

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 1
To
Form 10-Q

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

For the quarterly period ended March 27, 2004

OR

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

For the transition period from _____ to _____

Commission file number 333-76723

SIMMONS BEDDING COMPANY
(formerly known as Simmons Company)

(Exact name of registrant as specified in its charter)

Delaware

13-3875743

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

One Concourse Parkway, Suite 800, Atlanta, Georgia

30328-6188

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as
defined in Exchange Act Rule 12b-2). Yes No

The number of shares of the registrant's common stock outstanding as of
May 11, 2004 was 100.

Explanatory Note:

This Amendment No. 1 to the quarterly report on Form 10-Q for the period ended March 27, 2004 is being filed to update the Form 10-Q for comments received from the Securities and Exchange Commission related to our Form S-4 filings.

Effective July 14, 2004, our indirect parent, THL Bedding Holding Company, changed its name to Simmons Company and we changed our name from Simmons Company to Simmons Bedding Company.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Simmons Bedding Company and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands)
(Unaudited)

<TABLE>

<CAPTION>

	Successor ----- Quarter Ended March 27, 2004 -----	Predecessor ----- Quarter Ended March 29, 2003 -----
<S>	<C>	<C>
Net sales	\$ 223,320	\$ 186,615
Cost of products sold	119,865	98,233
	-----	-----
Gross profit	103,455	88,382
	-----	-----
Operating expenses:		
Selling, general and administrative expenses	85,261	70,244
Amortization of intangibles	3,486	72
Transaction expenses	-	772
Licensing fees	(2,581)	(2,614)
	-----	-----
	86,166	68,474
	-----	-----
Operating income	17,289	19,908
Interest expense, net	11,093	7,379
	-----	-----
Income before income taxes	6,196	12,529
Income tax expense	2,231	5,049
	-----	-----
Net income	3,965	7,480
Other comprehensive income:		
Foreign currency translation adjustment	(2)	91
	-----	-----
Comprehensive income	\$ 3,963	\$ 7,571
	=====	=====

</TABLE>

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

Simmons Bedding Company and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

<TABLE>
<CAPTION>

	March 27, 2004 ----- (Unaudited)	December 27, 2003* -----
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 859	\$ 3,670
Accounts receivable, less allowances for doubtful receivables, discounts, returns and allowances of \$5,913 and \$4,960	83,506	65,868
Inventories	29,445	31,355
Deferred income taxes	778	973
Other current assets	17,931	22,616
Assets held for sale	5,823	8,564
	-----	-----
Total current assets	138,342	133,046
	-----	-----
Property, plant and equipment, net	53,097	53,228
Goodwill, net	789,818	792,230
Intangible assets, net	155,712	159,198
Other assets	46,697	45,417
	-----	-----
	\$ 1,183,666	\$ 1,183,119
	=====	=====

</TABLE>

*Derived from the Company's 2003 audited Consolidated Financial Statements.

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

Simmons Bedding Company and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

<TABLE>
<CAPTION>

	March 27, 2004 ----- (Unaudited)	December 27, 2003* -----
	<C>	<C>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 5,916	\$ 9,512
Accounts payable	43,321	39,956
Accrued wages and benefits	13,569	20,230
Accrued advertising and incentives	21,092	21,612
Accrued interest	9,325	1,238
Other accrued expenses	12,388	10,868
Liabilities held for sale	2,641	2,064
	-----	-----
Total current liabilities	108,252	105,480
	-----	-----
Non-current liabilities:		
Long-term debt	752,021	760,741
Deferred income taxes	21,556	23,719
Other	17,597	12,902
	-----	-----
Total liabilities	899,426	902,842
	-----	-----
Commitments and contingencies		
Common stockholder's equity:		
Common stock, \$.01 par value; 3,000 shares authorized; 100 issued and outstanding	1	1
Additional paid-in capital	287,449	287,449
Accumulated deficit	(3,225)	(7,190)
Accumulated other comprehensive income	15	17
	-----	-----
Total common stockholder's equity	284,240	280,277
	-----	-----
	\$ 1,183,666	\$ 1,183,119
	=====	=====

</TABLE>

*Derived from the Company's 2003 audited Consolidated Financial Statements.

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

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

<TABLE>
<CAPTION>

	Successor ----- Quarter Ended March 27, 2004 -----	Predecessor ----- Quarter Ended March 29, 2003 -----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 3,965	\$ 7,480
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,621	5,740
Provision for bad debts	915	918
Provision for deferred income taxes	1,435	2,875
Non-cash interest expense	472	740
Non-cash stock compensation expense	3,308	830
Other, net	-	(250)
Net changes in operating assets and liabilities:		
Accounts receivable	(17,946)	(6,759)
Inventories	4,285	(2,934)
Other current assets	4,524	(8,237)
Accounts payable	3,993	(6,504)
Accrued liabilities	2,392	(7,879)
Other, net	(3,408)	3,866
Net cash provided by (used in) operating activities	----- 11,556 -----	----- (10,114) -----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,817)	(442)
Other, net	6	(111)
Net cash used in investing activities	----- (1,811) -----	----- (553) -----
Cash flows from financing activities:		
Payments of Successor Senior Credit Facility, net	(11,675)	-
Payments of other Successor debt	(641)	-
Repurchase of SC Holdings, Inc. minority interest and payment of SC Holdings, Inc. debt	-	(18,653)
Proceeds from Predecessor Senior Credit Facility, net	-	26,200
Payments of other Predecessor debt	-	(2,306)
Payments of financing fees	(238)	-
Net cash provided by (used in) financing activities	----- (12,554) -----	----- 5,241 -----
Net effect of exchange rate changes on cash	(2)	91
Change in cash and cash equivalents	(2,811)	(5,335)
Cash and cash equivalents, beginning of period	3,670	7,108
Cash and cash equivalents, end of period	\$ 859 =====	\$ 1,773 =====

</TABLE>

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

Simmons Bedding Company and Subsidiaries
 Consolidated Statements of Changes in Stockholder's Equity (Deficit)
 (in thousands, except share amounts)

<Table>
 <Caption>

	COMMON SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDER'S EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DECEMBER 27, 2003 (AUDITED)	100	\$ 1	\$ 287,449	\$ (7,190)	\$ 17	\$ 280,277
Net income	--	--	--	3,965	--	3,965
Other comprehensive income (loss):						
Change in foreign currency translation	--	--	--	--	(2)	(2)
Comprehensive income (loss)	--	--	--	3,965	(2)	3,963
MARCH 27, 2004 (UNAUDITED)	100	\$ 1	\$ 287,449	\$ (3,225)	\$ 15	\$ 284,240
	====	====	=====	=====	=====	=====

</Table>

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

Simmons Bedding Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

A. Basis of Presentation

For purposes of this report the "Company" or "Simmons" refers to Simmons Bedding Company, formerly known as Simmons Company, and its subsidiaries, collectively. The Condensed Consolidated Financial Statements of the Company are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "Commission"). The accompanying unaudited condensed consolidated financial statements contain all adjustments, which, in the opinion of management, are necessary to present fairly the financial position of the Company as of March 27, 2004, and its results of operations and cash flows for the periods presented herein. All adjustments in the periods presented herein are normal and recurring in nature unless otherwise disclosed. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 27, 2003. Operating results for the period ended March 27, 2004 are not necessarily indicative of future results that may be expected for the year ending December 25, 2004.

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

B. Company Name Change

Effective July 14, 2004, the Company's indirect parent, THL Bedding Holding Company, changed its name to Simmons Company and the Company changed its name from Simmons Company to Simmons Bedding Company.

C. The Acquisition

In November 2003, THL Bedding Company, an affiliate of Thomas H. Lee Partners, L.P., acquired the Company for approximately \$1.115 billion, including related acquisition costs (the "Acquisition"). Concurrently with the closing of this transaction on December 19, 2003, each of THL Bedding Company and the former Simmons Company merged with and into the Company with the Company continuing as the surviving corporation. The Company, formerly known as Simmons Holdings, Inc., was renamed Simmons Company and later renamed Simmons Bedding Company.

Thomas H. Lee Partners, L.P. is a leading private equity firm focused on identifying and acquiring substantial ownership stakes in mid- to large-cap growth companies. The purchase price for the Company was impacted by the following factors:

- The Company's leading U.S. market position in the bedding industry, particularly in the premium segment;
- The Company's portfolio of brands;
- The Company's ability to innovate and introduce new products;
- The Company's superior manufacturing platform;
- The Company's historical and projected earnings; and
- The Company's management team and corporate culture.

The financing for the Acquisition (including the refinancing of outstanding debt) was provided by (i) borrowings under a new \$480.0 million Senior Secured Credit Facility, consisting of a \$405.0 million term loan facility and a \$75.0 million revolving credit facility, which refinanced the Company's existing senior and subordinated loans, (ii) borrowings under a new \$140.0 million senior unsecured term loan facility; (iii) issuance of \$200.0 million senior subordinated notes; and (iv) \$387.8 million of capital provided by Thomas H. Lee Equity Fund V, L.P. and its affiliates (collectively "THL"), affiliates of Fenway Partners, Inc. ("Fenway") and management of the Company.

As a result of the Acquisition, THL acquired approximately 75.8% of the voting stock of THL Bedding Holding Company ("THL Holding"), the Company's indirect parent, since renamed Simmons Company. In connection with the stock purchase and the mergers, Fenway acquired 9.0% of voting stock of

THL Holding and the Company's management and directors acquired 15.2% of the voting stock of THL Holding, after giving effect to restricted stock issued to management under THL Holding's equity incentive plan.

In connection with the Acquisition, certain members of the Company's management deferred \$19.8 million of their proceeds from the Acquisition into a deferred compensation plan of THL Holding. The deferred proceeds were deemed invested in Class A common stock of THL Holding ("Deemed Shares"). The Deemed Shares convert into cash or common stock of THL Holding based upon the outcome of uncertain events such as a change of control or an initial public offering, or they will convert into common stock of THL Holding after ten years. The Deemed Shares have a put option that gives the holder the right for cash settlement under certain circumstances outside THL Holding's control. Accordingly, the deferred compensation plan has been recorded as a liability of THL Holding and is marked to market based upon an independent quarterly valuation of the common stock of THL Holding. The changes in the market value of the liability are recorded as non-cash stock compensation expense of the Company. THL Holding is unable to repurchase Deemed Shares without receiving dividends from the Company. The Company's New Senior Credit Facility, Senior Unsecured Term Loan Facility, and indenture for the New Notes restrict the payment of dividends by the Company to THL Holding for the purchase of Deemed Shares.

The Acquisition was accounted for as a purchase as prescribed by Statement of Financial Accounting Standards No. 141, Business Combinations, in accordance with Emerging Issues Task Force ("EITF") No. 88-16, Basis in Leveraged Buyout Transactions. This guidance requires the continuing residual interest retained by the continuing management investors, as a result of the Transactions, be reflected at its predecessor basis. In accordance with EITF Issue No. 90-12, Allocating Basis to Individual Assets and Liabilities for Transactions within the Scope of Issue No. 88-16, a step-up of assets and liabilities to fair value was recorded in purchase accounting for the remaining interest in the Company acquired by THL and Fenway. The amount of carryover basis determined was reflected as a deemed dividend of \$100.4 million in the opening consolidated balance sheet.

The purchase price allocation has not been finalized, and a tentative allocation has been made using the values that have been determined and the preliminary estimates for the values that have not yet been determined. The valuation of certain identifiable intangible assets is expected to be completed in the second quarter of 2004. The Company does not expect the final valuation to have a material impact on previously reported operating results. Following is a summary of the estimated fair values of the assets acquired and liabilities assumed as of the date of the Acquisition:

(in thousands)

<TABLE>	
<S>	<C>
Current assets.....	\$ 137,296
Property, plant and equipment.....	54,446
Goodwill.....	789,818
Other assets.....	50,385
Intangibles.....	159,511

Total assets acquired.....	1,191,456

Current liabilities.....	91,775
Acquisition costs.....	24,939
Non-current liabilities.....	59,873

Total liabilities assumed.....	(176,587)

Deemed dividend.....	100,388

Purchase price.....	\$ 1,115,257
	=====

</TABLE>

There were no pre-acquisition contingencies related to the Acquisition. Since the Acquisition was accounted for as a stock purchase, the respective tax bases of the assets and liabilities were not changed. Goodwill was assigned to the wholesale and retail segments in the amounts of \$773.1 million and \$16.7 million, respectively.

D. Assets/Liabilities Held For Sale

The Company sold its Mattress Gallery operations in a stock transaction on May 1, 2004 to Pacific Coast Mattress, Inc. ("PCM") for cash proceeds of \$6.5 million plus the cancellation of all intercompany debts with the exception of current trade payables owed by Mattress Gallery to the Company. No gain or loss will be recognized on the sale since Mattress Gallery was recorded at fair value in connection with the Acquisition (see Note B to the unaudited condensed consolidated financial statements for further explanation). Following the sale, the Company will continue to guarantee approximately \$3.0 million of Mattress Gallery's obligations under certain store and warehouse leases that expire over various periods through 2010. In connection with the sale, the Company entered into a five-year supply agreement with PCM.

In accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company has reflected assets and liabilities for Mattress Gallery as held for sale in the consolidated balance sheets. The Company has not reflected the results of operations for Mattress Gallery as discontinued operations since the Company will have an ongoing interest in the cash flows of the operations through a long-term supply agreement. For the quarter ended March 27, 2004, Mattress Gallery's net sales and net loss were \$9.9 million and \$2.4 million, respectively. For the quarter ended March 29, 2003, Mattress Gallery's net sales and net loss were \$8.3 million and \$1.0 million, respectively.

The components of the assets and liabilities held for sale are as follows (amounts in thousands):

<TABLE>
<CAPTION>

	March 27, 2004 ----	December 27, 2003 ----
<S>	<C>	<C>
Assets Held for Sale		
Accounts receivable, net	\$ 915	\$ 1,522
Inventories	2,621	4,996
Other current assets	382	221
Property, plant and equipment, net	1,083	1,057
Other assets	822	768
	-----	-----
Total assets held for sale	\$ 5,823	\$ 8,564
	=====	=====
Liabilities Held for Sale		
Accounts payable	\$ 1,131	\$ 503
Other current liabilities	1,156	1,207
Other long-term liabilities	354	354
	-----	-----
Total liabilities held for sale	\$ 2,641	\$ 2,064
	=====	=====

</TABLE>

E. Inventories

A summary of inventories, exclusive of inventories included in assets held for sale, follows (amounts in thousands):

<TABLE>
<CAPTION>

	March 27, 2004 ----	December 27, 2003 ----
<S>	<C>	<C>
Raw materials	\$ 14,755	\$ 13,005
Work-in-progress	976	1,099
Finished goods	10,853	12,476
Inventory held at retail stores	2,861	4,775
	-----	-----
	\$ 29,445	\$ 31,355
	=====	=====

</TABLE>

F. Warranties

The Company's warranty policy provides a 10-year non-prorated warranty service period on all first quality products, except for certain products for the hospitality industry which have varying non-prorated warranty periods generally ranging from five to ten years. The Company's policy is to accrue the estimated costs of warranty coverage at the time a sale is recorded. The following table presents a reconciliation of the Company's warranty liability as of March 27, 2004 and March 29, 2003 (amounts in thousands):

<TABLE>
<CAPTION>

	For the Quarters Ended	
	March 27, 2004	March 29, 2003
	-----	-----
<S>	<C>	<C>
Balance at beginning of period	\$ 3,803	\$ 3,434
Additional warranties issued	914	1,048
Warranty settlements	(886)	(865)
	-----	-----
Balance at end of period	\$ 3,831	\$ 3,617
	=====	=====

</TABLE>

The Company had no revisions in the estimate of the warranty accrual for the quarters ended March 27, 2004 and March 29, 2003.

G. Long-Term Debt

A summary of long-term debt follows (amounts in thousands):

<TABLE>
<CAPTION>

	March 27, 2004	December 27, 2003
	-----	-----
<S>	<C>	<C>
Senior Credit Facility:		
New Revolving Loan	\$ -	\$ 3,275
New Tranche B Term Loan	396,600	405,000
	-----	-----
Total Senior Credit Facility	396,600	408,275
Senior Unsecured Term Loan	140,000	140,000
Industrial Revenue Bonds, 7.00%, due 2017	9,700	9,700
Industrial Revenue Bonds, 3.24%, due 2016	4,000	4,000
Banco Santander Loan, 3.15%, due 2013	2,044	2,116
7.875% Senior Subordinated Notes due 2014	200,000	200,000
10.25% Series B Senior Subordinated Notes due 2009	5,284	5,284
Other, including capital lease obligations	309	878
	-----	-----
	757,937	770,253
Less current portion	(5,916)	(9,512)
	-----	-----
	\$ 752,021	\$ 760,741
	=====	=====

</TABLE>

In connection with the Acquisition on December 19, 2003, the Company entered into a new Senior Credit Facility (the "Senior Credit Facility"), a Senior Unsecured Term Loan Facility and issued 7.875% Senior Subordinated Notes, the aggregate proceeds of which repaid the

outstanding amounts under the old senior credit facility, notes payable to former shareholders, a junior subordinated payment-in-kind note and a portion of the Company's 10.25% Senior Subordinated Notes.

The Senior Credit Facility provides for a \$75.0 million revolving credit facility. The revolving credit facility will expire on the earlier of (a) December 19, 2009 or (b) such other date as the revolving credit commitments thereunder shall terminate in accordance with the terms of the Senior Credit Facility. The Senior Credit Facility also provided for a \$405.0 million Tranche B term loan facility. The Company prepaid \$8.4 million of the Tranche B Term Loan in the first quarter of 2004. The Tranche B Term Loan has a final scheduled maturity date of December 19, 2011.

As of March 27, 2004, the Company had availability to borrow \$64.5 million under the Revolving Loan Facility after giving effect to \$10.5 million that was reserved for the Company's reimbursement obligations with respect to outstanding letters of credit. The remaining availability under the Revolving Loan Facility may be utilized to meet the Company's current working capital requirements, including issuance of stand-by and trade letters of credit. The Company also may utilize the remaining availability under the Revolving Loan Facility to fund distributions, acquisitions and capital expenditures.

The Senior Unsecured Term Loan Facility provides for a \$140.0 million Senior Unsecured Term Loan. The Senior Unsecured Term loan has a final scheduled maturity date of June 17, 2012.

The Senior Credit Facility and the Senior Unsecured Term Loan bear interest at the Company's choice of the Eurodollar Rate or Base Rate (both as defined), plus the applicable interest rate margins as follows:

<TABLE>
<CAPTION>

	Eurodollar Rate	Base Rate
	-----	-----
	<C>	<C>
<S>		
Revolving Loan Facility.....	2.50%	1.50%
Tranche B Term Loan.....	2.75%	1.75%
Senior Unsecured Term Loan.....	3.75%	2.75%

</TABLE>

The weighted average interest rates per annum in effect as of March 27, 2004 for the Tranche B Term Loan and Senior Unsecured Term Loan were 4.14% and 5.13%, respectively.

The use of interest rate risk management instruments, such as collars and swaps, is required under the terms of the Senior Credit Facility. The Company is required to maintain protection against fluctuations in interest rates, and may do so through utilizing Eurodollar Rate loans having twelve-month interest periods or through one or more interest rate agreements. In order to address interest rate risk, the Company has developed and implemented a policy to utilize extended Eurodollar contracts to minimize the impact of near term Eurodollar rate increases. On January 26, 2004, the Company elected to set its interest rate at the twelve-month Eurodollar Rate for approximately \$325.0 million of the Tranche B Term Loan and for the \$140.0 million Senior Unsecured Term Loan, which fixed the Eurodollar Rate at 1.375% through January 26, 2005 for approximately 86% of floating rate debt outstanding as of March 27, 2004. Additionally, to further address interest rate risk, the Company entered into an interest rate cap

agreement on February 11, 2004 for a notional amount of \$170.0 million which capped the Eurodollar Rate, plus margin, at 5.0% for the period from January 26, 2005 through January 26, 2006.

On April 12, 2004 the remaining 10.25% Series B Senior Subordinated Notes outstanding were repurchased at 105.125% of the principal amount thereof for a total payment of \$5.3 million.

On December 19, 2003 in connection with the Acquisition, the Company completed a financing, which consisted of the sale of \$200.0 million of 7.875% Senior Subordinated Notes due 2014 (the "New Notes") pursuant to a private offering. The New Notes bear interest at the rate of 7.875% per annum, which is payable semi-annually in cash in arrears on January 15 and July 15. The New Notes mature on January 15, 2014. The New Notes are subordinated in right of payment to all existing and future senior indebtedness of the Company. The Company plans to issue 7.875% Senior Subordinated Notes due 2014 (the "Exchange Notes") in exchange for all New Notes, pursuant to an exchange offer whereby holders of the New Notes will receive Exchange Notes which have been registered under the Securities Act of 1933, as amended, but are otherwise identical to the New Notes.

At any time prior to January 17, 2007, the Company may redeem up to 40% of the aggregate principal amount of the New Notes at a price of 107.875% in connection with an Equity Offering, as defined. With the exception of an Equity Offering, the New Notes are redeemable at the option of the Company beginning January 15, 2009 at prices decreasing from 103.938% of the principal amount thereof to par on January 15, 2012 and thereafter. The Company is not required to make mandatory redemption or sinking fund payments with respect to the New Notes.

The indenture for the New Notes requires the Company and its subsidiaries to comply with certain restrictive covenants, including a restriction on dividends; and limitations on the incurrence of indebtedness, certain payments and distributions, and sales of the Company's assets and stock.

The New Notes are fully and unconditionally guaranteed, on a joint and several basis, and on an unsecured, senior subordinated basis by all of the Company's active domestic subsidiaries. All of the subsidiary guarantors are 100% owned by the Company. The following Supplemental Consolidating Condensed Financial Statements provide additional guarantor/non-guarantor information.

Simmons Bedding Company and Subsidiaries
 Supplemental Consolidating Condensed Statements of Operations
 For the Quarter Ended March 27, 2004
 (in thousands)

Successor

<TABLE>
 <CAPTION>

	Issuer and Guarantors		Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Simmons Bedding Company	Guarantor Subsidiaries			
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ (12,166)	\$ 233,061	\$ 2,425	\$ --	\$ 223,320
Cost of products sold	313	117,699	1,853	--	119,865
Gross margin	(12,479)	115,362	572	--	103,455
Operating expenses:					
Selling, general and administrative expenses	56,019	28,697	545	--	85,261
Amortization of intangibles	2,669	817	--	--	3,486
Intercompany fees	(53,929)	53,708	221	--	--
Licensing fees	(346)	(2,098)	(137)	--	(2,581)
	4,413	81,124	629	--	86,166
Operating income (loss)	(16,892)	34,238	(57)	--	17,289
Interest expense, net	10,888	196	9	--	11,093
Income from subsidiaries	(20,690)	--	--	20,690	--
Income (loss) before income taxes	(7,090)	34,042	(66)	(20,690)	6,196
Income tax expense (benefit)	(11,055)	13,279	7	--	2,231
Net income (loss)	\$ 3,965	\$ 20,763	\$ (73)	\$ (20,690)	\$ 3,965

</TABLE>

Simmons Bedding Company and Subsidiaries
 Supplemental Consolidating Condensed Statements of Operations
 For the Quarter Ended March 29, 2003
 (in thousands)

Predecessor

<TABLE>
 <CAPTION>

	Issuer and Guarantors				
	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ (12,552)	\$ 197,025	\$ 2,142	\$ --	\$ 186,615
Cost of products sold	215	96,427	1,591	--	98,233
Gross margin	(12,767)	100,598	551	--	88,382
Operating expenses:					
Selling, general and administrative expenses	43,908	25,867	469	--	70,244
Amortization of intangibles	--	72	--	--	72
Transaction expenses	586	186	--	--	772
Intercompany fees	(57,397)	57,199	198	--	--
Licensing fees	(272)	(2,222)	(120)	--	(2,614)
	(13,175)	81,102	547	--	68,474
Operating income (loss)	408	19,496	4	--	19,908
Interest expense (income), net	6,707	677	(5)	--	7,379
Income from subsidiaries	(11,489)	--	--	11,489	--
Income (loss) before income taxes	5,190	18,819	9	(11,489)	12,529
Income tax expense (benefit)	(2,290)	7,328	11	--	5,049
Net income (loss)	\$ 7,480	\$ 11,491	\$ (2)	\$ (11,489)	\$ 7,480

</TABLE>

Simmons Bedding Company and Subsidiaries
Supplemental Consolidating Condensed Balance Sheets
As of March 27, 2004
(in thousands)

<TABLE>
<CAPTION>

	Issuer and Guarantors				Consolidated
	Simmons Bedding Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 809	\$ (602)	\$ 652	\$ --	\$ 859
Accounts receivable	148	81,777	1,581	--	83,506
Inventories	--	28,683	762	--	29,445
Other	7,758	16,399	375	--	24,532
Total current assets	8,715	126,257	3,370	--	138,342
Property, plant and equipment, net	12,701	36,094	4,302	--	53,097
Goodwill and other intangibles, net	924,268	21,262	--	--	945,530
Other assets	22,621	23,288	788	--	46,697
Net investment in and advances to (from) subsidiaries	137,528	48,900	(843)	(185,585)	--
	\$ 1,105,833	\$ 255,801	\$ 7,617	\$ (185,585)	\$ 1,183,666
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 5,285	\$ 399	\$ 232	\$ --	\$ 5,916
Accounts payable and accrued liabilities	40,067	61,027	1,242	--	102,336
Total current liabilities	45,352	61,426	1,474	--	108,252
Long-term debt	736,600	13,570	1,851	--	752,021
Deferred income taxes	25,514	(4,344)	386	--	21,556
Other non-current liabilities	14,127	3,042	428	--	17,597
Total liabilities	821,593	73,694	4,139	--	899,426
Stockholder's equity	284,240	182,107	3,478	(185,585)	284,240
	\$ 1,105,833	\$ 255,801	\$ 7,617	\$ (185,585)	\$ 1,183,666

</TABLE>

Simmons Bedding Company and Subsidiaries
Supplemental Consolidating Condensed Balance Sheets
As of December 27, 2003
(in thousands)

<TABLE>
<CAPTION>

	Issuer and Guarantors			Eliminations	Consolidated
	Simmons Bedding Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 615	\$ 667	\$ 2,388	\$ --	\$ 3,670
Accounts receivable	784	62,934	2,150	--	65,868
Inventories	--	30,495	860	--	31,355
Other	9,898	20,795	1,460	--	32,153
Total current assets	11,297	114,891	6,858	--	133,046
Property, plant and equipment, net	9,500	39,353	4,375	--	53,228
Goodwill and other intangibles, net	926,090	25,338	--	--	951,428
Other assets	22,722	22,695	--	--	45,417
Net investment in and advances to subsidiaries	164,895	54,868	--	(219,763)	--
	<u>\$ 1,134,504</u>	<u>\$ 257,145</u>	<u>\$ 11,233</u>	<u>\$ (219,763)</u>	<u>\$ 1,183,119</u>
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 8,322	\$ 958	\$ 232	\$ --	\$ 9,512
Accounts payable and accrued liabilities	12,428	79,535	4,005	--	95,968
Total current liabilities	20,750	80,493	4,237	--	105,480
Long-term debt	745,238	13,575	1,928	--	760,741
Deferred income taxes	24,545	(1,222)	396	--	23,719
Other non-current liabilities	9,532	2,955	415	--	12,902
Net due to subsidiaries	54,162	--	706	(54,868)	--
Total liabilities	854,227	95,801	7,682	(54,868)	902,842
Stockholder's equity	280,277	161,344	3,551	(164,895)	280,277
	<u>\$ 1,134,504</u>	<u>\$ 257,145</u>	<u>\$ 11,233</u>	<u>\$ (219,763)</u>	<u>\$ 1,183,119</u>

</TABLE>

Simmons Bedding Company and Subsidiaries
Supplemental Consolidating Condensed Statements of Cash Flows
For the Quarter Ended March 27, 2004
(in thousands)

Successor

<TABLE>
<CAPTION>

	Issuer and Guarantors		Non- Guarantor Subsidiaries	Eliminations	Consolidated
	Simmons Bedding Company	Guarantor Subsidiaries			
<S>	<C>	<C>	<C>	<C>	<C>
Net cash provided by operating activities	\$ 959	\$ 10,454	\$ 143	\$ --	\$ 11,556
Cash flows from investing activities:					
Purchase of property, plant and equipment, net	(617)	(1,200)	--	--	(1,817)
Other, net	--	6	--	--	6
Net cash used in investing activities	(617)	(1,194)	--	--	(1,811)
Cash flows from financing activities:					
Repayment of long-term obligations ...	(11,676)	(563)	(77)	--	(12,316)
Receipt from (distribution to) subsidiaries	11,766	(9,966)	(1,800)	--	--
Debt issuance costs	(238)	--	--	--	(238)
Net cash used in financing activities ..	(148)	(10,529)	(1,877)	--	(12,554)
Net effect of exchange rate change	--	--	(2)	--	(2)
Change in cash and cash equivalents	194	(1,269)	(1,736)	--	(2,811)
Cash and cash equivalents:					
Beginning of period	615	667	2,388	--	3,670
End of period	\$ 809	\$ (602)	\$ 652	\$ --	\$ 859

</TABLE>

Simmons Bedding Company and Subsidiaries
 Supplemental Consolidating Condensed Statements of Cash Flows
 For the Quarter Ended March 29, 2003
 (in thousands)

Predecessor

<TABLE>
 <CAPTION>

	Issuer and Guarantors		Non- Guarantor Subsidiaries	Eliminations	Consolidated
	Simmons Bedding Company	Guarantor Subsidiaries			
<S>	<C>	<C>	<C>	<C>	<C>
Net cash provided by (used in) operating activities	\$ (27,610)	\$ 17,154	\$ 342	\$ --	\$ (10,114)
Cash flows from investing activities:					
Purchase of property, plant and equipment, net	(159)	(250)	(33)	--	(442)
Purchase of intangible assets	--	(111)	--	--	(111)
Net cash used in investing activities	(159)	(361)	(33)	--	(553)
Cash flows from financing activities:					
Borrowings on long-term obligations, net ..	23,953	(18,653)	(59)	--	5,241
Receipt from (distribution to) subsidiary ...	1,500	--	(1,500)	--	--
Net cash (used in) provided by financing activities	25,453	(18,653)	(1,559)	--	5,241
Net effect of exchange rate change	--	--	91	--	91
Change in cash and cash equivalents	(2,316)	(1,860)	(1,159)	--	(5,335)
Cash and cash equivalents:					
Beginning of period	2,316	2,821	1,971	--	7,108
End of period	\$ --	\$ 961	\$ 812	\$ --	\$ 1,773

</TABLE>

H. Segment Information

Operating segments are generally organized internally by whether the products are sold to a reseller or to an end consumer. The Company operates in two business segments, (1) wholesale bedding and (2) retail bedding. The wholesale bedding segment consists of (i) the manufacture, sale and distribution of premium branded bedding products to retail customers and institutional users of bedding products, such as the hospitality industry; (ii) the licensing of intellectual property to companies that manufacture and sell products which complement the bedding products manufactured by the Company; and (iii) the sale of product returns, off-quality product and excess inventory through retail outlet stores to consumers. The retail bedding segment operates specialty sleep stores in California, Oregon and Washington that sell to consumers principally premium branded bedding products.

On May 1, 2004, the Company sold one of its retail bedding subsidiaries. The assets and liabilities for this subsidiary were classified as held for sale in the accompanying balance sheets (see Note C to the consolidated financial statements for further explanation).

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

The following table summarizes segment information:

SUCCESSOR
MARCH 27, 2004

<TABLE>
<CAPTION>

	Wholesale Bedding	Retail	Eliminations	Totals
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Net sales to external customers	\$ 198,213	\$ 25,107	\$ -	\$ 223,320
Intersegment net sales	8,889	-	(8,889)	-
Adjusted EBITDA	36,756	1,105	(561)	37,300
Depreciation and amortization expense	7,304	317	-	7,621
Expenditures for long-lived assets	1,351	466	-	1,817
Segment assets	1,147,918	34,936	812	1,183,666
Reconciliation of EBITDA and Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 8,198	\$ (3,672)	\$ (561)	\$ 3,965
Depreciation and amortization	7,304	317	-	7,621
Income taxes	2,461	(230)	-	2,231
Interest expense, net	11,041	52	-	11,093
Interest income	44	-	-	44
EBITDA	29,048	(3,533)	(561)	24,954
Variable stock compensation expense	3,308	-	-	3,308
Transaction related expenditures, including cost of products sold	2,640	3,813	-	6,453
Plant opening, closing charges	2,229	-	-	2,229
Other expense	(469)	825	-	356
Adjusted EBITDA	\$ 36,756	\$ 1,105	\$ (561)	\$ 37,300

</TABLE>

PREDECESSOR
MARCH 29, 2003

<TABLE>
<CAPTION>

	Wholesale Bedding	Retail	Eliminations	Totals
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Net sales to external customers	\$ 164,354	\$ 22,261	\$ -	\$ 186,615
Intersegment net sales	7,789	-	(7,789)	-
Adjusted EBITDA	28,387	867	(188)	29,066
Depreciation and amortization expense	5,305	435	-	5,740
Expenditures for long-lived assets	247	195	-	442
Segment assets	417,157	40,441	(46,167)	411,431
Reconciliation of EBITDA and Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 8,778	\$ (1,110)	\$ (188)	\$ 7,480
Depreciation and amortization	5,306	434	-	5,740
Income taxes	5,049	-	-	5,049
Interest expense, net	6,835	554	-	7,379
Interest income	50	-	-	50
EBITDA	26,018	(132)	(188)	25,698
Variable stock compensation expense	830	-	-	830
Transaction related expenditures, including cost of products sold	584	188	-	772
Plant opening, closing charges	777	-	-	777
Other expense	178	811	-	989
Adjusted EBITDA	\$ 28,387	\$ 867	\$ (188)	\$ 29,066

</TABLE>

In the "Eliminations" column of each period presented above, the segment assets consist primarily of investments in subsidiaries, receivables and payables and gross wholesale bedding profit in ending retail inventory. The segment Adjusted EBITDA elimination has been adjusted to eliminate the wholesale bedding profit in ending retail inventory.

I. Contingencies

From time to time, the Company has been involved in various legal proceedings. The Company believes that all current litigation is routine in nature and incidental to the conduct of the Company's business, and that none of this litigation, if determined adversely to the Company, would have a material

adverse effect on the Company's financial condition or results of its operations.

J. Accounting Pronouncements

In December 2003, the FASB issued SFAS No. 132 (Revised), Employers' Disclosure about Pensions and Other Postretirement Benefits ("SFAS 132R"). A revision of the pronouncement originally issued in 1998, SFAS 132R expands employers' disclosure requirements for pension and postretirement benefits to enhance information about plan assets, obligations, benefit payments, contributions and net benefit cost. SFAS 132R does not change the accounting requirements for pensions and other postretirement benefits. This statement was effective for fiscal years ending after December 15, 2003, with interim-period disclosure requirements effective for interim periods beginning after December 15, 2003. The adoption of this Statement did not have any impact on the Company's consolidated financial statements.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements, including related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2003 Annual Report on Form 10-K, and the unaudited interim financial statements included elsewhere in this report.

RECENT EVENTS

Labor Unions

The United Furniture Workers labor union at our San Leandro, California manufacturing facility ratified a two-year collective bargaining agreement on April 30, 2004. This agreement was retroactive to April 1, 2004, and we do not expect the new agreement to have a significant impact on our future operating results.

The United Steel Workers of America collective bargaining agreement at our Kansas City, Kansas manufacturing facility expired on April 19, 2004. We are continuing to negotiate a collective bargaining agreement with the labor union. We do not believe the expiration of the agreement will have a significant impact on our operations.

Plant Closing/Opening

Our Columbus, Ohio manufacturing facility was closed in April 2004. We expect to incur approximately \$1.0 million of severance and retention, rent, utilities, and disposal of equipment and inventory costs during the second quarter of fiscal year 2004 related to this closing. The Company will also incur additional period costs, principally incremental distribution costs, for the remainder of 2004 as business is shifted to other manufacturing facilities.

Our new manufacturing facility in Hazleton, Pennsylvania opened on March 15, 2004. Additionally we are currently constructing a new manufacturing facility in Waycross, Georgia, which is expected to open in the third quarter of 2004. We estimate that these manufacturing facilities will incur approximately \$3.1 million of non-recurring start-up costs in the second and third quarter of 2004.

Sale of Mattress Gallery

We sold our Mattress Gallery retail operations on May 1, 2004 for cash proceeds of \$6.5 million plus the cancellation of all intercompany debts with the exception of certain trade payables owed by Mattress Gallery to Company and its affiliates. The cancellation of intercompany debts was recorded as a capital contribution to Mattress Gallery. No gain or loss was recorded on the sale since Mattress Gallery was recorded at fair value in connection with the Acquisition. Following the sale, the Company continues to guarantee approximately \$3.0 million of Mattress Gallery's obligations under certain store and warehouse leases that expire over various periods through 2010. In connection with the sale, we entered into a five-year supply agreement with PCM. We have not reflected the results of operations for Mattress Gallery prior to its sale as discontinued operations since we have an ongoing interest in the cash flows of the operations through the five-year supply agreement.

Mattress Gallery had net sales, gross profit and Adjusted EBITDA of \$40.0 million, \$19.2 million and \$1.1 million, respectively, for the year ended December 27, 2003. Mattress Gallery had net sales, gross profit and Adjusted EBITDA of \$12.9 million, \$4.1 million and \$(0.2) million, respectively, for the four months ended May 1, 2004. Our wholesale segment had net sales to Mattress Gallery of \$18.9 million and \$6.6 million for the year ended December 27, 2003 and the four months ended May 1, 2004.

The following table reconciles Mattress Gallery's net loss to EBITDA and Adjusted EBITDA for the year ended December 27, 2003 and the four months ended May 1, 2004 (In thousands):

<Table>
<Caption>

	Year Ended Dec. 27, 2003	Four Months Ended May 1, 2004
	-----	-----
<S>	<C>	<C>
Net loss	\$(1,279)	\$(3,297)
Depreciation and amortization	167	7
Interest expense	168	55
	-----	-----
EBITDA	(944)	(3,235)
Management fees	1,307	324
Transaction related expenditures,		

including cost of products sold	267	2,720
Non-recurring other charges	432	(31)
	-----	-----
Adjusted EBITDA	\$ 1,062	\$ (222)
	=====	=====

</Table>

RESULTS OF OPERATIONS

Our capital structure changed significantly as a result of the Acquisition and the concurrent refinancing of our debt. Due to required purchase accounting adjustments relating to the transaction, the consolidated financial and other data for the period subsequent to the acquisition (the "Successor" periods) are not comparable to such data for the periods prior to the acquisition (the "Predecessor" periods). In order to provide investors with useful information and to facilitate understanding of our results for the quarters ended March 27, 2004 and March 29, 2003, the following pro forma results of operations are presented to give effect to the Acquisition as if it had been consummated on December 29, 2002, the first day of our fiscal year 2003.

The pro forma information for the three months ended March 27, 2004 includes the following adjustments resulting from the Acquisition:

- adjustment to cost of products sold of \$(6.5) million, or 1.5% of net sales, for inventory recorded at fair market value as a result of the Acquisition and sold during the three months ended March 27, 2004;
- adjustment to income tax expense of \$2.5 million to reflect the tax effects of the pro forma adjustments based upon an effective tax rate of 38.0%.

The pro forma information for the quarter ended March 29, 2003 includes the following adjustments resulting from the Acquisition:

- adjustment to cost of products sold of \$(0.8) million, or 0.4% of net sales, to (i) reduce depreciation expense by \$(1.0) million as a result of the extension of the remaining average useful lives, partially offset by the increases in the bases of property, plant and equipment and (ii) increase amortization of favorable leases by \$0.2 million due to the step-up to fair market value of leases resulting from the Acquisition;
- adjustment to selling, general and administrative expense of \$(2.2) million, or 1.1% of net sales, to (i) reduce depreciation expense by \$(1.0) million as discussed above; (ii) reduce management fees by \$(0.3) million to reflect the change in our equity-sponsor management agreement resulting from the Acquisition; and (iii) reduce variable stock compensation expense by \$(0.9) million to reflect the elimination of our stock option plans;
- adjustment to amortization of intangibles of \$3.4 million, or 1.8% of net sales, to reflect the additional amortization resulting from the Acquisition;
- adjustment to interest expense, net of \$4.3 million, or 2.3% of net sales, to reflect the additional interest expense associated with the new debt resulting from the Acquisition, net of the interest expense associated with the old debt retired as a result of the Acquisition and the elimination of one-time financing charges resulting from the Acquisition; and
- adjustment to income tax expense of \$(1.8) million to reflect the tax effects of the Acquisition and termination of the deferred compensation plan pro forma adjustments based upon an effective tax rate of 38%.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The pro forma financial information does not purport to represent what our results of operations would actually have been had the Acquisition occurred on December 29, 2002 or to project our results of operations for any future period.

The following table sets forth historical information and pro forma financial information based upon the adjustments discussed above for the first quarter of 2004 and 2003 (in thousands):

<Table>

<Caption>

	SUCCESSOR		PREDECESSOR	
	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA
	QUARTER	QUARTER	QUARTER	QUARTER
	ENDED	ENDED	ENDED	ENDED
	MARCH 27,	MARCH 27,	MARCH 29,	MARCH 29,
	2004	2004	2003	2003
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$223,320	\$223,320	\$186,615	\$186,615

Cost of products sold	119,865	113,381	98,233	97,396
Gross margin	103,455	109,939	88,382	89,219
Selling, general and administrative expenses	85,261	85,261	70,244	68,076
Amortization of intangibles	3,486	3,486	72	3,480
Transaction expenses	--	--	772	772
Licensing fees	(2,581)	(2,581)	(2,614)	(2,614)
Operating income	17,289	23,773	19,908	19,505
Interest expense, net	11,093	11,093	7,379	11,662
Income before income taxes	6,196	12,680	12,529	7,843
Income tax expense	2,231	4,695	5,049	3,268
Net income	\$ 3,965	\$ 7,985	\$ 7,480	\$ 4,575

</Table>

The following table sets forth historical financial information and pro forma financial information based upon the adjustments discussed above for the first quarter of 2004 and 2003 as a percentage of net sales:

<Table>

<Caption>

	SUCCESSOR		PREDECESSOR	
	QUARTER ENDED MARCH 27, 2004	PRO FORMA QUARTER ENDED MARCH 27, 2004	QUARTER ENDED MARCH 29, 2003	PRO FORMA QUARTER ENDED MARCH 29, 2003
<S>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of products sold	53.7%	50.8%	52.6%	52.2%
Gross profit	46.3%	49.2%	47.4%	47.8%
Selling, general and administrative expenses	38.2%	38.2%	37.6%	36.5%
Amortization of intangibles	1.6%	1.6%	0.0%	1.9%
Transaction expenses	0.0%	0.0%	0.5%	0.4%
Licensing fees	(1.2)%	-1.2%	(1.4)%	(1.4)%
Operating income	7.7%	10.6%	10.7%	10.4%
Interest expense, net	5.0%	5.0%	4.0%	6.2%
Income before income taxes and minority interest	2.7%	5.6%	6.7%	4.2%
Income tax expense	1.0%	2.1%	2.7%	1.7%
Income before minority interest	1.7%	3.5%	4.0%	2.5%
Minority interest in loss	0.0%	0.0%	0.0%	0.0%
Net income	1.7%	3.5%	4.0%	2.5%

</Table>

PRO FORMA QUARTER ENDED MARCH 27, 2004 AS COMPARED TO PRO FORMA QUARTER ENDED MARCH 29, 2003

The following pro forma data for the quarters ended March 27, 2004 and March 29, 2003 ("pro forma quarter ended March 27, 2004" and "pro forma quarter ended March 29, 2003", respectively) are based on the historical financial statements for the successor period of 2004 and predecessor period of 2003, presented on a pro forma basis giving effect to the Acquisition as if it occurred on December 29, 2002 as described above under "Results of Operations".

Net Sales. Net sales for the pro forma quarter ended March 27, 2004 increased \$36.7 million, or 19.7%, to \$223.3 million from \$186.6 million for the pro forma quarter ended March 29, 2003.

Wholesale bedding segment net sales increased \$35.0 million, or 20.3%, to \$207.1 million for the pro forma quarter ended March 27, 2004 from \$172.1 million for the pro forma quarter ended March 29, 2003. For the pro forma first quarter of 2004 and the pro forma first quarter of 2003, our wholesale bedding segment net sales reflect a reduction of \$12.6 million and \$12.9 million, respectively, for cash consideration paid to our customers for certain promotional programs and volume rebates in accordance with Emerging Issues Task Force of the Financial Accounting Standards Board ("EITF") 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Product" ("EITF 01-9"). The wholesale bedding segment net sales increase was primarily due to an increase in both unit shipments and AUSP of 8.5% and 9.4%, respectively, compared to the pro forma first quarter of 2003. Our unit shipments growth resulted primarily from additional floor placements at new and existing customers and an improved retail sales environment. Our improvements in AUSP were primarily attributable to a shift in our sales mix toward our higher priced Beautyrest(R) and BackCare(R) product lines.

Our pro forma first quarter 2004 wholesale bedding sales, exclusive of EITF 01-9 sales deductions, which is the methodology used by ISPA in calculating industry sales, were up 18.0% over the prior year pro forma first quarter. In comparison, ISPA estimated that for the first quarter of 2004 total U.S. bedding manufacturers' sales were up 16.4% over the prior year first quarter, comprised of an increase in unit shipments and AUSP of 10.6% and 5.2%, respectively.

Our retail segment sales for the pro forma quarter ended March 27, 2004 increased \$2.8 million, or 12.8%, to \$25.1 million from \$22.3 million for the pro forma quarter ended March 29, 2003. On a comparable store basis, sales for our retail stores increased 15.7% for the first quarter of 2004 versus the first quarter of 2003. Retail segment sales benefited from an improved retail sales environment and increased advertising.

Cost of Products Sold. For the pro forma quarter ended March 27, 2004, cost of products sold, as a percentage of net sales decreased 1.4 percentage points to 50.8% from 52.2% for the pro forma quarter ended March 29, 2003. We anticipate that our gross margin for the remainder of 2004 may be negatively impacted by inflation in prices for certain raw material components.

Our wholesale segment pro forma first quarter gross margin increased 2.0 percentage points to 47.3% for the first quarter of 2004 from 45.3% for the pro forma quarter ended March 29, 2003 due to better absorption of manufacturing fixed costs as a result of our unit volume growth. Partially offsetting these improvements, our wholesale segment cost of products sold include \$1.6 million, or 0.8% of wholesale segment net sales, of plant closing costs associated with the closing of our Jacksonville, Florida and Columbus, Ohio manufacturing facilities. The closing costs for these manufacturing facilities are non-recurring.

Our retail segment pro forma first quarter gross margin decreased 0.9 percentage points to 50.2% for the pro forma quarter ended March 27, 2004 from 51.1% for the pro forma quarter ended March 29, 2003. Our retail margins decreased primarily due to the sale of floor samples at a discount in connection with the change-out of product lines.

Selling, General and Administrative Expenses. For the pro forma quarter ended March 27, 2004, selling, general and administrative expenses increased \$17.2 million, or 1.7 percentage points as a percentage of net sales, to 38.2% from 36.5% for the pro forma quarter ended March 29, 2003.

Our wholesale segment selling, general and administrative expenses increased \$16.5 million, or 2.5 percentage points as a percentage of wholesale segment net sales, to 35.1% for the pro forma quarter ended March 27, 2004 from 32.6% for the pro forma quarter ended March 29, 2003. The increase as a percentage of net sales from the pro forma first quarter of 2003 was principally attributable to increases in variable stock compensation expense, co-operative advertising and selling support expenditures and distribution costs, partially offset by reduced national advertising costs and general and administrative expenses, as a percentage of our wholesale segment net sales. Variable stock compensation expense increased \$3.4 million, or 1.7 percentage points of wholesale segment net sales, due to the 16.7% increase in the first quarter of 2004 in value of our deemed Class A shares held in the deferred compensation plan of THL Holding. The increase in the value of the deemed Class A shares during the pro forma quarter ended March 27, 2004 resulted from our improved operating results for the quarter and improved valuation comparables as of March 27, 2004. Co-operative advertising and selling support expenditures increased \$9.6 million, or 3.0 percentage points, in comparison to the prior year due primarily to (i) more expenditures meeting the criteria of a selling expense in accordance with EITF 01-9 in 2004 compared to pro forma first quarter of 2003 and (ii) a shift in our sales mix toward customers and products that receive more advertising and selling support subsidies. Distribution costs increased \$2.2 million, or 0.3 percentage points, in comparison to the prior pro forma first quarter due to (i) the shut down of the Jacksonville, Florida and Columbus, Ohio manufacturing facilities resulting in more miles driven to service customers and (ii) higher average fuel costs. Our sales associate compensation increased \$1.3 million in the pro forma first quarter of 2004 compared to the pro forma first quarter of 2003 due primarily to an increase in our sales associate headcount as a result of our growth in sales. Our national advertising costs decreased \$1.0 million, or 0.7 percentage points, in comparison to the prior pro forma first quarter due to reduced print media costs. Our general and administrative expenses decreased \$0.9 million, or 1.0 percentage points, in comparison to the prior pro forma first quarter due primarily to (i) a national leadership meeting that took place in 2003 that did not reoccur in 2004 and (ii) lower administrative wages as a percentage of wholesale segment net sales due to the increase in wholesale segment net sales.

Our retail segment selling, general and administrative expenses, as a percentage of retail segment net sales, decreased 1.4 percentage points to 50.0% in the pro forma first quarter of 2004 from 51.4% for the pro forma quarter ended March 29, 2003. This decrease was primarily attributable to an increase in retail sales resulting in greater leverage of our fixed retail selling, general and administrative expenses.

Amortization of Intangibles. Amortization of intangibles was \$3.5 million for the pro forma quarter ended March 27, 2004 and \$3.5 million for the pro forma quarter ended March 29, 2003.

Transaction Expenses. Transaction expenses for the pro forma quarter ended March 27, 2003 consisted of \$0.8 million in costs incurred in connection with the acquisition of Sleep Country.

Interest Expense, Net. For the pro forma quarter ended March 27, 2004, interest expense, net, decreased \$0.6 million, or 4.9%, to approximately \$11.1 million from \$11.7 million for the pro forma quarter ended March 29, 2003. This decrease was a result of our repayment of \$12.3 million of debt in the first quarter of 2004.

Income Taxes. The combined federal, state, and foreign effective income tax rate of 37.0% for the pro forma quarter ended March 27, 2004 differs from the federal statutory rate of 35.0% primarily due to a tax benefit realized as a result of a decrease in the tax rate at which deferred tax assets and liabilities were recorded in order to more properly reflect our overall state income tax effective rate, the tax expense effect of a valuation allowance increase for SC Holdings, Inc. net deferred tax assets and state income tax expense. The combined federal, state, and foreign effective income tax rate of 41.7% for the pro forma quarter ended March 29, 2003 differed from the federal statutory rate of 35.0% primarily due to state income tax expense and the tax effects of non-deductible interest costs.

Net Income. For the reasons set forth above, our net income increased \$3.4 million, or 74.5%, to \$8.0 million for the pro forma quarter ended March 27, 2004 compared to \$4.6 million for the pro forma quarter ended March 29,

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of cash to fund liquidity needs are (i) cash provided by operating activities and (ii) borrowings available under our new Senior Credit Facility ("New Senior Credit Facility"). Our primary use of funds consists of payments of principal and interest for our debt, capital expenditures, acquisitions, and funding for working capital increases. Barring any unexpected significant external or internal developments, we expect current cash balances on hand, cash provided by operating activities and borrowings available under our New Senior Credit Facility to be sufficient to meet our short-term and long-term liquidity needs.

In the first quarter of 2004, our total debt decreased by \$12.3 million to \$757.9 million and our capital expenditures were \$1.8 million. We expect to spend approximately \$18 million on capital expenditures for the remainder of fiscal year 2004. We believe that annual capital expenditure limitations in our Senior Credit Facility will not significantly inhibit us from meeting our ongoing capital expenditure needs.

As of March 27, 2004, the Company had availability to borrow \$64.5 million under the Revolving Loan Facility after giving effect to \$10.5 million that was reserved for the Company's reimbursement obligations with respect to outstanding letters of credit. The weighted average interest rates per annum in effect as of March 27, 2004 for the Tranche B Term Loan and Senior Unsecured Term Loan were 4.14% and 5.13%, respectively.

On April 12, 2004, the remaining 10.25% Series B Senior Subordinated Notes ("Old Notes") outstanding were repurchased at 105.125% of the principal amount thereof for a total payment of \$5.3 million.

On May 1, 2004, we sold our Mattress Gallery subsidiary, which was considered an asset held for sale as of March 27, 2004, for cash proceeds of \$6.5 million to PCM. In connection with the sale, the Company entered into a five-year supply agreement with PCM. For the quarter ended March 27, 2004, Mattress Gallery's net sales, operating loss and Adjusted EBITDA were \$9.9 million, \$2.4 million and \$0.2 million, respectively.

Our cash flows from operations for the first quarter increased \$21.7 million to a source of \$11.6 million for the first quarter of 2004 from a use of \$(10.1) million for the first quarter of 2003. Our cash flow from operations increased due primarily to reducing our cash interest payments by \$6.7 million due to a change in our semi-annual interest payment date to June from March because of the issuance of our New Notes and the retirement of our Old Notes in connection with the financing of the Acquisitions. Our working capital improved \$6.5 million during the quarter due to the selling of inventory, written-up to fair market value as part of the allocation of the purchase price on December 19, 2003. Additionally, our working capital improved due to an increase in our wholesale segment inventory turns to 17 in the first quarter of 2004 from 16 in the first quarter of 2003. Our wholesale segment accounts payable days were 33 in the first quarter of 2004, which was consistent with the first quarter of 2003. Our accounts receivable balance increased due to our growth in wholesale segment sales in the first quarter of 2004 compared to the first quarter of 2003. Our accounts receivable days sales outstanding for our wholesale segment were 40 for the first quarter of 2004 compared to 43 for the first quarter of 2003.

We believe that cash generated from operations, together with the borrowings available under our Revolving Credit Facility, will be sufficient to meet our working capital and capital expenditure needs for the foreseeable future.

Our long-term obligations contain various financial tests and covenants. We were in compliance with such covenants as of the quarter ended March 27, 2004. The most restrictive covenants relate to ratios of Adjusted EBITDA to interest coverage (interest coverage ratio), total debt to Adjusted EBITDA (total leverage ratio), and maximum capital expenditures all as defined in the Senior Credit Facility. The minimum interest coverage and maximum leverage ratios are computed based on our results for the last twelve months ended. More specifically, the Senior Credit Facility's covenant require:

- a minimum interest coverage ratio, with compliance levels ranging from an interest coverage of no less than 2.25:1.00 from March 31, 2004 through December 31, 2004; 2.30:1.00 from March 31, 2005 through December 31, 2005; 2.40:1.00 from March 31, 2006 to December 31, 2006; 2.55:1.00 from March 31, 2007 through December 31, 2007; 2.75:1.00 from March 31, 2008 through December 31, 2008; and 3.00:1.00 as of March 31, 2009 and each fiscal quarter ending thereafter.
- A maximum total leverage ratio, with compliance levels ranging from total leverage of no greater than 6.85:1.00 from March 31, 2004 through December 31, 2004; 6.50:1.00 from March 31, 2005 through December 31, 2005; 6.00:1.00 as of March 31, 2006 and June 30, 2006; 5.75:1.00 as of September 30, 2006 and December 31, 2006; 5.00:1.00 from March 31, 2007 through December 31, 2007; 4.50:1.00 from March 31, 2008 through December 31, 2008; and 4.00:1.00 as of March 31, 2009 and each fiscal quarter ending thereafter.
- a maximum capital expenditure limitation of \$20.0 million per fiscal year, with the ability to rollforward to future years unused amounts for the previous fiscal year, and also subject to adjustments for certain acquisitions and other events.

We expect to meet such covenants in 2004. Adjusted EBITDA (as defined in the Senior Credit Facility) differs from the term "EBITDA" as it is commonly used. In addition to adjusting net income to exclude interest expense, income taxes, depreciation and amortization, Adjusted EBITDA also adjusts net income by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as management fees; ESOP expenses; the aggregate amount of the fees, costs and cash expenses paid by the Company in connection with the consummation of the Acquisition (including without limitation, bonus and option payments); other non-cash items reducing consolidated net income (including, without limitation, non-cash purchase accounting adjustments and debt extinguishment costs); the cure amount, if any, received by Simmons in respect of that period; any extraordinary, unusual or non-recurring gains or losses or charges or credits; and any reasonable expenses or charges related to any issuance of securities, investments permitted, permitted acquisitions, recapitalizations, asset sales permitted or indebtedness permitted to be incurred, less other non-cash items increasing consolidated net income, all of the foregoing as determined on a consolidated basis for the Company in conformity with GAAP. Adjusted EBITDA is presented herein because it is a material component of the covenants contained within the aforementioned credit agreements. Non-compliance with such covenants could result in the requirement to immediately repay all amounts outstanding under such agreements which could have a material adverse effect on our results of operations, financial position and cash flow. While the determination of "unusual and nonrecurring losses" is subject to interpretation and requires judgment, we believe the Adjusted EBITDA presented below is in accordance with the Senior Credit Facility. Adjusted EBITDA does not represent net income or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs.

The following is a calculation of our minimum interest coverage and maximum leverage ratios under the Senior Credit Facility as of March 27, 2004 (amounts in thousands, except ratios). The terms and related calculations are defined in the Senior Credit Facility.

<TABLE>
<CAPTION>

	March 27, 2004

<S>	<C>
Calculation of Minimum Cash Interest Coverage Ratio:	
Twelve months ended Adjusted EBITDA(1)	\$132,524
	=====
Consolidated cash interest expense(2)	\$ 42,660
	=====
Actual interest coverage ratio(3)	3.11x
Minimum Permitted Interest Coverage Ratio	2.25x
Calculation of Maximum Leverage Ratio:	
Consolidated indebtedness	\$757,937
Less: Cash and cash equivalents	(859)

Net debt	\$757,078
	=====
Adjusted EBITDA(1)	\$132,524
	=====
Actual Leverage Ratio(4)	5.71x
Maximum Permitted Leverage Ratio	6.85x

</TABLE>

(1) Adjusted EBITDA for the twelve months ended March 27, 2004 adds back to net income the following items: income taxes, interest expense, depreciation and amortization, variable stock compensation expense, transaction related expenditures, plant opening and closing charges, certain litigation and insurance charges relating to previous periods, retail segment charges relating to previous periods, management fees, and other non-recurring/non-cash charges as permitted under our Senior Credit Facility.

(2) Consolidated cash interest expense, as defined in the Senior Credit Facility, for the period ended March 27, 2004, as follows (in thousands):

<TABLE>
<CAPTION>

	<C>
Interest expense, net	\$11,093
Interest income	44

Gross interest expense	11,137
Less: Non-cash interest expense	472

	10,665
	X 4

Consolidated cash interest expense	----- \$42,660 =====
------------------------------------	----------------------------

</TABLE>

- (3) Represents ratio of Adjusted EBITDA to consolidated cash interest expense.
- (4) Represents ratio of consolidated indebtedness less cash and cash equivalents to Adjusted EBITDA.

SEASONALITY/OTHER

For the past several years, there has not been significant seasonality to our wholesale bedding business. Our retail bedding business, which accounted for \$25.1 million, or 11.2%, of our consolidated net sales for the first quarter of 2004, has historically experienced, and we expect will continue to experience, seasonal and quarterly fluctuations in net sales, operating income and Adjusted EBITDA. As is the case with many bedding retailers, our retail business is subject

to seasonal influences, characterized by strong sales for the months of May through September, which impacts our second and third quarter results.

MARKET RISK

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

INTEREST RATE RISK

We are exposed to market risk from changes in interest rates. In order to address this risk, the Senior Credit Facility requires us to adopt interest rate protection measures on our variable rate indebtedness such that 50% of our consolidated funded indebtedness is either fixed or protected.

In order to address interest rate risk, we have developed and implemented a policy to utilize extended Eurodollar contracts to minimize the impact of near term Eurodollar rate increases. On January 26, 2004, we elected to set the interest rate at the twelve-month Eurodollar Rate for approximately \$325.0 million of the Tranche B Term Loan and the \$140.0 million Senior Unsecured Term Loan, which fixed the Eurodollar Rate at 1.375% through January 26, 2005 for approximately 86% of our floating rate debt outstanding as of June 26, 2004. Additionally, to further address interest rate risk, we entered into an interest rate cap agreement on February 11, 2004 for a notional amount of \$170.0 million, which capped the Eurodollar Rate, plus applicable margin, at 5.0% for the period of January 26, 2005 through January 26, 2006.

All other factors remaining unchanged, a hypothetical 10% increase or decrease in interest rates for one year on our variable rate financial instruments would not have a material impact on earnings during 2004, but would result in an additional \$2.4 million of interest expense in 2005.

COMMODITY PRICE RISK

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

ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued SFAS No. 132 (Revised), Employers' Disclosure about Pensions and Other Postretirement Benefits ("SFAS 132R"). A revision of the pronouncement originally issued in 1998, SFAS 132R expands employers' disclosure requirements for pension and postretirement benefits to enhance information about plan assets, obligations, benefit payments, contributions, and net benefit cost. SFAS 132R does not change the accounting requirements for pensions and other postretirement benefits. This statement was effective for fiscal years ending after December 15, 2003, with interim-period disclosure requirements effective for interim periods beginning after December 15, 2003. The adoption of this Statement did not have any impact on the Company's consolidated financial statements.

FORWARD LOOKING STATEMENTS

"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. When used in this Quarterly Report on Form 10-Q/A, the words "believes," "anticipates," "expects," "intends," "projects" and similar expressions are used to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to future financial and operating results, including expected benefits from our Better Sleep Through Science(R) philosophy. Any forward-looking statements contained in this report represent our management's current expectations, based on present information and current assumptions, and are thus prospective and subject to risks and uncertainties which could cause actual results to differ materially from those expressed in such forward-looking statements. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to:

- the level of competition in the bedding industry;
- legal and regulatory requirements;

- the success of new products;
- our relationships with our major suppliers;
- fluctuations in costs of raw materials;
- our relationship with significant customers and licensees;
- our labor relations;
- departure of key personnel;
- encroachments on our intellectual property;
- product liability claims;
- the timing, cost and success of opening new manufacturing facilities;
- our level of indebtedness;
- interest rate risks;
- future acquisitions;
- an increase in return rates; and
- other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission ("SEC"), including the Form 10-K for 2003.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information relative to our market risk sensitive instruments by major category as of December 27, 2003 is presented under Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 27, 2003. There have been no material changes to this information as of March 27, 2004.

Item 4. Internal Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 31.1 Chief Executive Officer Certification of the Type Described in Rule 13a - 14(a) and Rule 15d - 14(a)
- 31.2 Chief Financial Officer Certification of the Type Described in Rule 13a - 14(a) and Rule 15d - 14(a)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith)

(b) Reports on Form 8-K

On March 24, 2004, the Company filed with the Commission a Form 8-K which reported under Item 12 the Press Release dated March 18, 2004 announcing the results of operations for the fourth quarter and the full fiscal year of 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, Simmons Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

SIMMONS COMPANY

By: /s/ William S. Creekmuir

 William S. Creekmuir
Executive Vice President & Chief Financial Officer

Date: November 8, 2004