connection with, or contemplated by, this Plan. Notwithstanding anything to the contrary in this Plan, the releases of the Released Parties shall extend only to Claims arising against such Released Parties in their capacities as parties in interest in these Chapter 11 Cases.

J. Exculpation and Limitations of Liability.

The Debtors, the Reorganized Debtors, the other Released Parties, the Exit Facility Agent and the lender parties to the Exit Facility (i) shall have no liability whatsoever to any holder or purported holder of an Administrative Claim, Claim, or Equity Interest for any act or omission after the Petition Date in connection with, or arising out of, these Chapter 11 Cases, this Plan, the Disclosure Statement, the negotiation of this Plan, the negotiation of the Plan Supplement Documents, the Exit Facility, the pursuit of approval of the Disclosure Statement or the

solicitation of votes to accept or reject this Plan, the consummation of this Plan, the administration of this Plan or the property to be distributed under this Plan, or any transaction contemplated by this Plan or in furtherance hereof except for any act or omission that constitutes gross negligence or willful misconduct as determined by a Final Order, and (ii) in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations and any other applicable law or rules protecting any of the Released Parties, the Exit Facility Agent or the lender parties to the Exit Facility from liability.

K. Term of Bankruptcy Injunction or Stays.

All injunctions or stays provided for in these Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

L. Reinstatement and Continuation of Insurance Policies.

Unless otherwise assumed during the pendency of these Chapter 11 Cases, from and after the Effective Date, each of the Debtors' insurance policies in existence on and as of the Confirmation Date shall be reinstated and continued in accordance with its terms and, to the extent applicable, shall be deemed assumed by the applicable Reorganized Debtor pursuant to section 365 of the Bankruptcy Code.

The Debtors' discharge and release from all Claims and Equity Interests, as provided herein, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtors, the Reorganized Debtors (including, without limitation, its officers and directors) or any other Person. Notwithstanding any other provision of this Plan or the Confirmation Order, nothing in this Plan shall impair the rights of any insurer under and in accordance with the terms of any such insurance policy.

M. Officers' and Directors' Indemnification Rights and Insurance.

Notwithstanding any other provision of this Plan, the obligation of the Debtors to indemnify their directors, officers, and employees serving in such capacity as of, or immediately prior to, the Effective Date against any obligations, liabilities, costs or expenses pursuant to the articles of incorporation, by-laws, partnership agreements or limited liability company operating agreements of the Debtors, as the case may be, applicable state law, specific agreement, or any combination of the foregoing, shall survive the Effective Date.

X.

RETENTION OF JURISDICTION

The Court shall have exclusive jurisdiction over all matters arising out of and related to these Chapter 11 Cases and this Plan pursuant to, and for the purposes of, section 105(a) and section 1142 of the Bankruptcy Code and for, among other things, the following purposes:

1. to hear and determine applications for the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of Claims resulting therefrom;
2. to determine any other applications, adversary proceedings, and contested matters pending on the Effective Date;
3. to ensure that Distributions to holders of Allowed Claims are accomplished as provided herein;
4. to resolve disputes as to the ownership of any Claim;
5. to hear and determine timely objections to Administrative Claims and Claims;
6. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
7. to issue such orders in aid of execution of this Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
8. to consider any modifications of this Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;
9. to hear and determine all applications for Allowance of any Fee Claims;
10. to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan;
11. to hear and determine any issue for which this Plan requires a Final Order of the Court;
12. to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
13. to hear and determine any Avoidance Actions and other Causes of Action preserved under this Plan.
14. to hear and determine any matter regarding the existence, nature and scope of the Debtors' discharge;
15. to hear and determine any matter regarding the existence, nature, and scope of the releases and exculpation provided in this Plan; and
16. to enter a final decree closing these Chapter 11 Cases.

XI.

MISCELLANEOUS PROVISIONS

A. Payment of Statutory Fees.

All fees payable on or before the Effective Date pursuant to section 1930 of title 28 of the United States Code shall be paid by the Debtors on or before the Effective Date and all such fees payable after the Effective Date shall be paid by the applicable Reorganized Debtor as and when such fees become due.

B. Modification of this Plan.

1. Pre-Confirmation Modifications.

The Debtors may alter, amend, or modify this Plan before the Confirmation Date as provided in section 1127 of the Bankruptcy Code; provided, however, that without the prior written consent of the First Lien Agent (which consent shall not be unreasonably withheld) there shall be no alteration, amendment or modification of this Plan before the Confirmation Date.

2. Post-Confirmation Immaterial Modifications.

After the Confirmation Date, the Debtors may, with the approval of the Court and prior written consent of the Exit Facility Agent (which consent shall not be unreasonably withheld), without notice to all holders of Claims or Equity Interests, insofar as it does not materially and adversely affect the holders of Claims or Equity Interests, correct any defect, omission or inconsistency in this Plan in such manner and to such extent as may be necessary to expedite consummation of this Plan.

3. Post-Confirmation Material Modifications.

After the Effective Date, the Debtors may, with the prior written consent of the Exit Facility Agent (which consent shall not be unreasonably withheld), alter or amend this Plan in a manner which, as determined by the Court, materially and adversely affects holders of Claims or Equity Interests, provided that such alteration or modification is made after a hearing as provided in section 1127 of the Bankruptcy Code.

C. Governing Law.

Unless a rule of law or procedure is supplied by Federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of the State of Delaware (without reference to the conflicts of laws provisions thereof) shall govern the construction and implementation of this Plan and any agreements, documents, and instruments executed in connection with this Plan, unless otherwise specified.

D. Filing or Execution of Additional Documents.

On or before the Effective Date, the Debtors shall file with the Court or execute, as appropriate, such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

E. Withholding and Reporting Requirements.

In connection with this Plan and all instruments issued in connection herewith and Distributions hereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all Distributions hereunder shall be subject to any such withholding and reporting requirements.

F. Exemption From Transfer Taxes.

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer and exchange under this Plan of New Equity and the Liens granted to secure the Reorganized Debtors' obligations in respect of the Exit Facility and the Restructured Term Loan Agreement, (b) the making or assignment of any lease or sublease, or (c) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with this Plan, shall not be subject to any stamp tax or other similar tax.

G. Non-Waiver of Bankruptcy Rule 3020(e) and Federal Rule of Civil Procedure 62(a).

The Debtors may request that the Confirmation Order include (a) a finding that Bankruptcy Rule 3020(e) and Federal Rule of Civil Procedure 62(a) shall not apply to the Confirmation Order and (b) authorization for the Debtors to consummate this Plan immediately after entry of the Confirmation Order.

H. Exhibits/Schedules.

All exhibits and schedules to this Plan and the Plan Supplement are incorporated into and constitute a part of this Plan as if fully set forth herein.

I. Notices.

All notices, requests, and demands hereunder to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

To the Debtors:

Duane Morris LLP
1100 North Market Street, Suite 1200
Wilmington, DE 19801
Attention: Michael R. Lastowski, Esq.
(Telephone) 302-657-4900
(Facsimile) 302-657-4901

To the Creditors' Committee:

Lowenstein Sandler LLP
65 Livingston Avenue
Roseland, NJ 07068
Attention: Bruce Buechler, Esq.
(Telephone) 973-597-2500
(Facsimile) 973-597-2400

To the First Lien Agent:

Simpson Thacher & Bartlett LLP,
425 Lexington Avenue
New York, New York, 10017
Attention: Steven M. Fuhrman, Esq.
(Telephone) 212-455-2000
(Facsimile) 212-455-2502

To the Office of the United States
Trustee:

844 King Street, Suite 2207,
Wilmington, Delaware 19801
Attention: Jane Leamy, Esq.,
(Telephone) 302-573-6491
(Facsimile) 302-573-6497

J. The Plan Supplement.

Forms of the documents relating to the Exit Facility, the Restructured Term Loan Agreement, the Stockholders Agreement, the Registration Rights Agreement, the Amended and Restated Certificate of Incorporation, the Amended and Restated By-Laws, the Other Amended and Restated Governing Documents, a notice setting forth the identities, terms and nature of the compensation of the Reorganized Debtors' senior officers and directors and the employment contracts to be entered into with the Reorganized Debtors' senior officers, and such other documents and information as the Debtors determine to be necessary or appropriate to the implementation and/or confirmation of this Plan shall be contained in the Plan Supplement, which will be filed with the Clerk of the Court no later than ten (10) days prior to the

Confirmation Hearing; provided, however, that the Debtors may amend any of the Plan Supplement Documents through and including the Effective Date in a manner consistent with this Plan and with the prior written consent of the Exit Facility Agent (which consent shall not be unreasonably withheld) and consent of any other non-Debtor third parties to the relevant document. The Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours and is available online at (i) www.deb.uscourts.gov through PACER; provided, however, a login and password is required, and (ii) www.sleepinnovationsch11.com, the Debtors' chapter 11 website maintained by The Garden City Group, Inc. Holders of Claims or Equity Interests may also obtain a copy of the Plan Supplement upon written request to the Debtors in accordance with Section XI.I of the Plan.

K. Conflict.

The terms of this Plan shall govern in the event of any inconsistency with the summary of this Plan set forth in the Disclosure Statement. The terms of the Confirmation Order shall govern in the event of any inconsistency with this Plan or the summary of this Plan set forth in the Disclosure Statement.

XII.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases.

Except for those executory contracts and unexpired leases that are specified as rejected in this Section XII.A below, and other than (a) executory contracts or unexpired leases that have expired or terminated pursuant to their own terms during the pendency of these Chapter 11 Cases, (b) benefit plans (which are specifically dealt with in Section XIII of this Plan), or (c) insurance policies, which are specifically dealt with Section IX.L and IX.M of this Plan, all of the executory contracts and unexpired leases that exist between the Debtors and any Person, including but not limited to, the Lease Agreement dated May 14, 2003 by and between 185 Monmouth Parkway Associates, L.P. and Sleep Innovations for certain premises located at Monmouth Park Corporate Center I, 185-187 State Highway 36, West Long Branch, New Jersey, are specifically assumed as of, and subject to the occurrence of, the Effective Date pursuant to this Plan. To the extent any such executory contracts or unexpired leases have been amended prior to the Confirmation Date, such contracts or leases shall be assumed as so amended.

The following executory contracts and unexpired leases are rejected:

- (i) executory contracts or unexpired leases that have been rejected by the Debtors before the Confirmation Date;
- (ii) executory contracts or unexpired leases that are the subject of a motion to reject pending on the Confirmation Date; and
- (iii) employment agreements that were terminated or rejected prior to the Confirmation Date or in connection with this Plan.

B. Cure.

Except as otherwise agreed to by the Debtors and the other party thereto, on the Initial Distribution Date, the Reorganized Debtors shall cure any and all undisputed defaults under any executory contract or unexpired lease that is assumed pursuant to this Plan in accordance with section 365 of the Bankruptcy Code. Unless the Debtors and the other party to the contract or lease agree otherwise, all disputed defaults that are required to be cured shall be cured by the later to occur of (i) ten (10) days after the entry of a Final Order determining the amount, if any, of the Debtors or the Reorganized Debtors' liability with respect thereto and (ii) the Initial Distribution Date.

C. Rejection Damage Claims.

All Claims for damages arising from the rejection of executory contracts or unexpired leases must be filed with the Court in accordance with the terms of the order authorizing such rejection. Claims arising from rejection under this Plan and the Confirmation Order must be filed within thirty (30) days of the Effective Date. Any Claims not filed within such time shall be forever barred from assertion against the Debtors, their respective Estates and the Reorganized Debtors. All Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims.

XIII.

BENEFIT PLANS

As, and subject to the occurrence, of the Effective Date, any employee compensation and benefit plans, policies and programs of the Debtors applicable generally to their employees, including agreements and programs subject to section 1114 of the Bankruptcy Code, as in effect on the Effective Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans and workers' compensation programs, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under this Plan, and the Debtors' obligations under such agreements and programs shall survive the Effective Date of this Plan, without prejudice to the Reorganized Debtors' rights under applicable non-bankruptcy law to modify, amend, or terminate the foregoing arrangements, except for (i) such executory contracts or plans specifically rejected pursuant to this Plan (to the extent such rejection does not violate section 1114 of the Bankruptcy Code) and (ii) such executory contracts or plans that have previously been terminated or rejected, pursuant to a Final Order, or specifically waived by the beneficiaries of such plans, contracts or programs.

XIV.

CONFIRMATION AND EFFECTIVENESS OF THIS PLAN

A. Conditions Precedent to Confirmation.

This Plan shall not be confirmed by the Court unless and until the following conditions have been satisfied in full or waived pursuant to Section XIV.C of this Plan:

1. The Court shall have entered an order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code;
2. This Plan shall be in form and substance reasonably acceptable to the First Lien Agent and the Debtors;
3. The Court shall have entered the Confirmation Order in form and substance reasonably acceptable to the First Lien Agent and the Debtors;
4. All documents to be executed, delivered or filed pursuant to this Plan, including all Plan Supplement Documents, shall be in form and substance reasonably acceptable to the First Lien Agent and the Debtors; and
5. The funding commitments for the Exit Facility shall not have expired and shall be in full force and effect.

B. Conditions Precedent to the Effective Date.

This Plan shall not become effective unless and until it has been confirmed and the following conditions have been satisfied in full or waived pursuant to Section XIV.C of this Plan:

1. The Confirmation Order, in form and substance reasonably acceptable to the First Lien Agent and the Debtors, shall have been entered, and no stay or injunction shall be in effect precluding the consummation of the transactions contemplated by this Plan and such Confirmation Order shall not have been modified or vacated on appeal;
2. All statutory fees then due and payable to the United States Trustee shall have been paid in full;
3. All documents to be executed, delivered or filed pursuant to this Plan, including all Plan Supplement Documents, shall be executed, delivered or filed, as the case may be;
4. All actions, authorizations, filings, consents and regulatory approvals required (if any) shall have been obtained, effected or executed in a manner acceptable to the Debtors and shall remain in full force and effect;
5. All DIP Claims shall have been indefeasibly paid in full in Cash, except to the extent any holder of DIP Claims has agreed to convert such holder's outstanding DIP Claims into outstanding loans or letters of credit, as applicable, under the Exit Facility, and the Liens granted to secure the DIP Claims shall have been terminated; and
6. The Exit Facility shall have been entered into by the Reorganized Debtors and the other parties thereto and all conditions to the initial borrowing under the Exit

Facility shall have been satisfied in accordance with the terms thereof (but for the occurrence of the Effective Date).

C. Waiver of Conditions.

The Debtors, acting with the consent of the First Lien Agent, may waive any or all of the conditions set forth in Section XIV.A and B (except for the condition set forth in Section XIV.B.1 above) at any time without leave or order of the Court and without any formal action.

D. Effect of Failure of Conditions.

In the event that the Effective Date does not occur on or prior to February 16, 2009, or such later date as may be agreed to by the Debtors and the First Lien Agent, upon notification submitted by the Debtors to the Court: (a) the Confirmation Order shall be vacated, (b) no Distributions under this Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in this Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in these Chapter 11 Cases or in any further proceedings involving the Debtors.

E. Vacatur of Confirmation Order.

If a Final Order denying confirmation of this Plan is entered, or if the Confirmation Order is vacated, then this Plan shall be null and void in all respects, and nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims against, or Equity Interests in, the Debtors; (b) prejudice in any manner the rights of the holder of any Claim against, or Equity Interest in, the Debtors; (c) prejudice in any manner any right remedy or claim of the Debtors; or (d) be deemed an admission against interest by the Debtors.

F. Revocation, Withdrawal or Non-Consummation.

1. Right to Revoke or Withdraw.

The Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Effective Date.

2. Effect of Withdrawal, Revocation, or Non-Consummation.

If the Debtors revoke or withdraw this Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, this Plan, any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), the assumption or rejection of executory contracts, unexpired leases, insurance policies or benefit plans effected by this Plan, any release, exculpation or indemnification provided for in this Plan, and any document or agreement executed pursuant to this Plan shall be null and void. In such event, nothing contained herein,

and no acts taken in preparation for consummation of this Plan, shall be deemed to constitute a waiver or release of any Claims by or against, or Equity Interests in, the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

[Signature Pages to Follow]

Dated: November 26, 2008

COMFORT CO., INC.

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and Vice President

SLEEP INNOVATIONS, INC.

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and Vice President

ADVANCED INNOVATIONS CENTRAL, LLC

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and Vice President

ADVANCED INNOVATIONS EAST, LLC

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and President

ADVANCED INNOVATIONS WEST, LLC

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and President

ADVANCED URETHANE TECHNOLOGIES, INC.

By: Richard A. Heller
Name: Richard A. Heller
Title: Chief Executive Officer and President

AUT BRENHAM, INC.

By: _____

Name: Richard A. Heller

Title: Chief Executive Officer and President

AUT DALLAS, INC.

By: _____

Name: Richard A. Heller

Title: Chief Executive Officer and President

AUT LEBANON, INC.

By: _____

Name: Richard A. Heller

Title: Chief Executive Officer and President

AUT NEWBURYPORT, INC.

By: _____

Name: Richard A. Heller

Title: Chief Executive Officer and President

AUT WEST CHICAGO, INC.

By: _____

Name: Richard A. Heller

Title: Chief Executive Officer and President