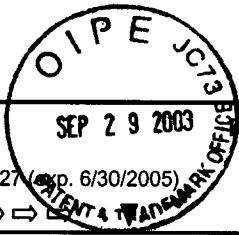


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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (Exp. 6/30/2005)

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U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): Spring Air Partners - New Jersey, Inc. Chattam & Wells, Inc

- Individual(s) Association General Partnership Limited Partnership Corporation-State Other

Additional name(s) of conveying party(ies) attached? Yes No

- Nature of conveyance: Assignment Merger Security Agreement Change of Name Other

Execution Date: August 28, 2003

2. Name and address of receiving party(ies) Name: L & P Financial Services Co. Internal c/o Leggett & Platt, Incorporated Address:

Street Address: No. 1 Leggett Road City: Carthage State: MO Zip: 64836

- Individual(s) citizenship Association General Partnership Limited Partnership Corporation-State Missouri Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

See Attached

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Paula Pace

Internal Address: Bryan Cave LLP

Street Address: 211 N. Broadway, Suite 3600

City: St. Louis State: MO Zip: 63102

6. Total number of applications and registrations involved: 30

7. Total fee (37 CFR 3.41): \$ 765.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number: 02-4467 (for overpayment or underpayment)

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Daniel A. Crowe Name of Person Signing Daniel A. Crowe

Daniel A. Crowe Signature

9/26/03 Date

Total number of pages including cover sheet, attachments, and document: 117

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

10/02/2003 LABELLER 0000162-1267156 40.00 DP 765.00 DP

TRADEMARK REEL: 002837 FRAME: 0552

**Trademark Registration** (attachment)

1. 1,267,156
2. 693,844
3. 785,203
4. 1,397,684
5. 826,859
6. 820,743
7. 820,742
8. 905,518
9. 1,695,612
10. 1,675,119
11. 1,748,523
12. 1,666,766
13. 1,666,767
14. 2,246,675
15. 1,610,590
16. 2,217,121
17. 2,216,713
18. 2,195,622
19. 2,185,864
20. 2,182,334
21. 2,180,555
22. 2,180, 554
23. 2,180,553
24. 2,180,552
25. 2,176,845
26. 2,176,844
27. 2,176,843
28. 2,175,069
29. 2,175,068
30. 2,412,915



**BRIDGE LOAN and SECURITY AGREEMENT**

**among**

**SPRING AIR PARTNERS – NORTH AMERICA, INC.,**

**SPRING AIR PARTNERS – NEW JERSEY, INC.,**

**SPRING AIR PARTNERS – PENNSYLVANIA, INC.,**

**SPRING AIR PARTNERS – CALIFORNIA, INC.,**

**CHATTAM & WELLS, INC.,**

**SPRING AIR CALIFORNIA – DELUXE BEDDING CO., INC.,**

**CHATTAM & WELLS MATTRESS COMPANY, LLC,**

**SPRING AIR PARTNERS – TEXAS, INC.,**

**SOUTHLAND BEDDING COMPANY,**

**SPRINGCO BEDDING CO.,**

**SPRING AIR PARTNERS - CANADA, INC., and**

**SPRING AIR PARTNERS – OHIO, L.L.C.,**

**AS GRANTORS**

---

**and**

**L&P FINANCIAL SERVICES CO., AS SECURED PARTY**

---

**Dated as of August 28, 2003**

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EXHIBITS:

Exhibit A	Form of Supplement
Exhibit B	Form of Bridge Note A
Exhibit C	Form of Bridge Loan Warrant
Exhibit D	Form of Guarantee Agreement

**BRIDGE LOAN AND SECURITY AGREEMENT** (this "Agreement"), dated as of August 28, 2003 by and among Spring Air Partners – North America, Inc. ("SAP-NA"), Spring Air Partners – New Jersey, Inc. ("SAP-NJ"), Spring Air Partners – Pennsylvania, Inc. ("SAP-PA"), Spring Air Partners – California, Inc. ("SAP-CA"), Chattam & Wells, Inc. ("C&W"), Spring Air California – Deluxe Bedding Co., Inc. (SAC-DB"), Chattam & Wells Mattress Company, LLC ("C&W Mattress"), Spring Air Partners – Texas, Inc. ("SAP-TX"), Southland Bedding Company ("Southland"), Springco Bedding Co. ("Springco"), Spring Air Partners - Canada, Inc. ("Canada") and Spring Air Partners – Ohio, L.L.C. ("SAP-OH") (each of SAP-NA, SAP-NJ, SAP-PA, SAP-CA, C&W, SAC-DB, C&W Mattress, SAP-TX, Southland, Springco, Canada and SAP-OH a "Borrower" and collectively, the "Borrowers"; SAP-NA, SAP-NJ, SAP-PA, SAP-CA, C & W, SAC-DB, C & W Mattress, SAP-TX, Southland, Springco and SAP-OH are also sometimes referred to herein individually as a "Grantor" and collectively as the "Grantors") and L&P Financial Services Co. ("Lender" or "Secured Party").

WHEREAS, Borrowers are currently indebted to Secured Party and its affiliates for goods sold and services rendered; and

WHEREAS, Borrowers have requested and Secured Party is willing to provide credit terms extended beyond Secured Party's standard terms of repayment with respect to currently existing and hereafter arising Trade Payables; and

WHEREAS, Borrowers have an immediate need for additional cash to continue their business operations; and

WHEREAS, Borrowers desire to obtain a term loan from Secured Party pursuant to which (1) Grantors will issue a promissory note in favor of Secured Party in the principal amount of \$3,700,000 on the terms and conditions set forth in this Agreement and substantially in the form of Exhibit B attached hereto, Borrowers will cause to be paid to Secured Party in immediately available funds \$3,500,000 as partial payment of the Trade Payables, such payment to be, in part, in the form of secured loans in the aggregate principal amount of \$1,500,000 by the Bridge B Lenders (as hereinafter defined) and Grantors will grant a security interest to Secured Party in all of Grantors' personal and real assets, including the capital stock of Grantors' Subsidiaries (other than Canada, 3038313 Nova Scotia Company and their respective subsidiaries) that secure Grantors' obligations under the Senior Loan Documents); (2) SAP-NA will issue a Bridge Loan Warrant (as defined below) to Secured Party on the terms and conditions set forth in this Agreement in the form of Exhibit C attached hereto; and (3) Daniel J. Sullivan, Jr., an individual having an address of 134 Spring Air Street, Suite 202 & 204, New York, NY 10012, Kenmare Capital LLC, a New Jersey limited liability company ("KC-LLC"), Spring Air Limited Partnership, a New Jersey limited partnership, INISH Management Corp., a New Jersey corporation ("INISH"), and Sullivan Family Limited Partnership, a New Jersey limited partnership will unconditionally guarantee the payment and performance of the Grantors to the Secured Party.

WHEREAS, the parties hereto intend that the term loan under the Bridge Note will be an interim source of financing for Borrowers, which financing is necessary to provide working capital but which will be repaid as soon as practicable after the date hereof, but, subject to the Intercreditor Agreement (as defined herein), no later than the Maturity Date, as set forth herein.

Accordingly, the Borrowers and the Secured Party (and each of their respective successors or assigns), hereby agree as follows:

## ARTICLE 1.

### DEFINITIONS; THE CREDIT; GRANT OF SECURITY; CONTINUING PERFECTION AND PRIORITY

#### 1.1 General Definitions

When used in this Agreement,

(a) the terms have the respective meanings assigned thereto under the Senior Loan Agreement: Affiliate, Bank Tax, Capital Assets, Capital Expenditures, Capitalized Lease, Cash Equivalent Investments, CERCLA, CERCLIS, Change of Control, Consolidated EBITA, Consolidated EBITDA, Consolidated Fixed Charge Coverage Ratio, Consolidated Funded Debt, Consolidated Interest Coverage Ratio, Consolidated Interest Expense, Consolidated Net Income, Consolidated Net Worth, Consolidated Senior Funded Debt, Consolidated Subordinated Funded Debt, Controlled Group Member, Defined Benefit Pension Plan, Defined Contribution Plan, Employee Benefit Plan, Environmental Affiliate, Environmental Approvals, Environmental Claim, Environmental Cleanup Site, Environmental Concern Materials, Environmental Law, ERISA, Governmental Action, Guaranty Equivalent, Indebtedness, Kenmare Capital Management Agreement, Landlord's Waiver, Law, Lease Agreements, Lien, Maintenance Capital Expenditure, Management Employment Agreements, Material Adverse Effect, Multiemployer Plan, PBGC, PCCM, PCCM Advisory Agreement, PCCP, Pension-Related Event, Permitted Acquisitions, Permitted Transferee, Person, Plan, Prohibited Transaction, Regulatory Change, Reorganization, Reportable Event, Revolving Credit Maturity Date, Solvent, Stock Payment, Subsidiary, Taxes;

(b) the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

“Account Debtor” means each Person who is obligated in respect of any Receivable or any Supporting Obligation or Collateral Support related thereto.

“Accounts” means all “accounts” as defined in Article 9 of the UCC.

“Additional Grantor” has the meaning assigned to such term in Article 11.

“affiliate” means with respect to an affiliate of Leggett & Platt, Incorporated, another Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with Leggett & Platt, Incorporated.

“Applicable Date” means (i) in the case of any Borrower or Grantor (other than an Additional Grantor), the date hereof, and (ii) in the case of any Additional Grantor, the date of the Supplement executed and delivered by such Additional Grantor.

“Approved Securities Intermediary” means a Securities Intermediary or commodity intermediary selected or approved by the Secured Party that has agreed with the Secured Party.



"Argosy Capital" means Argosy Capital Group, L.P., a Pennsylvania limited partnership.

"Argosy Capital Note" means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of Argosy Capital in the original principal amount of \$146,667.

"Argosy Investment" means Argosy Investment Partners, L.P., a Pennsylvania limited partnership.

"Argosy Investment Note" means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of Argosy Investment in the original principal amount of \$200,000.

"Authorization" means, collectively, any license, approval, permit or other authorization issued by any Governmental Authority.

"Bannister Subordinated Notes" means, collectively, those six certain Senior Subordinated Notes each dated September 28, 2000, made by SAP-NA payable to the order of Larry Bannister as payee in the current outstanding aggregate principal amount of \$2,000,000.

"Binke" means David Binke, an individual.

"Binke Note" means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of Binke in the original principal amount of \$200,000.

"Blocked Account" has the meaning assigned to such term in Section 3.3(b)(iv).

"Borrower" and "Borrowers" have the meanings set forth in the introductory paragraph hereof.

"Bridge B Lenders" means, collectively, Argosy Capital, Argosy Investment, FNEC, FNEC2, LVIR, Sullivan, Ricard and Binke.

"Bridge Loan" has the meaning assigned to such term in Section 1.2.

"Bridge Loan B" means those certain term loans made by the Bridge B Lenders to the Borrowers in the aggregate principal amount of Bridge Note B.

"Bridge Loan B Documents" means, collectively the Bridge B Note, the Bridge Loan B Warrants and the Bridge Loan B Security Agreement.

"Bridge Loan B Security Agreement" means the Security Agreement, dated as of August 28, 2003, by and among the Grantors and the Bridge B Lenders.

"Bridge Loan B Warrants" means, collectively, the Stock Purchase Warrants, dated August 28, 2003, issued by SAP-NA to the Bridge B Lenders in connection with Bridge Loan B.

"Bridge Loan Warrant" means a Warrant in the form of Exhibit C.

“Bridge Note A” means the Bridge Note issued hereunder in substantially the form of Exhibit B and shall include all amendments, modifications, extensions, renewals, refinancings or refundings thereof in whole or in part in accordance with the provisions thereof and of this Agreement.

“Bridge Note B” means, collectively, the Argosy Capital Bridge Note, the Argosy Investment Bridge Note, the FNEC Bridge Note, the FNEC Bridge Note, the FNEC 2 Bridge Note, the LVIR Bridge Note, the Sullivan Bridge Note, the Ricard Bridge Note and the Binke Bridge Note.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to remain closed.

“Chattel Paper” means all “chattel paper” as defined in Article 9 of the UCC.

“Claim Proceeds” means, with respect to any Commercial Tort Claim or any Collateral Support or Supporting Obligation relating thereto, all Proceeds thereof, including all insurance proceeds and other amounts and recoveries resulting or arising from the settlement or other resolution thereof, in each case regardless of whether characterized as a “commercial tort claim” under Article 9 of the UCC or “proceeds” under the UCC.

“Closing Date” means the date when all conditions set forth in Article 4 hereof are first satisfied in full or waived by the Lender.

“Collateral” has the meaning assigned to such term in Section 1.7(a).

“Collateral Records” means all books, instruments, certificates, Records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals and other documents, and all computer software, computer printouts, tapes, disks and related data processing software and similar items, in each case that at any time represent, cover or otherwise evidence, or contain information relating to, any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon.

“Collateral Support” means all property (real or personal) assigned, hypothecated or otherwise securing any of the Collateral, and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

“Commercial Tort Claims” means all “commercial tort claims” as defined in Article 9 of the UCC and (ii) all Claim Proceeds with respect to any of the foregoing; including all claims described on Schedule 3.6.

“Control Account” means a Securities Account or commodity account maintained by any Grantor with an Approved Securities Intermediary which account is the subject of an effective Control Account Letter, and includes all Financial Assets held therein and all certificates and instruments, if any, representing or evidencing the Financial Assets held therein.

“Control Account Letter” means a Control Account Letter, executed by any Grantor and the Secured Party and acknowledged and agreed to by the relevant Approved Securities Intermediary.

**"Copyright License"** means any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned or rights therein held by or on behalf of any Grantor or which any Grantor otherwise has the right to license, or granting any right to any Grantor under any Copyright now or hereafter owned by any third party, and all rights of any Grantor under any such agreement, including each agreement described on Schedule 3.5 ; provided, however, notwithstanding the foregoing, Copyright Licenses shall include each Spring Air License Agreement only to the extent that they are included in the Senior Lender Collateral now or after the date hereof and subject to the provisions of Section 3.1(b) of the Senior Credit Agreement, as in existence on the date hereof and as if fully set forth herein.

**"Copyrights"** means all of the following: (i) all copyright rights in any work subject to the copyright laws of the United States of America or any other country, whether as author, assignee, transferee or otherwise, and (ii) all registrations and applications for registration of any such copyright in the United States of America or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office or any similar offices in the United States of America or any other country, including those described on Schedule 3.5.

**"Default"** means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

**"Deposit Accounts"** means all "deposit accounts" as defined in Article 9 of the UCC, including all such accounts described on Schedule 3.7.

**"Documents"** means all "documents" as defined in Article 9 of the UCC.

**"Domain Name"** means the text associated in the Internet infrastructure directories with the unique numerical identifier, or Internet Protocol address, of a computer connected to the Internet.

**"Equipment"** means (i) all "equipment" as defined in Article 9 of the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, fixtures and tools, in each case, regardless of whether characterized as "equipment" under the UCC, and (iii) all accessions or additions to any of the foregoing, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing.

**"Event of Default"** shall have the meaning ascribed thereto in Section 6.1.

**"Federal Securities Laws"** has the meaning assigned to such term in Section 6.4.

**"Financial Assets"** means all "financial assets" as defined in Article 8 of the UCC.

**"FNEC"** means First New England Capital Limited Partnership, a Connecticut limited partnership.

**"FNEC Note"** means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of FNEC in the original principal amount of \$95,333.

"FNEC 2" means First New England Capital 2, L.P., a Delaware limited partnership.

"FNEC 2 Note" means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of FNEC 2 in the original principal amount of \$338,000.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America.

"General Intangibles" means (i) all "general intangibles" as defined in Article 9 of the UCC and (ii) all choses in action and causes of action, all indemnification claims, all goodwill, all Hedging Agreements, all tax refunds, all licenses, permits, concessions, franchises and authorizations, all Intellectual Property, all Payment Intangibles and all Software, in each case, regardless of whether characterized as a "general intangible" under the UCC.

"Goods" means (i) all "goods" as defined in Article 9 of the UCC and (ii) all Equipment and Inventory and any computer program embedded in goods and any supporting information provided in connection with such program, to the extent (a) such program is associated with such goods in such a manner that it is customarily considered part of such goods or (b) by becoming the owner of such goods, a Person acquires a right to use the program in connection with such goods, in each case, regardless of whether characterized as a "good" under the UCC.

"Grantor" and "Grantors" has the meaning set forth in the introductory paragraph hereto.

"Guarantee Agreement" means that certain Guarantee Agreement among the Guarantors and the Secured Party dated of even date herewith substantially in the form of Exhibit D.

"Guarantors" means Sullivan, KC-LLC, Spring Air Limited Partnership, a New Jersey limited partnership, INISH, and Sullivan Family Limited Partnership, a New Jersey limited partnership.

"Indemnitees" has the meaning set forth in Section 6.6.

"Initial Maturity Date" means February 25, 2004.

"Instruments" means all "instruments" as defined in Article 9 of the UCC.

"Insurance" means all insurance policies covering any or all of the Collateral (regardless of whether the Secured Party is the loss payee thereof) and all business interruption insurance policies.

"Intellectual Property" means all intellectual and similar property of any Grantor of every kind and nature, including inventions, designs, Patents, Copyrights, Trademarks, Licenses, domain names, Trade Secrets, confidential or proprietary technical and business information, know how, show how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all

additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

**"Intellectual Property Rights"** means any and all now known or hereafter known tangible and intangible (a) rights associated with works of authorship throughout the universe, including but not limited to, Copyrights, moral rights, and mask-works, (b) Trademark rights and trade name rights and similar rights, (c) Trade Secret rights, (d) Patents, designs, algorithms and other industrial property rights, (e) all other Intellectual Property rights and industrial property rights (of every kind and nature throughout the universe and however designated) (including domain names, logos, "rental" rights and rights to remuneration), whether arising by operation of law, contract, license, or otherwise, and (f) all registrations, initial applications, renewals, extensions, continuations, divisions or reissues hereof now or hereafter in force (including any rights in any of the foregoing).

**"Intercreditor Agreement"** means that certain Intercreditor and Subordination Agreement, dated as of August 28, 2003, by and among Borrowers, Secured Party, the Bridge B Lenders, the Senior Lenders and the other parties named therein, as may be amended, modified, supplemented restated or replaced from time to time in accordance with the provisions thereof, or upon the mutual agreement of all parties.

**"Inventory"** means (i) all "inventory" as defined in Article 9 of the UCC and (ii) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all raw materials, work in process, finished goods and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in any Grantor's business, all goods which are returned to or repossessed by or on behalf of any Grantor, and all computer programs embedded in any goods, and all accessions thereto and products thereof, in each case, regardless of whether characterized as "inventory" under the UCC.

**"Investment Property"** means, collectively, (i) all "investment property" as defined in Article 9 of the UCC and (ii) all Pledged Collateral; provided, however, that "Investment Property" shall not include the Equity Interests of Canada, NSC or any of their respective subsidiaries.

**"License"** means Collateral constituting any Copyright License, Patent License, Trademark License, Trade Secret License or other license or sublicense to which any Grantor is a party; provided, however, notwithstanding the foregoing, Licenses shall include each Spring Air License Agreement only to the extent that they are included in the Senior Lender Collateral now or after the date hereof and subject to the provisions of Section 3.1(b) of the Senior Credit Agreement, as in existence on the date hereof and as if fully set forth herein.

**"Loan Documents"** means this Agreement, the Guarantee Agreement, Bridge Loan Warrant, the Bridge Note A and the Intercreditor Agreement.

**"LVIR Investor Group, LP"** means LVIR Investor Group, LP, a Delaware limited partnership.

**"LVIR Note"** means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of LVIR in the original principal amount of \$120,000.

“Margin Stock” has the meaning assigned to such term in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

“Material Commercial Tort Claims” means, with respect to each Grantor, (i) all Commercial Tort Claims asserted by it, or on its behalf, in writing, and (ii) each Commercial Tort Claim in excess of \$50,000 to which it has any right, title or interest and of which it is aware.

“Maturity Date” means, subject to the provisions of Article 6 of this Agreement, the earlier of (i) the Initial Maturity Date, as such date may be extended for up to three successive increments (each, a “Successive Extension”), the first and second Successive Extension being for a period of sixty days each, and the third Successive Extension ending on the Revolving Credit Maturity Date (as defined in the Senior Loan Agreement), by remitting an interest payment to Secured Party in the sum of \$200,000 on or before the third Business Day prior to the end of the Initial Maturity Date and each Successive Extension thereafter, as applicable; or (ii) the refinancing of all or any portion of the Senior Debt to which the Bridge Note A is subordinated under and pursuant to the Intercreditor Agreement (a “Senior Debt Refinance”); provided however, notwithstanding the foregoing, in the event that the proceeds from a Senior Debt Refinance are insufficient to repay in full the Bridge Note A, (A) a mandatory principal payment shall be due and owing on account of the Bridge Note A in an aggregate amount equal to the proceeds (if any) from the Senior Debt Refinance that are remaining following the repayment of the Senior Debt, which mandatory principal repayment shall be distributed by the Senior Lender or the Borrowers, as the case may be, pro-rata for application to the Bridge Note A and the Bannister Subordinated Notes, and (B) the Maturity Date for the remaining portion of the Bridge Note A shall be as set forth in clause (i) of this definition.

“Mirrored Covenants” has the meaning set forth in Section 8(b).

“NSC” means 3038313 Nova Scotia Company, a corporation incorporated under the laws of the province of Nova Scotia.

“Obligations” means the due and punctual payment of (a) principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Bridge Loan, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) the Trade Payables, and (c) all other monetary obligations, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrowers to the Secured Party in each case under the Loan Documents.

“Patent License” means any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned or rights therein held by or on behalf of any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement, including each agreement described on Schedule 3.5; provided, however, notwithstanding the foregoing, Patent Licenses shall include each Spring Air License Agreement only to the extent that they are included in the Senior Lender Collateral now or after the date hereof and subject to the provisions of Section

3.1(b) of the Senior Credit Agreement, as in existence on the date hereof and as if fully set forth herein..

“Patents” means all of the following: (i) all letters patent of the United States of America or any other country, all registrations and recordings thereof and all applications for letters patent of the United States of America or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in the United States of America or any other country, including those described on Schedule 3.5, and (ii) all reissues, continuations, divisions, continuations in part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

“Payment Intangibles” means all “payment intangibles” as defined in Article 9 of the UCC.

“Permitted Liens” means all Liens created and permitted hereby and the other Loan Documents, all Liens permitted by the Senior Loan Agreement and the other Senior Loan Documents, all Liens permitted by the Intercreditor Agreement, all Liens permitted by the Bridge Loan B Documents and all Liens listed on Schedule II hereto.

“Person” means an individual, corporation, partnership, trust, unincorporated association, joint venture, joint-stock company, Governmental Authority or any other entity.

“PIK Notes” has the meaning set forth in Section 1.4(a).

“Pledged Collateral” means, collectively, Pledged Equity Interests.

“Pledged Debt” means all Indebtedness owed or owing to any Grantor, including all Indebtedness described on Schedule 3.4, all Instruments, Chattel Paper or other documents, if any, representing or evidencing such debt, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such debt.

“Pledged Equity Interests” means all Equity Interests (other than Equity Interests of Canada, NSC and their respective subsidiaries) owned or rights therein held by or on behalf of any Grantor, including all such Equity Interests described on Schedule 3.4, and all certificates, instruments and other documents, if any, representing or evidencing such Equity Interests and all interests of such Grantor on the books and records of the issuers of such Equity Interests, all of such Grantor’s right, title and interest in, to and under any partnership, limited liability company, shareholder or similar agreements to which it is a party, and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Equity Interests.

“Proceeds” means (i) all “proceeds” as defined in Article 9 of the UCC, (ii) payments or distributions made with respect to any Collateral, (iii) any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes the Collateral, and (iv) whatever is receivable or received when any of the Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, including any claim of any Grantor against any third party for (and the right to sue

and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (a) past, present or future infringement of any Patent now or hereafter owned or rights therein held by or on behalf of any Grantor, or licensed under a Patent License, (b) past, present or future infringement or dilution of any Trademark now or hereafter owned or rights therein held by or on behalf of any Grantor, or licensed under a Trademark License, or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned or rights therein held by or on behalf of any Grantor, (c) past, present or future infringement of any Copyright now or hereafter owned or rights therein held by or on behalf of any Grantor, or licensed under a Copyright License, (d) past, present or future infringement of any Trade Secret now or hereafter owned or rights therein held by or on behalf of any Grantor, or licensed under a Trade Secret License, and (e) past, present or future breach of any License, in each case, regardless of whether characterized as "proceeds" under the UCC.

"Receivables" means all rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, including all such rights constituting or evidenced by any Account, Chattel Paper, Instrument or other document, General Intangible or Investment Property, together with all of the applicable Grantor's rights, if any, in any goods or other property giving rise to such right to payment, and all Collateral Support and Supporting Obligations related thereto and all Receivables Records.

"Receivables Records" means (i) all originals of all documents, instruments or other writings or electronic records or other Records evidencing any Receivable, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoices, and other papers relating to any Receivable, including all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to any Receivable, whether in the possession or under the control of the applicable Grantor or any computer bureau or agent from time to time acting for such Grantor or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto, and (v) all other written forms of information related in any way to the foregoing or any Receivable.

"Record" means a "record" as defined in Article 9 of the UCC.

"Responsible Officer" means the Chief Executive Officer of SAP-NA, the Chief Financial Officer of SAP-NA, the Person serving the function of chief executive officer or chief financial officer of SAP-NA, or the designee of such Person.

"Ricard" means Normand Ricard, an individual.

"Ricard Note" means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of Ricard in the original principal amount of \$200,000.

"SAP-NA Common Stock" means, collectively, SAP-NA's Common Stock, no par value per share.



"Securities Accounts" means all "securities accounts" as defined in Article 8 of the UCC, including all such accounts described on Schedule 3.4.

"Securities Intermediary" has the meaning specified in Article 8 of the UCC.

"Security" means any Equity Interest, voting trust certificate, bond, debenture, note or other evidence of Indebtedness, whether secured, unsecured, convertible or subordinated, or any certificate of interest, share or participation in, or any temporary or interim certificate for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing, but shall not include any evidence of the Obligations.

"Security Interest" has the meaning assigned to such term in Section 1.7(a).

"Senior Affirmative Covenants" means each and every covenant that is set forth in Sections 6.1 through 6.15 of the Senior Loan Agreement, as may be amended from time to time.

"Senior Debt" has the meaning set forth in the Intercreditor Agreement.

"Senior Financial Covenants" means each and every covenant that is set forth in Section 7.1 the Senior Loan Agreement, as may be amended from time to time.

"Senior Lender Collateral" shall have the meaning ascribed to such term in the Senior Loan Agreement.

"Senior Lenders" means, collectively, The Provident Bank, Beltway Capital Partners, LLC, and their respective successors, assigns and participants under the Senior Loan Agreement, and any other subsequent holders of Senior Debt; provided that with respect to any consent, approval, decision, determination or other action to be taken hereunder by the Senior Lenders, such action may be taken on behalf of the Senior Lenders by the "Administrative Agent" (as defined under the Senior Loan Agreement) in accordance with the provisions of the Senior Loan Agreement, or by any other agent or representative (of which the Secured Party has received written notice) authorized or appointed by the Senior Lenders in accordance with the Senior Loan Documents.

"Senior Loan Agreement" means that certain Amended and Restated Credit and Security Agreement, dated as of September 28, 2000, as amended, by and among Grantors, the Senior Lenders, the Issuer (as defined therein) and The Provident Bank, as Administrative Agent (as defined therein), as amended or modified by that certain Waiver and First Amendment to Amended and Restated Credit and Security Agreement, dated as of December 6, 2001, that certain Second Amendment to Amended and Restated Credit and Security Agreement, dated as of April 18, 2002, that certain Waiver and Third Amendment to Amended and Restated Credit and Security Agreement, dated as of October 24, 2002, that certain Waiver and Fourth Amendment to Amended and Restated Credit and Security Agreement, dated effective as of December 31, 2002, and that certain Forbearance and Temporary Waiver Agreement, dated as of August 28, 2003, and as further amended, modified, supplemented, restated or replaced from time to time as such agreement in whole or in part may be, in one or more agreements with one or more bank lending groups, amended, renewed, extended, substituted, refinanced, replaced, restructured or otherwise modified from time to time (including, without limitation, any successive renewals, extensions, substitutions, refinancing, restructuring, replacements and other modifications of the foregoing),

including to increase the commitments thereunder or to add or eliminate borrowers or guarantors thereunder.

“Senior Loan Documents” means the Senior Loan Agreement, all notes issued thereunder, all collateral agreements, all other agreements and instruments entered into by the parties thereto in connection with the Senior Loan Agreement and the other “Senior Loan Documents” (as defined in the Senior Loan Agreement), all as such Senior Loan Documents in whole or in part may be, in one or more agreements with one or more bank lending groups, amended, renewed, extended, substituted, refinanced, replaced, restructured or otherwise modified from time to time (including, without limitation, any successive renewals, extensions, substitutions, refinancing, restructuring, replacements and other modifications of the foregoing), including to increase the commitments thereunder or to add or eliminate borrowers or guarantors thereunder.

“Senior Negative Covenants” means each and every covenant that is set forth in Sections 7.2 through 7.23 the Senior Loan Agreement, as may be amended from time to time.

“Senior Notes” means, collectively, all notes representing any Senior Debt and shall include all amendments, modifications, extensions, renewals, refinancings or refundings thereof in whole or in part from time to time in accordance with the provisions thereof; provided that the “Senior Notes” shall not include any notes representing Indebtedness or other liabilities or obligations that do not constitute Senior Debt.

“Senior Obligations” shall mean Obligations as such term is defined in the Senior Loan Agreement.

“Senior Revolving Loan” means, collectively, the “Loans” (as defined under the Senior Loan Agreement) and shall include all amendments, modifications, extensions, renewals, refinancings or refundings thereof in whole or in part from time to time in accordance with the provisions thereof; provided that the “Senior Revolving Loan” shall not include any Indebtedness or other liabilities or obligations that do not constitute Senior Debt.

“Software” means all “software” as defined in Article 9 of the UCC.

“Spring Air License Agreement” shall have the meaning ascribed to it in the Senior Loan Agreement.

“Sullivan” means Daniel J. Sullivan, Sr., an individual.

“Sullivan Note” means that certain 12.5% Secured Subordinated Bridge Loan Note, dated August 28, 2003, made by the Borrowers payable to the order of Sullivan in the original principal amount of \$200,000.

“Supplement” means a supplement hereto, substantially in the form of Exhibit A.

“Supporting Obligation” means (i) all “supporting obligations” as defined in Article 9 of the UCC and (ii) all Guarantees and other secondary obligations supporting any of the Collateral, in each case regardless of whether characterized as a “supporting obligation” under the UCC.

**“Trade Payables”** means trade payables owed by Borrowers to Secured Party arising from goods sold and services provided by Secured Party and its affiliates, whether now existing or hereafter arising as the same may be increased or decreased from time to time

**“Trade Secret Licenses”** means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trade Secrets now or hereafter owned or rights therein held by or on behalf of any Grantor or which such Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trade Secrets now or hereafter owned by any third party, and all rights of any Grantor under any such agreement, including each agreement described on Schedule 3.5 provided, however, notwithstanding the foregoing, Trade Secret Licenses shall include each Spring Air License Agreement only to the extent that they are included in the Senior Lender Collateral now or after the date hereof and subject to the provisions of Section 3.1(b) of the Senior Credit Agreement, as in existence on the date hereof and as if fully set forth herein.

**“Trade Secrets”** means all trade secrets and all other confidential or proprietary information and know-how now or hereafter owned or used in, or contemplated at any time for use in, the business of any Grantor (all of the foregoing being collectively called a **“Trade Secret”**), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, the right to sue for any past, present and future infringement of any Trade Secret, and all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages and proceeds of suit.

**“Trademark License”** means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned or rights therein held by or on behalf of any Grantor or which such Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement, including each agreement described on Schedule 3.5; provided, however, notwithstanding the foregoing, Trademark Licenses shall include each Spring Air License Agreement only to the extent that they are included in the Senior Lender Collateral now or after the date hereof and subject to the provisions of Section 3.1(b) of the Senior Credit Agreement, as in existence on the date hereof and as if fully set forth herein.

**“Trademarks”** means all of the following: (i) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in the United States of America (except for “intent to use” applications for trademark or service mark applications filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Section 1(c) or 1(d) of said Act has been filed) or any other country, and all extensions or renewals thereof, including those described on Schedule 3.5, (ii) all goodwill associated therewith or symbolized by any of the foregoing and (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill.

**“UCC”** means the Uniform Commercial Code in effect on the date hereof and as amended from time to time, and as enacted in the State of New York or in any state or states

which, pursuant to the Uniform Commercial Code as enacted in the State of New York, has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that the definitions set forth herein should be construed in their broadest sense so that the Collateral will be construed in its broadest sense. Accordingly if there are, from time to time, proposed changes to defined terms in the Uniform Commercial Code that broaden definitions, they are incorporated herein and the existing definitions in the Uniform Commercial Code are broader than the amended definitions, the existing ones will be controlling. Similarly, where the phrase "as defined in the Uniform Commercial Code, but in any event shall include by way of example and not of limitation" is used herein, it means as defined in the Uniform Commercial Code except that if any of the enumerated types of items specified thereafter would not fall within the Uniform Commercial Code definition they shall nonetheless be included in the applicable definition for purposes of this Agreement.

(c) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or otherwise modified, (ii) any definition of or reference to any law shall be construed as referring to such law as from time to time amended and any successor thereto and the rules and regulations promulgated from time to time thereunder, (iii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iv) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (v) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights; and

(d) As used in the Loan Documents and in any certificate, opinion or other document made or delivered pursuant thereto, accounting terms not defined in Section 1(b), and accounting terms partly defined in Section 1(b), to the extent not defined, shall have the respective meanings given to them under GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Agreement and (i) the Borrowers notify the Secured Party that the Borrowers object to determining compliance with such financial ratio or requirement on the basis of GAAP in effect immediately after such change becomes effective or (ii) Secured Party so objects, then the Borrowers' compliance with such ratio or requirement shall be determined on the basis of GAAP in effect immediately before such change becomes effective, until either such notice is withdrawn by the Borrowers or Secured Party, as the case may be, or the Borrowers and Secured Party otherwise agree. Except as otherwise expressly provided herein, the computation of financial ratios and requirements set forth in this Agreement shall be consistent with the Borrowers' financial statements required to be delivered hereunder.

Section 1.2 Bridge Loan. Subject to the terms and conditions of this Agreement and relying upon the representations, warranties, and covenants of Borrowers set forth herein, Secured Party shall, simultaneously with the Closing on the date hereof, make a term loan (the "Bridge Loan") to Borrowers in the aggregate principal amount of \$3,700,000. Except as

otherwise expressly provided herein, for the purposes of this Agreement, the term "Loan" or "Bridge Loan" shall refer to the outstanding principal amount of the Bridge Note A.

Section 1.3 The Bridge Note: Repayment of Principal. The obligation of Borrowers to repay the aggregate unpaid principal amount of the Bridge Loan shall be evidenced by a promissory note of Borrowers substantially in the form attached hereto as Exhibit B representing Borrowers' obligation to pay \$3,700,000 in principal (the "Bridge Note A"), dated as of the date hereof, payable as specified in this Section 1.3 to the order of Secured Party, and bearing interest and maturing as provided in this Agreement. Borrowers shall repay the entire outstanding principal amount of the Bridge Loan on the Maturity Date.

Section 1.4 Interest.

(a) Interest Rates; Payments. Interest shall accrue on the outstanding unpaid principal amount of the Bridge Loan at a rate per annum (computed for the actual number of days elapsed on the basis of a 360-day year) equal to ten percent (10%) per annum. All accrued interest on the Bridge Loan shall be due and payable in cash monthly in arrears on the last Business Day of each month, beginning September 30, 2003; provided that if Borrowers are then prohibited from making a payment of interest in cash as a result of any restriction contained in the Intercreditor Agreement, as is in effect on the date hereof, Grantors will, in lieu of the payment of such interest on the Bridge Loan in cash, pay such interest through the issuance of additional payment-in-kind Bridge Notes ("PIK Notes") in an aggregate principal amount equal to the amount of accrued interest to be so paid, which PIK Notes shall (except for the date of issuance) be identical to the Bridge Note A otherwise issued hereby; provided further that the term "the Bridge Note A" as used herein shall include the originally issued Bridge Note A and all PIK Notes issued pursuant to this paragraph; and provided further that all accrued and unpaid interest on the Bridge Loan shall be paid in cash upon the payment in full of the entire outstanding principal amount of the Bridge Loan and, if payment in full is not made when due, thereafter on demand.

(b) Additional Interest. After the occurrence of and during the continuance of any Event of Default under Article 9 of this Agreement, the outstanding principal amount of the Bridge Loan and, to the extent permitted by applicable law, all accrued and unpaid interest thereon and all other amounts, fees and obligations then due and payable to Secured Party under this Agreement shall bear interest at twelve percent (12%) per annum (computed for the actual number of days elapsed on the basis of a 360-day year), and such interest shall be payable on demand.

(c) SAVINGS CLAUSE. NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THIS AGREEMENT OR THE BRIDGE NOTE A, THE AGGREGATE INTEREST RATE PER ANNUM CHARGED WITH RESPECT TO THE BRIDGE LOAN HEREUNDER (INCLUDING ALL CHARGES AND FEES DEEMED TO BE INTEREST PURSUANT TO APPLICABLE LAW) SHALL NOT EXCEED THE MAXIMUM RATE PER ANNUM PERMITTED BY APPLICABLE LAW. IN THE EVENT THAT THE AGGREGATE INTEREST RATE PER ANNUM PAYABLE WITH RESPECT TO THE BRIDGE LOAN (INCLUDING ALL CHARGES AND FEES DEEMED TO BE INTEREST UNDER APPLICABLE LAWS) EXCEEDS THE MAXIMUM LEGAL RATE, (I) BORROWERS SHALL ONLY PAY SECURED PARTY INTEREST AT THE MAXIMUM PERMITTED RATE, (II) BORROWERS SHALL CONTINUE TO MAKE SUCH INTEREST PAYMENTS AT THE MAXIMUM PERMITTED RATE UNTIL ALL SUCH INTEREST PAYMENTS AND OTHER CHARGES AND FEES PAYABLE HEREUNDER (IN THE ABSENCE OF SUCH LEGAL LIMITATIONS) HAVE BEEN PAID IN FULL, (III) ANY

INTEREST IN EXCESS OF THE MAXIMUM PERMITTED RATE RECEIVED BY SECURED PARTY SHALL, AT SECURED PARTY'S OPTION, BE APPLIED TO A PREPAYMENT OF PRINCIPAL OF THE BRIDGE LOAN OR REFUNDED TO BORROWERS AND (IV) NEITHER BORROWERS NOR ANY OTHER PARTY SHALL HAVE ANY RIGHT OF ACTION AGAINST SECURED PARTY FOR ANY DAMAGES OR PENALTY ARISING OUT OF THE PAYMENT OR COLLECTION OF ANY SUCH EXCESS INTEREST.

Section 1.5     Prepayment of Bridge Loan.

(a)     Optional Prepayments of the Bridge Loan. Borrowers shall have the right, at their option, to prepay the Bridge Loan in whole at any time or in part from time to time, without premium or penalty; provided that either (A) all obligations constituting Senior Debt shall have been paid in full in cash and all obligations to make any extensions of credit under the Senior Loan Agreement that would constitute Senior Debt shall have been terminated, or (B) the Senior Lenders shall have consented to such prepayment.

(b)     Required Prepayments.

(i)     Borrowers shall use all of the proceeds (net of reasonable selling expenses, estimated taxes and any amounts applied to repay Indebtedness secured by such assets) from any sale or other disposition or related series of sales or other dispositions of more than 10% of Borrowers' consolidated assets (computed on a consolidated basis either according to net book value, determined in accordance with GAAP consistently applied, or fair market value, determined by SAP-NA's board of directors in its reasonable good faith judgment) to prepay the Loan, without premium or penalty, except to the extent such proceeds are reinvested in capital assets of least equivalent value within 180 days after the applicable sale; provided that Borrowers shall not be required to make, and Secured Party shall have no right to receive or retain, any such prepayment until all obligations constituting Senior Debt have been paid in full in cash and all obligations to make any extensions of credit under the Senior Loan Agreement that would constitute Senior Debt have been terminated, and then Borrowers shall be required to make such prepayment only to the extent such proceeds have not been used to repay such Senior Debt.

(ii)    The entire outstanding principal amount of the Loan shall be immediately due and payable (without premium or penalty) upon the sale or other disposition, in one transaction or a series of related transactions, of more than 50% of Borrowers' consolidated assets (computed on a consolidated basis either according to net book value, determined in accordance with GAAP consistently applied, or fair market value, determined by SAP-NA's board of directors in its reasonable good faith judgment); provided that Borrowers shall not be required to make, and Secured Party shall have no right to receive or retain, any such prepayment until all obligations constituting Senior Debt have been paid in full in cash and all obligations to make any extensions of credit under the Senior Loan Agreement that would constitute Senior Debt have been terminated.

(iii)   The parties intend that the Bridge Loan will be an interim source of financing, which financing is necessary to provide an immediate infusion of working capital. As a result, Borrowers covenant and agree to use commercially reasonable efforts to obtain as soon as practicable after the date hereof additional debt and/or equity financing in an aggregate amount sufficient to repay the Bridge Loan pursuant to this Section 1.5.

(iv) Except as otherwise provided herein, all such prepayments of the Loan under this Section 1.5 shall be made promptly (but in any event within three Business Days) after the consummation of the particular event or transaction. Concurrently with any prepayment under Section 1.5(b), Borrowers shall deliver to Secured Party a certificate of its Responsible Officer showing the calculation of the amount of such prepayment.

(c) Application of Prepayments of Loan. Each prepayment of the Loan shall be applied to reduce the remaining principal payment under Section 1.3. Borrowers shall give notice (which shall be irrevocable) to Secured Party of each payment not later than 12:00 noon, Carthage, Missouri time, on the second Business Day preceding the date of payment, specifying the aggregate principal amount to be prepaid and the payment date. Once any such notice has been given, the principal amount specified in such notice, together with interest on the amount of each such prepayment to the date of payment, shall become due and payable on such date of payment.

#### Section 1.6 Payments.

(a) Place and Manner of Payments. All payments and prepayments to be made to Secured Party in respect of principal or interest on the Loan and other fees and charges under this Agreement shall become due at 12:00 noon, Carthage, Missouri time, and shall be made to the account of Secured Party at JPMorgan Chase, New York, NY U.S.A., ABA # 021-000-021, Swift # CHASUS33, for credit to: Leggett & Platt, Incorporated, No. 1 Leggett Road, Carthage, Missouri 64836 Account # 910-2-436608, (Attn.: Sheri L. Mossbeck) or at any other payment office in the United States previously designated by Secured Party to Borrowers in writing, on the day when due, in lawful money of the United States of America and in funds immediately available at such payment office. Any funds not received by 2:00 p.m., Carthage, Missouri time shall be deemed to have been paid by Borrowers on the next succeeding Business Day. Secured Party or any other holder of the Bridge Note A is hereby authorized to endorse on the notes held by it an appropriate notation evidencing each scheduled payment and each prepayment of principal and each payment of interest; provided that the failure to make any such notation or any error with respect thereto shall not limit, expand or otherwise affect the obligations of Borrowers under any such note and payments of principal and interest on such note shall not be affected by the failure to make any such notation.

(b) Application of Payments. So long as the Intercreditor Agreement is in effect, or any of the Senior Obligations remain outstanding, payments made by Borrowers shall be applied in accordance with the Intercreditor Agreement. Should the Intercreditor Agreement no longer be in effect, and all of the Senior Obligations have been paid, payments shall be applied to the Bridge Loan in inverse order of maturity.

#### Section 1.7 Grant of Security.

(a) As security for the payment or performance, as applicable, in full of the Obligations, each Grantor hereby bargains, sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Secured Party (and its successors and assigns), and hereby grants to the Secured Party (and its successors and assigns), a security interest (the "Security Interest") in, all personal property and fixtures of such Grantor, including all of such Grantor's right, title and interest in, to and under the following, in each case whether now owned or existing or hereafter acquired or arising and wherever located (all of which being hereinafter collectively referred to as the "Collateral"):

- (i) all Accounts,
- (ii) all Deposit Accounts,
- (iii) all Chattel Paper,
- (iv) all Commercial Tort Claims described on Schedule 3.6,
- (v) all Documents,
- (vi) all Equipment,
- (vii) all General Intangibles,
- (viii) all Goods,
- (ix) all Insurance,
- (x) all Instruments,
- (xi) all Intellectual Property,
- (xii) all Inventory,
- (xiii) all Investment Property, including all Pledged Collateral and all Control Accounts,
- (xiv) all Proceeds of Authorizations and all Authorizations,
- (xv) all Receivables and Receivables Records,
- (xvi) all other goods and personal property of such Grantor, whether tangible or intangible, wherever located, including letters of credit,
- (xvii) to the extent not otherwise included in clauses (i) through (xvi) of this Section 1.7(a), all Collateral Records, Collateral Support and Supporting Obligations in respect of any of the foregoing,
- (xviii) to the extent not otherwise included in clauses (i) through (xvii) of this Section 1.7(a), all other property in which a security interest may be granted under the UCC or the common law or which may be delivered to and held by the Secured Party pursuant to the terms hereof, and
- (xix) to the extent not otherwise included in clauses (i) through (xviii) of this Section, all Proceeds, products, substitutions, accessions, rents and profits of or in respect of any of the foregoing;

provided, however, notwithstanding anything contained herein or in any of the other Loan Documents to the contrary, the Collateral shall not include any asset of any Grantor that is not Senior Lender Collateral as of the date hereof unless and to the extent it becomes Senior Lender Collateral after the date hereof.



(b) Certain Limited Exclusions. Notwithstanding anything in this Section 1.7 to the contrary, in no event shall the Collateral include, and no Grantor shall be deemed to have granted a Security Interest in, (i) any right under any Authorization, lease, license or other contract or agreement constituting a General Intangible, but only to the extent that the granting of a security interest therein or an assignment thereof would violate any applicable law or any enforceable provision of such Authorization, lease, license or other contract or agreement, as applicable, provided that to the extent such security interest at any time hereafter shall no longer be prohibited by law, and/or immediately upon such provision no longer being enforceable, as applicable, the Collateral shall automatically and without any further action include, and the Grantors shall be deemed to have granted automatically and without any further action a Security Interest in, such right as if such law had never existed or such provision had never been enforceable, as applicable, or (ii) any Margin Stock. Further notwithstanding anything in this Security Agreement to the contrary, until the Senior Obligations have been indefeasibly paid in full, all requirements of Grantors within this Agreement which cause the Secured Party to enjoy a first or senior priority security interest in the Collateral shall be subordinate to the security interests of the Senior Lenders, and no violation shall arise with respect to any representation or covenant hereunder due to the existence of the Senior Lenders' Lien.

(c) Revisions to UCC. For the avoidance of doubt, it is expressly understood and agreed that, to the extent the UCC is revised after the date hereof such that the definition of any of the foregoing terms included in the description or definition of the Collateral is changed, the parties hereto desire that any property which is included in such changed definitions, but which would not otherwise be included in the Security Interest on the date hereof, nevertheless be included in the Security Interest upon the effective date of such revision. Notwithstanding the immediately preceding sentence, the Security Interest is intended to apply immediately on the date hereof to all of the Collateral to the fullest extent permitted by applicable law, regardless of whether any particular item of the Collateral was then subject to the UCC.

## ARTICLE 2

### SECURITY FOR OBLIGATIONS; NO ASSUMPTION OF LIABILITY

#### Section 2.1 Security for Obligations

This Security Agreement secures, and the Collateral is collateral security for, the prompt and complete payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of Title 11 of the United States Code, or any similar provision of any other bankruptcy, insolvency, receivership or other similar law), of all Obligations with respect to each Borrower.

#### Section 2.2 No Assumption of Liability

Notwithstanding anything to the contrary herein, the Security Interest is granted as security only and shall not subject the Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

## ARTICLE 3

### REPRESENTATIONS AND WARRANTIES AND COVENANTS

#### Section 3.1 Generally

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors, warrants to the Secured Party that:

(i) As of the Applicable Date, (A) such Grantor's chief executive office or its principal place of business is, and for the preceding four months has been, located at the office indicated on Schedule 3.1(a)(i), (B) such Grantor's jurisdiction of organization is the jurisdiction indicated on Schedule 3.1(a)(i), if applicable, and (C) such Grantor's Federal Employer Identification Number and company organizational number, if applicable, is as set forth on Schedule 3.1(a)(i).

(ii) As of the Applicable Date, (A) such Grantor's full legal name is as set forth on Schedule 3.1(a)(ii) and (B) such Grantor has not done in the preceding five years, and does not do, business under any other name (including any trade-name or fictitious business name), except for those names set forth on Schedule 3.1(a)(ii).

(iii) Except as set forth on Schedule 3.1(a)(iii), such Grantor has not within the five years preceding the Applicable Date become bound (whether as a result of merger or otherwise) as debtor under a security agreement entered into by another Person, which has not theretofore been terminated.

(iv) Such Grantor (with respect to the Pledged Equity Interests) has good and valid rights in, and title to, the Collateral with respect to which it has purported to grant the Security Interest, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such Collateral for its intended purposes, and except for Permitted Liens.

(v) All actions and consents, including all filings, notices, registrations and recordings, necessary or desirable to create, perfect or ensure the first priority (subject only to Permitted Liens) of the Security Interest in the Collateral owned or rights in the Collateral held by it or on its behalf or for the exercise by the Secured Party of any voting or other rights provided for in this Security Agreement or the exercise of any remedies in respect of any such Collateral have been made or obtained, (A) except for (1) the filing of UCC financing statements naming such Grantor as "debtor" and the Secured Party as "secured party", or the making of other appropriate filings, registrations or recordings, containing a description of such Collateral in each applicable governmental, municipal or other office specified on Schedule 3.1(a)(v) and (2) the filing, registration or recordation of fully executed security agreements in the form hereof (or in such other form as shall be in all respects satisfactory to the Secured Party) and containing a description of all such Collateral consisting of Patents, Trademarks and Copyrights, together with all other necessary documents, in each applicable governmental registry or office, (B) except for any such Collateral as to which the representations and warranties in this Section

3.1(a)(v) would not be true solely by virtue of such Collateral having been used or disposed of in a manner expressly permitted hereunder or under any other Loan Document, and (C) except to the extent that such Security Interest may not be perfected by filing, registering, recording or taking any other action in the United States of America.

(vi) All Collateral owned or rights in Collateral held by it or on its behalf is owned or rights therein held by it or on its behalf free and clear of any Lien, except for Permitted Liens. It has not filed or consented to the filing of (A) any financing statement or analogous document under the UCC or any other applicable laws covering any such Collateral, (B) any assignment in which it assigns any such Collateral or any security agreement or similar instrument covering any such Collateral with the United States Patent and Trademark Office or the United States Copyright Office, or (C) any assignment in which it assigns any such Collateral or any security agreement or similar instrument covering any such Collateral with any foreign governmental, municipal or other office, in each case, which financing statement, analogous document, assignment or other instrument, as applicable, is still in effect, except for Permitted Liens.

(vii) The Security Interest in the Collateral owned or rights in Collateral held by it or on its behalf (A) is effective to vest in the Secured Party, the rights of the Secured Party in such Collateral as set forth herein and (B) does not violate Regulation T, U or X as of the Applicable Date.

(b) Covenants and Agreements. Each Grantor or Borrower, as applicable, hereby covenants and agrees as follows:

(i) Each Grantor covenants and agrees that the Senior Affirmative Covenants, the Senior Financial Covenants and the Senior Negative Covenants are hereby incorporated by reference as though fully set out herein, as may be amended, waived or modified by time to time by the Senior Lenders. This covenant shall survive the indefeasible payment in full of all Senior Obligations, the termination of all commitments to lend by the Senior Lenders and the termination of all Liens by the Senior Lenders.

(ii) SAP-NA represents that as of the date of this Agreement it has not, and further covenants and agrees that it shall not, pledge any of its equity interest of NSC to any third person.

(iii) SAP-NA represents that, as of the date of this Agreement, Canada has pledged 100% of its equity interest of the Subsidiaries of NSC to National Bank of Canada and to no other third person, and further covenants and agrees that it shall not pledge any of its equity interest of the Subsidiaries of NSC to any third person.

(iv) Each Borrower will pay all Trade Payables within agreed upon terms.

(v) Each Grantor and shall maintain, at its own cost and expense, such complete and accurate Records with respect to the Collateral owned or rights therein held by such Grantor on its behalf as is consistent with its current

practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which it is engaged, but in any event to include complete accounting Records indicating all payments and proceeds received with respect to any part of such Collateral, and, at such time or times as the Secured Party may reasonably request, promptly to prepare and deliver to the Secured Party a duly certified schedule or schedules in form and detail reasonably satisfactory to the Secured Party showing the identity and amount of any and all such Collateral.

(vi) Each Grantor shall, at its own cost and expense, take any and all actions necessary to defend title to the Collateral owned or rights therein held by it or on its behalf against all Persons and to defend the Security Interest in such Collateral and the priority thereof against any Lien or other interest, except for Permitted Liens or as otherwise expressly permitted by the Loan Documents, and in furtherance thereof, it shall not take, or permit to be taken, any action not otherwise expressly permitted by the Loan Documents that could impair the Security Interest or the priority thereof or Secured Party's rights in or to such Collateral except for Permitted Liens or as otherwise expressly permitted by the Loan Documents.

(vii) At its option upon the occurrence and during the continuance of Event of Default, the Secured Party may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances, except for Permitted Liens, at any time levied or placed on the Collateral owned or rights in Collateral held by or on behalf of such Grantor, and not permitted by the Loan Documents, and may pay for the maintenance and preservation of such Collateral to the extent such Grantor fails to do so as required by the Loan Documents, and agrees, jointly with the other Grantors to reimburse the Secured Party on demand for any payment made or any reasonable expense incurred by the Secured Party pursuant to the foregoing authorization; provided, however, that nothing in this paragraph shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

(viii) Each Grantor shall remain liable to observe and perform in all material respects all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral owned or rights therein held by it or on its behalf, all in accordance with the terms and conditions thereof, and it agrees, jointly and severally with the other Grantors severally, to indemnify and hold harmless the Secured Party from and against any and all liability for such performance.

(ix) Each Grantor shall not make, or permit to be made, an assignment, pledge or hypothecation of the Collateral owned or rights therein held by it or on its behalf, or grant any other Lien in respect of such Collateral, except for Permitted Liens or as otherwise expressly permitted by the Loan Documents. Except for Permitted Liens or transfers expressly permitted by the Loan Documents, it shall not make or permit to be made any transfer of such Collateral, and it shall remain at all times in possession of such Collateral and the

direct owner, beneficially and of record, of the Pledged Equity Interests included in such Collateral, except that (A) Inventory may be sold in the ordinary course of business and (B) unless and until the Secured Party shall notify it that an Event of Default shall have occurred and be continuing and that, during the continuance thereof, it shall not sell, convey, lease, assign, transfer or otherwise dispose of any such Collateral (which notice may be given by telephone if promptly confirmed in writing), it may use and dispose of such Collateral in any lawful manner not inconsistent with the provisions of this Agreement or any other Loan Document.

(x) Each Grantor shall, at its own cost and expense, maintain or cause to be maintained insurance covering physical loss or damage to the Collateral owned or rights therein held by it or on its behalf against all risks and liability arising from the use or intended use, or otherwise attributable or relating to, such Collateral at levels in accordance with reasonable customary practice for businesses of the type of each Grantor.

(xi) SAP-NA authorizes and reserves, and covenants to continue to reserve, free of preemptive rights and other preferential rights, a sufficient number of authorized but unissued shares of SAP-NA Common Stock to satisfy the exercise or conversion of the Bridge Loan Warrant in order to satisfy its obligations under the Bridge Loan Warrant.

(xii) SAP-NA covenants and agrees that all shares of SAP-NA Common Stock which may be issued upon exercise of the rights represented by the Bridge Loan Warrant shall, upon issuance, be fully paid and non-assessable and free from all taxes, liens, and charges with respect to issuance.

(xiii) Should the Bridge Loan not be paid in its entirety at the Initial Maturity Date, the Bridge Loan Warrant shall be issued in favor of the Secured Party.

### Section 3.2 Equipment and Inventory

Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Secured Party that, as of the Applicable Date, all of the Equipment and Inventory included in the Collateral owned or rights in Collateral held by it or on its behalf (other than mobile goods, Inventory and Equipment in transit and other Collateral in which possession is not maintained in the ordinary course of its business) is kept only at the locations specified on Schedule 3.2. In addition, each Grantor covenants and agrees that it shall not permit any Equipment or Inventory with a value in excess of \$50,000 owned or rights therein held by it or on its behalf to be in the possession or control of any warehouseman, bailee, agent or processor for a period of greater than thirty (30) consecutive days, unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and, at the request of the Secured Party, shall have agreed in writing to hold such Equipment or Inventory subject to the Security Interest and the instructions of the Senior Lenders (and after the indefeasible payment in full of the Senior Obligations and the termination of the commitments to lend under the terms of the Senior Loan Agreement, the Secured Party), and to waive and release any Lien held by it with respect to such Equipment or Inventory, whether arising by operation of law or otherwise.

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Secured Party that, except as provided on Schedule 3.3 hereto, no material Receivable included in the Collateral owned or rights therein held by it or on its behalf is evidenced by an Instrument or Chattel Paper that has not been delivered to the Secured Party.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) It will not, without the Secured Party's prior written consent (which consent shall not be unreasonably withheld), grant any extension of the time of payment of any such Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Supporting Obligation or Collateral Support relating thereto, or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, releases, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such practices reasonably believed by such Grantor to be prudent.

(ii) Except as otherwise provided in this Section, it shall continue to collect all amounts due or to become due to it under all such Receivables and any Supporting Obligations or Collateral Support relating thereto, and diligently exercise each material right it may have thereunder, in each case at its own cost and expense, and in connection with such collections and exercise, it shall, upon the occurrence and during the continuance of an Event of Default, take such action as it or the Secured Party may reasonably deem necessary. Notwithstanding the foregoing, the Secured Party shall have the right at any time after the occurrence and during the continuance of an Event of Default to notify, or require such Grantor to notify, any Account Debtor with respect to any such Receivable, Supporting Obligation or Collateral Support of the Secured Party's security interest therein, and in addition, at any time during the continuation of an Event of Default, the Secured Party may: (i) direct such Account Debtor to make payment of all amounts due or to become due to such Grantor thereunder directly to the Secured Party and (ii) enforce, at the cost and expense of such Grantor, collection thereof and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor would be able to have done. If the Secured Party notifies such Grantor that it has elected to collect any such Receivable, Supporting Obligation or Collateral Support in accordance with the preceding sentence, any payments thereof received by such Grantor shall not be commingled with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Secured Party hereunder and shall be forthwith delivered to the Secured Party in the same form as so received (with any necessary indorsement), and such Grantor shall not grant any extension of the time of payment thereof, compromise, compound or settle the same for less than the full amount thereof, release the same, wholly or partly, or allow any credit or discount whatsoever thereon.

(iii) It shall use its commercially reasonable best efforts to keep in full force and effect any Supporting Obligation or Collateral Support relating to any Receivable.

(iv) During the continuance of an Event of Default at the request of the Secured Party, it shall direct each Account Debtor to make payment on each Receivable to a Deposit Account blocked in favor and under the control of, Secured Party (a "Blocked Account").

#### Section 3.4 Investment Property

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Secured Party that:

(i) Schedule 3.4 sets forth, as of the Applicable Date, (i) all of the Investment Property included in the Collateral owned or rights therein held by or on behalf of such Grantor and (ii) each Securities Account or commodities account maintained by or on behalf of such Grantor.

(ii) All Pledged Equity Interests included in the Collateral owned or rights therein held by or on behalf of such Grantor have been duly authorized and validly issued and are fully paid and nonassessable, and each such Grantor is the direct owner, beneficially and of record, thereof, free and clear of all Liens (other than Permitted Liens).

(iii) All Investment Property consisting of certificated securities, Chattel Paper or Instruments has been delivered to the Secured Party.

(iv) All Pledged Collateral held by a Securities Intermediary in a Securities Account or a commodities account is in a Control Account.

(v) Other than the Pledged Equity Interests that constitute General Intangibles, there is no Investment Property other than that represented by certificated securities or Instruments in the possession of the Secured Party.

(vi) No Person other than the Secured Party has "control" (within the meaning of Article 8 of the UCC) over any Investment Property of such Grantor.

(b) Registration in Nominee Name; Denominations. Each Grantor hereby agrees that (i) without limiting Article 5, the Secured Party, shall have the right (in its sole and absolute discretion) to hold any Investment Property in its own name as pledgee, the name of its nominee (as pledgee or as sub agent) or the name of the applicable Grantor, endorsed or assigned, where applicable, in blank or in favor of the Secured Party, (ii) at the Secured Party's request, such Grantor will promptly give to the Secured Party copies of any material notices or other communications received by it with respect to any Investment Property registered in its name, and (iii) the Secured Party shall at all times have the right to exchange any certificates, instruments or other documents representing or evidencing any Investment Property owned or rights therein held by or on behalf of such Grantor for certificates, instruments or other documents of smaller or larger denominations for any purpose consistent with this Security Agreement.

(c) Voting and Distributions.

(i) Unless and until an Event of Default shall have occurred and be continuing:

(A) Each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of the Investment Property, or any part thereof, for any purpose consistent with the terms of this Security Agreement and the other Loan Documents; provided, however, that such Grantor will not be entitled to exercise any such right if the result thereof could materially and adversely affect the rights inuring to a holder of the Investment Property or the rights and remedies of Secured Party under this Security Agreement or any other Loan Document or the ability of Secured Party to exercise the same.

(B) The Secured Party shall execute and deliver to each Grantor, or cause to be executed and delivered to each Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request for the purpose of enabling it to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subsection (c)(i)(A) of this Section and to receive the cash payments it is entitled to receive pursuant to subsection (c)(i)(C) of this Section.

(C) Each Grantor shall be entitled to receive, retain and use any and all cash dividends, interest and principal paid on the Investment Property owned or rights therein held by it or on its behalf to the extent and only to the extent that such cash dividends, interest and principal are not prohibited by, and otherwise paid in accordance with, the terms and conditions of this Agreement, the other Loan Documents and applicable laws. All non cash dividends, interest and principal, and all dividends, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Investment Property, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding Pledged Equity Interests in any issuer of any Investment Property or received in exchange for any Investment Property, or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by such Grantor, shall not be commingled with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Secured Party hereunder and shall be forthwith delivered to the Secured Party in the same form as so received (with any necessary endorsement).

(ii) Without limiting the generality of the foregoing, upon the occurrence and during the continuance of an Event of Default:



(A) all rights of each Grantor to dividends, interest or principal that it is authorized to receive pursuant to subsection (c)(i)(C) of this Section shall cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole and exclusive right and authority to receive and retain such dividends, interest or principal, as applicable. All dividends, interest and principal received by or on behalf of any Grantor contrary to the provisions of this Section shall be held in trust for the benefit of the Secured Party, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Secured Party upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Secured Party pursuant to the provisions of this subsection (c)(ii)(A) shall be retained by the Secured Party in an account to be established in the name of the Secured Party upon receipt of such money or other property and shall (a) prior to any exercise of remedies by the Secured Party, be applied in accordance with the provisions of Section 1.6, and (b) after the exercise of remedies by the Secured party, be applied in accordance with the provisions of Section 6.3. Subject to the provisions of this subsection (c)(ii)(A), such account shall at all times be under the sole dominion and control of the Secured Party, and the Secured Party shall at all times have the sole right to make withdrawals therefrom and to exercise all rights with respect to the funds and other property from time to time therein or credited thereto as set forth in the Loan Documents. After all Events of Default then existing have been cured or waived, the Secured Party shall, within five Business Days after all such Events of Default have been cured or waived, repay to the applicable Grantor all cash dividends, interest and principal (without interest) that such Grantor would otherwise be permitted to retain pursuant to the terms of subsection (c)(i)(C) and which remain in such account.

(B) all rights of each Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to subsection (c)(i)(A), and the obligations of the Secured Party under subsection (c)(i)(B), shall cease, and all such rights shall thereupon become vested in the Secured Party, which shall, from time to time upon providing written notice to the Grantors, have the sole and exclusive right and authority to exercise such voting and consensual rights and powers, provided that the Secured Party shall have the right from time to time following and during the continuance of an Event of Default to permit such Grantor to exercise such rights. After all Events of Default have been cured or waived, the applicable Grantor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of subsection (c)(i)(A).

(d) Covenants and Agreements. Each Grantor hereby covenants and agrees as follows:

(i) Each Grantor agrees that it will not establish or maintain, or permit any other Grantor to establish or maintain, any Securities Account or commodities account that is not a Control Account.

(ii) In the event (A) any Grantor or any Approved Securities Intermediary shall, after the date hereof, terminate an agreement with respect to the maintenance of a Control Account for any reason, (B) the Secured Party shall demand the termination of an agreement with respect to the maintenance of a Control Account as a result of the failure of an Approved Securities Intermediary to comply with the terms of the applicable Control Account Letter, or (C) the Secured Party determines in its sole discretion that the financial condition of an Approved Securities Intermediary has materially deteriorated, such Grantor agrees to promptly transfer the assets held in such Control Account to another Control Account acceptable to the Secured Party.

### Section 3.5 Intellectual Property Collateral

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Secured Party that: (i) each Trademark and Trademark License, each Copyright and Copyright License, each Patent and Patent License, each Trade Secret License and each Domain Name listed on Schedule 3.5 is valid, subsisting, unexpired, enforceable and has not been abandoned; (ii) Grantor has the right to transfer, assign and license any and all of the Intellectual Property listed on Schedule 3.5 and said Intellectual Property is free and clear of all royalty and other obligations, security interests, liens, restrictions and encumbrances, of any kind or nature (except for Permitted Liens and the license rights of third-party customers to non-exclusive licenses that Grantor has made, and/or that it will make, to customers in the ordinary course of business, and any licenses which, by their express terms, are not transferable to Grantor); (iii) none of the Trademarks, Patents, Copyrights, Trade Secret Licenses or Domain Names is the subject of any franchise agreement; (iv) Grantor has taken and will take all actions commercially reasonable to protect and defend against any of the Intellectual Property that is material to Grantor's business; (v) no persons or third-parties have: made any written, or, to the best of Grantor's knowledge after due inquiry, made any other claim or allegation of any rights or interests in, to or under any of the Intellectual Property; made any allegations to a Grantor concerning, or in any way challenged or contested, the validity or enforceability of any of the Intellectual Property; and/or made any allegations concerning, or in any way challenged or contested, Grantor's ownership or right to use or employ any of the Intellectual Property; and Grantor is not aware of any facts, allegations or grounds, of any kind or nature, which would in any way support any such claims, challenges, allegations or threats; (vi) Grantor is not aware of any grounds for an adverse claim of ownership, infringement, violation, interference, invalidity, conflict, or unfair competition relating to Grantor's ownership or use of any of the Intellectual Property, as presently used or as presently contemplated to be used including, without limitation, any such claim by an employee or consultant; (vii) to the best of Grantor's knowledge after due inquiry, Grantor has not infringed upon, misappropriated, wrongfully used, or otherwise violated any Intellectual Property Rights of any third parties, nor does Grantor have any knowledge of any infringement, misappropriation, unlawful use, or violation which will occur as a result of Grantor's continued and/or proposed use of any of the Intellectual Property; (viii) all material licenses, if any, of the Trademarks,

Patents, Copyrights, Trade Secret Licenses and Domain Names are in force and effect, and, not in default; and (ix) no holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity or enforceability of any Trademark, Patent, Copyright, Trade Secret Licenses and Domain Names in any way material to Grantor.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees as follows:

(i) It will not, nor will it permit any of its licensees (or sublicensees) to, do any act, or omit to do any act, whereby any Patent included in the Collateral that is related to the conduct of its business may become invalidated or dedicated to the public, and it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws.

(ii) It will (either directly or through its licensees or its sublicensees), for each Trademark included in the Collateral that is related to the conduct of its business, (A) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain the quality of products and services offered under such Trademark, (C) display such Trademark with notice of Federal or other analogous registration to the extent necessary and sufficient to establish and preserve its rights under applicable law, and (D) not knowingly use or knowingly permit the use of such Trademark in violation of any third party's valid and legal rights.

(iii) It will (either directly or through its licensees or its sublicensees), for each work covered by a Copyright included in the Collateral that is related to the conduct of its business, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws.

(iv) It will promptly notify the Secured Party in writing if it knows or has reason to know that any Intellectual Property material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or the United States Copyright Office, or any similar offices or tribunals in the United States of America or any other country) regarding such Grantor's ownership of any such Intellectual Property, its right to register the same, or to keep and maintain the same.

(v) In no event shall it, either directly or through any agent, employee, licensee or designee, file an application for any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar offices in the United States of America or any other country, unless it promptly notifies the Secured Party in writing thereof and, upon request of the Secured Party, executes and delivers any and all agreements, instruments, documents and papers as the Secured Party may reasonably request to evidence the Secured Party's security interest in such Intellectual Property, and

such Grantor hereby appoints the Secured Party as its attorney in fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(vi) It will take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar offices or tribunals in the United States or any other country, to maintain and pursue each material application relating to the Intellectual Property owned or rights therein held by it or on its behalf (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registered Trademark and Copyright that is material to the conduct of its business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent, in good faith, with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties. In the event that it has reason to believe that any Intellectual Property material to the conduct of its business has been or is about to be infringed, misappropriated or diluted by a third party, it promptly shall notify the Secured Party in writing and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as Grantor and/or Secured Party deem appropriate under the circumstances to protect such Intellectual Property.

(vii) During the continuance of an Event of Default, it shall use its best efforts to obtain all requisite consents or approvals by the licensor of each License to effect the assignment (as collateral security) of all of its right, title and interest thereunder to the Secured Party or its designee.

(viii) It shall take all commercially reasonable steps to protect the secrecy of all Trade Secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property owned or rights therein held by or on its behalf, including entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents.

(ix) It shall continue to collect all amounts due or to become due to such Grantor under all Intellectual Property, and diligently exercise each material right it may have thereunder, in each case at its own cost and expense, and in connection with such collections and exercise, it shall, upon the occurrence and during the continuance of an Event of Default, take such action as it or the Secured Party may reasonably deem necessary. Notwithstanding the foregoing, the Secured Party shall have the right at any time after the occurrence and during the continuance of an Event of Default to notify, or require such Grantor to notify, any relevant obligors with respect to such amounts of the Secured Party's security interest therein.

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Secured Party that Schedule 3.6 sets forth, as of the Applicable Date, all Commercial Tort Claims made by it or on its behalf or to which it otherwise has any right, title or interest.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that it shall provide the Secured Party with prompt written notice of each Material Commercial Tort Claim, and any judgment, settlement or other disposition thereof.

Section 3.7 Deposit Accounts; Control Accounts. The only Deposit Accounts maintained by any Grantor on the Applicable Date are those listed on Schedule 3.7 which sets forth such information separately for each Grantor.

#### ARTICLE 4.

##### CONDITIONS TO LENDING AND FURTHER ASSURANCES

(a) The obligation of Secured Party to make the Loan is subject to the conditions set forth below being satisfied or waived as of the time of the making of the Loan hereunder:

(i) The representations and warranties contained in this Agreement shall be true and correct in all material respects as of the date of the Loan as though then made except to the extent (A) previously fulfilled in accordance with the terms of this Agreement or (B) such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such date, and each Borrower shall have performed all obligations to be performed by it hereunder on or before the date of the Loan hereunder (including, without limitation, the simultaneous consummation of the transactions under the Intercreditor Agreement).

(ii) There shall be delivered to Secured Party:

(1) \$1,500,000 in cash (\$600,000 which has been previously delivered to Secured Party and applied to Trade Payables in inverse order of incurrence), payable by wire transfer of immediately available funds by the Bridge B Lenders to the account designated by Secured Party for applicable to the extant Trade Payables in inverse order of incurrence;

(2) \$2,000,000, in cash, payable by wire transfer of immediately available funds to the account designated by Lender for application to the extant Trade Payables in inverse order of maturity, for the express purpose of bringing all Trade Payables within current terms;

(3) An opinion of (A) Jones Day, counsel to the Borrowers, regarding the due authorization and due execution of the Bridge Note A and this Agreement, in form and substance satisfactory to the Lender, and (B) McCann and

McCann, counsel to the Borrowers and the Guarantors, regarding the due authorization and due execution of Bridge Note A, this Agreement and the Guarantee Agreement;

(4) Duly completed and executed originals of the Bridge Note A;

(5) Duly completed and executed originals of the Intercreditor Agreement;

(6) Certified copies of all documents evidencing corporate action taken by the Borrowers with respect to this Agreement and the Bridge Note A to be issued hereunder, the Bridge Loan B Agreement, the Intercreditor Agreement, in form and substance reasonably satisfactory to Lender and its counsel;

(7) Certified copies of all documents evidencing corporate action taken by Guarantors with respect to the Guarantee Agreement to be executed hereunder, in form and substance reasonably satisfactory to Lender and its counsel;

(8) A certificate or certificates, signed by the secretary or an assistant secretary of each Borrower, certifying as to (A) the names of the respective officers of each Borrower authorized to sign this Agreement, the Intercreditor Agreement, the Bridge Note A and the other documents delivered hereunder or thereunder by each Borrower, and (B) specimens of the true signatures of all such officers, on which Secured Party may conclusively rely until a revised certificate is similarly so delivered;

(9) Copies of all third party and governmental consents, approvals and filings required in connection with the consummation of the transactions contemplated under this Agreement, and the other agreements described herein and therein;

(10) Evidence of insurance coverage regarding Grantors, reasonably satisfactory in terms, amount and scope and provided by insurers all reasonably satisfactory to the Lender;

(11) Certified copies of the articles or certificate of incorporation, certificate of designation, operating agreement and bylaws, as applicable of each Borrower;

(12) Good standing certificates for the jurisdiction of incorporation of each Grantor, and for each jurisdiction in which any Grantor is qualified to do business;

(13) Such other instruments, documents and certificates as Lender may require.

(b) The Bridge Loan B Documents shall be reasonably satisfactory to Lender without amendment or modification thereof, and shall be in full force and effect, all conditions to the obligations of the Bridge B Lenders to make loans thereunder shall have been satisfied in full (without waiver thereof), and the Bridge B Lenders shall have delivered to Lender earmarked funds (*i.e.*, \$1.5 million, \$600,000 of which has been previously delivered to Secured party as described in Section 4(a)(ii)(1)) under the Bridge Loan B.

(c) The Intercreditor Agreement shall have been duly authorized, executed and delivered by each party thereto (excluding, for purposes of this condition, Lender) and shall be in full force and effect.

(d) There shall not have occurred any Material Adverse Effect or any condition or event that in the reasonable judgment of the Lender could be expected to result (either individually or in the aggregate) in a Material Adverse Effect (both before and after giving effect to the transactions contemplated hereby), and no Event of Default or potential Event of Default shall have occurred or shall exist that has not been cured, waived or otherwise provided for in that certain Forbearance and Temporary Waiver Agreement among the Senior Lenders and the Grantors dated as of August 28, 2003, or that certain Waiver and Amendment Agreement dated as of August 28, 2003, among the Borrowers and the Investors (as defined therein).

(e) Borrowers shall have paid all fees and expenses required to be paid pursuant to Article 7 hereof.

(e) Borrowers shall have obtained all third party and governmental consents, approvals and filings required in connection with the consummation of the transactions contemplated under this Agreement and the other agreements described herein.

(f) Secured Party shall have received a contemporaneous search of UCC, real property, tax, judgment and litigation dockets and records and other appropriate registers shall have revealed no filings or recordings in effect with respect to the Collateral purported to be covered by this Agreement, except Permitted Liens, and the shall have received a copy of the search reports received as a result of the search and the acknowledgement copies of the financing statements or other instruments required to be filed or recorded pursuant to this subsection bearing evidence of the recording of such statements or instruments at each of such filing or recording places.

(g) Each Grantor hereby covenants and agrees, at its own cost and expense, to execute, acknowledge, deliver and/or cause to be duly filed all such further agreements, instruments and other documents, and take all such further actions, that the Secured Party may from time to time reasonably request to preserve, protect and perfect the Security Interest granted by it and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with its execution and delivery of this Security Agreement, the granting by it of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith. In addition, to the extent permitted by applicable law, each Grantor hereby irrevocably authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral owned or rights therein held by it or on its behalf without the signature of such Grantor and agrees that a photographic or other reproduction of this Security Agreement or of a financing statement signed by such Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions. Each Grantor hereby further irrevocably authorizes the Secured Party to file a Record or Records, including financing statements, in all jurisdictions and with all filing offices that the Secured Party may determine, in its sole and absolute discretion, are necessary, advisable or prudent to perfect the Security Interest granted by it and agrees that such financing statements may describe the Collateral owned or rights therein held by it or on its behalf in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner that the Secured Party may determine, in its sole and absolute discretion, is necessary, advisable or prudent to perfect the

Security Interest granted by such Grantor, including describing such property as "all assets" or "all personal property."

## ARTICLE 5.

### SECURED PARTY APPOINTED ATTORNEY-IN-FACT

Each Grantor hereby appoints the Secured Party and any officer or agent thereof, as its true and lawful agent and attorney in fact for the purpose of carrying out the provisions of this Security Agreement and taking any action and executing any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest, and without limiting the generality of the foregoing, the Secured Party shall have the right, with power of substitution for such Grantor and in such Grantor's name or otherwise, for the use and benefit of the Secured Party, upon the occurrence and during the continuance of an Event of Default and at such other time or times permitted by the Loan Documents, (i) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral owned or rights therein held by it or on its behalf or any part thereof; (ii) to demand, collect, receive payment of, give receipt for, and give discharges and releases of, any of such Collateral; (iii) to sign the name of such Grantor on any invoice or bill of lading relating to any of such Collateral; (iv) to send verifications of Receivables owned or rights therein held by it or on its behalf to any Account Debtor; (v) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on any of the Collateral owned or rights therein held by it or on its behalf or to enforce any rights in respect of any of such Collateral; (vi) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to any of such Collateral; (vii) to notify, or to require such Grantor to notify, Account Debtors and other obligors to make payment directly to the Secured Party, and (viii) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with any of such Collateral, and to do all other acts and things necessary to carry out the purposes of this Security Agreement, as fully and completely as though the Secured Party were the absolute owner of such Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Secured Party, or to present or file any claim or notice, or to take any action with respect to any of the Collateral or the monies due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Secured Party with respect to any of the Collateral shall give rise to any defense, counterclaim or offset in favor of such Grantor or to any claim or action against the Secured Party. The provisions of this Article shall in no event relieve any Grantor of any of its obligations hereunder or under the other Loan Documents with respect to any of the Collateral or impose any obligation on the Secured Party to proceed in any particular manner with respect to any of the Collateral, or in any way limit the exercise by the Secured Party of any other or further right that it may have on the date of this Security Agreement or hereafter, whether hereunder, under any other Loan Document, by law or otherwise. Any sale pursuant to the provisions of this paragraph shall be deemed to conform to the commercially reasonable standards as provided in Section 9-611 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions).



## ARTICLE 6.

### DEFAULT/ REMEDIES UPON DEFAULT

Section 6.1 Events of Default. An "Event of Default" shall mean the occurrence of one or more of the following events:

(a) Borrowers shall default in the payment of (i) any principal with respect to the Loan when due, whether at maturity, upon any required prepayment, by acceleration or otherwise, (ii) any interest with respect to the Loan when due or (iii) any other amount required to be paid to Secured Party under this Agreement or the Bridge Note A when due, and in the case of clauses (ii) and (iii), the default in payment shall have continued uncured for a period of three or more Business Days;

(b) The Senior Lenders accelerate the maturity of the Senior Obligations under the terms of the Senior Loan Agreement;

(c) An Event of Default occurs under the terms of the Senior Loan Documents and remains unremedied for three (3) Business Days;

(d) Any of this Agreement, Bridge Note A or the Intercreditor Agreement shall cease to be in full force and effect (other than pursuant to its terms) or declared to be null and void by a court of competent jurisdiction;

(e) The Borrowers shall default in the performance of or compliance with any other covenant, condition or provision of this Agreement, the Bridge Note A or the Intercreditor Agreement and such default shall have continued for a period of 30 calendar days after written notice thereof to the Borrowers by Secured Party specifying such default and demanding the remedy thereof;

(f) A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of a Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of a Borrower or for any substantial part of its property, or for the winding up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or

(g) A Borrower or Borrowers shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Borrower or for any substantial part of such Borrower's property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing.

Section 6.2 Remedies Generally

(a) Money Defaults. If an Event of Default specified in Section 6.1 (a) shall occur and be continuing, Secured Party may at its option, upon notice to Borrowers, declare the

unpaid principal balance of the Bridge Note A, all interest accrued thereon (including all interest accruing after the commencement of any bankruptcy or reorganization proceeding at the rate or rates provided herein) and all other liabilities and obligations of Borrowers hereunder and under the Bridge Note A to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Borrowers.

(b) Bankruptcy. If an Event of Default specified in Section 6.1(f) or Section 6.1(g) shall occur with respect to Borrowers or any of them, the unpaid principal balance of the Bridge Note A, all interest accrued thereon (including all interest accruing after the commencement of any bankruptcy or reorganization proceeding at the rate or rates provided herein) and all other Obligations of Borrowers hereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Borrowers.

(c) Other Defaults. If any Event of Default other than those specified in clauses (a) and (b) of this Section 6.2 shall occur and be continuing, Secured Party may at its option, upon notice to Borrowers, declare the unpaid principal balance of the Bridge Note A, all interest accrued thereon (including all interest accruing after the commencement of any bankruptcy or reorganization proceeding at the rate or rates provided herein) and all other liabilities and obligations of Borrowers hereunder and under the Bridge Note A immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Borrowers.

(d) General Remedies. Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral owned or rights therein held by it or on its behalf to the Secured Party on demand, and it is agreed that the Secured Party shall have the right to take any of or all the following actions at the same or different times: (i) with respect to any Collateral consisting of Intellectual Property or Commercial Tort Claims, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any such Collateral by the applicable Grantors to the Secured Party, or, in the case of Intellectual Property, to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Secured Party shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (ii) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral owned or rights therein held by it or on its behalf and without liability for trespass to enter any premises where such Collateral may be located for the purpose of taking possession of or removing such Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Secured Party shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of any of the Collateral owned or rights therein held by or on behalf of such Grantor, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Secured Party shall deem appropriate. The Secured Party shall be irrevocably authorized at any such sale of such Collateral constituting securities (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale, the Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold

absolutely, free from any claim or right on the part of the applicable Grantor, and such Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay, valuation and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(e) Sale of Collateral. The Secured Party shall give each Grantor ten business days' written notice (which such Grantor agrees is reasonable notice within the meaning of Section 9-611 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions)) of the Secured Party's intention to make any sale of any of the Collateral owned or rights therein held by or on behalf of such Grantor. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which such Collateral will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix and state in the notice (if any) of such sale. At any such sale, the Collateral to be sold may be sold in one lot as an entirety or in separate parcels, as the Secured Party may (in its sole and absolute discretion) determine. The Secured Party shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of any of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the sale price is paid by the purchaser or purchasers thereof, but the Secured Party shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, Secured Party may bid for or purchase, free (to the extent permitted by applicable law) from any right of redemption, stay, valuation or appraisal on the part of such Grantor (all said rights being also hereby waived and released to the extent permitted by law), any of the Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from such Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Grantor therefor. For purposes hereof, (i) a written agreement to purchase any of the Collateral shall be treated as a sale thereof, (ii) the Secured Party shall be free to carry out such sale pursuant to such agreement, and (iii) no Grantor shall be entitled to the return of any of the Collateral subject thereto, notwithstanding the fact that after the Secured Party shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Secured Party may proceed by a suit or suits at law or in equity to foreclose upon any of the Collateral and to sell any of the Collateral pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Article shall be deemed to conform to the commercially reasonable standards as provided in Part 6 of Article 9 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions). Without limiting the generality of the foregoing, each Grantor agrees as follows: (A) if the proceeds of any sale of the Collateral owned or rights therein held by it or on its behalf pursuant to this Article are insufficient to pay all the Obligations, it shall be liable for the resulting deficiency and the fees, charges and disbursements of any counsel employed by the Secured Party to collect such deficiency, (B) it hereby waives any claims against the Secured Party arising by

reason of the fact that the price at which any such Collateral may have been sold at any private sale pursuant to this Article was less than the price that might have been obtained at a public sale, even if the Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree, (C) there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements in this Section may be specifically enforced, (D) the Secured Party may sell any such Collateral without giving any warranties as to such Collateral, and the Secured Party may specifically disclaim any warranties of title or the like, and (E) the Secured Party shall have no obligation to marshal any such Collateral.

### Section 6.3      Application of Proceeds of Sale

Should the Intercreditor Agreement be terminated and the Senior Obligations have been paid in full, and the provisions of Section 1.6 are no longer in effect, the Secured Party shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Secured Party (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Agreement, any other Loan Document or any of the Obligations, including all out of pocket court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Secured Party hereunder or under any other Loan Document on behalf of any Borrower and any other reasonable out-of-pocket costs or expenses incurred in connection with the exercise of any right or remedy permitted hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations; and

THIRD, to the applicable Borrower, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Secured Party shall have sole and absolute discretion as to the time of application of any such proceeds, monies or balances in accordance with this Agreement. Upon any sale of the Collateral by the Secured Party (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Secured Party or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Secured Party or such officer or be answerable in any way for the misapplication thereof.

### Section 6.4      Investment Property

In view of the position of each Grantor in relation to the Investment Property, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Investment Property permitted hereunder. Each Grantor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Secured Party if the Secured Party were to attempt

to dispose of all or any part of the Investment Property, and might also limit the extent to which or the manner in which any subsequent transferee of any Investment Property could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Secured Party in any attempt to dispose of all or part of the Investment Property under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each Grantor recognizes that in light of such restrictions and limitations the Secured Party may, with respect to any sale of the Investment Property, limit the purchasers to those who will agree, among other things, to acquire such Investment Property for their own account, for investment, and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that in light of such restrictions and limitations, the Secured Party, in its sole and absolute discretion, (i) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Investment Property, or any part thereof, shall have been filed under the Federal Securities Laws and (ii) may approach and negotiate with a single potential purchaser to effect such sale. Each Grantor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Secured Party shall incur no responsibility or liability for selling all or any part of the Investment Property at a price that the Secured Party, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Secured Party sells any such Investment Property.

#### Section 6.5      Grant of License to Use Intellectual Property

For the purpose of enabling the Secured Party to exercise rights and remedies under this Article, at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Secured Party an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor), except to the extent the applicable Event of Default has been cured or waived, to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or rights therein held or hereafter acquired or held by or on behalf of such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Secured Party shall be exercised, at the option of the Secured Party, upon the occurrence and during the continuation of an Event of Default; provided that, except as provided herein, any license, sub-license or other transaction entered into by the Secured Party in accordance herewith shall be binding upon such Grantor notwithstanding any subsequent cure of an Event of Default. Any royalties and other payments received by the Secured Party shall be applied in accordance with Section 6.2.

#### Section 6.6      Registration, etc.

Each Grantor agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Secured Party desires to sell any of the Investment Property owned or rights therein held by or on behalf of such Grantor at a public sale, it will, at any time and from time to time, upon the written request of the Secured Party, use its commercially reasonable efforts to take or to cause, where applicable, the issuer of such Investment Property to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Secured Party to permit the

public sale of such Investment Property. Each Grantor further agrees to indemnify, defend and hold harmless the Secured Party, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling Persons (the "Indemnitees") from and against all loss, liability, expenses, reasonable fees and expenses of legal counsel, and claims (including the costs of investigation) that they may incur, insofar as such loss, liability, expense or claim, as applicable, relates to such Grantor or any of its property, and arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Grantor or the issuer of such Investment Property, as applicable, by the Secured Party expressly for use therein, and except to the extent of the gross negligence or willful misconduct of Secured Party. Each Grantor further agrees, upon such written request referred to above, to use its best efforts to qualify, file or register, or cause, where applicable, the issuer of such Investment Property to qualify, file or register, any of the Investment Property owned or rights therein held by or on behalf of such Grantor under the Blue Sky or other securities laws of such states as may be requested by the Secured Party and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Grantor will bear all costs and expenses of carrying out its obligations under this Section. Each Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section may be specifically enforced.

## ARTICLE 7.

### REIMBURSEMENT OF SECURED PARTY

Each Borrower agrees, jointly with the other Borrowers and severally, to pay to the Secured Party the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees, other charges and disbursements of counsel and of any experts or agents, that the Secured Party may incur in connection with (i) the negotiation and preparation of the Loan Documents, (ii) the administration of this Agreement relating to such Borrower or any of its property, (iii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral owned or rights therein held by or on behalf of any Grantor, (iv) the exercise, enforcement or protection of any of the rights of the Secured Party hereunder relating to such Borrower or any of its property, or (v) the failure by such Borrower to perform or observe any of the provisions hereof. Without limitation of its indemnification obligations under the other Loan Documents, each of the Borrowers agrees, jointly with the other Borrowers and severally, to indemnify the Secured Party and the other Indemnitees against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related out-of-pocket expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (a) the execution or delivery by such Borrower of this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, or the performance by such Borrower of its obligations under the Loan Documents and the other transactions contemplated thereby or (b) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related

expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby or thereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document or any investigation made by or on behalf of the Secured Party. All amounts due under this Section shall be payable within ten days of written demand therefor and shall bear interest at the rate specified in Section 1.4 of this Agreement.

## ARTICLE 8.

### WAIVERS; MODIFICATIONS; AMENDMENTS

(a) In General. No failure or delay of the Secured Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Party hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by any Borrower, as the case may be therefrom shall in any event be effective unless the same shall be permitted by this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances. Neither this Agreement nor any provision hereof may be waived, amended, supplemented or otherwise modified, or any departure therefrom consented to, except pursuant to an agreement or agreements in writing entered into by, between or among the Secured Party and the Borrower or Borrowers with respect to which such waiver, amendment, other modification or consent is to apply.

(b) Certain Modifications, Amendments or Waivers of Financial Covenants. The parties hereto have incorporated by reference the Senior Affirmative Covenants, the Senior Financial Covenants and the Senior Negative Covenants (the "Mirrored Covenants"). In the event that the Senior Lenders and Grantors agree in writing pursuant to the terms of the Senior Loan Agreement to amend or modify any of the Mirrored Covenants in the Senior Loan Agreement, or any of the defined terms used therein (either directly or indirectly through other defined terms), Secured Party agrees that, contemporaneously with such amendment or modification to the Senior Loan Agreement, the corresponding covenant or defined term in this Agreement shall automatically (and without further action on the part of Borrowers, Secured Party or the Senior Lenders) be amended or modified, as applicable, in this Agreement.

Notwithstanding the foregoing: (A) any such amendment or modification of this Agreement shall be effective solely to the extent of the Senior Lenders' amendment or modification of the corresponding provision in the Senior Loan Agreement, (B) any such amendment or modification of this Agreement shall be subject to the same terms and conditions as the Senior Lenders' amendment or modification of the corresponding provision in the Senior Loan Agreement, except to the extent that such terms and conditions do not relate to the Mirrored Covenants (it being

understood that amendments or modifications to the Senior Loan Agreement that are effected at the same time as any amendment or modification of the Mirrored Covenants and that are not direct amendments or modifications of the Mirrored Covenants or any defined term directly or indirectly used therein are not terms and conditions "relating to" the Mirrored Covenants), and except that upon waiver or satisfaction of any condition to such amendment or modification of the Senior Loan Agreement such condition shall automatically be deemed satisfied with respect to the amendment or modification of the corresponding provision under this Agreement, and (C) any such amendment or modification of this Agreement shall expire or be rescinded, amended, or modified in the event such Senior Lenders' amendment or modification of the Senior Loan Agreement expires or is so rescinded, amended or modified (including by reason of the termination of the Senior Loan Agreement after all obligations constituting Senior Debt have been paid in full in cash and all commitments to extend credit under the Senior Loan Agreement that would constitute Senior Debt have been terminated).

If the Senior Lenders execute a written waiver (in accordance with the terms of the Senior Loan Agreement) of a default under a Mirrored Covenant, such Senior Lenders' waiver shall automatically, and without further action on the part of Borrowers, Secured Party or the Senior Lenders, operate as, and be deemed to be, an effective waiver hereunder by Secured Party of such default under the corresponding covenant in this Agreement; provided that (1) such deemed waiver by Secured Party shall be effective solely to the extent of the Senior Lenders' waiver of the default under the corresponding provision in the Senior Loan Agreement, (2) such deemed waiver by Secured Party shall be subject to the same terms and conditions as the Senior Lenders' waiver of the default under the corresponding provision in the Senior Loan Agreement, except to the extent that such terms and conditions do not relate to the Mirrored Covenants (it being understood that any waiver of any provision under the Senior Loan Agreement that is effected at the same time as any waiver of a default under the Mirrored Covenants and that is not a direct waiver of a default under the Mirrored Covenants is not a term or condition "relating to" the Mirrored Covenants), and except that upon waiver or satisfaction of any condition to the Senior Lenders' waiver of a default under a Mirrored Covenant such condition shall automatically be deemed satisfied with respect to the deemed waiver by Secured Party of the corresponding covenant in this Agreement, and (3) such deemed waiver by Secured Party shall expire or be rescinded, amended, or modified in the event such Senior Lenders' waiver expires or is so rescinded, amended or modified (including by reason of the termination of the Senior Loan Agreement after all obligations constituting Senior Debt have been paid in full in cash and all commitments to extend credit under the Senior Loan Agreement that would constitute Senior Debt have been terminated).

The provisions of this Article are for the benefit of the Senior Lenders, and the Senior Lenders may enforce the provisions of this Section as third party beneficiaries hereof. To the extent not otherwise terminated pursuant to the terms of this Article 8, the Mirrored Covenants set forth herein shall survive the indefeasible payment in full of the Senior Debt, the termination of all commitments to lender under the terms of the Senior Loan Agreement and the termination of the Senior Loan Agreement.



## ARTICLE 9.

### SECURITY INTEREST ABSOLUTE

All rights of the Secured Party hereunder, the Security Interest and all obligations of each Borrower hereunder shall be absolute as between the parties hereto, the secured parties from time to time party to this Agreement, and the secured parties who may hereinafter become parties to this Agreement, and shall be unconditional irrespective of (i) any lack of validity or enforceability of this Agreement, any other Loan Document, any agreement with respect to any of the Obligations, or any other agreement or instrument relating to any of the foregoing, (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other waiver, amendment, supplement or other modification of, or any consent to any departure from, this Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (iii) any exchange, release or non-perfection of any Lien on any other collateral, or any release or waiver, amendment, supplement or other modification of, or consent under, or departure from, any guaranty, securing or guaranteeing all or any of the Obligations, or (iv) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Borrower in respect of the Obligations or in respect of this Agreement or any other Loan Document.

## ARTICLE 10.

### TERMINATION; RELEASE

This Agreement and the Security Interest shall terminate when all Obligations shall have been finally and indefeasibly paid in full. In addition, if any of the Pledged Equity Interests in any Subsidiary are sold, transferred or otherwise disposed of pursuant to a transaction permitted by the Loan Documents and, immediately after giving effect thereto, such Subsidiary or subsidiary, as applicable, would no longer be a Subsidiary or a subsidiary, as applicable, then the obligations of such Subsidiary or subsidiary, as applicable, under this Agreement and the Security Interest in the Collateral owned or rights in Collateral held by or on behalf of such Subsidiary or such subsidiary, as applicable, shall be automatically released. In connection with any termination or release pursuant to this Section, the Secured Party shall execute and deliver to the applicable Grantor, at such Grantor's own cost and expense, all UCC termination statements and similar documents that such Grantor may reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Article shall be without recourse to or warranty by the Secured Party.

## ARTICLE 11.

### ADDITIONAL BORROWERS AND GRANTORS

Upon execution and delivery after the date hereof by the Secured Party and a Subsidiary of a Supplement, such Subsidiary or subsidiary, as applicable, shall become a Borrower and a Grantor hereunder with the same force and effect as if originally named as a Borrower and a Grantor herein (each an "Additional Grantor"). The execution and delivery of any Supplement shall not require the consent of any other Borrower or Grantor hereunder. The rights and obligations of each Grantor and Borrower hereunder and other party under the Loan Documents

shall remain in full force and effect notwithstanding the addition of any Additional Grantor as a party to this Agreement. Notwithstanding anything to the contrary contained herein or in any other Loan Document, neither NSC nor any of its Subsidiaries shall now or hereafter be required to deliver a Supplement and become an Additional Grantor.

## ARTICLE 12.

### NOTICES

All notices and other communications given to or made upon any party hereto in connection with this Agreement and the Bridge Note A shall be in writing and shall be deemed to have been given when delivered personally to the recipient, when telecopies to the recipient (with hard copy sent by overnight courier in the manner required hereunder) if sent prior to 4:00 p.m. Carthage, Missouri time on a business day (and otherwise, on the immediately succeeding business day), one business day after being sent to the recipient by reputable overnight courier service (charges prepaid), or three business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to the respective parties as follows:

To Borrowers: c/o Spring Air Partners – North America, Inc.  
134 Spring Street, Suite 202  
New York, New York 10012  
Attention: Chief Financial Officer  
Telecopy: (212) 431-9483

with a copy to:

Jones Day  
2727 North Harwood Street  
Dallas, Texas 75201  
Attention: Kimberley A. Elting  
Telecopy: (212) 969-5100

To Lender: L&P Financial Services Co.  
c/o Leggett & Platt, Incorporated  
No. 1 Leggett Road  
Carthage, Missouri 64836-0757  
Attention: Michael Robertson, President  
Sheri L. Mossbeck, Vice President and Treasurer  
Telecopy: (417) 358-8027

with a copy to:

Leggett & Platt, Incorporated  
Legal Department  
No. 1 Leggett Road  
Carthage, Missouri 64836-0757  
Attention: Ernest C Jett, Esq., General Counsel  
Telecopy: (417) 358-8449

with a copy to:

Bryan Cave, LLP  
One Metropolitan Square  
211 North Broadway, Suite 3600  
St. Louis, MO 63101  
Attention: Donald G. Lents, Esq.  
Telecopy: (314) 259-2020

or in accordance with any subsequent written direction from the recipient party to the sending party.

#### ARTICLE 13.

##### BINDING EFFECT; SEVERAL AGREEMENT; ASSIGNMENTS

Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of any Borrower that are contained in this Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Agreement shall become effective as to any Borrower when a counterpart hereof executed on behalf of such Borrower shall have been delivered to the Secured Party and a counterpart hereof shall have been executed on behalf of the Secured Party, and thereafter shall be binding upon such Borrower and the Secured Party and their respective successors and assigns, and shall inure to the benefit of such Borrower, the Secured Party, and their respective successors and assigns, except that no Borrower shall have the right to assign its rights or obligations hereunder or any interest herein or in any of the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. This Agreement shall be construed as a separate agreement with respect to each of the Borrowers and may be amended, supplemented, waived or otherwise modified or released with respect to any Borrower without the approval of any other Borrower and without affecting the obligations of any other Borrower hereunder.

#### ARTICLE 14.

##### SURVIVAL OF AGREEMENT; SEVERABILITY

All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Secured Party and shall survive the execution and delivery of any Loan Document and the making of the Bridge Loan, regardless of any investigation made by the Secured Party or on its behalf, and shall continue in full force and effect until this Agreement shall terminate. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

ARTICLE 15.

GOVERNING LAW

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

ARTICLE 16.

COUNTERPARTS

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Article 13), and shall become effective as provided in Article 13. Delivery of an executed counterpart of this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

ARTICLE 17.

HEADINGS

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

ARTICLE 18.

JURISDICTION; VENUE; CONSENT TO SERVICE OF PROCESS

Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Missouri State court or Federal court of the United States of America sitting in County of Jasper, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such Missouri State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against such Borrower or any of its property in the courts of any jurisdiction. Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any foregoing court referred to in this Article. Each of the parties hereto hereby irrevocably waives, to

the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each party hereto irrevocably consents to service of process in the manner provided for notices in Article 12. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by law.

#### ARTICLE 19.

#### WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LOAN AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS LOAN AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS ARTICLE.

#### ARTICLE 20.

#### SUBORDINATION

Notwithstanding any provision of this Agreement to the contrary, the Borrowers and the Secured Party hereby acknowledge and agree that the rights and privileges of the Secured Party under this Agreement are subordinate to the prior indefeasible payment in full of all Senior Debt (as defined in the Intercreditor Agreement), and subject to the terms and conditions of, the Senior Loan Agreement and the other Senior Loan Documents. The subordination of the Secured Party's rights under this Agreement to the rights of the Senior Lender under the Senior Loan Documents shall be governed by the terms and conditions of Intercreditor Agreement dated of even date herewith. Nothing in this Section shall be deemed an agreement of or consent by the Secured Party to any breach or default by Borrowers under this Agreement or the other Loan Documents. Nothing in this Agreement shall be deemed a consent by any Borrower to any action by the Secured Party which causes or results in a violation of the Senior Loan Documents or the Intercreditor Agreement. In the event of any conflict between the terms of this Agreement and the Intercreditor Agreement, the terms of the Intercreditor Agreement shall control. Nothing contained herein shall be deemed to grant to the Secured Party any lien or security interest prior in right or interest to the liens and security interests of the Senior Lenders in the Collateral.

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR DEBT (AS DEFINED IN THE INTERCREDITOR AND SUBORDINATION AGREEMENT HEREINAFTER REFERRED TO) PURSUANT TO, AND TO THE EXTENT PROVIDED IN, THE INTERCREDITOR AND SUBORDINATION AGREEMENT DATED AUGUST 28, 2003 BY THE BORROWERS HEREOF, THE SECURED PARTY NAMED HEREIN, THE PROVIDENT BANK (IN ITS

CAPACITY AS ADMINISTRATIVE AGENT FOR THE LENDERS THEREIN), THE PROVIDENT BANK (IN ITS CAPACITY AS A LENDER), BELTWAY CAPITAL PARTNERS, LLC (IN ITS CAPACITY AS A LENDER) AND OTHER PARTIES REFERRED TO IN SUCH INTERCREDITOR AND SUBORDINATION AGREEMENT (AS MODIFIED AND AMENDED FROM TIME TO TIME, THE "INTERCREDITOR AGREEMENT"). IN THE EVENT OF ANY CONFLICT BETWEEN ANY TERM OR PROVISION OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE TERMS AND PROVISIONS OF THE INTERCREDITOR AGREEMENT AND/OR ANY OF THE SENIOR LOAN DOCUMENTS, THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT AND THE SENIOR LOAN DOCUMENTS, AS APPLICABLE, SHALL CONTROL.

## ARTICLE 21

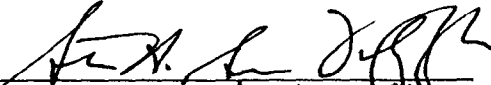
### ENTIRE AGREEMENT

THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS EMBODY THE COMPLETE AGREEMENT AND UNDERSTANDING OF THE PARTIES HERETO AND SUPERSEDE AND PREEMPT ANY PRIOR UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS BY OR AMONG THE PARTIES, WHETHER WRITTEN OR ORAL, WHICH MAY HAVE RELATED TO THE SUBJECT MATTER HEREOF OR THEREOF IN ANY WAY, AND THIS AGREEMENT AND SUCH OTHER LOAN DOCUMENTS MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL DISCUSSIONS OR UNDERSTANDINGS OF THE PARTIES. THE PARTIES HERETO ACKNOWLEDGE AND AGREE THERE ARE NO ORAL UNDERSTANDINGS OR AGREEMENTS BETWEEN THEM WITH RESPECT TO THE SUBJECT MATTER HEREOF OR THEREOF.


**SIGNATURES COMMENCE ON FOLLOWING PAGE**

IN WITNESS WHEREOF, the parties hereto have duly executed this Bridge Loan and Security Agreement as of the day and year first above written.

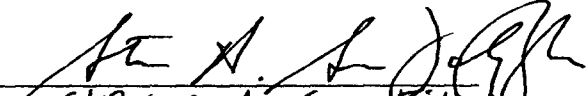
CHATTAM & WELLS, INC.,

By:   
Name: Steven A. San Filippo  
Title: Treasurer


SPRING AIR CALIFORNIA - DELUXE  
BEDDING CO., INC.

By:   
Name: Steven A. San Filippo  
Title: Treasurer

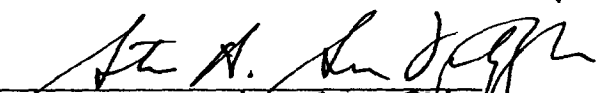
CHATTAM & WELLS MATTRESS  
COMPANY, LLC

By:   
Name: Steven A. San Filippo  
Title: Treasurer

SPRING AIR PARTNERS - TEXAS, INC. .

By:   
Name: Steven A. San Filippo  
Title: Treasurer

SOUTHLAND BEDDING COMPANY

By:   
Name: Steven A. San Filippo  
Title: Treasurer

SIGNATURES CONTINUE ON NEXT PAGE

**SCHEDULE I  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF GRANTORS AND ADDRESSES**

<u>Subsidiary</u>	<u>Address</u>
Spring Air Partners– North America, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012
Spring Air Partners–New Jersey, Inc.	170 Schuyler Avenue, North Arlington, NJ 07032
Spring Air Partners–Pennsylvania, Inc.	2801 Grant Avenue, NE Philadelphia, PA 19114
Spring Air Partners–California, Inc.	111 N. Baldwin Park Blvd., City of Industry, CA 91746
Spring Air California – Deluxe Bedding Co., Inc.	111 N. Baldwin Park Blvd., City of Industry, CA 91746
Chattam & Wells, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012
Chattam & Wells Mattress Company, LLC	111 N. Baldwin Park Blvd., City of Industry, CA 91746
Spring Air Partners–Texas, Inc.	1207 W. Crosby Road, Carrollton, TX 75006
Southland Bedding Company	1205 W. Crosby Road, Carrollton, TX 75006
Springco Bedding Co.	6200 Melrose Lane, Oklahoma City, OK 73217
Spring Air Partners– Ohio, L.L.C.	530 Lakeview Plaza Blvd., Suite B, Worthington, OH 43085



**SCHEDULE II  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**PERMITTED LIENS**

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners - North America, Inc.	General Electric Capital Corporation	New Jersey	06/23/99 (assigned on 11/14/00)	1913240	Equipment leased to debtor pursuant to Equipment Schedule No. 64030 to Lease Agreement, dated as of 06/01/99 together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - North America, Inc.	Broad National Bank	New Jersey	07/13/99	1916636	Equipment sold and/or pledged by debtor pursuant to Purchase Money Security Agreement No. 64003, dated as of 06/21/99, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - North America, Inc.	Interchange Capital Company, LLC	New Jersey	07/13/99 (assigned on 07/22/99 and 08/08/02)	1916638	Equipment leased to debtor pursuant to Equipment Schedule No. 64005 to Lease Agreement, dated as of 06/24/99, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - North America, Inc.	All Points Capital Corp.	New Jersey	07/13/99 (assigned on 12/15/99 and 08/04/00)	1916634	Equipment leased to debtor pursuant to Equipment Schedule No. 64004 to Lease Agreement, dated as of 06/24/99, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - North America, Inc.	The Provident Bank, as Administrative Agent	New Jersey	07/26/02 (assigned on 08/06/02)	2114309-0	[In lieu financing statement of file no. 195863 from the New York Secretary of State and file nos. 01-17-2001 and 10-18-2000 from New York County, New York] All property, including Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds thereof, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - North America, Inc.	Interchange Capital Company, LLC [also names The Provident Bank as Assignor]	New Jersey	08/08/02	2116825-3	[In lieu financing statement of file no. 002811 from Bergen County, New Jersey] Equipment leased by debtor pursuant to Equipment Schedule No. 64005 to Lease Agreement, dated as of 06/24/99, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - North America, Inc.	All Points Capital Corporation	New Jersey	12/30/99 (assigned on 04/26/00)	1950973	Equipment leased to debtor pursuant to Equipment Schedule No. 64006 to Lease Agreement, dated as of 12/01/99, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).

DLI-5787215v2

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners - North America, Inc.	Mellon Bank, N.A., as Administrative Agent	New York	10/10/00	195863	All property, including without limitation, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Fixtures, Books and Records and all proceeds and products of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners, Pennsylvania, Inc. and Spring Air Partners-California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York	08/18/99 (assigned on 10/10/00)	166495	Copy of Exhibit A describing section of collateral is not available, per the Department of State.
Spring Air Partners - North America, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	10/18/00	00PN51465	All property, including without limitation, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - North America, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	01/17/01	01PN02232	All property, including without limitation, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Fixtures, Books and Records and all proceeds and products of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners - Pennsylvania, Inc. and Spring Air Partners - California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	08/25/00 (assigned on 10/13/00)	99PN46211	All assets, including without limitation, Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and Financial Assets and all proceeds and products of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners North America, Inc.	Minolta Business Solutions	Texas	07/17/03	03-0034736804	L83704620DI, 450PI, 550I
Spring Air Partners - Texas, Inc.	Mellon Bank, N.A., as Administrative Agent	Oklahoma County, OK	10/11/00	0054255	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners - Texas, Inc.	Mellon Bank, N.A., as Administrative Agent	Oklahoma County, OK	10/11/00	0054268	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located (specifically identifies collateral location of 6200 Melrose Lane, Oklahoma City, Oklahoma 73217).
Spring Air Partners - Texas, Inc.	The Provident Bank, as Administrative Agent	New Jersey	07/26/02 (assigned on 08/06/02)	2114313-7	[In lieu financing statement of file no. 00-601140 filed with the Texas Secretary of State, file nos. 2000-203-00104, 2000-227-02321 and 2000-240-2657 filed in Dallas County, Texas and file nos. 0054268 and 0054255 filed in Oklahoma County, Oklahoma] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - Texas, Inc.	Mellon Bank, N.A., as Administrative Agent	Texas	10/10/00	00-601140	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - New Jersey, Inc.	Mellon Bank, N.A., as Administrative Agent	New Jersey	08/31/99 (assigned on 10/10/00)	1925791	All assets, including, without limitation, all Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, and all Proceeds of the foregoing whether now owned or hereafter acquired.
Spring Air Partners - New Jersey, Inc.	Mellon Leasing	New Jersey	02/01/00	1953991	1 Komatsu Forklift and 1 Freight (Lease attached).
Spring Air Partners - New Jersey, Inc.	Interchange Capital Company, LLC	New Jersey	03/12/01 (assigned on 08/07/02)	2028980	Equipment leased to debtor pursuant to Equipment Schedule No. 64009 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - New Jersey, Inc.	The Provident Bank, as Administrative Agent	New Jersey	07/25/02 (assigned on 08/06/02)	2114308-3	[In lieu financing statement for file no. 3612 filed in Hudson County, New Jersey] All property, including, without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records, and all Proceeds of the foregoing whether now owned or hereafter acquired and wherever located.
Spring Air Partners - New Jersey, Inc.	Interchange Capital Company, LLC	New Jersey	08/07/02	2116683-9	Equipment leased by debtor pursuant to Equipment Schedule No. 64009 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and proceeds thereof.
Spring Air Partners - New Jersey, Inc.	Provident Savings Bank	Bergen County, NJ	03/14/01	32718	Equipment leased to debtor pursuant to Equipment Schedule No. 64009 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners - New Jersey, Inc.	Mellon Bank, N.A., as Administrative Agent	Hudson County, NJ	10/12/00	003612	All property, including, without limitation, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records, and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners - Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York	08/18/99 (assigned on 10/10/00)	166495	Copy of Exhibit A describing section of collateral is not available, per the Department of State.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners - Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	08/25/00 (assigned on 10/13/00)	99PN46211	All assets, including without limitation, Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and Financial Assets and all Proceeds and Products of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners - Pennsylvania, Inc.	The Provident Bank, as Administrative Agent	New Jersey	07/26/02 (assigned on 09/06/02)	2114311-3	[In lieu financing statement of file no. 50155811 filed in Philadelphia County, Pennsylvania] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located. [UCC Fixture Filing]
Spring Air Partners - Pennsylvania, Inc.	Interchange Capital Company, LLC	New Jersey	08/08/02 (assigned on 09/06/02)	2116839-0	[In lieu financing statement of file no. 001940 filed in Bergen County, New Jersey] Equipment leased by debtor pursuant to Equipment Schedule No. 64008 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and all proceeds thereof (equipment listed).

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners- Pennsylvania, Inc.	Interchange Capital Company, LLC [also names Independence Community Bank as Assignor]	New Jersey	09/06/02	2120989-5	[In lieu financing statement of file no. 011193 filed in Philadelphia County, Pennsylvania] Equipment leased by debtor pursuant to Equipment Schedule No. 64008 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and all proceeds thereof (equipment listed).
Spring Air Partners- Pennsylvania, Inc.	Interchange Capital Company, LLC	New Jersey	04/05/01 (assigned on 08/08/02)	2034895	Equipment leased to debtor pursuant to Equipment Schedule No. 64008 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners- Pennsylvania, Inc.	Mellon Bank, N.A., as Administrative Agent	Pennsylvania	08/17/99 (assigned on 10/12/00)	30620598	All assets, including without limitation, all Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and Financial Assets and all Proceeds and Products of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners- Pennsylvania, Inc.	Interchange Capital Company, LLC	Pennsylvania	03/12/01 (assigned on 09/06/02)	33710393	Equipment leased to debtor pursuant to Equipment Leasing Schedule No. 64008 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and all proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners- Pennsylvania, Inc.	Mellon Bank, N.A., as Administrative Agent	Philadelphia County, Pennsylvania	08/18/99 (assigned on 10/11/00)	99-4640	All assets, including without limitation, all Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records, Investment Property and all Proceeds of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners- Pennsylvania, Inc.	Independence Community Bank	Philadelphia County, Pennsylvania	03/13/01	0011193	Equipment leased by debtor pursuant to Equipment Schedule No. 64008 to Lease Agreement, dated as of 02/15/01, together with all insurance thereon and all proceeds thereof (equipment listed) in Exhibit A to financing statement.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners- Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York	08/18/99 (assigned on 10/10/00)	166495	Copy of Exhibit A describing section of collateral is not available, per the Department of State.

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners-North America, Inc., Spring Air Partners-New Jersey, Inc., Spring Air Partners-Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	08/25/00 (assigned on 10/13/00)	99PN46211	All assets, including without limitation, Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and Financial Assets and all Proceeds and Products of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners-California, Inc.	Mellon Bank, N.A., as Administrative Agent	California	08/18/99 (assigned on 10/17/00)	9924360127	All assets, including without limitation, all Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and all Proceeds of the foregoing, whether now owned or hereafter acquired.
Spring Air Partners-California, Inc.	Interchange Capital Company, LLC	California	06/20/00 (assigned on 08/07/02)	0017660278	Equipment leased by debtor pursuant to Equipment Schedule No. 64007 to Lease Agreement, dated as of 04/03/00, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - California, Inc.	Monarch Capital Corporation	Los Angeles County, CA	06/08/00	00-0887568	Equipment leased to debtor pursuant to Equipment Schedule No. 64007 to Lease Agreement, dated as of 04/03/00, together with all insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).
Spring Air Partners - California, Inc.	Mellon Bank, N.A., as Administrative Agent	Los Angeles County, CA	10/10/00	00-1582764	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners-California, Inc.	The Provident Bank, as Administrative Agent	New Jersey	07/26/02 (assigned on 08/06/02)	2114306-9	[In lieu financing statement of file no. 000000001810564 filed with the Maryland Secretary of State, file no. 00-1582764 filed in Los Angeles County, California, and file nos. 060200019216 and 2000-0226253 bk. 29578, pg. 19 from Fulton County, Georgia] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air Partners-California, Inc.	Interchange Capital Company, LLC	New Jersey	08/08/02	2116835-2	[In lieu financing statement of file no. 00-0887568 filed with Los Angeles County, California] Equipment leased to debtor pursuant to Equipment Schedule No. 64007 to Lease Agreement, dated as of 04/03/00, together with insurance thereon and proceeds thereof (equipment listed in Exhibit A to financing statement).

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners - Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York	08/18/99 (assigned on 10/10/00)	166495	Copy of Exhibit A describing section of collateral is not available, per the Department of State.
Spring Air Partners - North America, Inc., Spring Air Partners - New Jersey, Inc., Spring Air Partners - Pennsylvania, Inc. and Spring Air Partners California, Inc.	Mellon Bank, N.A., as Administrative Agent	New York County, NY	08/25/00 (assigned on 10/13/00)	99PN46211	All assets, including without limitation, Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and Financial Assets and all Proceeds and Products of the foregoing, whether now owned or hereafter acquired.
Southland Bedding Company	Mellon Bank, N.A., as Administrative Agent	Texas	10/10/00	00-601141	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Southland Bedding Company dba Spring Air Mattress Co.	Toyota Motor Credit Corporation	Texas	04/24/02	02-0027600491	Two new Toyota forklifts (Model 7PGCU25, Serial Nos. 69846 and 70129); Two new Toyota forklifts (Model 7FGCU15, Serial Nos. 61846 and 61869).
Southland Bedding Company	Mellon Bank, N.A., as Administrative Agent	Texas	07/24/02	02-0038226376	[In lieu financing statement for UCC's filed in Dallas County, Texas; nos. 2000-203-00107, 2000-227-02318 and 2000-240-2663] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located (specifically identifies collateral locations as 1205 W. Crosby Rd., Carrollton, Texas 73217 and Dallas Market Center, 2050 Stemmons Freeway, Dallas, Texas 75207).
Springco Bedding Co.	Mellon Bank, N.A., as Administrative Agent	Oklahoma County, OK	10/11/00	0054257	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.

Debtor(s)	Secured Party	State/County of Filing	Date of Filing	File Number	Collateral Description
Spingco Bedding Co.	Mellon Bank, N.A., as Administrative Agent	Oklahoma County, OK	10/11/00	0054267	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located (specifically identifies collateral location as 6200 Melrose Lane, Oklahoma City, Oklahoma 73217).
Springco Bedding Co.	Mellon Bank, N.A., as Administrative Agent	Texas	08/06/02	02-0039642965	[In lieu financing statement of file nos. 0054257 and 0054267 from Oklahoma County, Oklahoma] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air California - Deluxe Bedding Co., Inc.	Mellon Bank, N.A., as Administrative Agent	California	08/10/99 (assigned on 10/17/00)	9924360154	All assets, including without limitation, all Accounts, Chattel Paper, Equipment, Documents, Instruments, General Intangibles, Inventory, Books and Records, Investment Property and all Proceeds of the foregoing, whether now owned or hereafter acquired.
Spring Air California - Deluxe	Citicorp Del Lease, Inc.	California	09/16/99	9926760294	1 Komatsu Forklift, Model No. FG25ST-12, Serial No. 511018A, with 188" triplex mast; 48" Forks, Side Shift, LPGAS.
Spring Air California - Deluxe Bedding Co., Inc.	The Provident Bank, as Administrative Agent	California	10/10/00 (assigned on 08/05/02)	0029060060	All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air California - Deluxe Bedding Co., Inc.	The Provident Bank, as Administrative Agent	California	07/24/02 (assigned on 08/05/02)	0220660565	[In lieu financing statement of file no. 00-1582763 filed in Los Angeles County, California] All property, including without limitation, all Accounts, Chattel Paper, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located.
Spring Air California - Deluxe Bedding Co., Inc.	Mellon Bank, N.A., as Administrative Agent	Los Angeles County, CA	10/10/00	00 1582763	[Fixture Filing] All property, including without limitation, all Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Inventory, Equipment, Books and Records and all Proceeds of the foregoing, whether now owned or hereafter acquired and wherever located (specifically identifies collateral location at 111 N. Baldwin Park Blvd., City of Industry, California 91746).
Spring Air Partners, L.L.C.	Atlas Copco Compressors Inc.	New Jersey	10/29/02	21281884	(1) Atlas Copco Industrial Air Compressor, Model GA 18-125, Serial No. AII 269915, and all proceeds from the sale or other disposition of this compressor.



**SCHEDULE 3.1(a)(i)  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF CHIEF EXECUTIVE OFFICES, JURISDICTIONS OF ORGANIZATION,  
FEDERAL EMPLOYER IDENTIFICATION NUMBERS  
AND GRANTOR ORGANIZATIONAL NUMBERS**

<b>Grantor</b>	<b>Chief Executive Office</b>	<b>Jurisdiction of Organization</b>	<b>Federal Employer Identification No.</b>	<b>Company Organization No.</b>
Spring Air Partners– North America, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	223610349	0100748804
Spring Air Partners–New Jersey, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	223615323	0100760403
Spring Air Partners– Pennsylvania, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	223615322	0100760407
Spring Air Partners– California, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	134066762	0100762510
Spring Air California – Deluxe Bedding Co., Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	California	952130412	C0411739
Chattam & Wells, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	Delaware	134082579	3067346
Chattam & Wells Mattress Company, LLC	134 Spring Street, Suite 202 & 204, New York, NY 10012	California	954619784	199705110010
Spring Air Partners–Texas, Inc.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	134082582	0100794682
Southland Bedding Company	134 Spring Street, Suite 202 & 204, New York, NY 10012	Texas	751073065	17448700
Springco Bedding Co.	134 Spring Street, Suite 202 & 204, New York, NY 10012	Texas	731511095	143032500
Spring Air Partners– Ohio, L.L.C.	134 Spring Street, Suite 202 & 204, New York, NY 10012	New Jersey	043593662	0600131776

**SCHEDULE 3.1(a)(ii)  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF LEGAL AND OTHER NAMES OF GRANTORS**

<b>Grantor</b>	<b>Full Legal Name</b>	<b>Trade or Fictitious Business Names, Other Names and the Period of Use thereof</b>
Spring Air Partners– North America, Inc.	Spring Air Partners– North America, Inc.	Spring Air Partners, Inc.
Spring Air Partners– New Jersey, Inc.	Spring Air Partners– New Jersey, Inc.	None
Spring Air Partners– Pennsylvania, Inc.	Spring Air Partners– Pennsylvania, Inc.	None
Spring Air Partners– California, Inc.	Spring Air Partners– California, Inc.	None
Spring Air California – Deluxe Bedding Co., Inc.	Spring Air California – Deluxe Bedding Co., Inc.	None
Chattam & Wells, Inc.	Chattam & Wells, Inc.	None
Chattam & Wells Mattress Company, LLC	Chattam & Wells Mattress Company, LLC	None
Spring Air Partners– Texas, Inc.	Spring Air Partners– Texas, Inc.	Spring Air Mattress– Texas, Inc.
Southland Bedding Company	Southland Bedding Company	Spring Air Mattress Co. Dell–Peeples Manufacturing Co.
Springco Bedding Co.	Springco Bedding Co.	Spring Air Mattress Co. of Texas Spring Air Mattress Co.
Spring Air Partners– Ohio, L.L.C.	Spring Air Partners– Ohio, L.L.C.	None

**SCHEDULE 3.1(a)(iii)**  
**TO BRIDGE LOAN AND SECURITY AGREEMENT**

**BINDING SECURITY AGREEMENTS OF GRANTORS**

1. The Senior Loan Agreement and the other Security Documents (as defined therein).
2. Trademark Security Agreement (as defined in the Senior Loan Agreement).
3. Assignments by the Grantors to the Senior Lenders, pursuant to the Senior Loan Agreement, of key man life insurance policies for (i) Paul Bagoon, (ii) Earl Kluff and (iii) Larry Bannister.
4. Assignments by the Grantors to Argosy Capital Group, L.P., Argosy Investment Partners, L.P., First New England Capital Limited Partnership, First New England Capital 2 L.P. and LVIR Investor Group, LP (successor to Dime Capital Partners, Inc.), pursuant to the Argosy Subordinated Debt Documents (as defined in the Senior Loan Agreement), of key man life insurance policies for (i) Paul Bagoon and (ii) Earl Kluff.
5. Assignments by the Grantors (excluding SAP-OH), to Earl Kluff, an individual, Michelle Kluff, an individual, Earl Kluff, as Custodian for Julianne Kluff and Alexander Kluff under the California Uniform Transfers to Minors Act, and David Binke, an individual, pursuant to the Kluff Subordinated Debt Documents (as defined in the Senior Loan Agreement), of key man life insurance policies for (i) Paul Bagoon and (ii) Earl Kluff.
6. The Bridge Loan B Security Agreement.

**SCHEDULE 3.1(a)(v)  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF FILING LOCATIONS FOR GRANTORS**

<b>GRANTOR</b>	<b>FILING OFFICE</b>
Spring Air Partners– North America, Inc.	New Jersey New York County, New York Dallas County, Texas
Spring Air Partners–New Jersey, Inc.	New Jersey Bergen County, New Jersey
Spring Air Partners–Pennsylvania, Inc.	New Jersey Adams County, Pennsylvania
Spring Air Partners–California, Inc.	New Jersey Los Angeles County, California
Spring Air California – Deluxe Bedding Co., Inc.	California Los Angeles County, California
Chattam & Wells, Inc.	Delaware New York County, New York
Chattam & Wells Mattress Company, LLC	California Los Angeles County, California
Spring Air Partners–Texas, Inc.	New Jersey Dallas County, Texas Oklahoma County, Oklahoma
Southland Bedding Company	Texas Dallas County, Texas
Springco Bedding Co.	Texas Oklahoma County, Oklahoma
Spring Air Partners– Ohio, L.L.C.	New Jersey Shelby County, Ohio Franklin County, Ohio

**SCHEDULE 3.2  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF LOCATIONS OF EQUIPMENT AND INVENTORY OF GRANTORS**

**SPRING AIR PARTNERS– NORTH AMERICA, INC.**

<u>Street Address</u>	<u>County</u>
134 Spring Street, Suite 202 & 204, New York, NY 10012	New York
2205 Hutton Drive, Ste. 110, Carrollton, TX 75006	Dallas

**SPRING AIR PARTNERS–PENNSYLVANIA, INC.**

<u>Street Address</u>	<u>County</u>
2801 Grant Avenue, NE, Philadelphia, PA 19114	Adams

**SPRING AIR PARTNERS–NEW JERSEY, INC.**

<u>Street Address</u>	<u>County</u>
170 Schuyler Avenue, North Arlington, NJ 07032	Bergen

**SPRING AIR PARTNERS–CALIFORNIA, INC.**

<u>Street Address</u>	<u>County</u>
111 N. Baldwin Park Blvd., City of Industry, CA 91746	Los Angeles
15110 Don Julian Road, City of Industry, CA 91746	Los Angeles

**CHATTAM & WELLS, INC.**

<u>Street Address</u>	<u>County</u>
134 Spring Street, Suite 202 & 204, New York, NY 10012	New York

**SPRING AIR CALIFORNIA – DELUXE BEDDING CO. INC.**

<u>Street Address</u>	<u>County</u>
111 N. Baldwin Park Blvd., City of Industry, CA 91746	Los Angeles
15110 Don Julian Road, City of Industry, CA 91746	Los Angeles

**CHATTAM & WELLS MATTRESS COMPANY, LLC**

<u>Street Address</u>	<u>County</u>
111 N. Baldwin Park Blvd., City of Industry, CA 91746	Los Angeles

**SPRING AIR PARTNERS-TEXAS, INC.**

<u>Street Address</u>	<u>County</u>
1207 W. Crosby Road, Carrollton, TX 75006	Dallas
1205 Crosby Road, Carrollton, TX 75006	Dallas
6200 Melrose Lane, Oklahoma City, OK 73217	Oklahoma

**SOUTHLAND BEDDING COMPANY**

<u>Street Address</u>	<u>County</u>
1207 W. Crosby Road, Carrollton, TX 75006	Dallas

**SPRINGCO BEDDING CO.**

<u>Street Address</u>	<u>County</u>
6200 Melrose Lane, Oklahoma City, OK 73217	Oklahoma

**SPRING AIR PARTNERS- OHIO, L.L.C.**

<u>Street Address</u>	<u>County</u>
530 Lakeview Plaza Blvd., Suite B, Worthington, OH 43085	Shelby
2303 John Glenn Avenue, Columbus, OH 43217	Franklin

**SCHEDULE 3.3  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**MATERIAL RECEIVABLES OF GRANTORS EVIDENCED BY CHATTEL PAPER**

None.



**SCHEDULE 3.4  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF INVESTMENT PROPERTY OF GRANTORS**

Pledged Debt of Grantors

None (other than that resulting from resolutions of Green Meadow Industries, LLC issues).

Security Accounts of Grantors

<u>Grantor</u>	<u>Name and Address of Securities Intermediary</u>	<u>Type of Account</u>	<u>Account Number</u>
Southland Bedding Co.	Citigroup Global Mkts Inc. 5950 Berkshire Lane, Suite 600 Dallas, TX 75225 Phone: 214-368-8555	Investment	609-25008-15 531

Pledged Equity Interests of Grantors

<u>Issuer</u>	<u>Certificate No. (if Applicable)</u>	<u>Registered Owner</u>	<u>No. and Class of Shares</u>	<u>% of Outstanding Equity Interests of Class</u>
Spring Air Partners–New Jersey, Inc.	1	Spring Air Partners– North America, Inc.	1,000 no par value	100%
Spring Air Partners–Pennsylvania, Inc.	1	Spring Air Partners– North America, Inc.	1,000 no par value	100%
Spring Air Partners–California, Inc.	1	Spring Air Partners– North America, Inc.	1,000 no par value	100%
Spring Air California – Deluxe Bedding Co., Inc.	60	Spring Air Partners– California, Inc.	390.0234 \$100 par value	100%
Chattam & Wells, Inc.	1	Spring Air Partners– North America, Inc.	1,000 Common, no par value	100%
Chattam & Wells Mattress Company, LLC	N/A	Chattam & Wells, Inc.	N/A	100%

Issuer	Certificate No. (if Applicable)	Registered Owner	No. and Class of Shares	% of Outstanding Equity Interests of Class
Spring Air Partners-Texas, Inc.	1	Spring Air Partners- North America, Inc.	1,000 no par value	100%
Southland Bedding Company	8	Spring Air Partners-Texas, Inc.	100 Class A, \$1.00 par value	100%
	56		30,000 Common, \$1.00 par value	100%
Springco Bedding Co.	02	Southland Bedding Company	1,000 Common, \$.01 par value	100%
Spring Air Partners- Ohio, L.L.C.	N/A	Spring Air Partners-New Jersey, Inc.	N/A	100%
The Spring Air Company	162	Spring Air Partners- North America, Inc.	216 Class A Common, \$10 par value	[ ]

**SCHEDULE 3.5  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF INTELLECTUAL PROPERTY OF GRANTORS**

Patents

None.

Copyrights

None.

Trademarks

GRANTOR	MARK	REG. NO.	REG. DATE
Spring Air Partners–New Jersey, Inc.	Fifth Avenue Collection	1,267,156	02/14/84
Spring Air Partners–New Jersey, Inc.	Spine–Saver	0,693,844	03/01/60
Spring Air Partners–New Jersey, Inc.	Select–A–Pedic	0,785,203	02/16/65
Spring Air Partners–New Jersey, Inc.	Custom Rest	1,397,684	06/17/85
Spring Air Partners–New Jersey, Inc.	Perm–A–Quilt	0,826,859	04/04/67
Spring Air Partners–New Jersey, Inc.	Ultra–Pedic	0,820,743	12/20/66
Spring Air Partners–New Jersey, Inc.	Vita–rest	0,820,742	12/20/66
Spring Air Partners–New Jersey, Inc.	Dual Pedic	0,905,518	01/05/71
Spring Air Partners–New Jersey, Inc.	Posture Corrector	1,695,612	10/29/90
Spring Air Partners–New Jersey, Inc.	Stress Reliever	1,675,119	02/11/92
Spring Air Partners–New Jersey, Inc.	Comfort Enhancer	1,748,523	09/10/91
Spring Air Partners–New Jersey, Inc.	Spinal Adjuster	1,666,766	12/03/91
Spring Air Partners–New Jersey, Inc.	Custom Cushion	1,666,767	12/03/91
Spring Air Partners–New Jersey, Inc.	Dura Zone	75/353,919	09/09/97
Spring Air Partners–New Jersey, Inc.	Ortho Fitness	1,610,590	10/21/90
Chattam & Wells, Inc.	Chattam Edge	2,217,121	01/12/99
Chattam & Wells, Inc.	Angelica	2,216,713	01/05/99
Chattam & Wells, Inc.	Portrait Frame	2,195,622	10/13/98
Chattam & Wells, Inc.	Timeless Quality–Crafted by Hand	2,185,864	09/01/98
Chattam & Wells, Inc.	Chattam & Wells	2,182,334	08/18/98

GRANTOR	MARK	REG. NO.	REG. DATE
Chattam & Wells, Inc.	Danielle	2,180,555	08/11/98
Chattam & Wells, Inc.	Cynthia	2,180,554	08/11/98
Chattam & Wells, Inc.	Francesca	2,180,553	08/11/98
Chattam & Wells, Inc.	Veronica	2,180,552	08/11/98
Chattam & Wells, Inc.	Elizabeth	2,176,845	07/28/98
Chattam & Wells, Inc.	Katherine	2,176,844	07/28/98
Chattam & Wells, Inc.	Marlena	2,176,843	07/28/98
Chattam & Wells, Inc.	Isabella	2,175,069	07/21/98
Chattam & Wells, Inc.	Sabrina	2,175,068	07/21/98
Chattam & Wells, Inc.	Fleur De Lis	75/551,009	09/11/98

Domain Names

Grantor	Domain Name
Spring Air Partners-North America, Inc.	sap-asia.com
Spring Air Partners-North America, Inc.	sap-ca.com
Spring Air Partners-North America, Inc.	sap-canada.com
Spring Air Partners-North America, Inc.	sap-canada.ca
Spring Air Partners-North America, Inc.	sap-na.com
Spring Air Partners-North America, Inc.	sap-nj.com
Spring Air Partners-North America, Inc.	sap-on.ca
Spring Air Partners-North America, Inc.	sap-on.net
Spring Air Partners-North America, Inc.	sap-pa.com
Spring Air Partners-North America, Inc.	sap-qc.com
Spring Air Partners-North America, Inc.	sap-qc.ca
Spring Air Partners-North America, Inc.	sap-tx.com

Licenses (as Licensee)

Each of Spring Air Partners–New Jersey, Inc., Spring Air Partners–Pennsylvania, Inc., Spring Air Partners–Canada, Inc., Spring Air Partners–California, Inc., Spring Air California–Deluxe Bedding Co., Inc., Chattam & Wells, Inc., Chattam & Wells Mattress Company, LLC, Spring Air Partners–Texas, Inc., Southland Bedding Company, Springco Bedding Co. and Spring Air Partners–Ohio, LLC licenses from The Spring Air Company the right to use the Spring Air name and certain trademarks and manufacturing processes of The Spring Air Company for the manufacture and distribution of the “Spring Air” brand of mattresses.

Licenses (as Licensee)

1. Chattam & Wells licenses to Alabama Bedding Manufacturing Company, an Alabama corporation having its principal place of business at 200–208 Third Avenue, N. 35204, Birmingham, Alabama 35201, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.
2. Chattam & Wells licenses to Spring Air Bedding Company, Inc., a Georgia corporation having its principal place of business at 200–208 Third Avenue, N. 35204, Birmingham, Alabama 35201, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.
3. Chattam & Wells licenses to The Milton Johns Company, an Illinois corporation having its principal place of business at 6201 S. Halem Avenue, Chicago, Illinois 60638, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.
4. Chattam & Wells licenses to Spring Air Mattress of Colorado, a Colorado corporation having its principal place of business at 1055 S. Jason Street, Denver, Colorado 80223, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.
5. Chattam & Wells licenses to American Bedding Industries, Inc., a Florida corporation having its principal place of business at 500 So. Falkenburg Road, Tampa, Florida 33619–8028, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.
6. Chattam & Wells licenses to Perfect Fit Industries, Inc., a Delaware corporation having its principal place of business at 8501 Tower Point Drive, Charlotte, North Carolina 28227, the right to use the Chattam & Wells name and certain trademarks and manufacturing processes of Chattam & Wells, Inc. for the manufacture and distribution of the "Chattam & Wells" brand of mattresses.

**SCHEDULE 3.7  
TO BRIDGE LOAN AND SECURITY AGREEMENT**

**LIST OF DEPOSIT ACCOUNTS OF GRANTORS**

<u>Entity</u>	<u>Bank</u>	<u>Type</u>	<u>Account #</u>
Spring Air Partners - California, Inc.	Comerica	Payroll	1891024950
	Provident Bank	Disbursement	0390302
Spring Air Partners - North America, Inc.	Provident Bank	Payroll	0391003
	Provident Bank	Disbursement	0390295
	Provident Bank	Master Concentration	0464842
	Bank One	Petty Cash	629615923
	Bank One	PM Account	629615931
Spring Air Partners - New Jersey, Inc.	Provident Bank	Disbursement/Payroll	0390310
	Bank of New York	Disbursement/Payroll	610-5915479
Spring Air Partners - Pennsylvania, Inc.	Provident Bank	Disbursement	0390055
	Provident Bank	Payroll	0391011
	PNC	Disbursement	86-0726-7023
Spring Air Partners - Texas, Inc.	Provident Bank	Disbursement	0390352
<u>Southland Bedding, Inc. (d/b/a Spring Air Mattress Co.)</u>	Chase Manhattan	Disbursement	846-09247073
	Chase Manhattan	Payroll	846-09247081
	Chase Manhattan	PM Account	846-09247099
<u>Springco Bedding Co. (d/b/a Spring Air Mattress Co.)</u>	Intrust	Petty Cash	160-3604713
Spring Air Partners - Ohio, L.L.C.	Provident Bank	Disbursement	0390287
	Provident Bank	Payroll	0390998

**TRADEMARK**  
**REEL: 002837 FRAME: 0630**

EXHIBIT A  
TO BRIDGE LOAN AND SECURITY AGREEMENT

**Form of Supplement**

SUPPLEMENT NO. \_\_, dated as of \_\_\_\_\_, to the BRIDGE LOAN AND SECURITY AGREEMENT, dated as of August 28, 2003, among [NAME OF GRANTOR], a \_\_\_\_\_ corporation (the "Grantor"), the other Grantors and Borrowers (as defined therein), and L&P FINANCIAL SERVICES CO., as Secured Party under the Bridge Loan referred to in the next paragraph (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement").

The Grantors have entered into the Loan Agreement in order to induce the Secured Party to enter into this Agreement. Article 11 of the Loan Agreement provides that additional Subsidiaries may become Grantors under the Loan Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Loan Agreement to become a Borrower and a Grantor under the Loan Agreement in order to induce the Secured Party to make additional Loans and as consideration for Loans previously made.

Accordingly, the Secured Party and the New Grantor hereby agree as follows:

1. In accordance with Article 11 of the Loan Agreement, the New Grantor by its signature below becomes a Borrower and a Grantor under the Loan Agreement with the same force and effect as if originally named therein as a Borrower and a Grantor, and the New Grantor hereby agrees to all the terms and provisions of the Loan Agreement applicable to it as a Borrower and a Grantor thereunder. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations, does hereby create and grant to the Secured Party (and its successors and assigns), a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Loan Agreement) owned or rights therein held by or on behalf of the New Grantor. Each reference to a "Borrower" and/or a "Grantor" in the Loan Agreement shall be deemed to include the New Grantor. The Loan Agreement is hereby incorporated herein by reference.

2. The New Grantor represents and warrants to the Secured Party that (i) this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) set forth on the Schedules attached hereto are true and complete schedules of all of the information that would have been required to have been delivered by or on behalf of the New Grantor pursuant to the Loan Agreement and the Schedules thereto if the New Grantor had been originally named in the Loan Agreement, and (iii) the representations and warranties made by it as a Borrower and a Grantor under the Loan Agreement are true and correct on and as of the date hereof based upon the applicable information referred to in clause (ii) of this Section.

3. This Supplement may be executed in counterparts (and by each party hereto on a different counterpart), each of which shall constitute an original, but both of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Secured Party shall have received counterparts of this Supplement that, when taken



together, bear the signatures of the New Grantor and the Secured Party. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

4. Except as expressly supplemented hereby, the Loan Agreement shall remain in full force and effect.

5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Loan Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

7. All communications and notices hereunder shall be in writing and given as provided in Article 12 of the Loan Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth in the applicable Schedule hereto, with a copy to the other Borrowers and Grantors.

8. The New Grantor agrees to reimburse the Secured Party for its reasonable out of pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Secured Party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the New Grantor and the Secured Party have duly executed this Supplement No. \_\_\_ to the Loan Agreement as of the day and year first above written.

**[NAME OF NEW GRANTOR]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

L&P FINANCIAL SERVICES CO., as Secured Party

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**[ATTACH SCHEDULES CORRESPONDING TO THE SCHEDULES TO THE LOAN AGREEMENT]**



**EXHIBIT B  
TO LOAN AGREEMENT**

**Form of Bridge Note A**

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR DEBT (AS DEFINED IN THE INTERCREDITOR AND SUBORDINATION AGREEMENT HEREINAFTER REFERRED TO) PURSUANT TO, AND TO THE EXTENT PROVIDED IN, THE INTERCREDITOR AND SUBORDINATION AGREEMENT DATED AUGUST 28, 2003 BY THE MAKERS HEREOF, THE HOLDER NAMED HEREIN, THE PROVIDENT BANK (IN ITS CAPACITY AS ADMINISTRATIVE AGENT FOR THE LENDERS THEREIN), THE PROVIDENT BANK (IN ITS CAPACITY AS A LENDER), BELTWAY CAPITAL PARTNERS, LLC (IN ITS CAPACITY AS A LENDER) AND OTHER PARTIES REFERRED TO IN SUCH INTERCREDITOR AND SUBORDINATION AGREEMENT (AS MODIFIED AND AMENDED FROM TIME TO TIME, THE "INTERCREDITOR AGREEMENT"). IN THE EVENT OF ANY CONFLICT BETWEEN ANY TERM OR PROVISION OF THIS NOTE OR ANY OTHER LOAN DOCUMENT AND THE TERMS AND PROVISIONS OF THE INTERCREDITOR AGREEMENT AND/OR ANY OF THE SENIOR LOAN DOCUMENTS, THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT AND THE SENIOR LOAN DOCUMENTS, AS APPLICABLE, SHALL CONTROL.

***BRIDGE NOTE A***

\$3,700,000

Date: August 28, 2003

FOR VALUE RECEIVED, the undersigned Makers, jointly and severally promise to pay to the order of **L&P FINANCIAL SERVICES CO.** (together with any holder hereof, called "Holder") with offices located in Carthage, Missouri, the principal sum of \$3,700,000, or as much of the principal thereof as has been advanced to the undersigned, at the offices of Holder at No. 1 Leggett Road, Carthage, Missouri 64836-0757 or at any other place designated by Holder, in lawful money of the United States, together with interest, said principal sum and interest being payable on the terms and at the rate provided in the Bridge Loan Agreement between the undersigned and Holder dated as of August 28, 2003 (as the same may be amended, renewed or extended, the "Loan Agreement").

This Note is subject to the terms and conditions of, and entitled to the benefits of the Collateral described in, the Loan Agreement. Capitalized terms not defined herein shall have the meanings given in the Loan Agreement.

No delay or failure on the part of the Holder in the exercise of any right or remedy hereunder, under the Loan Agreement, the Security Agreement or at law or in equity, shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy hereunder, under the Loan Agreement or the Security Agreement, or at law or in equity shall preclude or estop another or further exercise thereof or the exercise of any other right or remedy.

Principal and interest on this Note shall be payable and paid in lawful money of the United States of America.

The undersigned and all endorsers waive presentment, notice of dishonor and protest.

Time is of the essence of this Note and, in case this Note is collected by law or through an attorney at law, or under advice therefrom, the undersigned agrees to pay all costs of collection, including reasonable attorneys' fees if collected by or through an attorney.

The provisions of this Note shall be construed and interpreted and all rights and obligations of the parties hereunder determined in accordance with the laws of the State of New York.

THIS BRIDGE NOTE A AND THE OTHER LOAN DOCUMENTS EMBODY THE COMPLETE AGREEMENT AND UNDERSTANDING OF THE PARTIES HERETO AND SUPERSEDE AND PREEMPT ANY PRIOR UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS BY OR AMONG THE PARTIES, WHETHER WRITTEN OR ORAL, WHICH MAY HAVE RELATED TO THE SUBJECT MATTER HEREOF OR THEREOF IN ANY WAY, AND THIS BRIDGE NOTE A AND SUCH OTHER LOAN DOCUMENTS MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL DISCUSSIONS OR UNDERSTANDINGS OF THE PARTIES. THE PARTIES HERETO ACKNOWLEDGE AND AGREE THERE ARE NO ORAL UNDERSTANDINGS OR AGREEMENTS BETWEEN THEM WITH RESPECT TO THE SUBJECT MATTER HEREOF OR THEREOF.

**SIGNATURES BEGIN ON NEXT PAGE**

IN WITNESS WHEREOF, the undersigned Makers have caused this Bridge Note A to be executed and delivered in New York, New York, in its organizational name, by and through its respective duly authorized officers, as of the day and year first above written.

SPRING AIR PARTNERS – NORTH AMERICA,  
INC., as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SPRING AIR PARTNERS – NEW JERSEY, INC.,  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SPRING AIR PARTNERS – PENNSYLVANIA, INC.,  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SPRING AIR PARTNERS – CALIFORNIA, INC.,  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

CHATTAM & WELLS, INC.  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**SIGNATURES CONTINUE ON NEXT PAGE**

IN WITNESS WHEREOF, the undersigned Makers have caused this Bridge Note A to be executed and delivered in New York, New York, in its organizational name, by and through its respective duly authorized officers, as of the day and year first above written.

SPRING AIR PARTNERS - CANADA, INC.,  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SPRING AIR PARTNERS - OHIO, L.L.C.,  
as Maker

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**TRADEMARK**  
**REEL: 002837 FRAME: 0639**



EXHIBIT C  
TO LOAN AGREEMENT

**Form of Bridge Loan Warrant**

NEITHER THIS WARRANT NOR ANY OF THE SHARES ISSUED UPON EXERCISE OF THIS WARRANT, AS APPLICABLE, HAVE BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE PLEDGED, SOLD, ASSIGNED OR TRANSFERRED UNTIL (A) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW OR (B) THE COMPANY (DEFINED BELOW) RECEIVES AN OPINION OF COUNSEL TO THE COMPANY OR COUNSEL TO THE HOLDER OF SUCH WARRANT OR THE SHARES OF COMMON STOCK ISSUED UPON EXERCISE OF THIS WARRANT, AS APPLICABLE, (PROVIDED SUCH OTHER COUNSEL IS REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH WARRANT OR THE SHARES OF COMMON STOCK ISSUED UPON EXERCISE OF THIS WARRANT, AS APPLICABLE, MAY BE PLEDGED, SOLD, ASSIGNED OR TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAW.

WARRANT

To Purchase Common Stock of  
Spring Air Partners-North America, Inc.

This certifies that, for One Dollar (\$1.00) and other good and valuable consideration, L&P Financial Services Co. ("L&P Finco"), a \_\_\_\_\_ corporation, is entitled to purchase from Spring Air Partners-North America, Inc., a New Jersey corporation (the "Company"), at any time within and prior to the expiration of the Exercise Period an amount of Warrant Stock calculated as follows: .03 multiplied by the Fully Diluted Shares (as defined below) existing on the date of issuance of this Warrant. The purchase price of such Warrant Stock shall be equal to the Exercise Price (as defined below). This warrant (the "Warrant") is the Common Stock Purchase Warrant contemplated by and issued pursuant to that certain Bridge Note A dated as of August \_\_\_\_, 2003, as such note may be amended, modified, supplemented, restated or replaced from time to time (the "Agreement"), between the Company and L&P Finco, and subject to the Agreement, the Registration Rights Agreement and the Amended and Restated Shareholders Agreement, copies of which agreements are on file at the principal office of the Company, the Holder of this Warrant shall be entitled to all of the benefits of the Agreement, the Registration Rights Agreement and the Amended and Restated Shareholders Agreement, as provided therein. If any term of this Warrant conflicts with any term of the Agreement, the terms of this Warrant shall be controlling.

1. Definitions. For the purpose of this Warrant, the following terms shall have the meanings indicated in this Section 1, unless the context clearly requires otherwise:

(a) "Amended and Restated Shareholders' Agreement" shall mean the Second Amended and Restated Shareholders' Agreement, dated September 28, 2000, by and among the Company and the Company's shareholders names therein, as modified and amended from time to time.

(b) "Closing Date" shall mean August \_\_\_, 2003.

(c) "Capital Stock" shall mean, collectively, the Common Stock and any other stock of any class, whether now or hereafter authorized, which has the right to participate in the distribution of earnings and assets of the Company without limit as to amount or percentage; provided, however, Capital Stock shall not include any shares at any time directly or indirectly owned by the Company.

(d) "Common Stock" shall mean shares of the Company's common stock, no par value per share.

(e) "Convertible Securities" shall mean, collectively, any class or series of securities of the Company, including without limitation, stock, notes, or debentures, which are convertible at the option of the holder thereof or the Company, or upon the occurrence of certain events, into shares of Capital Stock.

(f) "Exercise Period" shall mean the period commencing on the date hereof and ending on the earlier of (i) the seventh anniversary of the Closing Date, and (ii) 10 Business Days following L&P Finco's receipt of payment in full of all principal, interest and penalties owed to it under the Agreement.

(g) "Exercise Price" shall mean, with respect to any share of Warrant Stock, \$.01; provided, however, the Exercise Price for all shares of Warrant Stock hereunder shall not exceed One Hundred Dollars (\$100.00) in the aggregate and shall be subject to adjustment pursuant to Section 5.

(h) "Fully Diluted Shares" shall mean, without duplication, as of the date hereof, the total number of shares of Common Stock of all classes issued and outstanding, which shall be deemed to include: (i) all shares of Common Stock of all classes then outstanding; (ii) all shares of Common Stock of all classes issuable upon conversion or exercise of all the outstanding and exercisable securities, options, warrants (but not including this Warrant) and other rights (including exchange rights) to purchase Common Stock; and (iii) all shares of Common Stock of all classes issuable upon conversion or exercise of options or other securities issuable (including those reserved for issuance) pursuant to the Company's existing stock option plans, agreements or arrangements pursuant to which securities of the Company may be issued.

(i) "Holder" shall mean, collectively, the Holder of this Warrant identified in the initial paragraph hereof and any subsequent holder(s) of this Warrant, Warrant Stock, or portion thereof, as appropriate.

(j) "Other Warrants" shall mean the warrants issued to Bridge B Lenders pursuant to the Bridge B Loan Documents.

(k) "Registration Rights Agreement" shall mean that certain Amended and Restated Registration Rights Agreement, dated as of September 28, 2000, between the Company, Holder and the other parties named therein, as from time to time amended and in effect between the parties.

(l) "Securities Act" shall mean the Securities Act of 1933, as amended.

(m) "Warrant Stock" shall mean the shares purchased upon exercise of the Warrant.

Any other capitalized terms used herein which are not defined in this Section 1 or elsewhere in this Warrant, but which are defined in the Agreement, shall have the meanings ascribed to such terms in the Agreement.

## 2. Exercise of Warrant; Automatic Exercise.

(a) The rights represented by this Warrant may be exercised in whole or in part (but not as to a fractional share of Common Stock) by the surrender of this Warrant, properly endorsed, at the principal executive offices of the Company or at such other address of the Company shall have advised the Holder in writing (the "Designated Office") and upon payment to it by certified check or bank draft of the Exercise Price for the shares purchasable thereunder. The persons entitled to the shares so purchased shall be treated for all purposes as the holders of such shares as of the close of business on the date of exercise. Certificates for the shares of Warrant Stock so purchased together with a new warrant or warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock with respect to which this Warrant has not been exercised (each such warrant to be for such portion of the total shares as the Holder thereof shall designate), and shall be issued and delivered to the persons so entitled within a reasonable time, not exceeding thirty (30) days, after such exercise.

(b) Until such time as this Warrant is exercised, in whole or in part, the Holder hereof shall have no rights as a shareholder of the Company.

(c) Notwithstanding anything contained herein to the contrary, as to any portion of this Warrant which has not been exercised, the Holder shall be deemed to have exercised this Warrant immediately prior to the expiration of the Exercise Period and, in connection with any automatic exercise of this Warrant pursuant hereto, the Holder shall pay the Exercise Price to the Company within thirty (30) days after the Holder's receipt of written notice from the Company in the manner provided in Section 2(a) hereof.

(d) Notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company at the Designated Office with a written notice of the Holder's intention to effect a cashless exercise, including a calculation of the number of shares to be issued upon such exercise in accordance with the terms hereof. In the event of a cashless exercise at the Holder's election (including a deemed election pursuant to Section 2 hereof), in lieu of paying the Exercise Price in cash, the Holder shall surrender this Warrant for that number of shares of Common Stock determined by multiplying the number of shares of Warrant Stock to

which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Fair Market Value (defined below) per share of the Common Stock and the then applicable Exercise Price and the denominator of which shall be the then current Fair Market Value per share of the Common Stock. The "Fair Market Value" shall mean (1) if the shares are traded on an exchange or quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the closing price on the day before the exercise date, (2) if the shares are not traded on an exchange or on The NASDAQ National Market but are traded in the over the counter market, the closing price on the day before the exercise date, or (3) if the shares are not traded on an exchange or on The NASDAQ National Market or in the over the counter market, the Fair Market Value as determined in good faith by the Board of Directors of the Company.

3. Transfer; Restrictive Legends.

(a) **Transfer.** Subject to compliance with the restrictions on transfer set forth in this Section 3, each transfer of this Warrant and all rights hereunder, in whole or in part, shall be registered on the books of the Company to be maintained for such purpose, upon surrender of this Warrant at the Designated Office, together with a written assignment of this Warrant in the form of Annex A attached hereto duly executed by the holder or its agent or attorney. Upon such surrender and delivery, the Company shall execute and deliver a new warrant or warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new warrant evidencing the portion of this Warrant not so assigned, if any. A warrant, if properly assigned in compliance with the provisions hereof, may be exercised by the new holder for the purchase of Warrant Stock without having a new warrant issued. Prior to due presentment for registration of transfer thereof, the Company may deem and treat the registered holder of this Warrant as the absolute owner hereof (notwithstanding any notations of ownership or writing thereon made by anyone other than a duly authorized officer of the Company) for all purposes and shall not be affected by any notice to the contrary. All warrants issued upon any assignment of this Warrant shall be the valid obligations of the Company, evidencing the same rights, and entitled to the same benefits as the warrant surrendered upon such registration of transfer or exchange.

(b) **Requirements for Transfer.** None of the Warrant Stock nor this Warrant shall be sold or transferred unless either (i) the offering of such Warrant Stock or this Warrant, as the case may be, first shall have been registered under the Securities Act, or (ii) the Company first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Company, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act.

(c) **Restrictive Legends.**

- (i) In addition to any other legends required by law or any agreement to which Holder is a party, except as otherwise provided in this Section 3, each certificate for Warrant Stock initially issued upon the exercise of this Warrant, and each certificate for Warrant Stock issued to any subsequent transferee of any such certificate, shall be

stamped or otherwise imprinted with a legend in substantially the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. NO TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE OR ISSUED UPON CONVERSION OF SUCH SHARES SHALL BE VALID OR EFFECTIVE UNLESS (A) SUCH TRANSFER IS MADE PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (B) THE HOLDER SHALL DELIVER TO THE COMPANY AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY THAT SUCH PROPOSED TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

- (ii) Except as otherwise provided in this Section 3, each Warrant shall be stamped or otherwise imprinted with a legend in substantially the form set forth on the face hereof.
- (iii) Notwithstanding the foregoing, the legend requirements of this Section 3(c) shall terminate as to any particular Warrant or share of Warrant Stock when the Company shall have received from the holder thereof an opinion of counsel in form and substance reasonably acceptable to the Company that such legend is not required in order to ensure compliance with the Securities Act and applicable state securities laws. Whenever the restrictions imposed by this Section 3(c) shall terminate, the holder hereof or of Warrant Stock, as the case may be, shall be entitled to receive from the Company without cost to such holder a new Warrant or certificate for Warrant Stock of like tenor, as the case may be, without such restrictive legend.

4. Certain Covenants of the Company. The Company covenants and agrees that all shares which may be issued upon the exercise of this Warrant will, upon issuance, be duly and validly issued, fully paid and non-assessable and free from all taxes, liens, encumbrances, options, preemptive rights, and other charges with respect to the issue thereof. The Company further covenants and agrees that during the Exercise Period, (a) the Company shall, at all times, have authorized and reserved for the purpose of issue upon exercise of the rights evidenced by this Warrant, a sufficient number of shares of Common Stock to provide for the

exercise of the rights represented by this Warrant, (b) the Company shall at all times observe the representations, warranties, agreements and covenants set forth in the Agreement, (c) the Company will not, by amendment of its articles or certificate of incorporation or through any reclassification, capital reorganization, consolidation, merger, sale or conveyance of assets, dissolution, liquidation, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of Holder hereunder, and (d) the Company will not issue any Convertible Securities (except for the Other Warrants).

5. Adjustment of Number of Shares. The number and kind of Warrant Shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events as follows:

(a) Mergers and Reclassifications. If at any time while this Warrant or any portion thereof remains outstanding and unexpired, there shall be any reclassification, capital reorganization or change of the Common Stock (other than as a result of a subdivision, combination or stock dividend provided for in Section 5(b) hereof), or any consolidation of the Company with, or merger of the Company into, another corporation or other business organization (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or change of the outstanding Common Stock), or any sale or conveyance to another corporation or other business organization of all or substantially all of the assets of the Company, then, as a condition of such reclassification, reorganization, change, consolidation, merger, sale or conveyance, lawful provisions shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall thereafter have the right to purchase, at a total price not to exceed that payable upon the exercise of this Warrant in full, the kind and amount of shares of stock and other securities and property receivable upon such reclassification, reorganization, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which might have been purchased by the Holder immediately prior to such reclassification, reorganization, change, consolidation, merger, sale or conveyance, and in any such case appropriate provisions shall be made with respect to the rights and interest of the Holder to the end that the provisions thereof (including without limitation, provisions for the adjustment of the Exercise Price and number of shares issuable hereunder) shall thereafter be applicable in relation to any shares of stock or other securities and property thereafter deliverable upon exercise hereof.

(b) Stock Splits, Stock Dividends and Reverse Stock Splits. In case at any time while this Warrant or any portion thereof remains outstanding and unexpired, the Company shall split or subdivide the outstanding securities as to which purchase rights under this Warrant exist into a greater number of shares, or shall declare and pay any stock dividend with respect to its outstanding stock that has the effect of increasing the number of outstanding shares of such securities, the Exercise Price in effect immediately prior to such subdivision or stock dividend shall be proportionately reduced and the number of shares of Warrant Stock purchasable pursuant to this Warrant immediately prior to such subdivision or stock dividend shall be proportionately increased, and

conversely, in case at any time the Company shall combine the outstanding securities as to which purchase rights under this Warrant exist into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of shares of Warrant Stock purchasable upon the exercise of this Warrant immediately prior to such combination shall be proportionately reduced.

(c) Other Action Affecting Capital Stock. In case while this Warrant or any portion thereof remains outstanding and unexpired, the Company shall take any action affecting the Capital Stock, other than an action described in any of the foregoing Sections 5(a) and 5(b) hereof, which in the opinion of the Company's Board of Directors would have a materially adverse effect upon the rights of the Holder or the number of shares of Capital Stock purchasable hereunder, then the number of shares of Common Stock purchasable upon exercise of this Warrant shall be adjusted in such manner and at such time as the Company's Board of Directors on the advice of the Company's independent public accountants may in good faith determine to be equitable in the circumstances.

Nothing contained in this Section 5 shall permit the Company to take any action otherwise prohibited under the Agreement.

6. Notice of Adjustments. In the event the Company shall take any action which pursuant to Sections 5(a), 5(b), or 5(c) hereof, may result in an adjustment of the number of shares of Common Stock purchasable upon exercise of this Warrant, the company will give to the Holder at its last addresses known to the Company written notice of such action (by first class mail, postage prepaid) ten (10) days in advance of its effective date in order to afford to the Holder an opportunity to exercise this Warrant prior to the effective date. Such notice shall contain the company's certificate signed by its President and by its Chief Financial Officer, setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Company's Board of Directors made any determination hereunder), and the number of shares of Common Stock purchasable after giving effect to such adjustment. In the event that the actual adjustment required by such event is different from that set forth in such notice, the Company shall promptly mail to the Holder a revised certificate and notice in accordance with this Section 6.

7. Fractional Shares. No fractional shares of Common Stock will be issued in connection with any purchase hereunder. Shares of Common Stock purchasable hereunder shall be rounded upward to the next whole share.

8. Registration Rights. This Warrant shall be deemed to have, and shall be subject to, all of the rights set forth in that certain Registration Rights Agreement.

9. Loss, Theft, Destruction or Mutilation. Upon receipt by the Company of reasonable evidence satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft, or destruction) of reasonable indemnity and (in the case of mutilation) upon

surrender and cancellation thereof, the Company will execute and deliver, in lieu thereof, new Warrants of like tenor.

- 10. Governing Law. This Warrant shall be construed and enforced in accordance with, and governed by, the laws of the State of New Jersey (not including the choice of law rules thereof) regardless of the jurisdiction of creation or domicile of the Company or its successors or of the holder at any time hereof.
- 11. Severability. If any term of this Warrant as applied to any person or to any circumstance is prohibited, void, invalid or unenforceable in any jurisdiction, such term shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without in any way affecting any other term of this Warrant or affecting the validity or enforceability of this Warrant or of such provision in any other jurisdiction.
- 12. Headings. The descriptive headings of the several sections of these Warrants are inserted for convenience only and do not constitute a part of these Warrants.

IN WITNESS WHEREOF, the Company, intending to be legally bound hereby, has caused this original warrant to be signed by its duly authorized officer, attested by its duly authorized officer, and this Warrant to be dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

SPRING AIR PARTNERS – NORTH AMERICA, INC.

By: \_\_\_\_\_  
[Name]  
[Title]

Attest: \_\_\_\_\_  
[Name]  
[Title]

("Company")



STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

SS:

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me, a notary public, the undersigned officer, personally appeared \_\_\_\_\_, who acknowledged himself to be the President of SPRING AIR PARTNERS - NORTH AMERICA, INC., a New Jersey corporation, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

ANNEX A

**FORM of ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under this Warrant, with respect to the number of shares of Warrant Stock set forth below:

<u>Name and Address of Assignee</u>	<u>Number of Shares of Warrant Stock</u>

and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney-in-fact to register such transfer onto the books of Spring Air Partners- North America, Inc. maintained for the purpose, with full power of substitution and resubstitution in the premises.

Dated: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Witness: \_\_\_\_\_

**NOTICE:** *The signature on this assignment must correspond with the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.*

**EXHIBIT D  
TO LOAN AGREEMENT**

Form of Guarantee Agreement

**GUARANTEE AGREEMENT**

**among**

**DANIEL J. SULLIVAN, SR.,**

**KENMARE CAPITAL, LLC**

**SPRING AIR LIMITED PARTNERSHIP,**

**INISH ,**

**THE SULLIVAN FAMILY LIMITED PARTNERSHIP**

**AS GUARANTORS**

**and**

**L&P FINANCIAL SERVICES CO., AS LENDER**

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**Dated as of August 28, 2003**

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SPRING AIR  
GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated as of August 25, 2003 by and among Daniel J. Sullivan, Jr., an individual having an address of 134 Spring Street, Suite 202 & 204, New York, NY 10012, Kenmare Capital, LLC, a Delaware limited liability company ("KC-LLC"), Spring Air Limited Partnership, a New Jersey limited partnership (the "Spring Air Partnership"), INISH Management Corporation, a New Jersey corporation, ("INISH"), and The Sullivan Family Limited Partnership, a New Jersey limited partnership ("Family Partnership") (each of Mr. Sullivan, KC-LLC, the Spring Air Partnership and the Family Partnership, a "Guarantor" and collectively, the "Guarantors"), and L&P Financial Services Co, a Delaware corporation ("Lender").

Reference is made to the Bridge Loan and Security Agreement, dated as of even date herewith among Spring Air Partners – North America, Inc. ("SAP-NA"), Spring Air Partners – New Jersey, Inc. ("SAP-NJ"), Spring Air Partners – Pennsylvania, Inc. ("SAP-PA"), Spring Air Partners – California, Inc. ("SAP-CA"), Chattam & Wells, Inc. ("C&W"), Spring Air California – Deluxe Bedding Co., Inc. (SAC-DB"), Chattam & Wells Mattress Company, L.L.C. ("C&W Mattress"), Spring Air Partners – Texas, Inc. ("SAP-TX"), Southland Bedding Company ("Southland"), Springco Bedding Co. ("Springco"), and Spring Air Partners – Ohio, L.L.C. ("SAP-OH") (each of SAP-NA, SAP-NJ, SAP-PA, SAP-CA, C&W, SAC-DB, C&W Mattress, SAP-TX, Southland, Springco and SAP-OH a "Borrower" and collectively, the "Borrowers") and of Lender (as amended, supplemented or otherwise modified from time to time, the "Bridge Loan Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Bridge Loan Agreement.

The Lender has agreed to make the Bridge Loan to the Borrowers pursuant to, and upon the terms and subject to the conditions specified in, the Bridge Loan Agreement. Each Guarantor acknowledges that (i) it will derive substantial benefit from the making of the Bridge Loan and (ii) the execution and delivery by the Guarantors of this Guarantee Agreement is a condition precedent to the effectiveness of the Bridge Loan Agreement, and the Lender would not have entered into the Bridge Loan Agreement if the Guarantors had not executed and delivered this Guarantee Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE 20.

GUARANTEE; FRAUDULENT TRANSFER, ETC.; CONTRIBUTION

Section 20.1 Guarantee

Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

Section 20.2 Guarantee of Payment

Each Guarantor further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any

resort be had by the Lender to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Lender in favor of the Borrowers or any other person.

### Section 20.3 Fraudulent Transfer

Anything in this Guarantee Agreement to the contrary notwithstanding, the obligations of each Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render such Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer, obligation or conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor (A) in respect of intercompany debt owed or owing to any Borrower or Affiliate of any Borrower to the extent that such debt would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (B) under any Guarantee of senior unsecured debt or Indebtedness subordinated in right of payment to the Obligations, which Guarantee contains a limitation as to maximum amount similar to that set forth in this clause this Section, pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such Guarantor pursuant to (I) applicable law or (II) any agreement providing for an equitable allocation among such Guarantor and other Affiliates of any Borrower of obligations arising under guarantees by such parties (including the agreements described in Section 1.4).

### Section 20.4 Contributions

In addition to all rights of indemnity and subrogation the Guarantors may have under applicable law (but subject to this paragraph), the Borrowers agree that (i) in the event a payment shall be made by any Guarantor hereunder, the Borrower shall indemnify such Guarantor for the full amount of such payment, and such Guarantor shall be subrogated to the rights of the Person to whom such payments shall have been made to the extent of such payment, and (ii) in the event that any assets of any Guarantor shall be sold pursuant to the Bridge Loan Agreement to satisfy any claim of Lender, the Borrowers shall indemnify such Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold. Each Guarantor (a "Contributing Guarantor") agrees (subject to this paragraph) that, in the event a payment shall be made by any other Guarantor hereunder or assets of any other Guarantor shall be sold pursuant to the Bridge Loan Agreement to satisfy a claim of the Lender and such other Guarantor (the "Claiming Guarantor") shall not have been fully indemnified by the Borrowers as provided in this paragraph, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair market value of such assets, as applicable, in each case multiplied by a fraction of which the numerator shall be the net worth of the Contributing Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Article 14, the date of the Supplement hereto executed and delivered by such Guarantor). Any Contributing Guarantor making any payment to a Claiming Guarantor pursuant to this paragraph shall be subrogated to the rights of such Claiming Guarantor under this paragraph to the extent of such payment. Notwithstanding any provision of this paragraph to the contrary, all rights of the Guarantors under this paragraph and

all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the final and indefeasible payment in full in cash of the Obligations. No failure on the part of any Borrower or any Guarantor to make the payments required by this paragraph (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations under this paragraph, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor under this paragraph.

## ARTICLE 21.

### OBLIGATIONS NOT WAIVED

To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from, and protest to any Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Guarantor hereunder shall not be affected by (i) the failure of the Lender to assert any claim or demand or to enforce or exercise any right or remedy against any Borrower or any other Guarantor under the provisions of the Bridge Loan Agreement, or otherwise, (ii) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of this Guarantee Agreement, or any other agreement, including with respect to any other Guarantor under this Guarantee Agreement or (iii) the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Lender.

## ARTICLE 22.

### SECURITY

Each Guarantor authorizes the Lender to (i) take and hold security for the payment of the obligations under this Guarantee Agreement and the Obligations and exchange, enforce, waive and release any such security, (ii) apply such security and direct the order or manner of sale thereof in accordance with the Bridge Loan Agreement and (iii) release or substitute any one or more endorsees, other Guarantors or other obligors.

## ARTICLE 23.

### NO DISCHARGE OR DIMINISHMENT OF GUARANTEE

The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the final and indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Lender to assert any claim or demand or to enforce any remedy under the Bridge Loan Agreement or any other agreement, by any waiver or modification



of any provision of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the final and indefeasible payment in full in cash of all the Obligations).

#### ARTICLE 24.

##### DEFENSES OF BORROWER WAIVED

To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of any Borrower or any Guarantor or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Borrower or any other Guarantor, other than the final and indefeasible payment in full in cash of the Obligations. The Lender may, at its election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with any Borrower or any Guarantor or exercise any other right or remedy available to it against any Borrower or any Guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against any Borrower or any other Guarantor, as applicable, or any security.

#### ARTICLE 25.

##### AGREEMENT TO PAY; SUBORDINATION

In furtherance of the foregoing and not in limitation of any other right that the Lender has at law or in equity against any Guarantor by virtue hereof, upon the failure of any Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Lender as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Lender as provided above, all rights of such Guarantor against the applicable Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior final and indefeasible payment in full in cash of the Obligations. In addition, any debt of the Borrower or any other Guarantor now or hereafter held by any Guarantor is hereby subordinated in right of payment to the prior final and indefeasible payment in full in cash of the Obligations. If any amount shall erroneously be paid to any Guarantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such debt of any Borrower or such other Guarantor, such amount shall be held in trust and shall forthwith be paid to the Lender to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Bridge Loan Agreement. Notwithstanding the foregoing, provided that so long as (w) Borrowers shall be and will continue after such payment, to be in compliance with all financial covenants set

forth in Section 3.1(b) of the Bridge Loan and Security Agreement, (x) no Default or Event of Default has occurred and is continuing or would be caused by any such payment, (y) such management fees do not exceed \$350,000 in the aggregate in any fiscal year, and (z) the Senior Lenders have approved such payment, SAP-NA may pay to INISH management fees pursuant to that certain Agreement to Provide Management Services dated as of August 6, 1999.

#### ARTICLE 26.

#### INFORMATION

Each Guarantor assumes all responsibility for being and keeping itself informed of each Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that the Lender will not have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

#### ARTICLE 27.

#### REPRESENTATIONS AND WARRANTIES

Each of the Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Bridge Loan Agreement are true and correct.

#### ARTICLE 28.

#### TERMINATION

The guarantees made hereunder (i) shall terminate one year after all commitments under the Bridge Loan Agreement have expired or otherwise terminated and the principal of and interest on the Loan and all fees and other amounts payable shall have been finally and indefeasibly paid in full (the "Loan Repayment") and (ii) shall continue to be effective or be reinstated, as applicable, if at any time payment, or any part thereof, of any such Obligation is rescinded or must otherwise be restored by Lender or any Guarantor upon the bankruptcy or reorganization of any Borrower or otherwise (the "Termination Date"). Notwithstanding the foregoing, should the Borrowers maintain a continuous current status with respect to Trade Payables for a period of one hundred twenty (120) days following the Loan Repayment, the Lender agrees to forbear from taking enforcement action against the Guarantors under the terms of this Guarantee during such period that the Borrowers thereafter continue to maintain such a current status, provided that should the Borrowers fail to maintain current status with regard to Trade Payables prior to the Termination Date, then the Lender's forbearance will cease and Lender may exercise all rights under the terms of this Guarantee. For purposes of clarity, nothing in this agreement shall prohibit the Lender from exercising any remedies set forth in the Bridge Loan Agreement under the terms and conditions set forth therein.

## ARTICLE 29.

### BINDING EFFECT; SEVERAL AGREEMENT; ASSIGNMENTS

Whenever in this Guarantee Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Guarantor that are contained in this Guarantee Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Guarantee Agreement shall become effective as to any Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Lender and a counterpart hereof shall have been executed on behalf of the Lender, and thereafter shall be binding upon such Guarantor and the Lender and their respective successors and assigns, and shall inure to the benefit of such Guarantor and the Lender and its respective successors and assigns, except that no Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly contemplated by this Guarantee Agreement or the Bridge Loan Agreement. If any of the equity interests in any Guarantor, as applicable, is sold, transferred or otherwise disposed of pursuant to a transaction permitted by the Bridge Loan Agreement, immediately after giving effect thereto, then the obligations of such Guarantor under this Guarantee Agreement shall be automatically released. This Guarantee Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

## ARTICLE 30.

### WAIVERS; AMENDMENTS

#### Section 30.1 No Waiver

No failure or delay of the Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder and under the other Bridge Loan Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Guarantee Agreement or any other Bridge Loan Agreement or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by Section 11.2, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

#### Section 30.2 Amendments, etc.

Neither this Guarantee Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into by, between or among the Lender and any Guarantor with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.2 of the Bridge Loan Agreement.

ARTICLE 31.

NOTICES

All communications and notices hereunder shall be in writing and given as provided in Article 12 of the Bridge Loan Agreement. All communications and notices hereunder to each Guarantor shall be given to it at its address set forth on Schedule I hereto, with a copy to the Borrower.

ARTICLE 32.

SURVIVAL OF AGREEMENT; SEVERABILITY

Section 32.1 Survival of Agreement

All covenants, agreements, representations and warranties made by the Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Guarantee Agreement or any Bridge Loan Agreement shall be considered to have been relied upon by the Lender and shall survive the execution and delivery of the Bridge Loan Agreement, the making of the Loan, regardless of any investigation made by the Lender or on its behalf, and shall continue in full force and effect until this Guarantee Agreement shall terminate.

Section 32.2 Severability

In the event any one or more of the provisions contained in this Guarantee Agreement or in the Bridge Loan Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

ARTICLE 33.

ADDITIONAL GUARANTORS

Upon execution and delivery after the date hereof by the Lender and any additional guarantor of an instrument in the form of Annex 1, such Guarantor shall become an Additional Guarantor hereunder with the same force and effect as if originally named as a Guarantor herein. The execution and delivery of any such instrument shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Additional Guarantor as a party to this Guarantee Agreement.

ARTICLE 34.

RIGHT OF SETOFF

If an Event of Default shall have occurred and be continuing, Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by the Lender to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor now or hereafter existing under this Guarantee Agreement and the Bridge Loan Agreement held by the Lender, irrespective of whether or not Lender shall have made any demand under this Guarantee Agreement or any other Loan Document and although such obligations may be unmaturred. The rights of the Lender under this Article are in addition to other rights and remedies (including other rights of setoff) which the Lender may have.

ARTICLE 35.

GOVERNING LAW; JURISDICTION; VENUE; WAIVER OF JURY TRIAL

Section 35.1 GOVERNING LAW

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 35.2 Consent to Jurisdiction

Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Missouri State court or Federal court of the United States of America sitting in Jasper County, Missouri, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guarantee Agreement or the other Bridge Loan Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such Missouri State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee Agreement shall affect any right that the Lender or any other may otherwise have to bring any action or proceeding relating to this Guarantee Agreement or the Bridge Loan Agreement or any other document against any Guarantor, or any of its property, or in the courts of any jurisdiction.

Section 35.3 Waiver of Objection to Venue

Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guarantee Agreement or the Bridge Loan Agreement or any other document in any court referred to in Section 16.2. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 35.4 Consent to Service of Process

Each party to this Guarantee Agreement irrevocably consents to service of process in the manner provided for notices in Article 12. Nothing in this Guarantee Agreement will affect the right of any party to this Guarantee Agreement to serve process in any other manner permitted by law.

Section 35.5 WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTEE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

ARTICLE 36.

MISCELLANEOUS

Section 36.1 Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 36.2 Counterparts

This Guarantee Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Article 10), and shall become effective as provided in Article 10. Delivery of an executed counterpart of this Guarantee Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Guarantee Agreement.

Section 36.3 Rules of Interpretation

The rules of interpretation specified in Sections 1.1(c) and 1.1(d) of the Bridge Loan Agreement shall be applicable to this Guarantee Agreement.

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SPRING AIR  
GUARANTEE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have duly executed this Guarantee Agreement as of the day and year first above written.

By: \_\_\_\_\_  
Name: Daniel J. Sullivan, Sr.

KENMARE CAPITAL, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE SULLIVAN FAMILY LIMITED  
PARTNERSHIP, by its General Partner

EMERALD, INC.

By: \_\_\_\_\_  
Name: Daniel J. Sullivan  
Title: President

SPRING AIR LIMITED  
PARTNERSHIP, by its General Partner

Sullivan Family Limited Partnership, by its  
General Partner

EMERALD, INC.

By: \_\_\_\_\_  
Name: Daniel J. Sullivan, Sr.  
Title: President

**SPRING AIR  
GUARANTEE AGREEMENT**

IN WITNESS WHEREOF, the parties hereto have duly executed this Guarantee Agreement as of the day and year first above written.

INISH Management Corp.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

L&P FINANCIAL SERVICES CO,  
as Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**SPRING AIR  
GUARANTEE AGREEMENT**

**SCHEDULE I**

Notice Addresses

<b>DANIEL J. SULLIVAN, SR.</b>	
<b>KENMARE CAPITAL, LLC</b>	
<b>SPRING AIR LIMITED PARTNERSHIP</b>	
<b>THE SULLIVAN FAMILY LIMITED PARTNERSHIP</b>	
<b>INISH MANAGEMENT CORP.</b>	

SPRING AIR  
GUARANTEE AGREEMENT

ANNEX 1 TO THE GUARANTEE AGREEMENT

**FORM OF SUPPLEMENT**

SUPPLEMENT NO. \_\_, dated as of \_\_\_\_\_, to the GUARANTEE AGREEMENT, dated as of August 28, 2003, by and among Daniel J. Sullivan, Jr., an individual having an address of 134 Spring Street, Suite 202 & 204, New York, NY 10012, Kenmare Capital LLC, a New Jersey limited liability company ("KC-LLC") Spring Air Limited Partnership ("Spring Air"), INISH Management Corp., a New Jersey corporation, ("INISH") and The Sullivan Family Limited Partnership, a New Jersey limited partnership ("Family Partnership") (each of Mr. Sullivan, Kenmare, KC-LLC, Spring Air, INISH and The Family Partnership, a "Guarantor" and collectively, the Guarantors"), and L&P Financial Services Co., a Delaware corporation ("Lender") (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement").

Reference is made to the Bridge Loan and Security Agreement, dated as of August 28, 2003, among the Borrowers and Lender (as amended, supplemented or otherwise modified from time to time, the "Bridge Loan Agreement"). Capitalized terms used herein and not defined herein, shall have the meanings assigned to such terms in the Bridge Loan Agreement and the Guarantee Agreement.

The Guarantors have entered into the Guarantee Agreement in order to induce the Lender to make the Loans. Article 14 of the Guarantee Agreement provides that Additional Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Bridge Loan Agreement to become a Guarantor under the Guarantee Agreement in order to induce the Lender to make additional Loans and as consideration for Loan previously made.

Accordingly, the Lender and the New Guarantor agree as follows:

1. In accordance with Article 14 of the Guarantee Agreement, the New Guarantor by its signature below becomes a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Guarantor, and the New Guarantor hereby (a) agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Guarantee Agreement shall be deemed to include the New Guarantor. The Guarantee Agreement is hereby incorporated herein by reference.

2. The New Guarantor represents and warrants to the Lender that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor's rights generally.

3. This Supplement may be executed in counterparts (and by each party hereto on a different counterpart), each of which shall constitute an original, but both of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Lender shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Lender. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

7. All communications and notices hereunder shall be in writing and given as provided in Article 12 of the Guarantee Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature below, with a copy to the Borrower.

8. The New Guarantor agrees to reimburse the Lender for its out of pocket expenses in connection with this Supplement, including the fees, disbursements and other charges of counsel for the Lender.

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IN WITNESS WHEREOF, the New Guarantor and the Lender have duly executed this Supplement No. \_\_ to the Guarantee Agreement as of the day and year first above written.

**[NAME OF NEW GUARANTOR]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

L&P FINANCIAL SERVICES CO., as Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_