

EXHIBIT A
SETTLEMENT AGREEMENT

Settlement Agreement

SETTLEMENT AGREEMENT made as of December 30, 2010, between Ayisha Combs (“Combs”), Harris & Ruble (“H&R”), and North Bay Law Group (“North Bay”), on the one hand, and Jennifer Convertibles, Inc. (“Jennifer Convertibles”), as debtors and debtors-in-possession in the Bankruptcy Cases (as defined below), Harley Greenfield (“Greenfield”) and Rami Abada (“Abada”), on the other hand (Combs, H&R, North Bay, Jennifer Convertibles, Greenfield and Abada are hereinafter referred to collectively as the “Parties” and each as a “Party”).

WITNESSETH

WHEREAS, on July 18, 2010 (the “Petition Date”), Jennifer Convertibles and its affiliated debtors (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), which cases are being jointly administered under Case No. 10-13779 (ALG) (the “Bankruptcy Cases”); and

WHEREAS, since the Petition Date, the Debtors have continued to manage their property and operate their business as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, no trustee or examiner has been appointed or sought in the Bankruptcy Cases; and

WHEREAS, prior to the Petition Date, on July 16, 2009, a putative class and FLSA collective action, Combs v. Jennifer Convertibles, Inc., was commenced in the United States District Court (the “District Court”) for the Northern District of California, Case No. 3:09-cv-03242-SI (the “Combs I Case”); and

WHEREAS, prior to the Petition Date, on December 29, 2009, a second putative FLSA collective action, Combs v. Harley Greenfield and Rami Abada, was commenced in the District Court, Case No. 3:09-cv-06042-SI against Greenfield and Abada, as officers of Jennifer Convertibles (the “Combs II Case”, and together with the Combs I Case, the “Combs Cases”); and

WHEREAS, on February 26, 2010, the Combs I Case court denied collective-action certification without prejudice. The plaintiffs in the Combs I Case did not seek class certification prior to the Petition Date nor refile a collective-action certification motion; and

WHEREAS, on April 2, 2010, the Combs Cases were ordered related; and

WHEREAS, on May 11, 2010, the Combs II Case court dismissed the Combs II Case for lack of personal jurisdiction (the “May 11 Decision”). A collective action was never certified in the Combs II Case; and

WHEREAS, on June 9, 2010, Combs filed an appeal (the “Appeal”) of the May 11 Decision, which is currently pending before the Ninth Circuit Court of Appeals, Case No. 10-1638; and

WHEREAS, on June 18, 2010, the Combs I Case came before the Honorable Edward M. Chen in the Northern District of California for a settlement conference, during which the Parties agreed in principle to seek resolution of the claims of the California employees in the Combs Cases for a total payment of \$1,300,000, which Judge Chen deemed appropriate for submission to the District Court for approval (the “Prepetition Settlement”); and

WHEREAS, due to the commencement of the Bankruptcy Cases, the Prepetition Settlement was not submitted for District Court approval; and

WHEREAS, on June 18, 2010, the Combs II Case was submitted to mediation (the “Mediation”) under the auspices of Ninth Circuit Mediator Roxanne Ashe (the “Circuit Mediator”); and

WHEREAS, on August 16, 2010, counsel for Greenfield, Abada, Jennifer Convertibles and Combs took part in a conference call with the Circuit Mediator and informed her that the parties were engaged in settlement discussions and requested that the Mediation briefing schedule be adjourned to allow the parties to concentrate on settlement discussions. On September 16, 2010, the parties notified Circuit Mediator of a potential settlement in principle between the parties and again requested that the Mediation briefing schedule be adjourned to allow the Bankruptcy Court to consider the new settlement agreement. In light of the settlement reached, the Circuit Mediator vacated the mediation schedule; and

WHEREAS, Jennifer Convertibles, Abada and Greenfield deny any liability in the Combs Cases, including any liability to the plaintiffs in the Combs Cases or to the Combs Class Members (as defined below); and

WHEREAS, on October 25, 2010, Ms. Combs, as representative of the employee class, filed a priority claim against Jennifer Convertibles, Inc. under section 507(a)(4) of the Bankruptcy Code in the amount of \$7,632,100 for unpaid wages and damages (the “Combs Claim”), which Combs Claim was designated as claim number 278 in the Bankruptcy Cases; and

WHEREAS, on October 25, 2010, H&R filed a general unsecured proof of claim against Jennifer Convertibles, Inc. in the amount of \$198,747.00 for attorney’s fees and costs (the “H&R Claim”), which H&R Claim was designated as claim number 277 in the Bankruptcy Cases; and

WHEREAS, on October 25, 2010, North Bay filed a general unsecured proof of claim against Jennifer Convertibles, Inc. in the amount of \$80,759.00 for attorney’s fees and costs (the “North Bay Claim”, and together with the H&R Claim, the “Disallowed Claims”), which North Bay Claim was designated as claim number 279 in the Bankruptcy Cases; and

WHEREAS, on or about November 18, 2010, the Parties agreed upon a settlement, as now memorialized herein. The Official Committee of Unsecured Creditors appointed in the Bankruptcy Cases and Haining Mengnu Group have no objection to the proposed settlement; and

WHEREAS, in order to avoid the time, delay, expense and uncertainties of litigation, the Parties desire to settle all of their outstanding disputes for, *inter alia*, (i) the allowance of the Combs Claim, as amended in accordance with this Agreement (the “Amended Combs Claim”), as a general unsecured claim in the amount of \$450,000 (the “Allowed Combs Claim”), (ii) the withdrawal of the Combs Claim; (iii) the one-time payment of \$50,000 to Combs (the “Additional Settlement Amount”); and (iv) the disallowance of the Disallowed Claims.

DEFINITIONS

Wherever the following capitalized terms are used in this Settlement Agreement, or in the attached Exhibits, they shall have the following meanings:

A. “9019 Motion” means the motion of Jennifer Convertibles to be filed with the Bankruptcy Court seeking approval of the Settlement Agreement, pursuant to Federal Rule of Bankruptcy Procedure 9019, and entry of the Preliminary Approval Order and Final Judgment and Order.

B. “Agreement” or “Settlement Agreement” means this Settlement Agreement, including all attachments hereto. These terms shall also include all amendments to the Settlement Agreement, as well as any amendments and attachments thereto, so long as in writing and with the formalities required herein.

C. “Bankruptcy Court” means the United States Bankruptcy Court, Southern District of New York, and/or the Judge to whom the Bankruptcy Cases are or may hereafter be assigned.

D. “Claim Form” means a written document provided to Combs Class Members for the purpose of claiming benefits under this Settlement Agreement, which written document is part of the class notice attached as Exhibit 1 hereto, and the contents of which shall be as they appear on the last page of Exhibit 1, titled “Proof of Claim.”

E. “Class Counsel” means Alan Harris and Matthew E. Kavanaugh of Harris & Ruble, and David Harris of North Bay Law Group.

F. “Class Member” means any individual who, from July 16, 2005, through July 18, 2010, was employed by Jennifer Convertibles to work in its stores in California, excluding general managers and regional managers.

G. “Class Notice” means the Notice of Proposed Settlement of Class Action, in the manner described in this Settlement Agreement and the contents of which shall be as they appear in Exhibit 1 hereto.

H. “Collective Action Member” means any individual who, from July 16, 2006, through July 18, 2010, was employed by Jennifer Convertibles to work in its stores in California, excluding general managers and regional managers.

I. “Combs Classes” or “Combs Class Members” means the Class Members and the Collective Action Members.

J. “District Court” means the United States District Court for the Northern District of California, and/or the Judge to whom the Combs Cases are or may hereafter be assigned.

K. “Effective Date” means the first business day after the last of the following events to occur subsequent to the Bankruptcy Court’s entry of the Final Judgment and Order: (i) (a) the expiration of the 14-day period within which to seek review or take appeal of the Final Judgment and Order without any review or appeal (except by Class Counsel pertaining exclusively to attorneys’ fees and costs to be paid from any distributions made on account of the Allowed Combs Claim) having been sought or taken, such that the Final Judgment and Order becomes a final, non-appealable order and (b) if the Final Judgment and Order is appealed (except by Class Counsel pertaining exclusively to attorneys’ fees and costs to be paid from any distributions made on account of the Allowed Combs Claim), the expiration of fourteen days after the Final Judgment and Order is affirmed and approved in all material respects, and the time for reconsideration or further appeals (including appeals to the highest court before which review could be sought or appeal taken) has expired.

L. “Plaintiff” or “Combs” means Ayisha Combs, individually and on behalf of the Combs Classes.

M. “Release” means the release by the Releasing Parties embodied in this Settlement Agreement.

N. “Settlement” means the resolution of the Combs Cases, as embodied in the Settlement Agreement, or any amendment or changes to the Settlement Agreement consented to by Jennifer Convertibles, Inc., and Plaintiff.

O. “Settlement Administrator” means H&R.

P. “Settlement Class Member” means all Class Members who do not timely and validly exclude themselves from the Settlement as provided in this Settlement Agreement.

Q. “Settlement Collective Action Member” means all Collective Action Members who timely submit a Valid Claim Form as provided in this Settlement Agreement.

R. “Valid Claim Form” means a Claim Form (i) fully and correctly completed and executed by a Settlement Class Member and/or Settlement Collective Action Member and (b) postmarked and mailed to the return address specified herein and in the Class Notice no later than forty-five (45) days after the date of notice (“Claim Period”).

S. As used in this Settlement Agreement, all reference to persons or Class Members, Collective Action Members, Combs Class Members, Combs Classes, Settlement Class Members, or Settlement Collective Action Members shall include and be construed (unless the context of this Settlement Agreement requires otherwise) to include any person or entity that has an

interest, whether legal, equitable, or otherwise, in that person's testamentary estate, bankruptcy estate, trust, marital trust or similar estate or trust.

T. As used in this Settlement Agreement, the plural of any defined term includes the singular thereof and vice versa, except where the context requires otherwise.

U. Other terms are defined in the text of this Settlement Agreement, and shall have the meaning accorded to those terms in such text.

AGREEMENT

Now, therefore, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Defendants' Non-Admission of Liability. This Agreement is the result of a compromise and shall not be construed as an admission by any Party of any liability, wrongdoing, or responsibility on their part or on the part of their affiliates or their respective attorneys, officers, directors, or employees. Jennifer Convertibles, Greenfield, and Abada expressly deny any such liability, wrongdoing, or responsibility. The Parties confirm, for the purposes of completeness, that the foregoing provisions of this Section are not intended to affect any liabilities, other obligations or rights of any kind or nature provided for in this Agreement.

2. Representations and Warranties of the Parties. Each of the Parties represents and warrants as follows:

a. It has the power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement, including the consummation of the transactions contemplated hereby, have been duly authorized by all necessary action on its part. It has duly and validly executed this Agreement. This Agreement is its valid and binding obligation enforceable against it in accordance with its terms. The foregoing is subject to Bankruptcy Court approval as set forth herein.

b. The execution, delivery and performance of this Agreement by it, including the consummation by it of the transactions contemplated hereby and thereby, does not and will not (i) require the consent, license, permit, waiver, approval, authorization or other action of, by or with respect to, or registration, declaration or filing with, or notice to, any federal, state, local or foreign governmental or regulatory authority, including any court other than the Bankruptcy Court, (ii) violate or conflict with the provisions of its articles of incorporation, by laws, or other constituent documents or (iii) constitute a default (with or without notice or lapse of time, or both) under, violate or conflict with, or give rise to a right of termination, cancellation or acceleration or loss of a material benefit under any law, or under any contract, permit or order to which it is party or by which it or any of its assets is subject or bound.

c. No representation or warranty by it in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements

contained herein not misleading.

3. Bankruptcy Court Approval as Conditions to the Settlement. Bankruptcy Court approval of this Agreement is a condition precedent to the occurrence of the Effective Date of this Agreement. On July 16, 2009, Plaintiffs' counsel sent a certified letter to the Labor Workforce Development Agency ("LWDA") apprising it of Plaintiffs' intent to add a claim for violation of specific sections of the California Labor Code. On August 11, 2009, the LWDA sent a letter to Plaintiffs' counsel indicating that it did not intend to investigate Plaintiffs' allegations. Thus, the LWDA has indicated that it will not separately seek any remedy arising from an alleged violation of sections of the California Labor Code covering the classes here identified. Plaintiff shall present this letter, annexed hereto as Exhibit 2, to the Bankruptcy Court as part of the preliminary approval process, and the Parties shall jointly request that final approval by the Bankruptcy Court include a provision that this Agreement shall bar any separate action covering the Released Claims by any individual or entity, including the LWDA (the "LWDA Provision"). A condition precedent to the Effective Date is the inclusion of the LWDA Provision in both the Preliminary Approval Order and Final Judgment and Order (as those terms are defined below).

4. Settlement Consideration

- a. Allowance of the Combs Claim. Subject to entry of the Final Judgment and Order, the Combs Claim shall be withdrawn and the Amended Combs Claim shall be filed and allowed as a general unsecured claim (Class 3) against Jennifer Convertibles in the reduced amount of \$450,000. All distributions on account of such Allowed Combs Claim shall be made in accordance with a confirmed chapter 11 plan of Jennifer Convertibles. Any distributions made on account of the Allowed Combs Claim shall be made to the Settlement Administrator and subsequently disbursed by the Settlement Administrator as follows:
- First, to the Settlement Administrator for the costs and fees incurred by the Settlement Administrator in the amount of \$20,000; then
 - Second, any amount awarded by the Bankruptcy Court to Class Counsel on account of its services, as discussed herein, shall be deducted from any distributions made on account of the Allowed Combs Claim; and then
 - Third, of the remaining funds, fifty percent (50%) shall be paid equally to the Settlement Class Members who return a Valid Claim Form, and the remaining fifty percent (50%) shall be paid equally to the Settlement Collective Action members who return a Valid Claim Form.
- b. Additional Payment to Combs. Within 10 days of entry of the Preliminary Approval Order, Jennifer Convertibles shall pay \$50,000 to Ayisha Combs, in

accordance with the wiring instructions annexed hereto as Exhibit 3. This payment shall be made in accordance with this Agreement in full and final settlement of the Combs II Case and the claims asserted therein.

- c. Disallowance of Disallowed Claims. Upon the Effective Date, the H&R Claim and the North Bay Claim shall be withdrawn and deemed disallowed, with prejudice.

5. Claims Process. To be eligible to obtain the settlement benefits identified herein, a Settlement Class Member or Collective Action Member must, within forty-five (45) days of the date of the Class Notice, submit to the Settlement Administrator a fully and correctly executed Valid Claim Form in accordance with the Class Notice and must not have opted out of the Combs Classes. To be deemed a fully and correctly executed Valid Claim Form, the Combs Class Members must provide: (i) current name and address of the Combs Class Member, and (ii) declare under penalty of perjury that they were employed by Jennifer Convertibles in a showroom in a capacity other than a store manager or regional manager, during the relevant time period, and (iii) that he/she worked more than (a) eight hours in one day without being paid overtime compensation; and/or (b) forty hours in one week without being paid overtime compensation. Jennifer Convertibles reserves the right to verify the accuracy of information supplied by a Settlement Class Member or Collective Action Member on the Claim Form. Any claim may be denied if the person submitting the Claim Form is not a member of the Combs Classes. At Class Counsel's request the Settlement Administrator shall send to Class Counsel all Claim Forms that are not correctly executed or are untimely. Class Counsel shall not be responsible for any costs incurred by any Combs Class Member as a result of a denial of any Claim Form for any reason. Jennifer Convertibles shall not be responsible for any costs incurred by any Combs Class Member or Class Counsel as a result of a denial of any Claim Form for any reason. The claim period shall last 45 days from the date of the Class Notice (the "Claim Period").

6. Costs and Expenses. The Parties will each bear their respective costs and expenses in connection with the transactions contemplated hereby.

7. Class Counsel Fees. Upon entry of the Final Judgment and Order (as defined below), Class Counsel shall be entitled to reasonable compensation for their services and costs and expenses (collectively, "Fees") in an amount not to exceed forty percent (40%) of the distributions, if any, made on account of the Allowed Combs Claim. The amount of Fees, not exceeding forty percent (40%), will be paid to Class Counsel solely from the distributions, if any, made on account of the Allowed Combs Claim.

8. Settlement Administration. The Parties have selected H&R as the Settlement Administrator to perform services to effectuate the terms of the Settlement Agreement. The Settlement Administrator shall be solely responsible for making any and all distributions to the Combs Class Members and Class Counsel in connection with the Settlement. The parties agree that the cost of Class Notice relating to the Settlement and the necessary and reasonable costs of administering the processing of Claim Forms, disbursement of checks and other expenses, including but not limited, postage charges for mailing the Class Notice, printing costs, telephone charges, and such other charges shall be \$20,000. The Settlement Administrator shall deduct

from the distributions, if any, made on account of the Allowed Combs Claim, a fee of \$20,000, as provided in Paragraph 4 above.

9. Class Notice. Within five (5) business days after entry of the Preliminary Approval Order and provision by Jennifer Convertibles of the last known names and addresses of each Combs Class Member (which shall be provided in Microsoft Excel format not later than ten (10) business days after entry of a Preliminary Approval Order), H&R will mail, via U.S. first class mail, notice of the Settlement Agreement (attached hereto as Exhibit 1, which includes the Claim Form) to each Class Member and Collective Action Member at the last known billing address in Jennifer Convertible's records. The Class Notice will encourage all Combs Class Members to raise all questions about the Settlement to the Settlement Administrator, which the Settlement Administrator will answer using a set of guidelines jointly approved by the Parties. Under no circumstances will the Settlement Administrator, any counsel or Plaintiff encourage a Combs Class Member to opt-out or otherwise not participate in the Settlement. Prior to mailing the Class Notice, the Settlement Administrator will attempt to update the Combs Class Members' addresses utilizing the U.S. Postal Service's National Change of Address database. In the event that the Class Notice is returned undeliverable with no forwarding address, the Parties shall have no further obligation to attempt to obtain a forwarding address. In the event that the Class Notice is returned undeliverable with a forwarding address, H&R shall re-mail the Class Notice, via U.S. first class mail, to the indicated forwarding address within five (5) days of receipt of the forwarding address.

10. Release by Plaintiff and Combs Class Members.

a. Effective upon entry of the Preliminary Approval Order and payment of the \$50,000 provided in Paragraph 4b above, Ayisha Combs, H&R and North Bay, as well as each of their present, former and future respective heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest and assigns (collectively, the "Combs Releasing Parties"), hereby release and forever discharge Greenfield and Abada (the "Combs Release") from any and all rights, duties, obligations, claims, actions, causes of action and liabilities, whether arising under local, state or federal law, whether by statute, contract, common law or equity, whether known or unknown, suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, that arise from or relate in any way to the claims alleged in the Comb II Case, against Greenfield and Abada (collectively, the "Combs Released Claims").

b. To the extent not previously released and discharged pursuant to Section 10(a) of this Agreement, effective on the Effective Date, Plaintiff, the Settlement Class Members, the Settlement Collective Action Members, H&R and North Bay, as well as each of their present, former and future respective heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest and assigns (collectively, the "General Releasing Parties", and together with the Combs Releasing Parties, the "Releasing Parties"), hereby release and forever discharge (the "General Release", and together with the Combs Release, the "Release") Jennifer Convertibles, its present, former and future direct and indirect parent companies, affiliates, subsidiaries, divisions, agents, successors, predecessors-in-interest, assignors/assignees, and all of the aforementioned' respective present, former and future officers, directors, employees, shareholders, attorneys, agents, insurers, vendors and

assignors/assignees (collectively, the “Released Parties”) from any and all rights, duties, obligations, claims, actions, causes of action and liabilities, whether arising under local, state or federal law, whether by statute, contract, common law or equity, whether known or unknown, suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, that arise from or relate in any way to the claims alleged in the Combs Cases, against any of the Released Parties (collectively, the “General Released Claims” and together with the Combs Released Claims, the “Released Claims”).

c. The foregoing Release shall also apply to any and all claims of the Releasing Parties that would be barred by the doctrines of res judicata and collateral estoppel had the issues in the Combs Cases been litigated by each Combs Class Member to a final judgment on the merits, and to any and all past, present and future claims, administrative or otherwise, actions, causes of action, rights or liabilities, known or unknown, based on, arising out of, or in any way relating or pertaining to, the facts, events or transactions at issue in the Combs Cases.

d. Without limiting the foregoing, the Released Claims specifically extend to and include claims that the Releasing Parties do not know or suspect to exist in their favor at the time that this Settlement Agreement is executed and/or at the time that the Settlement Agreement, and the Releases contained herein, become effective, which, if known, might have affected their decision to enter into this Settlement Agreement. The Releasing Parties intentionally and knowingly waive any and all provisions, right and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity, which governs or limits a person’s release of unknown claims. The Releasing Parties understand and acknowledge that they may discover facts in addition to, or different from, those that are currently known or believed to be true with respect to the subject matter of the Released Claims, known or unknown, suspected or unsuspected, without regard to the subsequent discovery or current existence of any such additional or different facts, and in furtherance of such intention, the release of these Released Claims shall remain in effect notwithstanding the discovery or existence of any such additional or different facts. The Releasing Parties expressly waive all rights under Section 1542 of the California Civil Code or any other comparable statute which may be applicable. Section 1542 reads as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

11. Certification of Class for Settlement Purposes Only. The Parties hereby stipulate to the certification of the Combs Classes for settlement purposes only, *provided, however*, that in the event entry of the Preliminary Approval Order or Final Judgment and Order is denied for any reason, the Parties’ respective stipulations regarding certification of the Combs Classes shall be deemed withdrawn and shall have no further force or effect with respect to certification of the Combs Classes, and the Combs Classes will no longer be deemed certified for any purposes. Jennifer Convertibles will fully cooperate in all respects to ensure that this settlement is approved consistent with the terms set forth herein.

12. Preliminary Approval Order. The parties agree to petition the Bankruptcy Court for a preliminary order approving the Settlement Agreement ("Preliminary Approval Order"). That order shall provide, *inter alia*, that:

- The Settlement proposed in the Settlement Agreement has been negotiated at arms'-length and is preliminarily approved and determined to be fair, reasonable and adequate for settlement purposes;
- The Bankruptcy Court certifies, for settlement purposes only, a class action consisting of the Class Members and a collective action consisting of the Collective Action Members;
- The Bankruptcy Court approves the Class Notice and the Claim Form and finds that the proposed manner of distributing the combined Class Notice and Claim Form to the Combs Classes complies fully with the applicable laws and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the settlement of this lawsuit;
- A final hearing for approval of the Settlement proposed in this Settlement Agreement (the "Final Settlement Hearing") shall be held before the Bankruptcy Court to determine whether the proposed Settlement is fair, reasonable and adequate and whether it should be approved by the Bankruptcy Court; the Final Settlement Hearing shall be held not earlier than sixty (60) days after the date for mailing the Class Notice to the Combs Class Members;
- The procedure for objecting to the proposed Settlement; and
- The procedure for exclusion from the proposed Settlement.

13. Rights of Exclusion. The Preliminary Approval Order shall include a provision under which Class Members may exclude themselves from this Settlement Agreement. The process for exclusion shall be as follows: All Class Members who properly submit to the Settlement Administrator a timely written request for exclusion shall be excluded from the Settlement, and shall have no rights under this Settlement Agreement. A request for exclusion must be in writing and state the Class Member's name and current address. The request for exclusion must be signed. Each request must also contain a signed statement that: "I hereby request that I be excluded from the proposed settlement class in the Combs Cases," or similar statement, requesting to not participate in the Settlement. The request must be mailed to the Settlement Administrator at the address provided in the Class Notice and postmarked (or mailed by overnight delivery) within 45 days of the date of Class Notice. A request for exclusion that does not include all of the foregoing information, that is sent to an address other than the one designated in the Class Notice, or that is not sent within the time specified, shall be invalid and the person(s) serving such a request shall be a member(s) of the class and be bound as a Class Member if the Settlement Agreement is finally approved. The Preliminary Approval Order shall provide that no person shall purport to exercise any exclusion rights of any other person, or purport to exclude other Class Members as a group, aggregate, or class involving more than one

Class Member, or as an agent or representative. Any such purported exclusion shall be void, and the Class Members that is or are the subject of the purported opt-out shall be treated as Class Members for all purposes.

14. Right to Object. The Preliminary Approval Order and Class Notice shall also provide that any Class Member who wishes to object to the proposed Settlement may do so in accordance with the following procedures. Any Class Member who does not request exclusion may object to this Settlement by filing a written objection with the Bankruptcy Court specifically stating his or her objections and grounds thereof. No Class Member shall be heard and no papers, briefs, pleadings or other documents submitted by any such Class Members shall be received and considered by the Bankruptcy Court unless, within the time specified in the Class Notice (which in no event shall be less than forty-five (45) days after such notice is mailed), such Class Member has both filed with the Bankruptcy Court and mailed to Class Counsel and counsel for Jennifer Convertibles, at the addresses set forth in the Class Notice, a written objection that includes (i) the information specified by the Class Notice and (ii) the specific grounds for the objection and any reasons why such Class Member desires to appear and be heard, as well as all documents or writings that such Class Member desires the Bankruptcy Court to consider. Any Class Member who fails to comply with the Preliminary Approval Order or the Class Notice shall be barred from being heard at the Final Settlement Hearing. Class Members who exclude themselves from the Settlement shall have no right to file an objection.

15. Final Judgment and Order. If this Settlement Agreement is preliminarily approved by the Bankruptcy Court following a hearing, the Parties shall jointly request at the Final Settlement Hearing that the Bankruptcy Court enter final judgment (the “Final Judgment and Order”). The Final Judgment and Order shall provide, *inter alia*, that:

- The Settlement Agreement is approved as presented and without modification (except insofar as the Parties have agreed to such modification) and the Settlement Agreement is fair, reasonable and adequate;
- The Class Notice fully complies with the requirements of applicable law and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the Settlement of the Combs Cases;
- The Bankruptcy Court has found that each Class Member not having effectively excluded itself from the Settlement shall be bound by this Settlement Agreement, including the Release provision;
- The Bankruptcy Court has found that each Collective Action Member that has included itself in the Settlement shall be bound by this Settlement Agreement, including the Release provision;
- The Combs Cases, including the Appeal and the Mediation, be dismissed on the merits and with prejudice as to Plaintiff and Combs Class Members, without fees or costs except as provided in this Settlement

Agreement, and that a judgment so dismissing the claims be entered immediately;

- For the inclusion of the LWDA Provision.
- The Releasing Parties are permanently enjoined and barred from commencing or prosecuting any action asserting any of the Released Claims, either directly, representatively, derivatively, or in any other capacity, whether by a complaint, counterclaim, defense, or otherwise, in any local, state, or federal court, or in any agency or other authority or forum wherever located; and
- Class Counsel is entitled to reasonable attorneys' fees and expenses in an amount not to exceed 40% of, and to be paid solely from, the distributions, if any, made on account of the Allowed Combs Claim.

16. Finality of Judgment. The Final Judgment and Order shall be deemed final and non-appealable: (i) fourteen (14) days after it is entered if no document is filed (except by Class Counsel pertaining exclusively to attorneys' fees and costs) within that time seeking appeal, review, rehearing, reconsideration or any other action regarding that judgment and order; or (ii) if any such document is filed (except by Class Counsel pertaining exclusively to attorneys' fees and costs), then fourteen (14) days after the date upon which all appellate and/or other proceedings resulting from such document have been finally terminated in such a manner as to permit no further judicial action, and with the Settlement Agreement, Preliminary Approval Order and Final Judgment and Order being affirmed and approved in all material respects.

17. Effect of Non-Approval. If the Preliminary Approval Order is not entered by the Bankruptcy Court for any reason whatsoever, this Agreement shall be deemed null and void, and the respective Parties shall return to their positions held prior to execution of this Agreement.

In the event that (i) the Settlement Agreement is not approved in all material respects, as set forth in this Settlement Agreement, by entry of the Final Judgment and Order by the Bankruptcy Court, or (ii) the Final Judgment and Order is reversed, vacated or modified in any material respect from what is set forth in this Settlement Agreement, or (iii) the Bankruptcy Court conditions final approval of any change not previously agreed to or consented to by the Parties, then the Settlement Agreement shall become null and void, the Combs I Case may continue, and any and all orders entered pursuant to the Settlement Agreement shall be deemed vacated, including without limitation, any order certifying or approving certification of a class for any purposes, *provided however*, that notwithstanding the occurrence of any of the events described in items (i) through (iii) above, the provisions of this Agreement relating to the Combs Release shall be fully enforceable, and Greenfield and Abada shall be entitled to the benefits of the Combs Release.

If any of the aforementioned events occur, the Parties may not make any reference to or use of the Settlement Agreement, or any other documents related thereto, *provided, however*, that if the Parties hereto agree to appeal jointly such ruling, and the Settlement Agreement and Final

Judgment and Order are upheld on appeal in all material respects, then the Settlement Agreement and Final Judgment and Order shall be given full force and effect according to their terms.

18. Interpretation. This Settlement Agreement (including the Exhibits hereto) contains the entire agreement among the Parties and supersedes any prior agreements or understanding among them. All terms (including Exhibits) are contractual and not mere recitals and are material to this Agreement.

19. Binding Effect. The terms of this Settlement Agreement (including Exhibits) are and shall be binding upon each of the Parties, their heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest and assigns, and upon all other persons claiming any interest in the subject matter hereto through any of the Parties.

20. Headings. The headings contained in this Settlement Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Settlement Agreement.

21. Amendment. This Settlement Agreement may be amended or modified only by a written instrument signed by the Parties and their undersigned counsel. Amendments and modifications may be made without notice to the Combs Classes unless notice is required by law or by the Bankruptcy Court.

22. Construction. For the purpose of construing or interpreting this Settlement Agreement, the Parties agree that it is to be deemed to have been drafted equally by all Parties and shall not be construed strictly for or against any Party.

23. Effective Date. Whenever in this Agreement a Party's obligation is effective as of the Effective Date, such date shall be determined as set forth herein.

24. Integration of Exhibits. The exhibits to this Settlement Agreement are an integral and material part of the Settlement and are hereby incorporated and made a part of the Settlement Agreement.

25. Settlement Not Admissible. Neither the contents nor the existence of this Agreement may be admitted into evidence in any proceeding, except as may be required to approve or enforce this Agreement, to defend or enjoin any litigation or proceeding against Jennifer Convertibles, Abada or Greenfield, or as may otherwise be required in the Bankruptcy Cases, including disclosing the existence and contents of this Agreement in connection with the 9019 Motion and the Debtors' disclosure statement. The negotiation and execution of this Agreement and all acts performed or documents executed pursuant to or in furtherance of the Settlement: (i) shall not be used as an admission or evidence of wrongdoing on behalf of Jennifer Convertibles, Abada or Greenfield; (ii) shall not be an admission or evidence of fault on behalf of Jennifer Convertibles, Abada or Greenfield, in any civil, criminal or administrative agency; and (iii) shall not be deemed to be, and may not be used as, an admission or evidence of the

appropriateness of these or similar claims for class certification in the Combs Cases or with respect to any other proceeding.

26. Severability. If any provision of this Agreement or the application thereof to any Person(s) or circumstance(s) shall not be enforceable in whole, (i) the remainder of this Agreement and the application of such provision to other Person(s) or circumstance(s) shall not be affected thereby and (ii) each such provision shall be enforced to the greatest extent permitted by law.

27. Jurisdiction. The Parties hereby submit to the jurisdiction of the Bankruptcy Court.

28. Notices. Any notice required under the Settlement Agreement, other than the Class Notice described in paragraph 5, shall be sent to Alan Harris & Matthew E. Kavanaugh, Harris & Ruble, 6424 Santa Monica Boulevard, Los Angeles, California 90038, on behalf of Plaintiff and the Class, and Michael Fox & David Wolnerman, Olshan Grundman Frome Rosenzweig and Wolosky, LLP, Park Avenue Tower, 65 E. 55th Street, New York, New York 10022, on behalf of Jennifer Convertibles.

29. Governing Law. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of New York.

30. Counterparts; Facsimile. This Settlement Agreement may be executed in counterparts and may be executed by facsimile and as so executed shall constitute one agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have caused this Settlement Agreement to be executed as of the first date written above.

JENNIFER CONVERTIBLES, INC.

AYISHA COMBS, individually and on behalf
of the Combs Classes

Name:

Title:

HARLEY GREENFIELD

RAMI ABADA

HARRIS & RUBLE

NORTH BAY LAW GROUP

Name:

Name:

Approved as to Form:

HARRIS & RUBLE

OLSHAN GRUNDMAN FROME
ROSENZWEIG AND WOLOSKY, LLP

/s/ Alan Harris

Alan Harris

Attorney for Plaintiff

/s/ David Y. Wolnerman

David Y. Wolnerman

Attorney for Defendant

Exhibit 1
Class Notice

**NOTICE OF PENDENCY OF CLASS ACTION AND COLLECTIVE ACTION
AND PROPOSED SETTLEMENT OF ACTION**

Combs v. Jennifer Convertibles, Inc.
CV09-3242SI

PLEASE READ THIS NOTICE CAREFULLY. YOUR LEGAL RIGHTS WILL BE AFFECTED. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF A CLASS ACTION LAWSUIT. THIS IS NOT A NOTICE OF A LAWSUIT AGAINST YOU. IF YOU ARE A SETTLEMENT CLASS MEMBER, THIS NOTICE CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT. IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS AND DO NOT SUBMIT A TIMELY REQUEST FOR EXCLUSION, YOU WILL BE BOUND BY THE RELEASE REGARDLESS OF WHETHER YOU SUBMIT A CLAIM.

TO: All persons who were employed by Jennifer Convertibles, Inc., from July 16, 2005 through July 18, 2010, to work in its stores in California, excluding general managers and regional managers.

1. Why Should You Read This Notice?

On January __, 2010, the United States Bankruptcy Court, Southern District of New York gave preliminary approval to a settlement of a class and collective action lawsuit that may affect your rights. This Notice informs you of the proposed class and collective action settlement, your rights to share in the settlement, and your ability to opt out (not participate in) the settlement. You should read this Notice to determine whether you are a member of the class and wish to participate in the class and collective action settlement.

2. What Is The Case About?

On July 16, 2009, Plaintiff Ayisha Combs ("Plaintiff") filed a putative class and collective action lawsuit (the "Lawsuit") in the United States District Court, Northern District of California, Case No. CV09-3242SI against Jennifer Convertibles, Inc. ("Jennifer Convertibles"). The Plaintiff alleged, among other things, that Jennifer Convertibles' failure to pay overtime compensation to its employees, failure to provide accurate wage statements, and failure to provide adequate meal and rest breaks violated the California Labor Code and Fair Labor Standards Act.

Jennifer Convertibles contends that there is nothing improper about its actions and denies any wrongdoing or liability in connection the Lawsuit. The District Court has not ruled on the merits of the Plaintiff's claims and the District Court has made no determinations of wrongdoing or liability against Jennifer Convertibles or in favor of Plaintiff.

Plaintiff and Jennifer Convertibles entered into a settlement of the Lawsuit, on a class-wide basis ("Settlement Agreement"). The Bankruptcy Court has granted preliminary approval of the Settlement Agreement, subject to a fairness hearing which will be held on ____, 2011 at ____ a.m./p.m. before the Honorable Allan L. Gropper, United States Bankruptcy Judge, in Courtroom 617 located at the United States Bankruptcy Court, One Bowling Green, New York, New York 10004.

On July 18, 2010, Jennifer Convertibles filed a petition for bankruptcy protection under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Cases"). After that time, counsel for Plaintiff and Jennifer Convertibles negotiated a settlement on behalf of the Class Members. That settlement was preliminarily approved by the United States Bankruptcy Court without objection by the Official Committee of Unsecured Creditors appointed in the Bankruptcy Cases. You are now receiving this Notice by order of the Bankruptcy Court in order to provide you with an opportunity to participate in this settlement.

3. How Do I Know If I Am A Member Of The Class?

Pursuant to the terms of the proposed Settlement Agreement, two classes have been certified by the Bankruptcy Court. First, the Bankruptcy Court certified a class (the "Class") composed of any individual who, from July 16, 2005, through July 18, 2010, was employed by Jennifer Convertibles to work in its stores in California, excluding general managers and regional managers and that may have been affected by Jennifer Convertibles alleged violations of various employment laws, other than violations of the Fair Labor Standards Act. You are a member of the Class ("Class Member") if you meet this description. Second, the Bankruptcy Court certified a second class (the "Collective Action Class" and together with the Class, the "Combs Classes") composed of any individual who, from July 16, 2006, through July 18, 2010, was employed by Jennifer Convertibles to work in its stores in California, excluding general managers and regional managers and that may have been affected by Jennifer Convertibles' alleged violations of the Fair Labor Standards Act. You are a member of the Class ("Collective Action Member" and together with the Class Members, the "Combs Class Members") if you meet this description.

4. What Is The Class and Collective Action Settlement? How Do I Receive My Benefit?

The proposed settlement described in this Notice ("Settlement") is conditioned upon further Bankruptcy Court approval. If the Bankruptcy Court approves the Settlement, the Lawsuit will be dismissed with prejudice and all Combs Class Members who return a valid claim form will be entitled to share in the distributions provided under the Settlement Agreement, which are described below.

If you do not wish to be a Class Member, you must request exclusion from the Class. If you do not request exclusion, you will remain a Class Member, be bound by the terms of the Settlement Agreement, including the release provisions thereof, and will not be entitled to share in any Settlement distributions.

You do not need to request exclusion to maintain your rights as a Collective Action Class Member under the Federal Fair Labor Standards Act, if any.

Benefits to Class Members. Subject to the terms of the proposed Settlement Agreement and Bankruptcy Court approval of the proposed Settlement Agreement, Jennifer Convertibles has agreed to the allowance of a general unsecured claim on behalf of the Combs Classes in the amount of \$450,000 in the Bankruptcy Cases. Subject to Bankruptcy Court approval, after the final value of that claim is determined, \$20,000 will be paid to the Settlement Administrator for administering the Settlement, forty percent (40%) will be paid to class counsel in consideration for services rendered in connection with the Settlement, and the remainder will be divided equally to Combs Class Members who timely return a valid claim form.

5. Who Are The Parties?

Jennifer Convertibles, Inc., is the Defendant in this Lawsuit. Ayisha Combs is the Plaintiff or Class Representative, acting on behalf of herself and other Combs Class Members in this Lawsuit.

6. Who Are The Attorneys Representing The Parties?

Attorneys for Plaintiff and the Class:

HARRIS & RUBLE

Alan Harris, Esq.
Matthew E. Kavanaugh, Esq.
6424 Santa Monica Boulevard
Los Angeles, California 90038
TEL: (323) 962-3777
FAX: (323) 962-3004

Attorneys for Jennifer Convertibles are:

OLSHAN GRUNDMAN

Michael Fox, Esq.
David Wolnerman, Esq.
Park Avenue Tower
65 E. 55th Street
New York, NY 10022
(212) 451-2200

7. What is the Claims Process?

A Claim Form titled "Proof of Claim" is included at the end of this Notice for your use in submitting a claim. In order to be eligible to receive the benefits available to Combs Class Members, you must not have opted out of the class, must sign and accurately complete the Claim Form, and must timely return it to the Settlement Administrator. To be timely, the Claim Form must be postmarked by **no later than [Notice Date + 45 days]** and must be received by the Settlement Administrator at the address provided in the Claim Form. The Settlement Administrator reserves the right to verify the accuracy of information supplied on the Claim Form. If the information you provide is insufficient to determine whether you are Combs Class Member, or if your Claim Form is not signed or properly completed, or the information is inaccurate, or not timely returned to the Settlement Administrator, your claim will be rejected. Combs Class Members who submit untimely or otherwise invalid claim forms shall forfeit any rights to receive benefits under the Settlement.

8. What Are My Rights? How Will My Rights Be Affected?

If you wish to participate in the Settlement, you must remain a Combs Class Member. *You do not need to do anything more to remain a Combs Class Member entitled to submit a claim.* HOWEVER, YOU MUST SUBMIT THE CLAIM FORM TO BE ELIGIBLE TO RECEIVE ANY BENEFIT.

If you are a Class Member and do NOT wish to participate in the Settlement, you must send a written request for exclusion to the following address:

Combs v. Jennifer Convertibles Settlement
c/o H&R Administrator
6424 Santa Monica Blvd.
Los Angeles, CA 90038

If you do nothing, you will retain any rights you may have under the Federal Fair Labor Standards Act, but will release all claims under the California Labor Code. All Class Members who properly file a timely written request for exclusion shall be excluded from the Class, shall not be Class Members, and shall not be bound by the Settlement Agreement. A request for exclusion must be in writing and state the Class Member's name, current address, and former address. The request for exclusion must be signed. Each request must also contain a signed statement that: "I hereby request that I be excluded from

the proposed settlement class in the *Combs v. Jennifer Convertibles* litigation,” or similar statement, requesting to not participate in the Settlement. The request must be mailed to the address provided above and postmarked (or mailed by overnight delivery) **no later than [Notice Date + 45 days]**. A request for exclusion that does not include all of the foregoing information, that is sent to an address other than the one designated in this Notice, or that is not sent within the time specified, shall be invalid and the person(s) serving such a request shall be a Class Member and be bound to the terms of the Settlement if the Settlement Agreement is finally approved.

If you are a Collective Action Member and do NOT wish to participate in the Settlement, you need do nothing more. Only Collective Action Members that timely opt-in to the Settlement will be bound by the terms thereof and receive the benefits thereunder.

If you wish to object to the Settlement, you must be a Class Member and must not have opted out of the Class. If you wish to submit an objection to approval of the Settlement (“Objection”), you must file such objection with the Bankruptcy Court so as to conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User’s Manual for the Electronic Case Filing System (“ECF”) can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court’s filing system and, by other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers of Judge Gropper) and shall be served in accordance with General Order M-242. Your Objection must include: (i) your full name, address, and telephone number; (ii) a reference to *Combs v. Jennifer Convertibles, Inc.*, Case No. CV09-3242IS; (iii) a statement of your objection(s) specifically stating the grounds thereof; and (iv) all documents or writings that you would like the Bankruptcy Court to consider. If you do not submit your Objection in the manner provided above, you shall be deemed to have waived such Objection and shall forever be foreclosed from making any objection to the fairness, adequacy, or reasonableness of the proposed Settlement. Your Objection must be sent to (i) the Honorable Allan L. Gropper, United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, NY 10003, (ii) Class Counsel, Alan Harris and Matthew E. Kavanaugh, Harris & Ruble, 6424 Santa Monica Boulevard, Los Angeles, California 90038, and (iii) Counsel to Jennifer Convertibles, Michael S. Fox and David Y. Wolnerman, Park Avenue Tower, 65 E. 55th Street, New York, NY 10022, **so as to actually be received no later than [Notice Date + 45 days]**.

9. When Will The Court Hold A Final Hearing On The Settlement?

The proposed Settlement must be approved by the Bankruptcy Court. On _____ at ____ a.m. a final hearing to determine whether the proposed Settlement is fair and reasonable to the Combs Classes will be held before the Honorable Allan L. Gropper, United States Bankruptcy Judge, in Courtroom 617 located at the United States Bankruptcy Court, One Bowling Green, New York, New York 10004. You are not required to appear at this hearing unless you object to the proposed Settlement and wish to appear in person. Both Class Counsel and Jennifer Convertibles’ counsel think the settlement is fair and reasonable to the Combs Classes and will recommend that the Bankruptcy Court approve the proposed Settlement. You may appear at the hearing on your own behalf or through a private attorney paid at your expense. If you object, as provided above, you may discuss your objections with the Bankruptcy Court and the parties at the hearing.

10. What Will Happen If The Settlement Is Approved By The Court?

If the Bankruptcy Court approves the proposed Settlement, distribution of the benefits provided by the Settlement to the Combs Class Members shall be completed subsequent to entry of the final judgment approving the Settlement and overruling any objections thereto with prejudice, unless an appeal is taken, in accordance with a confirmed chapter 11 plan of reorganization in the Bankruptcy Cases. If an appeal is taken, there may be a delay in receipt of any benefits, and there is the possibility that the Settlement could be disapproved. If the Settlement is not approved, the case will proceed as if no settlement had been attempted and there will be no benefits provided at all. There can be no assurance that if the Settlement is not approved and the case continues that the Combs Classes will recover more than what is being proposed under the Settlement.

11. What Are The Settlement Releases?

Under the proposed Settlement, Combs Class Members will be bound by any final judgment entered by the Bankruptcy Court and also bound by the release provisions of the Settlement Agreement, as discussed above. The Settlement Agreement provides that:

Effective on the Effective Date, Plaintiff, the Settlement Class Members, the Settlement Collective Action Members, H&R and North Bay, as well as each of their present, former and future respective heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest and assigns (collectively, the

“General Releasing Parties”, and together with the Combs Releasing Parties, the “Releasing Parties”), hereby release and forever discharge (the “General Release”, and together with the Combs Release, the “Release”) Jennifer Convertibles, its present, former and future direct and indirect parent companies, affiliates, subsidiaries, divisions, agents, successors, predecessors-in-interest, assignors/assignees, and all of the aforementioned respective present, former and future officers, directors, employees, shareholders, attorneys, agents, insurers, vendors and assignors/assignees (collectively, the “Released Parties”) from any and all rights, duties, obligations, claims, actions, causes of action and liabilities, whether arising under local, state or federal law, whether by statute, contract, common law or equity, whether known or unknown, suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, that arise from or relate in any way to the claims alleged in the Combs Cases, against any of the Released Parties (collectively, the “General Released Claims” and together with the Combs Released Claims, the “Released Claims”).

The foregoing Release shall also apply to any and all claims of the Releasing Parties that would be barred by the doctrines of res judicata and collateral estoppel had the issues in the Combs Cases been litigated by each Combs Class Member to a final judgment on the merits, and to any and all past, present and future claims, administrative or otherwise, actions, causes of action, rights or liabilities, known or unknown, based on, arising out of, or in any way relating or pertaining to, the facts, events or transactions at issue in the Combs Cases.

Without limiting the foregoing, the Released Claims specifically extend to and include claims that the Releasing Parties do not know or suspect to exist in their favor at the time that this Settlement Agreement is executed and/or at the time that the Settlement Agreement, and the Releases contained herein, become effective, which, if known, might have affected their decision to enter into this Settlement Agreement. The Releasing Parties intentionally and knowingly waive any and all provisions, right and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity, which governs or limits a person's release of unknown claims. The Releasing Parties understand and acknowledge that they may discover facts in addition to, or different from, those that are currently known or believed to be true with respect to the subject matter of the Released Claims, known or unknown, suspected or unsuspected, without regard to the subsequent discovery or current existence of any such additional or different facts, and in furtherance of such intention, the release of these Released Claims shall remain in effect notwithstanding the discovery or existence of any such additional or different facts. The Releasing Parties expressly waive all rights under Section 1542 of the California Civil Code or any other comparable statute which may be applicable. Section 1542 reads as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Upon the Bankruptcy Court's approval of the Settlement, the Bankruptcy Court shall enter a final judgment and order dismissing with prejudice and fully and finally settling the Lawsuit for the benefit of all Class Members entitled to receive such benefit.

As provided in the Settlement Agreement, if you fail to return a valid claim form you will be forever barred from seeking further relief on any of the Released Claims save and accept potential claims under the Federal Fair Labor Standards Act, if any.

12. What Do I Do If I Need More Information Or Have Questions?

You may contact Class Counsel, Matthew E. Kavanaugh or Alan Harris, Harris & Ruble, 6424 Santa Monica Boulevard, Los Angeles, California 90038; Tel: (323) 962-3777; Fax (323) 962-3004. You may also examine the District Court's file, including the Settlement Agreement, in the Clerk's Office at the United States District Court, Northern District of California, or the United States Bankruptcy Court, Southern District of New York during regular business hours. You may also consult a private attorney at your own expense and enter an appearance through counsel. **PLEASE DO NOT TELEPHONE THE COURT FOR INFORMATION ABOUT THIS SETTLEMENT.**

PROOF OF CLAIM
JENNIFER CONVERTIBLES, INC., LITIGATION

Dear Combs Class Member:

With this Proof of Claim you have received a NOTICE. In order to be eligible to obtain the benefits under the proposed Settlement, and subject to final approval of the Settlement, you must fully complete this form, sign where indicated below, and submit it to:

Combs v. Jennifer Convertibles Settlement
c/o H&R Administration
6424 Santa Monica Blvd
Los Angeles, CA 90038

THIS FORM MUST BE POSTMARKED BY NO LATER THAN _____ AND RETURNED TO THE NOTED ADDRESS. If you are requesting to be excluded from the Class, DO NOT submit this form.

Please fill out the information requested below completely. This claim form must be signed. By signing and returning this form you will participate in the Settlement and release the claims set forth in the accompanied Notice. Please provide the following information, if available:

Name: _____

Current Phone Number: ____ - ____ - _____

Current Address: _____

Current Email Address: _____@_____

Dates of employment: -- / -- /20 --
 through
 -- / -- /20 --

Job Title at Jennifer Convertibles: _____

I declare under penalty of perjury that that the forgoing information is true and accurate to the best of my knowledge, and that I worked for Jennifer Convertibles for more than (a) eight hours in one day without being paid overtime compensation; and/or (b) forty hours in one week without being paid overtime compensation.

(Sign your name here)

Exhibit 2

LWDA Letter



C A L I F O R N I A

Labor & Workforce Development Agency

August 11, 2009

CERTIFIED MAIL

Alan Harris
Harris & Ruble
5455 Wilshire Blvd, Suite 1800
Los Angeles, CA 90036

RE: Employer: Jennifer Convertibles, Inc. C/o Lawyers Incorporating
RE: Employee(s): Service
Ayisha Combs
RE: LWDA No: 4988

This is to inform you that the Labor and Workforce Development Agency (LWDA) received your notice of alleged Labor Code violations pursuant to Labor Code Section 2699, postmarked July 16, 2009, and after review, does not intend to investigate the allegations.

As a reminder to you, the provisions of Labor Code Section 2699(i) provides that "...civil penalties recovered by aggrieved employees shall be distributed as follows: 75 percent to the LWDA for enforcement of labor laws and education of employers and employees about their rights and responsibilities under this code." Labor Code Section 2699(l) specifies "[T]he superior court shall review and approve any penalties sought as part of a proposed settlement agreement pursuant to this part."

Consequently, you must advise us of the results of the litigation, and forward a copy of the court judgment or the court-approved settlement agreement. Please be certain to reference the above LWDA assigned Case Number in any future correspondence.

Sincerely,

Robert A. Jones

Robert Jones
Deputy Secretary, Special Counsel

Cc: Jennifer Convertibles, Inc. C/o Lawyers Incorporating Service
2730 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

Governor
Arnold
Schwarzenegger

Acting Secretary
Douglas Hoffner

Agricultural
Labor
Relations
Board

California
Business
Investment
Services

California
Unemployment
Insurance
Appeals
Board

California
Workforce
Investment
Board

Department of
Industrial
Relations

Economic
Strategy
Panel

Employment
Development
Department

Employment
Training
Panel

Exhibit 3

Wire Instructions

Harris & Ruble
Wells Fargo Bank
Routing Number: 121000248
Account #: 9739503507
Swift Code WFBIUS6SLAX
Branch address: 333 South Grand Avenue
Los Angeles, CA 90071
Branch phone number: (213) 253-6600