<u>EXHIBIT B</u>

Reorganized Debtors' Financial Projections

REORGANIZED DEBTORS' FINANCIAL PROJECTIONS

I. Projected Financial Statements

	2011	2012	2013	2014	2015
Income Statement					
Merchandise, net of returns	$72,640,855	$75,546,489	$78,568,349	$81,711,083	$84,979,526
Fabric Protection	4,882,645	5,077,951	5,281,069	5,492,312	5,712,004
Delivery Revenue	10,540,525	10,962,146	11,400,632	11,856,657	12,330,923
Net Sales	$88,064,025	$91,586,586	$95,250,050	$99,060,052	$103,022,454
Cost of Goods Sold	$37,063,675	$38,546,222	$40,088,071	$41,691,594	$43,359,258
Delivery Expense	4,354,823	4,529,015	4,710,176	4,898,583	5,094,526
Gross Profit	$46,645,528	$48,511,349	$50,451,803	$52,469,875	$54,568,670
Finance Costs	$1,938,088	$2,015,611	$2,096,235	$2,180,085	$2,267,288
Corporate Payroll	3,780,372	3,893,783	4,010,597	4,171,021	4,337,861
Warehouse Payroll	952,960	981,549	1,010,995	1,051,435	1,093,492
Store Payroll	7,723,927	7,844,155	7,969,193	8,228,071	8,497,305
Warehouse Rent and Rent Related Costs	841,257	858,082	875,244	910,254	946,664
Store Rent and Rent Related Costs	13,742,096	14,016,938	14,297,276	14,869,167	15,463,934
Advertising	9,000,000	9,360,000	9,734,400	10,123,776	10,528,727
Other Operating Expenses	4,560,850	4,743,284	4,933,015	5,130,336	5,335,549
Total Operating Expenses	$42,539,549	$43,713,402	$44,926,956	$46,664,145	$48,470,822
EBITDA	$4,105,978	$4,797,947	$5,524,847	$5,805,730	$6,097,848
Depreciation and Amortization	650,000	610,774	600,000	550,000	500,000
Interest (Income) Expense, net	835,019	793,019	687,487	639,987	527,262
Income (Loss) before Income Taxes	2,620,959	3,394,153	4,237,360	4,615,743	5,070,586
Income Tax Expense @ 35%	917,336	1,187,954	1,483,076	1,615,510	1,774,705
Net Income	1,703,624	2,206,200	2,754,284	3,000,233	3,295,881

	2011	2012	2013	2014	2015
Cash Flows					
Cash Flows from Operating Activities:					
Net Income (Loss)	$1,703,624	$2,206,200	$2,754,284	$3,000,233	$3,295,881
Adjustments to Reconcile Net Income to Cash Flow from Operations:					
Depreciation & Amortization	$650,000	$610,774	$600,000	$550,000	$500,000
Payment of Rent Arreages	(676,358)	0	0	0	0
Claims Against Fabpro Reserve	(500,000)	(450,000)	(400,000)	(350,000)	(300,000)
Payment of Professional Fees	(1,318,376)	0	0	0	0
Payment of Merrick Legal Expenses	(275,000)	0	0	0	0
Changes in Working Capital:					
(Increase) Decrease in Accounts Receivable	(145,891)	(23,519)	(24,460)	(25,439)	(26,456)
(Increase) Decrease in Showroom Inventories	0	0	0	0	0
(Increase) Decrease in Warehouse Inventories	(201,892)	(203,024)	(211,145)	(219,591)	(228,374)
(Increase) Decrease in Allowance for Inventory Valuation	334	336	349	363	378
(Increase) Decrease in Prepaid Expenses and Other Current Assets	0	(60,000)	(62,400)	(64,896)	(67,492)
Increase (Decrease) in Accounts Payable - Jennifer	5,323,381	(233,062)	277,140	214,698	223,286
Increase (Decrease) in Accounts Payable - Ashley	0	0	0	0	0
Increase (Decrease) in Customer Deposits	931,505	99,361	181,235	188,484	196,023
Increase (Decrease) in Accrued Expenses and Other Current Liabilities	0	79,989	83,188	86,516	89,977
Increase (Decrease) in Deferred Rent and Allowances	0	0	0	0	0
Net Cash Provided (Used) By Continuing Operations	$5,491,326	$2,027,054	$3,198,191	$3,380,369	$3,683,223
Cash Flows from Investing Activities:					
Capital Expenditure	($300,000)	($300,000)	($300,000)	($300,000)	($300,000)
(Increase) Decrease in Restricted Cash	99,333	0	0	0	0
Net Cash Provided (Used) By Investing Activities	($200,667)	($300,000)	($300,000)	($300,000)	($300,000)
Cash Flows From Financing Activities:					
Repayment of 'A' Note (general unsecured)	($1,400,000)	$0	$0	$0	$0
Repayment of 'B' Note (Mengnu 503(b)(9))	0	(2,638,284)	0	0	0
Repayment of 'C' Note (general unsecured)	0	0	(950,000)	0	0
Repayment of 'D' Note (Mengnu unsecured)	0	0	0	(1,878,760)	0
Repayment of 'E' Note (Mengnu DIP Loan)	0	0	0	0	(3,696,824)
Net Cash Provided (Used) By Financing Activities	($1,400,000)	($2,638,284)	($950,000)	($1,878,760)	($3,696,824)
Net Increase (Decrease) In Cash and Cash Equivalents	3,890,659	(911,230)	1,948,191	1,201,609	(313,601)
Cash and Cash Equivalents, Beginning	3,033,467	6,924,126	6,012,896	7,961,087	9,162,695
Cash and Cash Equivalents, Ending	6,924,126	6,012,896	7,961,087	9,162,695	8,849,094

	2011	2012	2013	2014	2015
Balance Sheet					
ASSETS					
Current Assets					
Cash & cash equivalents	$6,924,126	$6,012,896	$7,961,087	$9,162,695	$8,849,094
Restricted cash	0	0	0	0	0
Accounts receivable	587,984	611,504	635,964	661,403	687,859
Accounts receivable - CC Reserves	1,886,121	1,961,566	2,040,029	2,121,630	2,206,495
Showroom floor inventory	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Warehouse inventory	5,075,595	5,278,618	5,489,763	5,709,354	5,937,728
Allowance for inventory valuation	(15,007)	(15,343)	(15,692)	(16,055)	(16,432)
Prepaid expenses and other current assets	1,500,000	1,560,000	1,622,400	1,687,296	1,754,788
Total current assets	$19,958,820	$19,409,242	$21,733,551	$23,326,323	$23,419,531
PP&E (net of depreciation)	$1,736,592	$1,436,592	$1,136,592	$886,592	$686,592
Capital Leases (net of depreciation)	10,774	0	0	0	0
Goodwill (net of amortization)	17,887,493	17,887,493	17,887,493	17,887,493	17,887,493
Other long term assets	576,847	576,847	576,847	576,847	576,847
Total long term assets	$20,211,706	$19,900,932	$19,600,932	$19,350,932	$19,150,932
Total Assets	**$40,170,526**	**$39,310,174**	**$41,334,483**	**$42,677,254**	**$42,570,463**
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Accounts payable, Jennifer (1)	5,323,381	5,090,319	5,367,458	5,582,156	5,805,443
Accounts payable, Ashley (2)	0	0	0	0	0
Customer deposits	4,431,505	4,530,865	4,712,100	4,900,584	5,096,607
Accrued expenses and other current liabilities	1,999,723	2,079,712	2,162,900	2,249,416	2,339,393
Fabpro Reserve (3)	2,269,475	1,819,475	1,419,475	1,069,475	769,475
Total current liabilities	$14,024,083	$13,520,370	$13,661,933	$13,801,631	$14,010,918
Settlement Financing					
'A' Note (general unsecured)	$0	$0	$0	$0	$0
'B' Note (Mengnu 503(b)(9))	2,638,284	0	0	0	0
'C' Note (general unsecured)	950,000	950,000	0	0	0
'D' Note (Mengnu unsecured)	1,878,760	1,878,760	1,878,760	0	0
'E' Note (Mengnu DIP Loan)	3,696,824	3,696,824	3,696,824	3,696,824	0
Mengnu Line of Credit (4)	1,886,121	1,961,566	2,040,029	2,121,630	2,206,495
Total liabilities	$25,074,073	$22,007,521	$21,277,546	$19,620,086	$16,217,413
Stockholders Equity					
Mengnu Equity	$13,617,237	$15,624,878	$18,131,276	$20,861,488	$23,860,740
Creditors Equity	1,479,216	1,677,774	1,925,660	2,195,681	2,492,310
	$15,096,453	$17,302,652	$20,056,936	$23,057,169	$26,353,050
Total Liabilities and Shareholder Equity	**$40,170,526**	**$39,310,174**	**$41,334,483**	**$42,677,254**	**$42,570,463**

Notes:

(1) Assumes payment terms of 90 days for Mengnu and COD for Ashley with unlimited line of credit on payables.

(2) Assumes payment terms of COD for Ashley.

(3) Reserve for historical fabric protection exposure.

(4) Mengnu line of credit that guarantees the MasterCard, Visa and private label card. This is not a true liability of the Company but is shown for illustrative purposes.

II. Revenue Assumptions

a. Merchandise and Fabric Protection Revenue

Merchandise and Fabric Protection Revenue is expected to increase in 2011 by 8.6% for the Jennifer segment and 56.9% for the Ashley segment based on the following factors:

- Same store sales growth in Jennifer stores of approximately 5%
- The opening and maturation of one additional Jennifer store, representing approximately $1.65 million of Merchandise and Fabric Protection Revenue
- Same store sales growth in Ashley stores of approximately 8%
- The continued maturation of four recently opened Ashley stores, representing approximately $15.75 million of Merchandise and Fabric Protection Revenue
- No new Ashley store openings
- In general, these growth targets assume that:
    - Management will be able to focus on operating the business in an efficient and effective manner and will no longer be distracted by the challenges related to bankruptcy and the related company that it faced in 2010.
    - Mengnu will provide a reliable and consistent flow of product and there will be no shortage of inventory as existed in 2010.
    - Advertisements will run according to schedule without dark periods that existed in 2010.
    - Consumers will regain confidence in the Jennifer brand due to the Company's emergence from bankruptcy. Negative publicity resulting from the Company's bankruptcy filing will gradually dissipate.
    - A new private label card will be launched and create strong incentives for repeat customers, thereby increasing demand for Jennifer and Ashley products.

CY 2012 – 2018 Merchandise and Fabric Protection Revenue assumes modest same store sales growth of 4% in both Jennifer and Ashley stores.

b. Home Delivery Income

CY 2011 – 2018 Home Delivery Income is assumed to be 15% of Merchandise and Fabric Protection Revenue for the Jennifer segment and 11% for the Ashley segment.

III. Expense Assumptions

a. CY 2011 – 2013 expenses are projected based on an analysis of fixed and variable costs. Fixed costs are increased modestly year-over-year. Variable costs increase along with sales.
b. From CY 2014 – 2018, margins are assumed to remain constant. Expenses are adjusted accordingly.

IV. Balance Sheet Assumptions

a. Rent Arreages Payable

Represents the rent that has been termed over the course of 2011 as a result of negotiations with landlords that had taken place during bankruptcy.

b. Debt

Represents the conversion of general unsecured claims excluding Ashley and Mengnu into the 'A' Note and the 'C' Note, Mengnu's 503(b)(9) claim into the 'B' Note, Mengnu's general unsecured claim into the 'D' Note and Mengnu's DIP financing into the 'E' Note.

c. Capital Expenditures

CY 2011 – 2018 Capital Expenditures are projected to be $300,000 per year.

<u>EXHIBIT C</u>

Discounted Cash Flow Analysis

DISCOUNTED CASH FLOW ANALYSIS

Discounted Cash Flow Analysis	2011	2012	2013	2014	2015	2016	2017	2018
After-Tax Free Cash Flow Calculation								
EBITDA	$4,105,978	$4,797,947	$5,524,847	$5,805,730	$6,097,848	$6,341,762	$6,595,433	$6,859,250
Less								
Depreciation and Amortization	650,000	610,774	600,000	550,000	500,000	450,000	400,000	350,000
EBIT	$3,455,978	$4,187,172	$4,924,847	$5,255,730	$5,597,848	$5,891,762	$6,195,433	$6,509,250
Taxes on EBIT	1,209,592	1,465,510	1,723,696	1,839,505	1,959,247	2,062,117	2,168,401	2,278,237
Net Operating Profit After Taxes	2,246,386	2,721,662	3,201,151	3,416,224	3,638,601	3,829,645	4,027,031	4,231,012
Plus								
Depreciation and Amortization	650,000	610,774	600,000	550,000	500,000	450,000	400,000	350,000
Capital Expenditures	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Change in Net Working Capital	5,907,437	(339,920)	243,907	180,136	187,342	194,835	202,629	210,734
Payment of Rent Arrages	(676,358)	0	0	0	0	0	0	0
Claims Against Fabpro Reserve	(500,000)	(450,000)	(400,000)	(350,000)	(300,000)	(250,000)	(200,000)	(150,000)
Payment of Professional Fees	(1,318,376)	0	0	0	0	0	0	0
Payment of Merrick Legal Expenses	(275,000)	0	0	0	0	0	0	0
Change in Restricted Cash	99,333	0	0	0	0	0	0	0
Unlevered Free Cash Flow	**$5,833,421**	**$2,242,516**	**$3,345,057**	**$3,496,361**	**$3,725,943**	**$3,924,481**	**$4,129,660**	**$4,341,747**
2018 EBITDA with Ashley Segment (1)								6,859,250
2018 EBITDA without Ashley Segment (2)								815,441
Exit Multiple								4.50x
Terminal Value with Ashley Segment (1)								30,866,625
Terminal Value without Ashley Segment (2)								3,669,487
Total Cash Flows with Ashley Segment (1)	5,833,421	2,242,516	3,345,057	3,496,361	3,725,943	3,924,481	4,129,660	35,208,372
Total Cash Flows without Ashley Segment (2)	5,833,421	2,242,516	3,345,057	3,496,361	3,725,943	3,924,481	4,129,660	8,011,233
Discounted Cash Flows with Ashley Segment (1)	**$4,964,614**	**$1,624,276**	**$2,062,006**	**$1,834,276**	**$1,663,592**	**$1,491,266**	**$1,335,516**	**$9,690,429**
Discounted Cash Flows without Ashley Segment (2)	**$4,964,614**	**$1,624,276**	**$2,062,006**	**$1,834,276**	**$1,663,592**	**$1,491,266**	**$1,335,516**	**$2,204,938**

Implied Enterprise Value with Ashley Segment (1)	**$24,665,976**
Implied Enterprise Value without Ashley Segment (2)	**$17,180,485**
Average Implied Enterpise Value	**$20,923,231**

Inputs	
Tax Rate	35.0%
WACC	17.5%
Exit Multiple (3)	4.5x

Notes:

(1) Assumes Ashley renews TUAs in 2018.

(2) Assumes Ashley does not renew TUAs in 2018.

(3) Estimated based on the Average Historical Jennifer EBITDA Multiple, Average Historical Peer Group EBITDA Multiple, and Average Historical Jennifer / Peer Group EBITDA Multiple Ratio from 2/25/06 - 5/23/08, in addition to the Median and Mean Peer Group LTM EBITDA Multiple as of 11/15/10.

Sensitivity Analysis - Average Implied Enterprise Value

		Exit Multiple				
		4.00x	4.25x	4.50x	4.75x	5.00x
WACC	20.00%	$18,584,129	$18,807,240	$19,030,350	$19,253,461	$19,476,572
	18.75%	$19,455,673	$19,698,279	$19,940,886	$20,183,492	$20,426,098
	17.50%	$20,395,153	$20,659,192	$20,923,231	$21,187,269	$21,451,308
	16.25%	$21,409,237	$21,696,862	$21,984,488	$22,272,113	$22,559,739
	15.00%	$22,505,361	$22,818,969	$23,132,578	$23,446,187	$23,759,796

EXHIBIT D

Liquidation Analysis

LIQUIDATION ANALYSIS

The table below summarizes the recovery estimates for proceeds that would be available for distribution in Jennifer Convertibles' hypothetical chapter 7 bankruptcy case.

Jennifer Convertibles, Inc.
TM Capital Liquidation Analysis as of 8/28/10

($ in thousands)		ASSETS - AUGUST 28, 2010				
		Book Value	Hypothetical		Estimated	
		As of	Percentage Recovery		Liquidation Value	
	Notes	8/28/2010	High	Low	High	Low
ASSETS						
Cash & cash equivalents	(B)	$4,897	100.0%	100.0%	$4,897	$4,897
Store + Truckers	(C)	634	75.0%	50.0%	476	317
Restricted cash	(D)	159	100.0%	75.0%	159	119
Accounts receivable	(E)	679	100.0%	100.0%	679	679
Accounts receivable - CC Processor	(F)	3,481	100.0%	100.0%	3,481	3,481
Showroom floor inventory	(G)	4,136	75.0%	65.0%	3,102	2,688
Warehouse inventory	(H)	4,482	100.0%	85.0%	4,482	3,809
Allowance for inventory valuation	(I)	(15)	100.0%	100.0%	(15)	(15)
Prepaid expenses and other current assets	(J)	2,136	95.0%	75.0%	2,029	1,602
Total current assets		**$20,589**	**93.7%**	**85.4%**	**$19,290**	**$17,578**
Store fixtures, LHI, net	(K)	2,239	10.0%	5.0%	224	112
Goodwill		—	0.0%	0.0%	—	—
Other assets	(L)	577	4.0%	2.0%	23	12
Total assets		**$23,405**	**83.5%**	**75.6%**	**$19,537**	**$17,702**

		CLAIMS - AUGUST 28, 2010				
		Book Value				General
		As of	Administrative	Priority	Non-	Unsecured
		8/28/2010	Claims	Claims	Claims	Claims
A/P & Accrued Expenses - Pre Petition	(M)	$34,398	$3,607	—	—	$30,790
A/P & Accrued Expenses - Post Petition	(M) / (N)	6,506	—	3,193	3,313	—
Customer Deposits	(M)	5,353	—	5,353	—	—
Lease Rejection Claims	(O)	17,192	—	—	—	17,192
Total Unsecured Claims		$63,448	$3,607	$8,546	$3,313	$47,982

		POTENTIAL RECOVERY - AUGUST 28, 2010	
		High	Low
Estimated Liquidation Value		$19,537	$17,702
Less: Priority Claims (excl. claims below)	(M)	(3,193)	(3,193)
Less: Customer Deposits	(M)	(5,353)	(5,353)
Less: 503(b)(9) Claims	(M)	(3,607)	(3,607)
Less: Shutdown Costs	(P)	(2,425)	(2,875)
Net Estimated Liquidation Proceeds		**$4,959**	**$2,674**
General Unsecured Claims	(Q)	$47,982	$47,982
Plus: Other Claims	(Q)	1,000	2,000
Less: Adjustments for Security Deposits	(L)	(538)	(538)
Total General Unsecured Claims		$48,444	$49,444
Recovery %		**10.2%**	**5.4%**

NOTES TO LIQUIDATION ANALYSIS

Note A – General Notes

The Liquidation Analysis assumes that the liquidation is performed by a national retail liquidator and occupancy costs associated with the liquidation are paid by the liquidator. This analysis does not include a valuation for certain intangible assets such as value derived from avoidance actions as these assets are inherently difficult to value and are retained by the creditors in both scenarios. The following analysis is performed as though a liquidation were to occur as of August 28, 2010. It is TM Capital's view that the Debtors' balance sheet has deteriorated significantly since 8/28/10 and therefore the recovery in a liquidation scenario today would be less than the recovery presented above.

Note B – Cash and Cash Equivalents

The Liquidation Analysis assumes that operations during the liquidation period would not generate additional cash available for distribution except for net proceeds from the disposition of non-cash assets. All outstanding cash balances are assumed to be 100% recoverable, except cash in the stores and cash with truckers.

Note C – Cash in Stores and with Truckers

Cash in stores and with truckers is assumed to have a 50% to 75% recovery rate, which takes into account the inevitable difficulty a liquidating company has in collecting cash and receivables from its counter parties. This is particularly relevant with cash in stores and with truckers as this consists of small amounts of cash spread across a large number of people and locations, which creates logistical challenges for the Debtors and consequently reduces the recovery rate.

Note D – Restricted Cash

Restricted cash is comprised of workman's compensation insurance, a reserve with American Express for the Debtors' corporate credit card, and a letter of credit. To account for some uncertainty around the potential collection of restricted cash, recovery rates of 75% to 100% are assumed.

Note E – Accounts Receivable

The analysis for accounts receivable assumes that a chapter 7 trustee would retain certain existing staff of the Debtors to handle an aggressive collection effort for outstanding trade accounts receivable for the Debtors. Accounts Receivable represents cash held by Merrick Bank, American Express and Discover after a sale has been made but before the cash has been remitted to the Debtors. This timing lag is typically 2 – 3 days. Recovery is assumed to be 100%.

Note F – Accounts Receivable – CC Processor

As previously stated, the analysis for accounts receivable assumes that a chapter 7 trustee would retain certain existing staff of the Debtors to handle an aggressive collection effort for outstanding trade accounts receivable for the Debtors. Collectible accounts receivable – CC processor are assumed to include all outstanding credit card reserves held by Merrick Bank, American Express and Discover. It is assumed that all customer deposits will be paid in full, thus eliminating their claim against the credit card processors. Therefore, it is assumed that all trade accounts receivable with credit card processors is 100% recoverable.

Note G – Showroom Floor Inventory

Showroom floor inventory is comprised of finished goods on display in the Debtors' stores. These goods are subject to every day wear-and-tear, and are therefore less valuable than the finished goods in the Debtors' warehouse. Recently, the Debtors sold some of their showroom floor inventory for approximately 75% of book value in an orderly liquidation conducted by a national retail liquidator. It is important to note, however, that this liquidation sale was significantly smaller in scale and scope than a full liquidation of the Debtors would be and therefore may not be indicative of the results of a full liquidation in Chapter 7. Thus, the liquidation value of showroom floor inventory is assumed to have a 65% to 75% recovery rate. Previous orderly liquidations suggest a similar recovery rate for showroom floor inventory.

Note H – Warehouse Inventory

Warehouse inventory is comprised of finished goods in the Debtors' warehouse. Recently, the Debtors' sold some of their warehouse inventory for 100% of book value in an orderly liquidation conducted by a national retail liquidator. Again, it is important to note that this liquidation was significantly smaller in scale and scope than a full liquidation of the Debtors would be and therefore may not be indicative of the results of a full liquidation in Chapter 7. Thus, the liquidation value of 100% of the Debtors' warehouse inventory is assumed to have an 85% to 100% recovery rate.

Note I – Allowance for Inventory Valuation

Allowance for inventory valuation adjusts the book value of inventory for obsolescence and slow moving inventory. Allowance for inventory valuation is assumed at 100%.

Note J – Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets is comprised of prepaid insurance, prepaid income taxes, prepaid real estate taxes, prepaid merchandise, prepaid advertising, prepaid vacation, and other outside receivables and prepaid expenses. Prepaid insurance consists of premiums for various insurance policies, most of which do not mature for a number of years and are therefore assumed to have an 80% recovery rate. Prepaid taxes are assumed to be partially refunded and partially credited towards the tax liability of the current period, resulting in an assumed recovery rate of 80% to 100%. Prepaid merchandise is assumed to have an 85% to 100% recovery rate, with some allowance for the inevitable difficulty a liquidating company has in collecting prepaid merchandise from creditors. Prepaid expenses and other current assets includes $366,318 of prepaid advertising that had been classified as a negative liability on the 8/28/10 balance sheet. TM Capital has reclassified this as an asset for purposes of this analysis. Prepaid advertising is assumed to have a 75% to 90% recovery rate, which reflects some difficulty associated with selling advertising slots on short notice. Other outside receivables and prepaid expenses are assumed to have a 50% to 75% recovery and prepaid vacation is assumed to have no recovery.

The total liquidation value for prepaid expenses and other current assets is assumed to have a 75% to 95% blended recovery rate.

Note K – Store Fixtures, LHI, net

Store fixtures, LHI, net is comprised of leasehold improvements, furniture and fixtures, capitalized equipment, computer equipment, computer software, and trucks. Leasehold improvements are assumed to have no recovery based on the difficulty associated with monetizing an upgrade made by a lessee to a leased property. Furniture and fixtures, capitalized equipment, and computer equipment are assumed to have a 5% to 10% recovery rate based on their shelf life and the difficulty in selling these items. Computer software is assumed to have no recovery. Trucks are assumed to have a 50% to 75% recovery rate.

The total liquidation value of store fixtures and leasehold improvements is assumed to have a 5% to 10% blended recovery rate.

Note L – Other Assets

Other Assets is mainly comprised of security deposits with landlords and utilities, which are included as an offset to the general unsecured claims pool and are therefore assumed to have no recovery for the remaining general unsecured claimants. Security deposits for sales tax are assumed to be partially refunded with some allowance for the difficulty associated with collecting money from creditors, resulting in an assumed recovery rate of 80% to 100%.

The total liquidation value of other assets is assumed to have a 2% to 4% blended recovery rate.

Note M – Administrative and Priority Claims

Administrative and priority claims include all post-petition accounts payable and accrued expenses, with the exception of $3,058,358 of Fabpro/Warranty Reserve (as of the most recent audit adjustment) and $255,004 of accounting fees, which are treated as non-claims (as described below) in a liquidation scenario and would therefore not be paid. Administrative and priority claims also include $3,607,155 of 503(b)(9) claims and $5,352,647 of customer deposits, which are assumed to be paid in full in a liquidation scenario. As of 8/28/10, the Debtors had already paid approximately $1.2 million in priority claims for taxes, payroll, and home delivery truckers, and therefore those claims are not included herein.

Note N – Non-Claims

Fabpro / Warranty Reserve, provision for litigation and reserve for audit represent non-cash liabilities that do not result in cash claims in a liquidation scenario. More specifically, Fabpro / Warranty Reserve is the result of a $3,500,000 charge to operations that the Debtors recorded on February 27, 2010. This charge was designed to cover the estimated future cost of supplying furniture services with respect to the fabric and leather protection services that were previously sold by the Related Company. More detailed information can be found in the Debtors latest quarterly report. As of 8/28/10, Fabpro / Warranty Reserve was $3,058,358 (according to the latest audit adjustment).

Note O – Lease Rejection Claims

In a liquidation, the Debtors would have a contractual obligation to pay all landlords, with the exception of landlords with whom they have month-to-month contracts, the greater of one year's rent or 15% of their total rent obligation. As of 8/28/10, this obligation amounted to $17,191,703. In a liquidation, this amount would be added to the pool of general unsecured claimants.

Note P– Shutdown Costs

Additional costs associated with shutting down the business would be incurred in a liquidation scenario. These costs include payroll and operating costs, professional fees, and trustee fees (typically 3% of non-cash assets).

Note Q – Unsecured Claims

For purposes of the Liquidation Analysis, it is assumed that unsecured claims will consist of the Debtors' accounts payable and accrued expenses as of the Petition Date, less any amounts entitled to priority or administrative claims status under section 503(b)(9) of the Bankruptcy Code. As described above, $17,191,703 of lease rejection claims has been added to the pool of general unsecured claimants. However, not all potential sources of claims have been estimated for purposes of this Liquidation Analysis. Such additional claims would likely result from cessation of operations as contemplated herein and could be substantial in amount. In an attempt to quantify this, an additional claim of $1,000,000 to $2,000,000 has been added to the pool of general unsecured claimants. Solely for purposes of this Liquidation Analysis, unsecured claims are estimated to be between $48,466,189 and $49,466,189, inclusive of prepetition accounts payable and accrued expenses, lease rejection damage claims and $1,000,000 to $2,000,000 of cushion for additional claims not contemplated herein.