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**UNITED STATES BANKRUPTCY COURT
THE SOUTHERN DISTRICT OF NEW YORK**

In re:

JENNIFER CONVERTIBLES, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**DECLARATION OF RAMI ABADA IN SUPPORT OF (I) CONFIRMATION OF
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR
JENNIFER CONVERTIBLES, INC. AND ITS AFFILIATED DEBTORS, AND (II) THE
DEBTORS' MOTION PURSUANT TO 11 U.S.C. § 365 FOR APPROVAL OF THE
ASSUMPTION OF EXECUTORY CONTRACTS WITH LICENSOR, EFFECTIVE AS
OF THE EFFECTIVE DATE OF A PLAN OF REORGANIZATION**

RAMI ABADA, declares, pursuant to 28 U.S.C. § 1746, under penalty of perjury that:

1. I am President, Chief Operating Officer ("COO"), and Chief Financial Officer ("CFO") of Jennifer Convertibles, Inc. ("Jennifer Convertibles") (collectively with its subsidiaries, the "Debtors"). I am also the President and a director of the debtor Hartsdale Convertibles, Inc. ("HCI"). I submit this declaration in support of confirmation of the Debtors'

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: (i) Jennifer Convertibles, Inc. (4646); (ii) Jennifer Convertibles Boylston MA, Inc. (7904); (iii) Jennifer Chicago Ltd. (0505); (iv) Elegant Living Management, Ltd. (5049); (v) Hartsdale Convertibles, Inc. (1681); (vi) Jennifer Management III Corp. (3552); (vii) Jennifer Purchasing Corp. (7319); (viii) Jennifer Management II Corp. (9177); (ix) Jennifer Management V Ltd. (9876); (x) Jennifer Convertibles Natick, Inc. (2227); (xi) Nicole Convertibles, Inc. (5985); (xii) Washington Heights Convertibles, Inc. (0783).

Amended Joint Chapter 11 Plan of Reorganization for Jennifer Convertibles, Inc. and Its Affiliated Debtors, dated December 21, 2010 (as may be modified and/or amended, the “Plan”).²

2. In my capacity as President, COO and CFO, I am familiar with the day-to-day operations and the business and financial affairs of the Debtors. I have been consistently involved in and am familiar with the Debtors’ financing activities, restructuring and the development of the Plan.

3. Except as otherwise indicated, all facts set forth herein are based upon my personal knowledge or the personal knowledge of employees who report to me, my review of the Debtors’ business records or my opinion based upon my familiarity with the Debtors’ business, operations and financial condition. If I were called upon to testify, I could and would testify competently as to the facts set forth herein.

I PROFESSIONAL BACKGROUND

4. I joined Jennifer Convertibles, Inc. as a part-time salesman in 1982, and have worked for the company ever since. I became the Debtors’ President and a member of the Board of Directors in December 1997. I have been Chief Operating Officer since April 1994 and became Chief Financial Officer in September 1999. I was Executive Vice President from April 1994 to December 1997.

II BACKGROUND OF THE DEBTORS’ CASES

A. The Debtors’ Business Operations

5. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofabed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

seaboard and the West Coast, and (ii) six big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries, Inc. As of the Petition Date, the Debtors’ stores included 130 stores operated by the Jennifer segment. During fiscal 2007, the Debtors opened their first Ashley Store. As of the Petition Date, the Debtors operated seven Ashley Stores. Currently, the Debtors have seventy-three stores in the Jennifer segment, and six Ashley Stores.

B. Background Of These Cases

6. On July 18, 2010 (the “Petition Date”), Jennifer Convertibles and each of the other Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). Since the Petition Date, the Debtors have continued in the possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

7. By order of this Court dated July 22, 2010, these Chapter 11 Cases were consolidated for procedural purposes only. On July 23, 2010, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed an official committee of unsecured creditors (the “Creditors’ Committee”).

8. On December 22, 2010, the Court entered an order (the “Disclosure Statement Order”) approving the Disclosure Statement with Respect to the Amended Joint Chapter 11 Plan of Reorganization for Jennifer Convertibles, Inc. and Its Affiliated Debtors (the “Disclosure Statement”). Thereafter, the Debtors commenced the solicitation process, including, without limitation, providing notice of the Confirmation Hearing and transmitting solicitation materials to the Holders of Claims entitled to vote to accept or reject the Plan.

C. Formulation of the Plan

9. Prior to filing the Plan, months of intensive, arm's length negotiations ensued between the Debtors, Mengnu, and the Creditors' Committee. Throughout this period, the Debtors pursued discussions with the many parties in interest, including Mengnu and the Creditors' Committee, in order to achieve a consensual plan of reorganization. As a result of these negotiations and the Debtors' efforts to maximize value for all of the Debtors' stakeholders, the Debtors now seek confirmation of the Plan, which enjoys the overwhelming support of the Debtors' creditors.

10. The Debtors have used the bankruptcy process to achieve what they could not accomplish outside of bankruptcy: open and timely communications with representatives of landlords, service providers, and manufacturers authorized to renegotiate terms that address the core issues of all of the business segments. The Plan, if confirmed, will enable the Debtors to emerge from bankruptcy on sound financial footing and allow for a successful restructuring of the whole enterprise.

III NOTICE AND SOLICITATION PROCEDURES

11. The Debtors, with the assistance of BMC Group, Inc. ("BMC"), the balloting agent, conducted the solicitation process, which included, without limitation, providing notice of the Confirmation Hearing and transmitting Ballots to the Holders of Claims and Interests in voting classes.

12. Ballots were transmitted to holders of Claims in Classes 2 and 3 (the "Voting Classes") in accordance with the Disclosure Statement Order. Both Voting Classes overwhelmingly voted in favor of the Plan.

IV REQUIREMENTS FOR PLAN CONFIRMATION

A. Classification of Claims and Interests.

13. Articles III and IV of the Plan set forth the classification of Claims and Interests and provide for treatment of all Classes of Claims and Interests. Section 3.04 of the Plan specifies the Classes of Claims that are unimpaired under the Plan. Each Class under the Plan contains similarly situated Claims and Interests and treats identically each Claim and Interest within a particular Class.

B. Implementation of the Plan.

14. Article VI of the Plan sets forth the means for implementation of the Plan including, but not limited to:

- Corporate Action
 - Effective Date Transactions
 - Securities Registration Exemption
 - Vesting of Assets in the Reorganized Debtors and the Litigation Trust
 - Corporate Governance
 - Cancellation of Existing Securities and Agreements, and
 - Obligations Incurred After the Effective Date
 - Post-Confirmation Operating Reports and United States Trustee Fees
- (i) The Plan Contains Provisions Respecting the Selection of Post-Confirmation Directors and Officers.

15. Pursuant to Section 6.05 of the Plan, on the Effective Date, the boards of directors and officers of the Reorganized Debtors shall consist of those individuals identified in the Plan Supplement. I believe that the appointment of these officers and directors is consistent with the interests of creditors and interest holders and with public policy. These individuals were chosen for their positions in consultation with Mengnu, the future majority shareholder of the

Reorganized Debtors. Moreover, creditors have manifested their interests by voting to support the Plan. Finally, the interests of public policy are bolstered by allowing companies and their enfranchised stakeholders to determine those individuals who will serve as directors and/or officers of the enterprise.

(ii) The Plan Contains Additional Provisions
Consistent With the Bankruptcy Code.

16. I understand that the Plan also contains provisions regarding (a) the impairment and unimpairment of Classes of Allowed Claims and Interests, (b) the assumption or rejection of executory contracts and unexpired leases, and (c) the terms and manner of the delivery of New Common Stock.

17. I understand that the Plan also provides for the Bankruptcy Court's retention of jurisdiction as to specified issues (see Article XIII of the Plan).

C. Solicitation and Disclosure.

18. The Debtors, together with BMC, served the Disclosure Statement, the Plan, appropriate Ballots, notices, and all other related documents, as applicable, on all required parties.

D. The Plan Has Been Proposed In Good Faith
And Not By Any Means Forbidden By Law.

19. Throughout these cases, the Debtors and their management have remained cognizant of their fiduciary duties to all stakeholders. The Debtors and their management have worked consistently and diligently toward a successful reorganization that is in the best interests of all creditors. The Plan is the product of extensive, arm's length negotiations among the Debtors, the Creditors' Committee and Mengnu, which is evidenced by the support of the Plan by the Creditors' Committee and approximately 90.1% in number of the General Unsecured Creditors.

20. The Debtors believe that the Plan maximizes the value of the estates for their creditors and interest holders. Prior to and throughout the Plan process, the Debtors continued to negotiate with parties in interest to achieve a consensual plan of reorganization that would maximize recoveries for all creditors. To that end, the Plan that the Debtors now seek to confirm, provides a meaningful recovery for the Holders of Allowed General Unsecured Claims.

21. The Debtors' foremost interest, consistent with their fiduciary duties and with this Court's directives, has been to maximize the value of the Debtors' assets and the corresponding economic benefit for all constituents. The Debtors and their management have diligently worked to achieve a reorganization that is consistent with those goals.

E. The Plan Provides For Bankruptcy Court Approval Of Payment For Services And Expenses.

22. Any agreement by which the Debtors retained and/or employed a Professional Person to provide services to the Debtors in, or in connection with, the Debtors' Chapter 11 Cases has been disclosed to the Bankruptcy Court in applications to retain and/or employ such Professionals. Specifically, the Bankruptcy Court has entered orders authorizing the Debtors to retain and/or employ, among others: (a) Olshan Grundman Frome Rosenzweig & Wolosky LLP, as bankruptcy counsel; (b) TM Capital Corp., as financial advisors; (c) BMC Group, Inc., as claims and noticing agent; (d) KPMG CF Realty LLC, as special real estate advisors; (e) EisnerAmper LLP, as auditors; and (f) KGS LLP, as tax professionals.

23. All fees and expenses of the foregoing professionals are subject to final approval by the Bankruptcy Court. Moreover, Section 4.02 of the Plan sets out procedures for filing Fee Claims and provides that such fees and expenses of Professional Persons retained in these cases that have been properly filed and served shall be payable to the extent approved by order of the Bankruptcy Court. In addition, Article XIII of the Plan provides for the Bankruptcy

Court's retention of jurisdiction to hear and determine all applications for compensation and reimbursement of expenses of professionals.

F. The Plan Does Not Contain Rate Changes.

24. The Plan does not propose any rate changes subject to the jurisdiction of any governmental regulatory commission.

G. The Plan Satisfies The "Best Interests Test".

25. Based on my review of the Liquidation Analysis, annexed as Exhibit D to the Disclosure Statement, and the Declaration Of Julia G. Osborne of BMC Group, Inc. Regarding Solicitation And Tabulation Of Votes (the "Voting Certification"), filed on January 19, 2011 (docket no. 450), it is my understanding that all Impaired Classes have either voted to accept the Plan or will not receive less under the Plan than they would receive in hypothetical chapter 7 liquidation.

H. Acceptance By Certain Classes.

26. Class 1 is not Impaired under the Plan and all Holders of Claims in such Class are conclusively presumed to have accepted the Plan. Based on my review of the Voting Certification, the Holders of Claims in Classes 2 and 3 have voted to accept the Plan by the requisite majority required by the Bankruptcy Code for each such Class. The Plan treats similarly situated Creditors and Interest Holders in Classes 4 and 5 identically; no Creditors or Interest Holders junior to the Holders of Allowed Class 3 Claims are entitled to receive a distribution under the Plan on account of their Claims or Interests.

I. The Plan Provides For Payment In Full Of Allowed Administrative Claims, Fee Claims And Allowed Priority Tax Claims.

27. Pursuant to Section 4.02 of the Plan, Administrative Claims, the Mengnu DIP Claim, the Mengnu 503(b)(9) Claim, Fee Claims, United States Trustee Fees, and Priority

Tax Claims, respectively, will, to the extent Allowed, be paid in full, or otherwise provided for in the Plan.

J. To The Extent Any Class Of Claims Is Impaired Under The Plan, At Least One Class Of Impaired Claims Has Accepted The Plan.

28. The Holders of Claims in Classes 2 and 3 are Impaired under the Plan.

Nonetheless, as set forth in the Voting Certification, the Holders of Claims in Classes 2 and 3 that were entitled to vote on the Plan have voted overwhelmingly to accept the Plan.

29. Specifically, pursuant to Section 4.02 of the Plan, the Holder of the Class 2 Allowed Mengnu Unsecured Claim, shall receive (i) 90.1% of the New Common Stock on the Effective Date, or as soon thereafter as practicable, (ii) the Tranche D Note, and (iii) 30% of the Litigation Trust Proceeds. Also pursuant to Section 4.02 of the Plan, the Holders of Class 3 Allowed General Unsecured Claims shall receive a Pro Rata Share of (i) the proceeds of the Tranche A Note; (ii) the proceeds of the Tranche C Note, (iii) 9.9% of the New Common Stock, and (iv) 70% of the Litigation Trust Proceeds.

K. Feasibility.

30. The Debtors have been timely paying all valid ordinary course administrative claims throughout the pendency of these cases. Additionally, for the purposes of determining whether the Plan is feasible, the Debtors, with the assistance of TM Capital, have projected the future financial performance (annexed to the Disclosure Statement as Exhibit B, the “Financial Projections”) of the Reorganized Debtors. The Financial Projections demonstrate that the Debtors will be able to make all payments required pursuant to the Plan while conducting ongoing business operations. It is my opinion that these projections and the Plan, if confirmed, will not likely be followed by liquidation or the need for further reorganization of their successors under the bankruptcy code. Accordingly, I believe that adequate sources and funds

will exist to make the distributions provided for under the Plan, and as such, I believe the Plan is feasible and that it will be consummated.

31. I have regularly discussed and monitored the development of the Plan as a whole and participated in development of the underlying assumptions regarding specific business initiatives and restructuring priorities. These assumptions reflect the good faith estimates that were developed by our senior management. I have examined and evaluated nearly all aspects of the Plan and am familiar with the material provisions of the Plan and the compromises embodied therein.

32. In analyzing the feasibility of the Plan, nothing has come to my attention to lead me to conclude that reliance on such information is not (a) reasonable or (b) an appropriate basis upon which to base a plan of reorganization.

33. As reflected in the Financial Projections, it is my opinion that, as of the Effective Date, the Reorganized Debtors will have sufficient cash flow to, (a) be able to satisfy their obligations under the Exit Financing Facility and the Plan, (b) service all debt obligations contemplated by the Plan, and (c) not be left with unreasonably small available capital to operate their businesses as a result of the Plan or any transactions contemplated by the Plan. Accordingly, I believe that confirmation of the Plan is not likely to be followed by the Reorganized Debtors' liquidation or the need for further reorganization.

L. The Plan Provides For Full Payment Of All Statutory Fees.

34. Section 15.13 of the Plan provides that, on the Effective Date, and thereafter as may be required, the Debtors will pay all of the fees payable pursuant to 28 U.S.C. § 1930. Assuming the Plan is confirmed, the Debtors will have sufficient funds to pay any and all such fees in full.

M. Principal Purpose of the Plan.

35. The Plan has not been filed for the purpose of avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933.

V THE POST-EFFECTIVE DATE PROTECTIONS

36. Pursuant to Article XII of the Plan, certain parties are granted releases and exculpations from liability under the Plan. I believe that the exculpation, indemnification, and release provisions embodied in the Plan are fair and equitable and are critical components of the Released Parties' support of the Plan. Based on my involvement in various settlement negotiations, I believe that a consensual plan would not have been possible without the exculpation, indemnification and releases. While the Debtors have not conducted a thorough investigation to determine if any claims exist that are being released, I know of no meritorious claims that are being waived as a result of the exculpation and releases embodied in the Plan.

37. Among others, the Released Parties include Mengnu. The Debtors' election to grant releases to Mengnu is a sound exercise of business judgment and is warranted by the facts and circumstances of these cases. First, the inclusion of Mengnu is an integral condition of the Exit Funding Facility, Exit LC Facility, and Plan, without which the Debtors would not have garnered the financial support of Mengnu for the Plan.

VI. ASSUMPTION OF TRADEMARK USAGE AGREEMENTS WITH ASHLEY HOMESTORES LTD.

A. The Debtors' Relationship with Ashley HomeStores Ltd.

38. In January 1985, Jennifer Convertibles, Inc. ("JCI") formed Hartsdale Convertibles, Inc. ("HCI") as a wholly-owned subsidiary. HCI was and continues to be a corporation in good standing in the State of New York with the required and appropriate charter documents. See Exhibits A and B, attached hereto. By early 2006, HCI had closed its operating

business, but it still held net operating losses (“NOLs”) that were valuable to the Jennifer Convertibles enterprise.

39. In the early part of 2006, Harley Greenfield and I approached Todd Wanek, CEO of Ashley HomeStores Ltd. and Ashley Furniture Industries (collectively, “Ashley”), with the concept of leveraging JCI’s expertise and business with the Ashley model. The Jennifer segment of the Debtors is primarily an upholstery and sofabed specialty retailer, while Ashley is a big box, full line furniture retailer. I believed that an Ashley Store would complement the Jennifer segment because of the synergies between the Jennifer model and the Ashley model, coupled with the significant retail experience possessed by JCI’s senior management, especially in the New York/Long Island market. Ashley was enthusiastic about this idea, and I believe recognized the value that JCI offered for establishing successful stores. Our negotiations with Ashley initially contemplated JCI as licensee. After negotiating and fine-tuning the business terms of a proposed Trademark Usage Agreement (“TUA”), I suggested that HCI be the licensee, so that JCI could benefit from HCI’s NOLs. Ashley consented to HCI as the licensee under the TUA, provided that JCI would act as guarantor. This culminated in the execution of the TUA for the Ashley Store located at 164 Glen Cove Road, Carle Place, New York, on October 27, 2006. See Exhibit C, attached hereto. When we signed this TUA, Ashley was well aware of HCI’s relationship with JCI and, I believe, expected that relationship to benefit all parties.

40. HCI opened its first Ashley Store under this first TUA in May 2007 in Carle Place, located in Long Island, New York. The Debtors already had profitable Jennifer stores at that location. As I had hoped, the Carle Place Ashley Store was successful. This was the first Ashley Store opened in Nassau County, and its success helped establish Ashley

HomeStore as a brand in Brooklyn, Queens, and Nassau and Suffolk Counties. We spent millions of dollars in advertising to establish the brand in this market. Ashley was no doubt pleased with the results, as HCI ordered substantial amounts of merchandise and paid all fees due under the TUA. If our first Ashley Store were underperforming its peers in the Ashley franchise system, I am confident that Ashley would have sought other licensees as it expanded in the New York/Long Island market. Ashley, however, soon contacted JCI to offer new opportunities, and I engaged in discussions to open a second Ashley Store. This resulted in the negotiation and execution of an additional TUA, on February 1, 2008, for the Ashley Store located at 700 Sunrise Highway, South Service Road, Patchogue, New York (see Exhibit D, attached hereto).

41. The second store proved successful too and Ashley again contacted JCI to offer new locations. Between September 2009 and March 2010, we entered into five more TUAs: (i) on September 5, 2009, HCI and Ashley entered into a TUA for the Ashley Store located at 1821 Broad Hollow Road, Farmingdale, New York (see Exhibit E, attached hereto); (ii) on September 25, 2009, HCI and Ashley entered into a TUA for the Ashley Store located at 88-12 Queens Boulevard, Elmhurst, New York (see Exhibit F, attached hereto); (iii) on November 9, 2009, HCI and Ashley entered into a TUA for the Ashley Store located at 2233 Flatbush Avenue, Brooklyn, New York (see Exhibit G, attached hereto); (iv) on March 15, 2010, HCI and Ashley entered into a TUA for the Ashley Store located at 558 86th Street, Brooklyn, New York (see Exhibit H, attached hereto); and (v) on March 15, 2010, HCI and Ashley entered into a TUA for the Ashley Store located at 2300 Broadway, New York, New York (see Exhibit I, attached hereto).

42. The Ashley segment has been successful. The profitability of the Ashley Stores has been, in some measure, due to JCI's participation. The Ashley Stores have benefitted

greatly from the expertise of JCI's senior management, from our ability to recruit and train employees, and from JCI's advertising and purchasing expertise, among other items. JCI has also facilitated the negotiation of leases with landlords, who recognized JCI as a quality tenant. JCI has also used its purchasing power to obtain more favorable terms for advertising, insurance and other expenses.

43. Although each TUA was between HCI and Ashley, Ashley no doubt understood that JCI's senior management was operating the Ashley segment. At no point, did Ashley ever suggest that JCI could not operate the Ashley Stores in conformance with standard practices for multi-segmented corporate enterprises. Nor did it inquire about HCI's cash management or accounting practices. The significant growth in the number of the Ashley Stores under the Debtors' operation is compelling evidence of Ashley's satisfaction with JCI's role.

44. From 2006 through 2010, HCI maintained its own infrastructure and yet enjoyed all the benefits of being part of the JCI corporate family. While benefiting from the corporate support it received from JCI, HCI (i) maintained its own employees, (ii) segregated its cash receipts from the rest of the enterprise, such that we accounted for all intercompany transfers between HCI and JCI, (iii) managed and operated the software system that Ashley required for inventory purchases, (iv) kept appropriate books and records, and (v) were counterparties to leases with the landlords for each Ashley Store location. In addition, as a public company, the Debtors reported the financial results and operations of the Ashley Stores as a separate business segment in all of their filings with the Securities and Exchange Commission (the "SEC").

45. Throughout this time period, Ashley was aware of the corporate structure and the relationship between JCI and HCI. Nearly all discussions and negotiations regarding the

Ashley Stores and the performance of the Ashley segment were between myself and Harley Greenfield for JCI, and executives at Ashley. Ashley understood that the JCI corporate office and JCI officers oversaw the operations of the Ashley Stores. I understood that HCI was in full compliance with the terms of the TUAs. Ashley never suggested otherwise. I am confident that Ashley would not have signed five TUAs in late 2009 and early 2010 if it believed that HCI was in breach of the first two TUAs. I do not recall Ashley requesting HCI financial statements in the first three years of our relationship. In late 2009, Ashley first requested this information. The Debtors then provided Ashley with the 2008 and 2009 fiscal year financial statements for HCI. See Exhibit J, attached hereto. Ashley did not question the sufficiency of this information under the TUAs. Nor did it suggest that HCI's operations were somehow in contravention of the TUAs.

B. HCI's Compliance with the TUAs Post-Effective Date

46. It is HCI's intention to continue to comply with the terms of the TUAs after emerging from chapter 11 in the same manner as it did for many years before the Petition Date. Despite this intention and HCI's previous compliance with the TUAs, it is my understanding that Ashley is now attempting to rewrite the terms of the TUAs in an effort to prevent their assumption.

47. Upon emergence from chapter 11, HCI, as licensee, will be the entity assuming the TUAs, and JCI, as the parent company, will continue to act as the guarantor, as it has from the inception of each TUA. It is the Debtors' intention to run their businesses and legal entities in the same manner as they did prior to filing for bankruptcy. In that regard, HCI will continue to be its own separate legal entity, maintained in good standing with the State of New York and, among other things, will continue to employ its own personnel at each of the Ashley

Stores, keep adequate books and records on a go forward basis, and have leases with each of the landlords for the Ashley Store locations.

48. I understand that Ashley, in objecting to the Debtors' motion to assume the TUAs, is arguing that the assumption of the TUAs is not simply an assumption but is an assignment, which would require Ashley's consent. This theory runs contrary to the seven TUAs negotiated and executed between HCI and Ashley. For example, Ashley apparently complains that HCI's receipts are paid into a segregated account called the "Ashley Concentration Account," which is in the name of JCI. HCI has always operated in this manner, which is consistent with a corporate cash management system commonly used in the business world. As part of this system, JCI has long paid some of HCI's expenses, with an intercompany account maintained to track the exchange of funds. Nothing in the TUAs requires the corporate changes sought by Ashley. If at any time since 2006 Ashley had felt that the operational structure of HCI did not comport with the TUAs, I do not believe Ashley would have entered into each of the seven TUAs with HCI, nor would it have continued to advance opportunities to the Debtors to open additional Ashley Stores. Indeed, as late as June 2010, when the Debtors' financial condition had deteriorated as reported in its public filings with the SEC, I had substantive discussions about a potential Ashley Store location in Astoria, Queens.

49. I further understand that Ashley questions HCI's ability to comply with various provisions of the TUAs upon emergence from chapter 11. HCI intends to comply with all aspects of the financial reporting in the future. As in the past, HCI will have adequate books and records to prepare the necessary financial reports.

50. I also understand that Ashley is concerned with the ability of HCI, as licensee, to comply with the confidentiality provisions in the TUAs. (Ex. C - I, ¶ 37) These

provisions apply to limited information, such as the contents of the Ashley HomeStores Manual.

HCI has agreed that:

Licensee will divulge confidential Information only to persons who must have access to such information in order to perform their responsibilities with respect to this Agreement or the construction or operation of the Licensed Business. Licensee will take all action that is necessary to protect the confidentiality of Confidential Information and will not communicate or make it available to, or use it for the benefit of, any unauthorized persons.

HCI intends to comply with this provision after the post-Effective Date; the same as it has done since 2006.

C. Adequate Assurance of Future Performance

51. As I understand, under the Bankruptcy Code, the Debtors are required to provide adequate assurance of future performance to Ashley in order for HCI to assume the TUAs. As indicated in the Debtors' Financial Projections, attached to the Disclosure Statement as Exhibit B, and as more fully set forth in detail in the financial projections of HCI that I have reviewed, the Debtors upon assumption will cure the monetary obligations under the TUAs, in the amount of \$980,366.96.³ The projections also reflect that Ashley will be paid on a cash-on-delivery basis. In addition, after the Effective Date of the Plan, it is the Debtors' intention to augment its cash management system by maintaining a bank account in the name of HCI, under the HCI tax identification number, that will at all times be funded with a minimum cash balance of \$100,000.

52. It is my understanding that Ashley is concerned because the notes to be issued under the Plan to General Unsecured Creditors and Mengnu will be secured by the assets of HCI and that HCI will be an obligor under the notes. In order to further protect Ashley's interest in HCI and provide additional adequate assurance to Ashley, the Creditors' Committee

³ This number has been reconciled to the amount set forth by Ashley.

and Mengnu, together with the Debtors, have removed HCI as an obligor, either direct or indirect, under the Tranche A, B, C, and D Notes, nor will any of these notes provide for a lien on the HCI assets or any other recourse to HCI. Thus, with respect to the Tranche A, B, C and D Notes, the HCI assets will remain unencumbered.

53. The Tranche E Note is a working capital facility, a material portion of which is being used to fund the Ashley cure payment and HCI's future purchases from Ashley.

VII. THE PLAN PROVIDES FOR LIMITED SUBSTANTIVE CONSOLIDATION OF THE DEBTORS ONLY FOR PURPOSES OF VOTING, CONFIRMATION AND DISTRIBUTION ONLY.

54. The Plan provides for the limited substantive consolidation of the Debtors' Estates, solely for purposes of voting, confirmation, and making distributions to the Holders of Allowed Claims under the Plan. Despite any confusion or assertions to the contrary, as set forth in section 2.01 of the Plan, such substantive consolidation shall not affect (a) the legal and corporate structure of the Reorganized Debtors, or (b) any obligations under any leases or contracts assumed in the Plan or otherwise after the Petition Date.

55. In other words, it is the intention of the Debtors that each Debtor entity will emerge from the bankruptcy process in form and function identical to that of the pre-bankruptcy entity. The overall corporate structure of the Debtors will not be affected by these Chapter 11 Cases. For example, HCI as licensee will be the entity assuming the TUAs, and JCI will continue to act as the guarantor.

56. Thus, I believe the Debtors' Plan is clear that consolidation of the Debtors' Estates will occur only for plan distribution purposes, and will not effectuate a post-Effective Date substantive consolidation of the Debtors' estates and operations.

VIII. ADVERSE CONSEQUENCES OF NON-CONFIRMATION

57. If the Plan is not confirmed, it is unlikely that the Debtors would be able to provide the same recoveries to its creditors. Additionally, there can be no guarantee that the Creditors' Committee or Mengnu will support an alternative plan. Without the support of the Debtors' creditors it may be difficult to confirm an alternative plan of reorganization. Accordingly, it is imperative that the Plan be confirmed and that the Debtors emerge from chapter 11 as quickly as possible.

IX. CONCLUSION

58. Based upon the facts set forth herein and law as I understand it, I believe that the Plan satisfies all of the applicable confirmation requirements contained in the Bankruptcy Code, and that due and adequate notice of the Confirmation Hearing, the Voting Deadline, and the deadline for objecting to confirmation of the Plan was properly given. I further believe that the Plan is feasible and that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or the Reorganized Debtors. After the Effective Date, the Reorganized Debtors should have adequate capital to meet their ongoing obligations.

59. Therefore, I respectfully request that the Court (a) enter the Confirmation Order, and (b) grant the Debtors such other and further relief as is just or proper.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 21st day of January, 2011.

A handwritten signature in black ink, appearing to read 'Rami Abada', written over a horizontal line.

Rami Abada
Chief Financial Officer, Chief Operating
Officer and President of
Jennifer Convertibles

EXHIBIT A

State of New York
Department of State } ss:

I hereby certify, that the Certificate of Incorporation of HARTSDALE CONVERTIBLES, INC. was filed on 01/14/1985, with perpetual duration, and that a diligent examination has been made of the Corporate index for documents filed with this Department for a certificate, order, or record of a dissolution, and upon such examination, no such certificate, order or record has been found, and that so far as indicated by the records of this Department, such corporation is an existing corporation. I further certify the following:

A Biennial Statement was filed 06/04/1993.

A Biennial Statement was filed 03/02/1994.

A Biennial Statement was filed 04/08/1997.

A Biennial Statement was filed 02/11/1999.

A Biennial Statement was filed 01/24/2001.

A Biennial Statement was filed 02/14/2003.

A Biennial Statement was filed 03/07/2005.

Certificate of Change was filed on 06/30/2006.

A Biennial Statement was filed 01/22/2007.

A Biennial Statement was filed 02/09/2009.

I further certify, that no other documents have been filed by such Corporation.



*Witness my hand and the official seal
of the Department of State at the City
of Albany, this 19th day of January
two thousand and eleven.*

Daniel Shapiro
First Deputy Secretary of State

EXHIBIT B

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

8181914

CERTIFICATE OF INCORPORATION

OF

HARTSDALE CONVERTIBLES, INC.

Filed by:

Bernard Wincig, Esq.
574 Fifth Avenue
New York, New York 10036

CERTIFICATE OF INCORPORATION

OF

HARTSDALE CONVERTIBLES, INC.

Under Section 402 of the Business Corporation Law

The undersigned, being a natural person of at least 21 years of age and acting as the incorporator of the corporation hereby being formed under the Business Corporation Law, certifies that:

FIRST: The name of the corporation is
HARTSDALE CONVERTIBLES, INC.

SECOND: The corporation is formed for the following purpose or purposes:

To engage in any lawful act or activity for which corporations may be organized under the business corporation law, provided that the corporation is not formed to engage in any act or activity which requires the act or approval of any state official, department, board, agency or other body without such approval or consent first being obtained.

To design, assemble, upholster, repair and refinish furniture; to manufacture, sell, export, import, or otherwise deal in furniture, furnishings, fixtures, fittings, equipment, devices and articles of all kinds and descriptions for use in or on public or private buildings or structures, whether used as offices, residences, factories, libraries, banks, hospitals or otherwise, made of metal, wood, stone, plastics or other materials or combinations of materials, filing, indexing and other office equipment and systems, office stationery and supplies and building materials and equipment of every nature and description.

To manufacture, buy and sell and generally deal in furniture made from wood, willow, cane, canvas, metal or any other substance and furniture frames, seats, backs, and generally to manufacture, buy and sell and deal in furniture of every kind and description.

To conduct the business of cabinet workers, general wood workers and finishers. To repair, overhaul and refinish furniture and wood work of all kinds commonly done by cabinet workers. To manufacture and make to order chairs, tables, stands, dressers, show cases, filing cases, desks and other articles of furniture and generally do all and every thing those engaged in this line of business ordinarily do.

To acquire by purchase, subscription, underwriting or otherwise, and to own, hold for investment, or otherwise, and to use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every sort and description and wheresoever situated, including shares of stock, bonds, debentures, notes, scrip, securities, evidences of indebtedness, contracts or obligations of any corporation or association, whether domestic or foreign, or of any firm or individual, or of the United States or any state, territory or dependency of the United States or any foreign country, or any municipality or local authority within or without the United States, and also to issue in exchange therefor, stocks, bonds or other securities or evidences of indebtedness of this corporation, and, while the owner or holder of any such property, to receive, collect and dispose of the interest, dividends and income on or from such property and to possess and exercise in respect thereto all of the rights, powers and privileges of ownership, including all voting powers thereon.

To construct, build, purchase, lease or otherwise acquire, equip, hold, own, improve, develop, manage, maintain, control, operate, lease, mortgage, create liens upon, sell, convey or otherwise dispose of and turn to account, any and all plants, machinery, works, implements and things or property, real and personal, of every kind and description, incidental to, connected with, or suitable, necessary or convenient for any of the purposes enumerated herein, including all or any part or parts of the properties, assets, business and wood will of any persons, firms, associations or corporations.

The powers, rights and privileges provided in this certificate are not to be deemed to be in limitation of similar, other or additional powers, rights and privileges granted or permitted to a corporation by the Business Corporation Law, it being intended that this corporation shall have all the rights, powers and privileges granted or permitted to a corporation by such statute.

THIRD: The office of the corporation is to be located in the Town of Greenburgh, County of Westchester, State of New York.

FOURTH: The aggregate number of shares which the corporation shall have the authority to issue is Two Hundred (200), all of which shall be without par value.


FIFTH: The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of

3

State shall mail a copy of any process against the corporation served upon him is:

Harley Greenfield
c/o Jennifer Convertibles
1530 Second Avenue
New York, New York 10021

IN WITNESS WHEREOF, this certificate has been subscribed to this 3rd day of January, 1985, by the undersigned, who affirms that the statements made herein are true under the penalties of perjury.


BERNARD WINCIG, ESQ.
574 Fifth Avenue
New York, New York 10036

4

5

5-81914

CERTIFICATE OF INCORPORATION

HARPSDALE CONVERTIBLES, INC.

Filed by:

BERNARD WINCIG

ATTORNEY AND COUNSELOR AT LAW

574 FIFTH AVENUE

NEW YORK, N. Y. 10036

(212) 575-0333

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED JAN 14 1985

AMT. OF CHECK \$ 220
FILING FEE \$ 100
TAX \$ 100
SECURITY FEE \$
COPY \$
CERT \$
REFUND \$
SPEC HANDLE \$

BY *P. J. [Signature]*

FILED
JAN 14 6 27 AM '85

58, 11 JAN

STATE OF NEW YORK

DEPARTMENT OF STATE

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WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS
Statement of Addresses and Directors, Part A
CORPORATION NAME
HARTSDALE CONVERTIBLES, INC.

966238

FILING PERIOD
01/1993

FEE
\$50.00

1 FARM CORPORATION	<input type="checkbox"/> The corporation is a corporation engaged in the production of crops, livestock, and livestock products on land used in agricultural production (Agriculture and Markets Law Section 301). It is not required to report.		
2 NAME AND BUSINESS ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	NAME Harley Greenfield c/o Alison Convertibles Inc	ADDRESS 1530 Second Ave	CITY New York
	STATE NY	ZIP 10021	
3 ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE	NAME Hartsdale Convertibles, Inc. c/o Jennifer Convertibles Inc	ADDRESS 245 Roger Ave	CITY Inwood
	STATE NY	ZIP 11696	
4 SERVICE OF PROCESS ADDRESS	NAME Bernard Wincig Esquire	ADDRESS 574 5th Ave	CITY New York
	STATE NY	ZIP 10036	

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS
Statement of Addresses and Directors, Part B
CORPORATION NAME
HARTSDALE CONVERTIBLES, INC.

966238

FILING PERIOD
01/1993

FEE
\$50.00

(1) NAME AND BUSINESS ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

NO ADDRESS ON FILE

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

NO ADDRESS ON FILE

(3) SERVICE OF PROCESS ADDRESS
HARLEY GREENFIELD
% JENNIFER CONVERTIBLES
1530 SECOND AVENUE
NEW YORK NY 10021

93060400 15
2198

MAKE NO MARKS BELOW THIS LINE

PLEASE SIGN AND DATE ON REVERSE

008-1187 01/93

0199301 800766238 305000

IMPORTANT NOTICE

93060400

2/198

A New York Corporation which is no longer conducting business should file a Certificate of Dissolution pursuant to Section 1003 of the Business Corporation Law, and a foreign corporation no longer conducting business in New York State should file a Surrender of Authority pursuant to section 1310 or a Termination of Existence pursuant to section 1311 of the Business Corporation Law. An inactive corporation continues to accrue tax liability and possible interest and penalties until formally dissolved, surrendered, or terminated. Questions regarding the filing of these certificates should be directed to the NYS Department of State, Division of Corporations, 162 Washington Avenue, Albany, NY 12231-0001 or by calling 518-473-2492. You are also advised to request Publication 110, "Information and Instructions for Termination of Business Corporations" from the Department of Taxation and Finance. Requests for this publication and questions regarding taxation issues should be sent to the NYS Department of Taxation and Finance, Processing and Revenue Management Division, Dissolution Unit, Building 8, Room 302, W.A. Harriman Campus, Albany, NY 12227.

Filing Period and Penalty - the filing period is the calendar month during which the original certificate of incorporation or application for authority was filed or the effective date that corporate existence began, if stated in the certificate of incorporation. Failure to timely file this statement will be reflected in the department's records as past due or delinquent and may later subject the corporation to a fine of \$250. See section 409 of the Business Corporation Law.

Filing Fee: The statutory filing fee is \$50. Checks and money orders must be made payable to the "Department of State." **DO NOT** mail cash.

Send entire form, completed, and with \$50.00 fee, in the self-mailer envelope, to the Department of State, Division of Corporations, 162 Washington Avenue, Albany, NY 12231-0002.

Statement of Addresses and Directors, Part C

IN WITNESS WHEREOF, this certificate has been subscribed this 29th day of Jan, 19 93, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Harley Greenfield
PRINT OR TYPE NAME

President
PRINT OR TYPE TITLE

SIGNATURE

**STATE OF NEW YORK
DEPARTMENT OF STATE
FILED JUN 04 1993**

93060400

297

BY:

MAKE NO MARKS BELOW THIS LINE

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Statement of Addresses and Directors, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

(1) NAME AND BUSINESS ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

HARLEY GREENFIELD
%ALISON CONVERTIBLES INC.
1530 SECOND AVENUE
NEW YORK NY 10021

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

HARTSDALE CONVERTIBLES, INC.
%JENNIFER CONVERTIBLES
245 ROGER AVENUE
INWOOD NY 11696

(3) SERVICE OF PROCESS ADDRESS

BERNARD WINCIG, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

966238

FILED PERIOD

01/1984

FEES

\$50.00

If there are no changes since your Annual Statement filing of last year, please check this box:



Sign and date the reverse. Include payment of \$50.00 payable to the Dept. of State.

1294030200 2197

MAKE NO MARKS BELOW THIS LINE

PLEASE SIGN AND DATE ON REVERSE

DOE-117A (2/83)

3177401 80096238 305000

Statement of Addresses and Directors, Part C

IN WITNESS WHEREOF, this certificate has been subscribed this 11 day of Feb, 1994, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Harvey Greenfield
PRINT OR TYPE NAME

Pres.
PRINT OR TYPE TITLE

94030200 2197
[Signature]
SIGNATURE

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED MAR 02 1994
BY: [Signature]

94030200 2197

MAKE NO MARKS BELOW THIS LINE

STATE OF NEW YORK

DEPARTMENT OF STATE

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WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Biennial Statement, Part A

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

966238

FILING PERIOD
01/1997

FEE
\$9.00

1 FARM CORPORATION	<input type="checkbox"/> The corporation is a corporation engaged in the production of crops, livestock, and livestock products on land used in agricultural production (Agriculture and Markets Law Section 301). It is not required to report.		
2 NAME AND BUSINESS	NAME HARLEY J. Greenfield		
ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	ADDRESS 419 CROSSWAYS PARK DRIVE		
	CITY WOODBURY	STATE NY	ZIP 11797
3 ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE	NAME JENNIFER Convertibles Inc.		
	ADDRESS 419 CROSSWAYS PARK DRIVE		
	CITY WOODBURY	STATE NY	ZIP 11797
4 SERVICE OF PROCESS ADDRESS	NAME		
	ADDRESS		
	CITY	STATE	ZIP

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Biennial Statement, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

(1) NAME AND BUSINESS ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

HARLEY GREENFIELD
%ALISON CONVERTIBLES INC.
1530 SECOND AVENUE
NEW YORK NY 10021

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

HARTSDALE CONVERTIBLES, INC.
%JENNIFER CONVERTIBLES
245 ROGER AVENUE
INWOOD NY 11696

(3) SERVICE OF PROCESS ADDRESS

BERNARD WINGIG, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

966238

FILING PERIOD
01/1997

FEE
\$9.00

at 97040800 2513

If there are no changes to the information printed in Part B, please check this box (Do not complete Part A):

☐

Sign and complete Part C on reverse side. Include payment of \$9.00 payable to the Dept. of State

MAKE NO MARKS BELOW THIS LINE

(YOU MUST SIGN AND DATE ON REVERSE)

DO5-1179 (9/95)

4199701 800966238 300900

IMPORTANT NOTICE

at 97040800 2513

A New York Corporation which is no longer conducting business should file a Certificate of Dissolution pursuant to section 1003 of the Business Corporation Law, and a foreign corporation no longer conducting business in New York State should file a Surrender of Authority pursuant to section 1310 or a Termination of Existence pursuant to section 1311 of the Business Corporation Law. An inactive corporation continues to accrue tax liability and possible interest and penalties until formally dissolved, surrendered, or terminated. Questions regarding the filing of these certificates should be directed to the NYS Department of State, Division of Corporations, Albany, NY 12231-0001 or by calling 518-473-2492. You are also advised to request Publication 110, "Information and Instructions for Termination of Business Corporations" from the Department of Taxation and Finance. Requests for this publication may be made by phone within New York State by calling 1-800-462-8100 or from outside of New York State by calling (518) 438-1073. Mail requests should be addressed to: NYS Department of Taxation & Finance, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany NY 12227.

Penalty - failure to timely file this statement will be reflected in the department's records as past due or delinquent and may later subject the corporation to a fine of \$250. See section 409 of the Business Corporation Law.

Filing Period - the filing period is the calendar month during which the original certificate of incorporation or application for authority was filed or the effective date that corporate existence began, if stated in the certificate of incorporation.

Filing Fee: The statutory filing fee is \$9.00. Checks and money orders must be made payable to the "Department of State." DO NOT mail cash.

Send entire form, completed, and with \$9.00 fee, in the self-mailer envelope, to the Department of State, Division of Corporations, Albany, NY 12231-0002.

Biennial Statement, Part C

IN WITNESS WHEREOF, this certificate has been subscribed this 2 day of May, 1997, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Harley Greenfield
PRINT OR TYPE NAME OF SIGNER

President
PRINT OR TYPE SIGNER'S TITLE

STATE OF NEW YORK
DEPARTMENT OF

FILED APR 08 1997

BY: [Signature]

[Signature]
SIGNATURE OF OFFICER, DIRECTOR, MANAGER OR OWNER

97040800 2513

MAKE NO MARKS BELOW THIS LINE

This form does not need to be notarized.

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Biennial Statement, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

NAME AND BUSINESS ADDRESS OF THE CHIEF EXECUTIVE OFFICER

HARLEY J. GREENFIELD

419 CROSSWAYS PARK DR
WOODBURY NY 11797

12) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

JENNIFER CONVERTIBLES INC
419 CROSSWAYS PARK DR
WOODBURY NY 11797

13) SERVICE OF PROCESS ADDRESS

BERNARD WINGIG, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

MAKE NO MARKS BELOW THIS LINE

(YOU MUST SIGN ON REVERSE)

DOS-1179 (10/98)

1199901 800966238 300900

966238

FILING PERIOD

01/1999

FEE

\$9.00

If there are no changes to the information
printed in Part B, please check this box.
(Do not complete Part A).



Sign and complete Part C on reverse side.
Include payment of \$9.00 payable to the
Dept. of State

990211002449

Biennial Statement, Part C - Signing

Harley J. Greenfield
PRINT OR TYPE NAME OF SIGNER

CHAIRMAN OF THE BOARD/CEO
PRINT OR TYPE THE TITLE OR CAPACITY OF THE SIGNER

NEW YORK
PRINT OR TYPE CITY

FEB 11 1999
PRINT OR TYPE DATE

MAKE NO MARKS BELOW THIS LINE

SIGNATURE

990211002449

990211002449

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Biennial Statement, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

(1) NAME AND BUSINESS ADDRESS OF THE CHIEF EXECUTIVE OFFICER

HARLEY J. GREENFIELD
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

JENNIFER CONVERTIBLES INC
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(3) SERVICE OF PROCESS ADDRESS

BERNARD WINCIG, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

966238

FILING PERIOD

01/2001

FEE

\$9.00

If there are no changes to the information
printed in Part B, sign Part C and return with
payment payable to the Dept. of State

AR 01012400 2390

MAKE NO MARKS BELOW THIS LINE

(YOU MUST SIGN ON REVERSE)

DOS 1179 (07/99)

Biennial Statement, Part C - Signing

Rami Alada
PRINT OR TYPE NAME OF SIGNER

PRESIDENT
PRINT OR TYPE THE TITLE OR CAPACITY OF THE SIGNER

SIGNATURE

AC 010124002390

NEW YORK
DEPARTMENT OF STATE

FILED JAN 24 2001
BY: KH

010124002390

MAKE NO MARKS BELOW THIS LINE

STATE OF NEW YORK
DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



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Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS
Biennial Statement, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

(1) NAME AND BUSINESS ADDRESS OF THE CHIEF EXECUTIVE OFFICER

HARLEY J GREENFIELD
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

JENNIFER CONVERTIBLES INC
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(3) SERVICE OF PROCESS ADDRESS

BERNARD WINCIS, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

	FILED PERIOD	FEE
966238	01/2003	\$9.00

If there are no changes to the information
printed in Part B, sign Part C and return with
payment payable to the Dept. of State

MAKE NO MARKS BELOW THIS LINE

(YOU MUST SIGN ON REVERSE)

DOCS-1178 (07/99)

RECORDED
03021400
2506

Biennial Statement, Part C - Signing

RAMI ABDOA
PRINT OR TYPE NAME OF SIGNER

PRESIDENT

PRINT OR TYPE THE TITLE OR CAPACITY OF THE SIGNER

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED

FEB 14 2003

BY

RH

RC 080214002508

SIGNATURE

Rami Aboda

08021400

2508

MAKE NO MARKS BELOW THIS LINE

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

Biennial Statement, Part A

CORPORATION NAME

966238

01/2005

\$9.00

HARTSDALE CONVERTIBLES, INC.

1 FARM CORPORATION	<input type="checkbox"/> The corporation is a corporation engaged in the production of crops, livestock, and livestock products on land used in agricultural production (Agriculture and Markets Law Section 301). It is not required to report.		
2 NAME AND BUSINESS ADDRESS OF THE CHIEF EXECUTIVE OFFICER	NAME ADDRESS CITY STATE ZIP + 4		
3 ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE	NAME ADDRESS CITY STATE ZIP + 4		
4 SERVICE OF PROCESS ADDRESS	NAME JENNIFER CONVERTIBLES, INC. ADDRESS 419 CROSSWAYS PARK DR CITY WOODBURY STATE NY ZIP + 4 11797		

NYS DEPARTMENT OF STATE - DIVISION OF CORPORATIONS

Biennial Statement, Part B

CORPORATION NAME

HARTSDALE CONVERTIBLES, INC.

966238

FILING PERIOD

01/2005

TEE

\$9.00

(1) NAME AND BUSINESS ADDRESS OF THE CHIEF EXECUTIVE OFFICER

HARLEY J GREENFIELD
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(2) ADDRESS OF THE PRINCIPAL EXECUTIVE OFFICE

JENNIFER CONVERTIBLES INC
419 CROSSWAYS PARK DR
WOODBURY NY 11797

(3) SERVICE OF PROCESS ADDRESS

BERNARD WINCIG, ESQUIRE
574 5TH AVENUE
NEW YORK NY 10036

If there are no changes to the information printed in Part B, sign Part C and return with payment payable to the Dept. of State

AR

05030700

MAKE NO MARKS BELOW THIS LINE

[YOU MUST SIGN ON REVERSE]

DCS-1178 (07-98)

2317

IMPORTANT NOTICE

A New York Corporation which is no longer conducting business should file a Certificate of Dissolution pursuant to section 1003 of the Business Corporation Law, and a foreign corporation no longer conducting business in New York State should file a Surrender of Authority pursuant to section 1310 or a Termination of Existence pursuant to section 1311 of the Business Corporation Law. An inactive corporation continues to accrue tax liability and possible interest and penalties until formally dissolved, surrendered, or terminated. Questions regarding the filing of these certificates should be directed to the NYS Department of State, Division of Corporations, Albany, NY 12231-0002 or by calling 518-473-2492. You are also advised to request Publication 110, "Information and Instructions for Termination of Business Corporations" from the Department of Taxation and Finance. Requests for this publication may be made by phone by calling 1-800-462-8100. Mail requests should be addressed to: NYS Department of Taxation & Finance, Taxpayer Assistance Bureau, W.A. Harriman Campus, Albany NY 12227.

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Send entire form, completed, and with \$9.00 fee, in the self-mailer envelope, to the Department of State, Division of Corporations, 41 State Street, Albany, NY 12231-0002.

Biennial Statement, Part C - Signing

RAMI ABADA
PRINT OR TYPE NAME OF SIGNER

PRESIDENT
PRINT OR TYPE THE TITLE OR CAPACITY OF THE SIGNER

REAR
SIGNATURE

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED MAR 07 2005

MAKE NO MARKS BELOW THIS LINE

lyn

05030700

2317

STATE OF NEW YORK

DEPARTMENT OF STATE

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WITNESS my hand and official seal of
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Daniel E. Shapiro
First Deputy Secretary of State

CSC 45

New York State
Department of State
Division of Corporations, State Records
and Uniform Commercial Code
41 State Street
Albany, NY 12231
www.dos.state.ny.us

F 060630000718

CERTIFICATE OF CHANGE
OF

HARTSDALE CONVERTIBLES, INC.
(Insert Name of Domestic Corporation)

Under Section 805-A of the Business Corporation Law

FIRST: The name of the corporation is: _____

HARTSDALE CONVERTIBLES, INC.

If the name of the corporation has been changed, the name under which it was formed is: _____

SECOND: The certificate of incorporation was filed by the Department of State on: _____
01/14/1985

THIRD: The change(s) effected hereby are: (Check appropriate box(es))

- ☐ The county location, within this state, in which the office of the corporation is located, is changed to:
- ☒ The address to which the Secretary of State shall forward copies of process accepted on behalf of the corporation is changed to read in its entirety as follows:
c/o Corporation Service Company, 80 State Street Albany, NY 12207-2543

☒ The corporation hereby: (Check one)

☒ Designates CORPORATION SERVICE COMPANY
as its registered agent upon whom process against the corporation may be served.

The street address of the registered agent is:

80 STATE STREET, ALBANY, NY 12207

Changes the designation of its registered agent to:

The street address of the registered agent is:

5

☐ Changes the address of its registered agent to:

☐ Revokes the authority of its registered agent.

F 060630000 718

FOURTH: The change was authorized by the board of directors

Rami Abada

(Signature)

Rami Abada, President

(Name and Title of Signer)

CERTIFICATE OF CHANGE
OF

HARTSDALE CONVERTIBLES, INC.

(Insert Name of Domestic Corporation)

Under Section 805-A of the Business Corporation Law

Filer's Name Chelsea Newman (CSC)

Address 2711 Centerville Rd., Suite 400

City, State and Zip Code Wilmington, DE 19808

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED
JUN 30 2006
JUN 30 2006
m
Westchester

CUSTOMER REF. #
157397500

NOTE This form was prepared by the New York State Department of State. You are not required to use this form. You may draft your own form or use forms available at legal stationery stores. The Department of State recommends that all documents be prepared under the guidance of an attorney. The certificate must be submitted with a \$30 filing fee.

For Office Use Only

CSC 45
DOWN

2

775

STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

Business Corporation Biennial Statement

For Internal Use Only

966238

Business Name:

HARTSDALE CONVERTIBLES, INC.

966238

JENNIFER CONVERTIBLES INC
419 CROSSWAYS PARK DR
WOODBURY NY 11797

An 07012200 2619 VO	
Filed By: _____	
Cash # (if different than firm #): _____	
Required Fee:	\$9.00
Filing Period:	01/2007
(Make checks payable to the Department of State)	

The Business Corporation Law requires corporations to update information with the Department of State every two years in the calendar month in which the corporation was formed or authorized. Farm Corporations are EXEMPT from this requirement and should complete Parts 4 and 5 ONLY. Please review the information in Parts 1, 2 and 3. Update the information in the space provided, if necessary. If no changes are necessary, proceed to Part 5. A corporation which fails to timely file its Biennial Statement shall be shown to be past due on the Department of State's records.

Part 1: Name and Business Address of Chief Executive Officer

HARLEY J GREENFIELD 419 CROSSWAYS PARK DR WOODBURY NY 11797	Name		
	Address		
	City	State	Zip

Part 2: Street Address of the Principal Executive Office (A Post Office Box cannot be substituted)

JENNIFER CONVERTIBLES INC 419 CROSSWAYS PARK DR WOODBURY NY 11797	Address Line 1		
	Address Line 2		
	City	State	Zip

Part 3: Address for Service of Process

C/O CORPORATION SERVICE COMPANY 80 STATE STREET ALBANY NY 12207-2543	Name JENNIFER CONVERTIBLES, INC.		
	Address 419 CROSSWAYS PARK DRIVE		
	City WOODBURY	State NY	Zip 11797

Part 4: Farm Corporation Exemption

<input type="checkbox"/> Check if applicable	This corporation is a farm corporation and is NOT required to update information with the Department of State every two years. A farm corporation is a corporation engaged in the production of crops, livestock and livestock products on land used in agricultural production. Farm corporations should complete Parts 4 and 5 ONLY and return the form to the Department of State. No filing fee is required for farm corporations.
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Part 5: Signature of Officer, Director, Attorney-in-Fact or Authorized Person

Signature PRESIDENT Title of Signer (Please Print)	RAMI ABADO Name of Signer (Please Print)
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STATE OF NEW YORK

DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of
the Department of State, at the City of
Albany, on January 20, 2011.

A handwritten signature in black ink, appearing to read "Daniel E. Shapiro".

Daniel E. Shapiro
First Deputy Secretary of State

Business Corporation Biennial Statement

For Internal Use Only

966238

Business Name:

HARTSDALE CONVERTIBLES, INC.

966238

JENNIFER CONVERTIBLES INC
417 ~~419~~ CROSSWAYS PARK DR
WOODBURY NY 11797

AR090209 0
2043

Filed By: JKH

Cash # (if different than filer #):

Required Fee: \$9.00
Filing Period: 01/2009
(Make checks payable to the Department of State)

The Business Corporation Law requires corporations to update information with the Department of State every two years in the calendar month in which the corporation was formed or authorized. Farm Corporations are EXEMPT from this requirement and should complete Parts 4 and 5 ONLY. Please review the information in Parts 1, 2 and 3. Update the information in the space provided, if necessary. If no changes are necessary, proceed to Part 5. A corporation which fails to timely file its Biennial Statement shall be shown to be past due on the Department of State's records.

Part 1: Name and Business Address of Chief Executive Officer

HARLEY J GREENFIELD 419 CROSSWAYS PARK DR WOODBURY NY 11797	Name <u>HARLEY J GREENFIELD</u>		
	Address <u>417 CROSSWAYS PARK DRIVE</u>		
	City <u>WOODBURY</u>	State <u>NY</u>	Zip <u>11797</u>

Part 2: Street Address of the Principal Executive Office (A Post Office Box cannot be substituted)

JENNIFER CONVERTIBLES INC 419 CROSSWAYS PARK DR WOODBURY NY 11797	Address Line 1 <u>417 CROSSWAYS PARK DRIVE</u>		
	Address Line 2		
	City <u>WOODBURY</u>	State <u>NY</u>	Zip <u>11797</u>

Part 3: Address for Service of Process

JENNIFER CONVERTIBLES INC 419 CROSSWAYS PARK DR WOODBURY NY 11797	Name <u>JENNIFER CONVERTIBLES, INC.</u>		
	Address <u>417 CROSSWAYS PARK DRIVE</u>		
	City <u>WOODBURY</u>	State <u>NY</u>	Zip <u>11797</u>

Part 4: Farm Corporation Exemption

<input type="checkbox"/>	This corporation is a farm corporation and is NOT required to update information with the Department of State every two years. A farm corporation is a corporation engaged in the production of crops, livestock and livestock products on land used in agricultural production. Farm corporations should complete Parts 4 and 5 ONLY and return the form to the Department of State. No filing fee is required for farm corporations.
Check if applicable	

Part 5: Signature of Officer, Director, Attorney-in-Fact or Authorized Person

<u>Rami Abada</u> Signature <u>PRESIDENT</u> Title of Signer (Please Print)	<u>RAMI ABADA</u> Name of Signer (Please Print)
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EXHIBIT C

ASHLEY HOMESTORES, LTD TRADEMARK USAGE AGREEMENT

27th 9
This Trademark Usage Agreement (the "Agreement") dated as of this 27th day of October, 2006 (the "Effective Date"), by and between ASHLEY HOMESTORES, LTD., a Wisconsin corporation, with its principal place of business at One Ashley Way, Arcadia, Wisconsin, 54612 ("Licensor") and Hartsdale Convertibles, Inc., a New York corporation ("Licensee"), with its principal place of business at 419 Crossways Park Drive, Woodbury, New York, 11797.

RECITALS

Licensor has developed the HomeStore Concept, as defined herein, for the operation of retail furniture stores. An integral part of the HomeStore Concept is the use of the Marks, as defined herein. Licensor has the right, pursuant to a Trademark License Agreement between Licensor and Ashley Furniture Industries, Inc. ("Owner"), a Wisconsin corporation, to use and authorize others to use the Marks, including the name ASHLEY FURNITURE HOMESTORE.

Licensee will operate a retail furniture store, having a minimum of 32,480 square feet of retail floor space, at the Authorized Location, as defined herein, using the name ASHLEY FURNITURE HOMESTORE, the HomeStore Concept and the other Marks after the Effective Date in accordance with the terms and conditions of this Agreement. Licensee, in operating the Licensed Business (as defined herein), will not display or offer for sale any product or service other than the Trademark Product Line Inventory (as defined herein). All Ashley Products (as defined herein) will be purchased by Licensee from Owner at Owner's wholesale prices. All Accessories (as defined herein) that are not sold by Owner will be purchased by Licensee from manufacturers, suppliers, or distributors listed on the Accessory List (as defined herein).

Licensee has reviewed this Agreement in its entirety with its attorney and other advisors and has evaluated the HomeStore Concept, the financial investment required, and all business risks associated with owning and operating a retail furniture store in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, for and in consideration of the agreements of the parties set forth below, the parties hereby agree as follows:

I. DEFINITIONS. As used in this Agreement:

- A. "Accessories" means (i) non-furniture items such as plants, pictures, rugs, clocks, mirrors, statues, china, bedspreads, pillows, and interior decorations either sold by Licensed Business or used to improve the appearance of the Authorized Location, (ii) mattresses and box springs not manufactured or distributed by Owner, (iii) demonstration models and all promotional materials used by the Licensed Business to promote Ashley Products, (iv) computer software and hardware, and (v) all goods and products which are not Ashley Products (as defined herein) but which bear one or more of the Marks.
- B. "Accessory List" means a list, as amended from time to time by Licensor, of (i) the Accessories that Licensee is required to display and offer for sale at the Licensed Business, (ii) the mattresses and box springs not manufactured or distributed by Owner that Licensee is permitted to display and offer for sale at the Licensed Business, (iii) the demonstration models and all promotional materials Licensee is required to use in the Licensed Business, (iv) the computer software and hardware Licensee is required to use in the Licensed Business, (v) the materials, products, goods, and other property one or more of the Marks may be affixed to, and (vi) the names, addresses, and telephone numbers of the manufacturers, suppliers, and distributors of Accessories who have been approved by Licensor for each accessory.
- C. "Affiliate" means a legal entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Licensor.
- D. "Ashley Products" means furniture, mattresses, lamps, box springs, and Accessories manufactured or distributed by Owner and approved by Licensor for sale under the HomeStore Concept.
- E. "Authorized Location" means the street address of 168 Glen Cove Road, Carle Place, New York at which, by this Agreement, Licensor has authorized Licensee to operate the Licensed Business.
- F. "Confidential Information" means the HomeStore Manual together with (i) the Accessory List, (ii) all Planned Web Site(s) (as defined herein), PISAD Systems (as defined herein) and all Internet-related materials and information including, but not limited to, access codes, identification codes, passwords, log-in identification numbers, and electronic signatures provided by Licensor or Owner to Licensee for use in the Licensed Business, and (iii) all information provided by Licensor to Licensee and marked "Confidential."
- G. "HomeStore Concept" means the image, technique, design, concept and business methods developed by Licensor for the retail sale of Ashley Products and Accessories in retail furniture stores authorized to use the name ASHLEY FURNITURE HOMESTORE. The HomeStore Concept includes, but is not limited to, interior décor, color scheme, design, layout, signage, decorations, furnishings, purchasing

- methods and procedures, demographic information, computer systems and software, and other information systems, procedures, methods, and techniques that relate to the operation of the Retail Store, as defined herein, and Warehouse, as defined herein. The HomeStore Concept may, in Licensor's sole and absolute judgment, be changed, modified, improved, and further developed by Licensor during the Term.
- H. "HomeStore Manual" means all manuals containing rules, guidelines, policies, procedures, trademark usage standards, and other requirements developed by Licensor, as well as all additions and amendments thereto, that Licensee must adhere to in operating the Licensed Business.
- I. "Licensed Business" means the Retail Store and attached warehouse operated by Licensee, at the Authorized Location, utilizing the HomeStore Concept and the Marks, all in accordance with the terms and conditions of this Agreement.
- J. "Licensed Territory" means the geographic area described on Exhibit A.
- K. "Marks" means the trademarks, including the name ASHLEY FURNITURE HOMESTORE, set forth in Exhibit B attached hereto, as may be modified from time to time by Licensor in Licensor's sole discretion.
- L. "Personal Guarantor" means an individual or entity that is responsible and liable for any obligations of Licensee under this Agreement.
- M. "Principal Owner" means Jennifer Convertibles, Inc., a Delaware corporation, which is the sole owner of 100% of all shares in Licensee.
- N. "Retail Store" means the interior and exterior of a furniture store having (i) a minimum of 32,480 square feet of retail floor space that is used by Licensee for the sole purpose of displaying Ashley Products and Accessories for resale to retail customers and (ii) attached warehouse space of at least 500 square feet that will be used exclusively for the sole purpose of receiving, storing, and delivering the Trademark Product Line Inventory. The "retail floor space" shall not include the floor space devoted to offices, hallways, utility rooms, storage spaces, restrooms, warehouse, and preparation, receiving, and repair areas.
- O. "Term" means the period of time during which this Agreement will be in effect and begins on the Effective Date and continues for a period of sixty (60) months thereafter.
- P. "Trademark Product Line Inventory" means the Ashley Products and Accessories approved by

Licensor for sale by Licensee, using the HomeStore Concept, at the Authorized Location.

- Q. "Warehouse" means a separate warehouse at a location approved by Licensor that is used for the purpose of receiving, preparing, repairing, scheduling, storing and delivering the Trademark Product Line Inventory and that meets all of the requirements set forth in Exhibit C.

2. **LICENSE.** Licensor hereby grants to Licensee, subject to the terms and conditions of this Agreement, a nonexclusive, limited sublicense to use the HomeStore Concept and the Marks, including the name ASHLEY FURNITURE HOMESTORE, during the Term in connection with the operation of the Licensed Business at the Authorized Location. Licensee will not relocate or move the Licensed Business from the Authorized Location without Licensor's prior written approval.

3. **BUSINESS IDENTIFICATION.** Licensee will operate the Licensed Business under the name ASHLEY FURNITURE HOMESTORE and no other name. In addition, Licensee will use only those Marks, names, logos, and signs, both exterior and interior, that are approved by Licensor for use in the Licensed Business.

4. **RETAIL STORE OPERATION.** Immediately after the Effective Date, Licensor will provide Licensee, through electronic or other means, with a copy of its HomeStore Manual. Licensor may, at any time, make additions and amendments to the HomeStore Manual. These HomeStore Manual additions and amendments will be distributed, through electronic or other means, to Licensee at or about the same time they are distributed to other ASHLEY FURNITURE HOMESTORE licensees.

Licensee will keep its copy of the HomeStore Manual current and up to date with contents as made available by Licensor. If there are any differences between Licensor's and Licensee's copies, the terms of the master copy of the HomeStore manual maintained by Licensor will control in all respects.

Licensee will operate the Licensed Business and Warehouse in accordance with the terms and conditions of this Agreement and all rules, guidelines, policies, procedures, trademark usage standards, and other requirements contained in the HomeStore Manual, including all customer service requirements prescribed by Licensor in the HomeStore Manual.

Licensee, in operating the Licensed Business and Warehouse, will pay, on or before the date they become due, all sums due Licensor, Owner, Ashley Distribution Services, Ltd., and all other parties with which Licensee does business. Licensee acknowledges that Licensee is not obligated under this Agreement or by commercial necessity to purchase any products or services from Licensor or any of its Affiliates, except for the Trademark Product Line Inventory items.

Licensee, in operating the Licensed Business and Warehouse, will make the financial expenditures and time commitments that are necessary to properly install, learn to operate, upgrade, and maintain, at its sole expense,

computer hardware and software in accordance with the requirements set forth in the HomeStore Manual.

5. BEST EFFORTS. Licensee will use its best efforts to solicit sales of the Ashley Products from the Authorized Location and, in consultation with Licensor, to develop annual sales goals and marketing objectives reasonably designed to assure maximum sales and market penetration of the Ashley Products in the Licensed Territory.

6. TRADEMARK PRODUCT LINE INVENTORY. Licensee will at all times purchase, carry, and maintain, in reasonable quantities, the Trademark Product Line Inventory (including alternative fabric selections and swatches) for sale and display. Licensee will display the Trademark Product Line Inventory in a manner that simulates, as nearly as possible, the consumer's home environment. Licensee will purchase from Owner all Ashley Products displayed or held for resale at the Authorized Locations. Licensee will pay Owner in full for all Ashley Products contained in each shipment on or before the payment date as indicated on each invoice. Licensee will not, without the written authorization of Licensor, sell, offer for sale, accept offers, or solicit offers for the sale of the Trademark Product Line Inventory from any location other than the Authorized Location. Licensee will not sell, assign, transfer, or otherwise distribute the Trademark Product Line Inventory to any person or entity in a wholesale manner or in any other manner that would facilitate or permit the further distribution or resale of the Trademark Product Line Inventory in connection with the business of any third party. Licensee will sell the Trademark Product Line Inventory only at its Authorized Location to retail customers. Moreover, Licensee, in operating the Licensed Business, will not display or offer for sale any product or service other than the Trademark Product Line Inventory. Licensee agrees to build or acquire additional warehouse space to house the Trademark Product Line Inventory that Licensor reasonably requires Licensee to carry.

7. ACCESSORIES. Licensor will periodically provide Licensee with an Accessory List. Licensee will maintain an inventory of, display, and offer for sale, Accessories in reasonable quantities. Licensee will only use, display, or offer for sale Accessories that are contained on the Accessory List. Licensee will purchase Accessories only from Owner or from manufacturers, suppliers, or distributors contained on the Accessory List. Licensee will not use, purchase, display, or offer for sale Accessories from a manufacturer, supplier, or distributor that is not contained on the Accessory List.

8. RELATIONSHIP WITH ACCESSORIES MANUFACTURERS. Licensee acknowledges that the terms and conditions of its orders and purchases of Accessories will be agreed to by Licensee and the manufacturer, supplier, or distributor of the products being purchased by Licensee. Licensor has no obligation or duty of any kind or character whatsoever to procure or assist Licensee in procuring Accessories. Licensor makes no warranty of any kind or character whatsoever with respect to Accessories and such products will carry only the warranties as the manufacturer thereof extends to Licensee. Licensee acknowledges and agrees that Licensor may, at its option, (i) revoke its approval of any products previously

designated on the Accessory List, and may terminate the designation of any manufacturer, supplier, or distributor as an authorized supplier of Accessories or (ii) modify the Accessory List to include new products and manufacturers, suppliers, or distributors as an authorized supplier of Accessories.

Licensee shall purchase Accessories from approved suppliers unaffiliated with Licensor or Owner, with the exception of Accessories items purchased from Licensor or Owner at wholesale price for resale by Licensee at the Authorized Location.

9. MARKS OWNERSHIP AND USE. Licensee acknowledges and understands that Owner is the owner of the Marks and that Licensor has obtained from Owner the right to use the Marks and to sublicense the use of the Marks. Licensee's right to use the Marks, including the name ASHLEY FURNITURE HOMESTORE, is derived solely from this Agreement and is limited to conducting the Licensed Business by Licensee pursuant to and in compliance with this Agreement and all applicable standards, specifications, operating procedures, and other requirements prescribed by Licensor from time to time. Every use or display of the Marks by Licensee will include the federal registration symbol (the letter "R" enclosed within a circle ("®")) if the mark is registered with the United States Patent and Trademark Office, or will otherwise include the superscript "TM," and will be in accordance with Licensor's logo style guidelines as amended from time to time, the current version of which is set forth in the HomeStore Manual. Licensee will not (i) use the Marks, including the name ASHLEY FURNITURE HOMESTORE, or any similar trademarks or trade names, in a way that is likely to lead a third person to believe that Licensee is in any way authorized to contract for, bind, or commit Licensor or Owner in any manner whatsoever; (ii) use the Marks or any portion thereof as part of its firm, corporate or other legal entity name; (iii) use the Marks, except as provided in Section 16, on the Internet or in another on-line communication system or network or in any electronic data exchange system; (iv) use any trademark or trade name of which Licensor disapproves; or (v) register or attempt to register any of Licensor's or Owner's trademarks in Licensee's name or in any other person's name. Any unauthorized use of the Marks by Licensee is a breach of this Agreement and constitutes trademark infringement and entitles Licensor to injunctive relief as specified in Section 29. Licensee's use of the Marks and any goodwill established by Licensee's use will inure to the exclusive benefit of Owner and Licensee hereby assigns such goodwill to Owner and will execute any additional documents necessary to effectuate such assignment. Licensee will not contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks. Notwithstanding anything contained herein to the contrary, Licensor and Owner make no representations, warranties, or guarantees to Licensee concerning the enforceability or use of the Marks in any particular trade area. Licensor and Owner further make no representations, warranties, or guarantees of any kind that the Marks, or any registrations or use thereof, do not infringe on the rights of any third person and Licensee hereby waives any actions or claims for, and releases Licensor and Owner from any liability for, any losses, expenses, costs, or damages arising from or in any way relating to Licensee's use of the Marks.

10. NOTICE OF INFRINGEMENT. Licensee will immediately notify Licensor and Owner upon Licensee's becoming aware of (i) any improper use of the Marks; (ii) any person or entity using, without Licensor's or Owner's authorization, any of the Marks, or a confusingly similar trademark; or (iii) any person or entity alleging that Licensee's, Licensor's, or Owner's use of the Marks is unlawful, improper, or infringes on any trademark, right, or claimed privilege of a third party. Licensee will, at its expense, cooperate with Licensor and Owner in investigating and responding to any claim made by a third party that arises, either directly or indirectly, from Licensee's use of any of the Marks. Provided Licensee is only using the Marks in the manner prescribed in the HomeStore Manual and gives Licensor and Owner the notice referred to above, Licensor will indemnify Licensee and its officers, directors, shareholders, partners, members, agents, employees and assigns and will defend and hold harmless Licensee from all actions, claims, liabilities, damages, and expenses, including reasonable attorneys' fees, for trademark infringement resulting from Licensee's use of the Marks.

11. LITIGATION. In the event any person or entity improperly uses or infringes the Marks, Licensor or Owner will control all litigation and will determine whether suit shall be instituted, prosecuted, or settled, the terms of settlement, and whether any other action will be taken. Licensee will, at its expense, cooperate with Licensor and Owner in any claim, action, or proceeding that affects any of the Marks.

12. SUBSTITUTIONS. If there is a claim by any party that its rights to use any of the Marks are superior to the rights of Owner and if Licensor or Owner determines the claim is legally meritorious, then upon receiving written notice from Licensor, Licensee will, at its expense, immediately make such changes and use such modifications or substitutions to the Marks as may be required by Licensor. Licensee will not make any other changes or substitutions whatsoever in or to the use of the Marks unless directed by Licensor in writing. Licensee acknowledges and agrees that Licensor has the right to modify, replace, or discontinue use of any of the Marks at any time, according to Licensor's sole discretion, and Licensee agrees to comply, in a timely manner, with such changes and substitutions at Licensee's expense.

13. COMPLIANCE WITH THE LAW. Licensee will secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Licensed Business and will operate the Licensed Business in full compliance with all applicable laws, ordinances, regulations and guidelines, including without limitation, the Federal Trade Commission Guidelines for the Household Furniture Industry and all government regulations relating to occupational hazards and health, the Americans with Disabilities Act (ADA), consumer protection, trade regulations, workers' compensation, and unemployment insurance. Licensee will be solely responsible for withholding and paying federal and state income taxes, social security taxes, sales and use taxes, and property taxes associated with operating the Licensed Business and employing people in the Licensed Business.

14. SCOPE: LICENSED TERRITORY. Licensor will not, during the Term, grant another license for, or operate for its own account or through an Affiliate, another retail furniture store using both the HomeStore Concept and the name "Ashley Furniture HomeStore" within the Licensed Territory, although the Licensed Territory may be modified as set forth in Section 15. The Licensed Territory granted under this Agreement is the only territorial protection granted to Licensee and does not in any way expressly or implicitly grant any other area, market, territorial, or development rights to Licensee or restrict Licensor or Owner in any way in the manner in which Licensor or Owner may conduct or operate their respective businesses outside of the Licensed Territory. Furthermore, subject to the protection set forth in the first sentence of this Section 14, Owner and Licensor retain the right to engage in or conduct their businesses both within and outside the Licensed Territory during and after the Term, directly or through their Affiliates or third parties, including without limitation (i) the operation of the same or similar businesses selling the same or similar products (including the Trademark Product Line Inventory) as the Licensed Business, and (ii) the sale and distribution of products (including the Trademark Product Line Inventory) (a) to or through other furniture distributors and retailers or other distributors and retailers who feature furniture as a component of their business, and (b) through any other channel or method of distribution, including without limitation the Internet, the PISAD System (as defined herein), other on-line communications systems or networks, or through any electronic data exchange system. Licensee acknowledges and agrees that these businesses, distributors, retailers, and other channels of distribution will be competing with Licensee for customers and may be selling the Trademark Product Line Inventory using the Marks or other trademarks owned or licensed by Owner or Licensor.

15. CHANGES IN LICENSED TERRITORY. The parties acknowledge that, during the Term, business, economic, or demographic changes in the Licensed Territory are likely to occur. These changes may make it advantageous, for various reasons, including increasing the sales and market penetration of the Trademark Product Line Inventory, to open another retail furniture store using the HomeStore Concept within the Licensed Territory. If Licensor decides, in its sole judgment, to grant a license for, or to operate for its own account or through an Affiliate, another ASHLEY FURNITURE HOMESTORE (the "Additional Ashley Furniture HomeStore") within the Licensed Territory, Licensor will notify Licensee. Licensee will have ninety (90) days from the date of the notice to notify Licensor in writing if Licensee desires to open an Additional Ashley Furniture HomeStore within the Licensed Territory. Licensor will consent to Licensee's opening an Additional Ashley Furniture HomeStore, provided that all of the following conditions have been fully satisfied:

- A. Licensee is in compliance with all of the terms and conditions of this Agreement;
- B. Licensee demonstrates to Licensor's satisfaction that Licensee has the financial ability to operate the Additional Ashley Furniture HomeStore;
- C. Licensee agrees to enter into and abide by all agreements required by Licensor including, but

not limited to Licensor's then-current form of license or other agreement authorizing the use of the Marks and the HomeStore Concept;

- D. Principal Owner agrees to execute the then-current form of personal guaranty used by Licensor, Owner and the Affiliates of Licensor and Owner;
- E. Licensee has, in a timely manner, fully paid and satisfied all of Licensee's obligations to Licensor, Owner, Ashley Distribution Services, Ltd., and any other third parties who have sold products to or otherwise conducted business with Licensee; and
- F. Licensee agrees in a written document, the form and content of which will be determined by Licensor, to have the Additional Ashley Furniture HomeStore fully completed and open for business within twelve (12) months of the date Licensee is notified that (i) it meets all of the criteria set forth above, and (ii) it is authorized to open the Additional Ashley Furniture HomeStore.

If Licensee is unable, in Licensor's sole judgment, to satisfy fully any of the conditions enumerated above, Licensee's request to open an Additional Ashley Furniture HomeStore will be denied automatically and Licensor will be free (without compensation to or protest by Licensee) to (i) grant an additional license for, or to operate for its own account or through an Affiliate, the Additional Ashley Furniture HomeStore in the Licensed Territory, and (ii) reduce the Licensed Territory under this Agreement as Licensor determines necessary to reflect the business, economic, or demographic changes in the Licensed Territory as affected by the opening of the Additional Ashley Furniture HomeStore. Licensor will notify Licensee in writing of the revised Licensed Territory and of the date on which the revision will take effect.

16. INTERNET SALES AND WEB SITE PARTICIPATION.

- A. Web Sites. Licensee is prohibited, except as provided in this Section of the Agreement, from selling or advertising Ashley Products using the Internet, other on-line communication systems or networks, or any electronic data exchange system. Licensee is further prohibited, except as provided in this Section of the Agreement, from using the Marks on the Internet or other on-line communication system or network or in any electronic data exchange system. Owner has developed and Licensor is in the process of developing one or more Internet sites on the World Wide Web (collectively the "Web Site(s)"). Additional Web sites may be developed and implemented by Owner or Licensor (collectively the "Planned Web Sites"). The purposes of the Web Site(s) and the Planned Web Sites (the "Web Site Purposes") include (i) providing potential retail consumers of Ashley Products the opportunity to review all products contained within the term "Ashley Products" as it is defined in this Agreement; (ii) providing

potential consumers of Ashley Products with information concerning retail stores near their home, where they can view and purchase the Ashley Products in which they are interested; (iii) providing answers to questions asked by retail consumers concerning current availability of Ashley Products, the availability and coverage of warranties, and other relevant questions relating to consumer satisfaction, and the sale and distribution of Ashley Products; and (iv) providing a method of business-to-business communication between Owner and Licensee and between Licensor and Licensee. To achieve the Web Site Purposes, Licensee will be given the opportunity to participate on the Web Site(s) or Planned Web Sites or both during the Term, at its own expense and according to policies, procedures, guidelines, and rules as established by Owner or Licensor from time to time, pertaining to the content and operation of the Web Site(s) or Planned Web Sites or both. Licensor retains all rights relating to the Web Site(s) and the Planned Web Sites, including the right to alter or terminate the use of such media.

- B. Product Information, Sales and Delivery System. It is understood and agreed that Licensor or Owner, acting individually or collectively, may establish, from time to time and in the sole and exclusive judgment of Licensor and Owner, policies, procedures, guidelines, and rules for the sale and distribution of Ashley Products using the Internet, other on-line communication systems or networks, or any electronic data exchange system, and at retail prices determined by Owner (the "Product Information, Sales and Delivery System," hereinafter the "PISAD System"). While the PISAD System may utilize the Web Site(s) and the Planned Web Sites, the PISAD System is separate and distinct from the Web Site(s) and Planned Web Sites. Licensor retains all rights relating to the PISAD System, including the right to alter or terminate its use. Owner will use the PISAD System to sell Ashley Products, at retail prices determined by Owner, in the Licensed Territory and may or may not request Licensee to provide delivery and other services to customers in or within a reasonable distance of the Licensed Territory; provided that, prior to Owner requesting Licensee to provide delivery or other services, Owner and Licensee agree on the amount Owner will pay Licensee to reimburse Licensee for those reasonable costs that are directly related to the delivery and other services Licensee is being requested to provide. Notwithstanding the foregoing, Owner may provide delivery and other services to customers in the Licensed Territory who purchase or have purchased Ashley Products.

- 17. NO ASSURANCES. Licensee acknowledges and agrees that Licensor's acceptance of the Authorized Location shall not be deemed as constituting a guarantee, recommendation, warranty, representation, or assurance by Licensor that the Authorized Location is capable of supporting a successful retail furniture store.

18. APPEARANCE OF LICENSED BUSINESS.

The interior and exterior décor and visual image of the Retail Store, including signage, must be created and maintained in accordance with the HomeStore Concept and all requirements set forth in the HomeStore Manual. Additionally, the equipment, fixtures, furnishings, and signage at the Authorized Location as well as the design, appearance, size, and layout of the Retail Store must be created and maintained in accordance with the HomeStore Concept and all requirements set forth in the HomeStore Manual. Licensor's determination of whether Licensee is, at any time, in compliance with the requirements contained in this paragraph will be conclusive and binding on the parties to this Agreement.

In performing construction work, renovation, remodeling, or repair to the Retail Store, Warehouse, or any part of the premises occupied by the Licensed Business, Licensee will comply with all federal, state and local laws, ordinances, rules, regulations, building codes, licenses, permits, and all other legal and regulatory requirements (hereinafter collectively called the "Laws").

Licensee will immediately notify Licensor upon Licensee's receiving any complaint, claim, or other notice alleging a failure by Licensee to comply with any one or more of the Laws.

19. LICENSOR'S RIGHT OF INSPECTION.

Licensor and its authorized agents will have the right to enter the Licensed Business at all reasonable times for the purpose of inspecting the conditions, types, quantities, and displays of Trademark Product Line Inventory on hand, the condition, upkeep and repair of the premises and equipment, the quality of customer service rendered, the general manner or method of operating the Licensed Business, Licensee's books and records, Licensee's use of the Marks and Licensee's compliance with the terms and conditions of this Agreement and the HomeStore Manual. If Licensor determines that Licensee has failed to operate its Licensed Business in accordance with the terms and conditions of this Agreement and the HomeStore Manual, Licensor will notify Licensee in accordance with Section 27(M).

20. ALTERATION OF ASHLEY PRODUCTS AND NAMES.

Licensee will not make any alterations to, or modifications of, any Ashley Products sold by it. In addition, all Ashley Products will be advertised and sold only under such Marks or other names and designations as Licensor or Owner specify from time to time, in writing. Unless otherwise authorized by Licensor in writing, Licensee will not promote, advertise, or sell any Accessories using all or any portion of any name, trademark, or other identifications identifying the manufacturer thereof.

21. WARRANTY OF ASHLEY PRODUCTS.

Licensor makes no warranties or representations, whether express or implied, with respect to the Trademark Product Line Inventory items except such warranty as shall from time to time be Owner's or the other manufacturer's standard warranty with respect to each Trademark Product Line Inventory item in question. At the time each Trademark Product Line Inventory item is delivered to Licensee, Owner or the other manufacturer shall be deemed to have warranted each Trademark Product Line Inventory

item in the manner and to the extent set forth in Owner's or the other manufacturer's warranty applicable thereto. In connection with each sale of a Trademark Product Line Inventory item, Licensee will pass Owner's or the other manufacturer's warranty on to Licensee's customers. Licensee agrees to make no other promise, representation, or warranty of any kind or character whatsoever, express or implied, with respect to a Trademark Product Line Inventory item except Owner's or the other manufacturer's warranty applicable thereto. Licensor and Owner will have no liability or obligation to Licensee or any other person that arises directly or indirectly from additional promises, representations, or warranties made by Licensee or any employee or agent of Licensee, that extend, enhance, or modify any warranty given by Owner for Ashley Products. In this regard, Licensee will defend, indemnify, and hold Licensor and Owner harmless from any and all claims, demands, proceedings, or actions of any kind or character arising in any manner whatsoever from any additional promise, representation, or warranty made by Licensee or any agent or employee of Licensee. UNDER NO CIRCUMSTANCES SHALL LICENSOR OR OWNER BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES SUSTAINED BY LICENSEE DUE TO ANY DEFECT IN, OR FAILURE OF QUALITY OF, ANY TRADEMARK PRODUCT LINE INVENTORY ITEM. Licensee further acknowledges and agrees that Owner's or the other manufacturer's liability under its warranties is conditioned upon Owner or the other manufacturer being provided with such information as it may request in order to determine to its satisfaction that a breach of warranty has occurred, which may include, among other things, return of the allegedly defective item to Owner or the other manufacturer for its inspection. THE WARRANTIES DESCRIBED HEREIN SHALL BE THE ONLY WARRANTIES MADE BY OWNER AND OTHER MANUFACTURERS WITH RESPECT TO THEIR PRODUCTS AND SHALL BE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES EXPRESSED OR IMPLIED, INCLUDING ANY AND ALL OTHER WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT OTHERWISE IMPLIED BY LAW. OWNER HAS EXPRESSLY RESERVED THE RIGHT TO CHANGE, AMEND OR ABOLISH ANY WARRANTIES IT MAY FROM TIME TO TIME MAKE WITH RESPECT TO ANY ASHLEY PRODUCT.

22. PERFORMANCE OF WARRANTY WORK.

Licensee will, as requested by Owner, perform all warranty service work that has been pre-approved by Owner and is covered by Owner's standard warranty on Ashley Products. Licensee will follow the procedures established by Owner when providing or performing warranty service work on Ashley Products and in dealing with customer warranty claims. Licensee acknowledges that Owner will only reimburse Licensee for costs or charges, that have been pre-approved by Owner, which Licensee incurs in performing warranty work covered by Owner's standard warranty for Ashley Products.

23. ADVERTISING.

A. Advertising Campaigns. During the Term, Licensor and Owner may initiate advertising campaigns to promote the sale of Ashley

Products. Licensee's participation in these advertising campaigns is optional. If Licensee elects to participate in advertising campaigns initiated by Licensor or Owner, Licensee will be solely and exclusively responsible for obtaining and preparing all advertisements and advertising materials, and for all costs Licensee incurs by participating in these advertising campaigns. Notwithstanding the foregoing, with respect to any such advertising campaign, Licensor or Owner may, but will not be obligated to, assist Licensee by providing advertisements or advertising materials, at no cost to Licensee, to be used in connection with the advertising campaign.

- B. Licensee's Advertising. Licensee will regularly advertise and actively promote the Licensed Business and the sale of Ashley Products during the Term. All such advertising and promotion will be planned, designed, programmed, or distributed by Licensee and Licensee will be solely and exclusively responsible for all content, costs and expenses associated therewith. Any payments for said costs and expenses will be paid to third parties and not to Licensor or Owner. Licensee agrees to obtain Licensor's prior written approval of Licensee's use of one or more of the Marks in any advertising or other promotional material not developed by Owner or Licensor.

24. REPORTS. Licensee, at its expense, will submit to Licensor within forty-five (45) days after the end of each fiscal quarter, financial reports, including balance sheets and income statements, with respect to the preceding fiscal quarter in the form and content required by Licensor. Licensee will also submit to Licensor within ninety (90) days after the end of Licensee's fiscal year, an income statement for the fiscal year and a balance sheet for the last date of the year, all prepared in accordance with generally accepted accounting principles. Upon Licensor's request, the annual statements will be prepared and reviewed by an independent certified public accountant, properly and accurately reflecting Licensee's results of operation and financial condition for the period and at the date indicated therein. Licensor reserves the right to require Licensee to submit, on a consistent basis, certified financial statements, prepared in accordance with generally accepted accounting principles. Licensee will prepare and submit, to Licensor, any additional reports requested by Licensor during the Term.

25. PERSONAL GUARANTEES. Principal Owner must be a Personal Guarantor. Personal Guarantor acknowledges and agrees that it is directly responsible and liable for all obligations, responsibilities, liabilities, covenants, and agreements of Licensee under this Agreement or otherwise arising out of, or in connection with, the operation of the Licensed Business (collectively, "Licensee Obligations") regardless of whether the term "Personal Guarantor" is specifically referenced in this Agreement in connection with a Licensee Obligation. Personal Guarantor will sign (i) the personal guaranty form attached to this Agreement, (ii) the continuing guaranty form attached to this Agreement, or (iii) if Licensor requires a different personal guaranty or continuing

guaranty form, the personal guaranty or continuing guaranty form then required by Licensor.

26. INSURANCE. Licensee will procure at its own expense and maintain in full force and effect during the Term, insurance policies protecting Licensee, Licensor, Owner, their Affiliates, and their officers, directors, shareholders, partners, members, agents, and employees, against any loss, liability, damages for bodily injury, property damage, personal injury, and all expenses whatsoever arising from or occurring upon or arising directly or indirectly from the operation of the Licensed Business. Licensor and Owner will be named as additional named insureds in the policies obtained by Licensee to insure the operation of the Licensed Business at the Authorized Location. The policies will be purchased by Licensee no later than the Effective Date. The policies will be issued by insurance companies satisfactory to Licensor in accordance with standards and specifications set forth in the HomeStore Manual or otherwise in writing, and will include at a minimum, the following coverages (except as additional coverage and higher policy limits may reasonably be specified for all licensees, from time to time, by Licensor in the HomeStore Manual or otherwise in writing):

- (i) Commercial Liability Insurance including premises liability, products liability, and contractual liability for bodily injury, property damage, and personal injury coverages, with a per occurrence limit of at least one million dollars (\$1,000,000), a products/completed operations aggregate limit of at least one million dollars (\$1,000,000) and a general aggregate limit of at least two million dollars (\$2,000,000);
- (ii) Automobile Liability Insurance covering all owned, hired and non-owned vehicles, for bodily injury, property damage, uninsured motorists and underinsured motorists coverages, with a combined single limit of at least one million dollars (\$1,000,000) for any one loss or accident; and
- (iii) Workers' Compensation and Employer's Liability Insurance, as well as all other insurance as may be required by statute or rule of the state in which the Licensed Business is located and operated.

The insurance afforded by the policy or policies respecting liability will not be limited in any way by reason of any insurance maintained by Licensor or Owner. A certificate of insurance showing compliance with the foregoing requirements will be furnished by Licensee to Licensor within thirty (30) days of the Effective Date. The certificate will state that said policy or policies will not be canceled, nonrenewed, or materially altered without at least thirty (30) days' prior written notice to Licensor and will reflect proof of payment of premiums. Maintenance of the insurance and the performance by Licensee of the obligations under this Section 26 will not relieve Licensee of liability under the indemnity provision set forth in Section 36. Licensor may modify the minimum limits required above from time to time, as conditions require, by written notice to Licensee. Should Licensee not procure and maintain the insurance coverages as required by this

Agreement, Licensor will have the right and authority (without, however, any obligation) to procure the above-referenced insurance coverages immediately and to charge the cost of procuring the insurance to Licensee. The cost of procuring the insurance will be payable by Licensee immediately upon notice.

27. **DEFAULT.** The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default"):

- A. Licensee becomes insolvent or generally does not pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a custodian, trustee or receiver of Licensee or for real or personal property used by Licensee in the Licensed Business or, in the absence of such application, consent, or acquiescence, a custodian, trustee, or receiver is appointed for Licensee or for any real or personal property used in the Licensed Business and is not discharged within sixty (60) days;
- B. Any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law is instituted against Licensee, has been consented to or acquiesced in by Licensee, or remains undismissed for sixty (60) days, or an order for relief has been entered against Licensee, or Licensee takes any action to approve institution of, or acquiescence in, such a proceeding;
- C. Any dissolution or liquidation proceeding is instituted by or against Licensee and, if instituted against Licensee, is consented to or acquiesced in by Licensee or remains for sixty (60) days undismissed, or Licensee takes any action to approve the institution of, or acquiescence in, such a proceeding;
- D. Licensee misuses or makes an unauthorized use of one or more of the Marks or commits any act that, in the judgment of Owner or Licensor, impairs or detracts from any one or more of the Marks or the goodwill associated with any of the Marks;
- E. Licensee abandons the Licensed Business or fails or refuses to keep the Licensed Business open for business during those business days when other furniture and retail stores within a 50-mile radius of the Licensed Business are open for business;
- F. Any representation or warranty made by Licensee herein or in any agreement, certificate, financial statement, or other statement furnished to Licensor proves to be false or misleading in any material respect as of the date on which the same was made;
- G. Licensee fails to pay when due, all amounts due Licensor, Owner, or Ashley Distribution Services, Ltd.;

H. Licensee fails to pay when due, any amounts due any third party with which Licensee does business or any federal, state or municipal government (including all applicable federal and state taxes), unless (i) Licensee contests in good faith, by appropriate proceedings promptly initiated and diligently conducted, the validity of the tax or other amounts claimed due and (ii) creates reserves or other provisions that are required by generally accepted accounting principals;

I. Licensee fails to comply with Sections 30 or 36;

J. A judgment or judgments for the payment of money in excess of \$10,000 in the aggregate is rendered against Licensee and such judgment or judgments remain unsatisfied, unstayed and unbonded for a period of sixty (60) days after the date such judgment or orders are required to be paid;

K. Principal Owner, Licensee or any of Licensee's supervisors, managers, directors, or officers is convicted of, or pleads guilty or no contest to, (i) a charge of violating any law relating to any Licensed Business, or (ii) any felony that, in the judgment of Owner or Licensor, impairs or detracts from any one or more of the Marks, the goodwill associated with any of the Marks or any Licensed Business;

L. Licensee or Principal Owner willfully deceives customers relative to the source, nature or quality of goods sold; or

M. Licensee fails to comply with any agreement, covenant, condition, provision, or term contained in this Agreement or the HomeStore Manual (and such failure does not constitute an Event of Default under any of the other provisions of this Section 27) and such failure continues for thirty (30) calendar days after notice thereof shall have been given by Licensor or Owner to Licensee, provided, however, that if any such non-compliance cannot, with diligence, be cured within such thirty (30) day period, and if Licensee has proceeded with diligence and continues to proceed with diligence to cure such default, the time permitted under this subparagraph (M) will be extended as required to cure such default with diligence, but in no event shall such extension exceed an additional fifteen (15) days.

28. **REMEDIES.** If any Event of Default described in Section 27 shall occur, Licensor shall have the right to immediately terminate this Agreement. Upon Licensor's termination of this Agreement, all of Licensee's rights and privileges under this Agreement, including but not limited to Licensee's rights to (i) use the Marks, (ii) operate the Licensed Business, (iii) participate in the Web Site(s) or Planned Web Sites or both, and (iv) participate in any Internet program established by Licensor or Owner, shall be immediately terminated.

At the end of the Term or upon Licensor's termination of this Agreement, whichever occurs first, Licensee shall immediately perform all of its obligations under Section 32.

The parties acknowledge that if Licensee fails or refuses to fully and timely perform any term, condition, covenant, or obligation to be performed by it under this Agreement (herein collectively called "Licensee Breach"), that Licensor and Owner will suffer irreparable harm that cannot be adequately compensated in damages in an action of law. Therefore, in the event of a Licensee Breach, Licensor will be entitled, without proof of damages, to immediate injunctive relief (including, but not limited to, a temporary restraining order, temporary injunction and permanent injunction, all without bond), restraining Licensee from committing or continuing to commit a Licensee Breach. Notwithstanding anything contained herein to the contrary, this Section will not be construed to limit Licensor's rights to pursue any other remedy or relief available under this Agreement or otherwise available. Licensee further agrees that Licensor's pursuit of any remedy under this Agreement or otherwise available will not constitute an election of remedies by Licensor, and Licensor will be allowed to split its claims against Licensee, both legal and equitable, in separate and cumulative actions. Therefore, Licensee agrees that Licensor's right to an injunction will not limit Licensor's rights to any other remedies, including damages. Furthermore, Licensee agrees that if Licensor prevails in any suit or proceeding to enforce its rights under this Agreement, then Licensee will indemnify Licensor for all expenses incurred by Licensor in such suit or proceeding, including reasonable attorneys' fees.

29. **INJUNCTIVE RELIEF.** If Licensee breaches or threatens to breach any provision of this Agreement, Licensor or Owner will be entitled to an injunction, without bond, in accordance with Section 39(G).

30. **ASSIGNMENT.** Licensee will not assign, transfer, mortgage, encumber, lease, or sublicense this Agreement, the right to use the Marks, or any interest in the Marks, or allow anyone not a party to this Agreement to use the Marks, without the prior written consent of Licensor. Any assignment in contravention of this Section 30 will be void. Any assignment without Licensor's consent will constitute a default under this Agreement and will confer no rights or interest under this Agreement to any other party. Licensor has the right, without limitation, to condition any consent to a transfer proposed by Licensee upon: (i) the proposed assignee's satisfaction, in Licensor's sole judgment, of such financial, training and business experience (including relevant experience in the operation of one or more retail furniture stores) requirements as established from time to time by Licensor; (ii) Licensee's full satisfaction of all of Licensee's monetary obligations to Licensor and/or Owner; and (iii) Licensee, Personal Guarantor(s) and all persons or entities having any ownership in Licensee signing a document, in the form and content prescribed by Licensor, releasing Licensor, Owner, Ashley Distribution Services, Ltd., and their subsidiaries and affiliates (herein collectively called the "Released Parties"), as well as the Released Parties' officers, directors, and employees, from any and all claims, causes of action, demands, damages and liabilities of any kind, nature or description whatsoever, known or unknown, that Licensee or Personal Guarantor(s) may have as of the date

said release is signed, against the Released Parties or any of the Released Parties' officers, directors or employees. Licensor reserves the right to assign or transfer unilaterally its interest in this Agreement, including all rights and obligations arising hereunder, without Licensee's approval or consent. Any assignment or transfer by Licensor will inure to the benefit of Licensor's successors and assigns. Licensor will provide Licensee with written notice of any such assignment or transfer.

31. **RENEWAL.** Licensee shall have no right to renew this Agreement upon expiration of the Term. However, upon expiration of the Term, if Licensee has not previously entered into, renewed, or extended any agreements that permit Licensee to use the Marks and HomeStore Concept beyond the first term of Licensee and Licensor's original agreement licensing the Marks and HomeStore Concept, then Licensee will have the right to enter into Licensor's then-current form of a non-exclusive, limited sublicense or other agreement authorizing the use of the Marks and the HomeStore Concept at the Authorized Location for a term of sixty (60) months (the "New Agreement"), commencing immediately following expiration of the Term, provided Licensee has fulfilled, to Licensor's satisfaction, each of the following conditions precedent before the end of the Term:

- A. Licensee gives Licensor written notice of Licensee's intent to enter into the New Agreement at least twelve (12) months but no more than fifteen (15) months before the end of the Term;
- B. Licensee signs the following documents within thirty (30) days after their delivery to Licensee: (i) the New Agreement and (ii) all other agreements, legal instruments and documents then used by Licensor to grant the sublicense referred to herein. The New Agreement, other agreements, legal instruments and documents referred to herein, may vary materially from this Agreement and other agreements, legal instruments and documents currently in use by Licensor. The relationship between Licensor and Licensee during the term of New Agreement will be controlled by the terms and conditions of the New Agreement, except that any renewal provisions in the New Agreement and in any other agreements, legal instruments and documents will not apply, and Licensee shall have no right to renew or extend its sublicense following the expiration or termination of the New Agreement;
- C. Principal Owner executes the then-current form of personal guaranty used by Licensor, Owner and the Affiliates of Licensor and Owner within thirty (30) days after delivery to Licensee's owners;
- D. During the Term, Licensee has complied with all of the terms and conditions of (i) this Agreement, including but not limited to, the obligation to pay when due all monetary obligations to Licensor, Owner, Ashley Distribution Services, Ltd., or any third parties with whom Licensee has done business, (ii) the HomeStore Manual, (iii) any

agreements, legal instruments or documents between Licensee and Licensor, Owner or any of Licensor's or Owner's respective affiliates or subsidiaries, and (iv) any agreements, legal instruments or documents between Licensee and Owner or between Licensee and any of Licensor's or Owner's affiliates or subsidiaries;

- E. Licensee provides written proof to Licensor that Licensee has the legal right to use and operate a Retail Store at the premises of the Authorized Location during the term of the New Agreement;
- F. Prior to termination of the initial Term, Licensee makes, at its expense, capital expenditures as may be necessary to remodel, modernize, redecorate, equip and refurbish the Licensed Business so that the interior and exterior décor, visual image, equipment, computer hardware and software, fixtures, furnishings, and signage, as well as the design, appearance, size, and layout of the Licensed Business meet Licensor's approval;
- G. Licensee is in compliance with the then-current training requirements of Licensor; and
- H. Licensee, Personal Guarantor(s) and all persons or entities having any ownership in Licensee have signed a document, in the form and content prescribed by Licensor, releasing Licensor, Owner, Ashley Distribution Services, Ltd., and their subsidiaries and affiliates (herein collectively called the "Released Parties"), as well as the Released Parties' officers, directors and employees, from any and all claims, causes of action, demands, damages and liabilities of any kind, nature or description whatsoever that Licensee or Personal Guarantor(s) may have as of the date said release is signed, against the Released Parties or any of the Released Parties' officers, directors or employees.

Licensor's determination of whether Licensee has complied with the conditions precedent contained in this Section 31 will be conclusive and binding on the parties to this Agreement.

32. LICENSEE'S OBLIGATIONS UPON EXPIRATION OR TERMINATION. Upon expiration or termination, this Agreement and all rights granted to Licensee under this Agreement will immediately terminate, and

- A. Licensee will immediately cease to operate the Licensed Business and will not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former licensee of Licensor or Owner;
- B. Licensee will immediately and permanently cease to use the Marks and any name, service mark, or trademark confusingly similar to one or more of the Marks;
- C. Licensee will immediately and permanently cease to use any distinctive forms, slogans, signs, symbols, logos, or devices associated with the

Marks, the HomeStore Concept, Licensor or Owner;

- D. Licensee will immediately and permanently remove or obliterate, at Licensee's expense, all signs containing any of the Marks, and/or sell to Licensor such of the aforesaid signs as Licensor may request, at Licensee's original cost minus a reasonable allowance for depreciation, wear and tear, and obsolescence;
- E. Licensee will cease to use and, at its expense, will (i) immediately return to Licensor, all advertising materials, stationery, forms, and all other materials and articles that display one or more of the Marks or (ii) at Licensor's request, and under Licensor's supervision, destroy all advertising materials, stationery, forms, and all other materials and articles that display one or more of the Marks;
- F. Licensee shall immediately transfer, assign, and convey to Licensor, or Licensor's designee, any service mark or trademark used by Licensee in operating the Licensed Business;
- G. Licensee will immediately return all Confidential Information together with all copies thereof to Licensor;
- H. Licensee will continue to keep and maintain the confidentiality of all Confidential Information;
- I. Licensee will immediately assign, transfer, and convey to Licensor all telephone and facsimile transmission numbers used by the Licensed Business;
- J. Licensee will immediately assign, transfer, and convey to Licensor all domain names used, owned, licensed, or registered by Licensee in connection with the Licensed Business;
- K. Licensee will immediately terminate participation in the Web Site(s) and Planned Web Sites;
- L. Licensee will immediately pay Owner and Licensor all sums due to Owner and Licensor from Licensee, without set-off or diminution on account of unliquidated claims against Licensor or Owner; and
- M. Licensee will immediately take all actions and execute any and all documents, agreements and assurances as may be necessary or desirable, as determined by Licensor in its sole discretion, to fully carry out and consummate Licensee's obligations under this Section 32.

Upon the termination or expiration of this License, and within thirty (30) days thereafter, Licensee will permit Licensor, Owner and their respective employees and agents to enter the Retail Store, Warehouse, and all other premises occupied by the Licensed Business prior to the termination or expiration of this License for the purpose of determining if Licensee has complied with the provisions contained in this Section 32.

33. LIMITATION OF LIABILITY. Neither Licensors nor Owner will be liable for any indirect, special or consequential damages or lost profits arising out of or relating to this Agreement or the termination, expiration, or nonrenewal of this Agreement.

34. NOTICES. All notices, requests, approvals, and consents and other communications required or permitted under this Agreement will be delivered personally or sent by (i) first class U.S. Mail, registered or certified, return receipt requested, postage pre-paid or (ii) U.S. Express Mail, or (iii) similar, other overnight courier service, and addressed to the parties and Owner at their respective addresses set forth below, and such notice will be effective on receipt. Owner or a party may change its address for receipt of notices by service of a notice of such change in accordance herewith:

If to Licensor: Ashley HomeStores, Ltd.
Attn: Charles Spang
One Ashley Way
Arcadia, WI 54612

With a copy to: Kostner, Koslo & Brovold
Attn: William N. Koslo
108 West Main Street
Arcadia, WI 54612

If to Licensee: Hartsdale Convertibles, Inc.
Attn: Harley J. Greenfield
419 Crossways Park Drive
Woodbury, New York 11797

If to Owner: Ashley Furniture Industries, Inc.
Attn: Todd R. Wanek
One Ashley Way
Arcadia, WI 54612

With a copy to: Ashley Furniture Industries, Inc.
Attn: Paulette Rippley
One Ashley Way
Arcadia, WI 54612

35. RELATIONSHIP OF PARTIES. Licensee acknowledges that under this Agreement Licensee is not, and should not be considered, an agent, legal representative, joint-venturer, licensee, partner, employee, or servant of Licensor or Owner for any purpose whatsoever, other than for the purposes expressly set forth in this Agreement. Licensee further recognizes that Licensor and Owner have no fiduciary obligations to Licensee. Licensee is an independent contractor and not an employee of Owner or Licensor. All people working for Licensee will be employees of Licensee. Licensee will be solely responsible for all incidents of employment, including withholding and paying income taxes, unemployment compensation taxes, and social security taxes; paying workers' compensation insurance premiums; and complying with all laws, rules and regulations, including but not limited to the Fair Labor Standards Act. No person permitted to work under this Agreement will be an employee of Licensor or Owner, nor will Licensor or Owner be a joint employer. Licensee acknowledges that its Licensed Business will be operated at its own risk. Licensee will identify itself only as an "Independently Owned and Operated Licensed Business" on all documents

and materials it uses, including all advertising, business cards, letters, envelopes and other solicitation materials. As an independent contractor, Licensee has no authority, express or implied, to bind Licensor or Owner in any respect whatsoever without the express written consent of Licensor or Owner. Therefore, Licensee is prohibited from making any telephone listing, utility service agreement, lease for office or storage space, employment relationship or other contractual obligation in Licensor's or Owner's name. Licensee will not provide any verbal or written warranties, representations, terms or conditions to potential customers or purchasers of Ashley Products, other than such warranties, representations, terms and conditions established by Owner.

36. INDEMNIFICATION AND HOLD HARMLESS. It is understood and agreed that Licensor and Owner will in no event assume liability for, or be deemed liable under this Agreement as a result of any claim or judgment arising from Licensee's operation of the Licensed Business. Licensee waives any and all claims against Licensor, Owner, their Affiliates, and their officers, directors, shareholders, partners, members, agents and employees for damages to property, death or injuries or damages to persons arising directly or indirectly out of the management or operation of the Licensed Business. Licensee will indemnify and save Licensor, Owner, their Affiliates, and their officers, directors, shareholders, partners, members, agents and employees harmless from any and all damages for damage to property, death, or injury, or damage to persons, through negligence of any party or otherwise, arising from or in connection with the operation of the Licensed Business or with the operation, use, or occupancy of the Authorized Location, including attorneys' fees and costs. Licensor, Owner, their Affiliates, and their officers, directors, shareholders, partners, members, agents and employees will have the absolute right (but not duty) to defend any claim made against them that results from or arises out of the operation of the Licensed Business or the operation, use or occupancy of the Authorized Location. Licensee will reimburse Licensor, Owner, their Affiliates, and their officers, directors, shareholders, partners, members, agents and employees for all costs reasonably incurred by them in the defense of any claims brought against them or in any action in which Licensor, Owner, any of their Affiliates, and their officers, directors, shareholders, partners, members, agents and employees is named as a party, including attorneys' fees and costs. All of Licensee's obligations and covenants under this Section 36 will survive and continue in full force and effect notwithstanding the termination, expiration, or nonrenewal of this Agreement.

37. CONFIDENTIALITY. As between Licensor and Licensee, Licensor owns all Confidential Information. Licensee will make no claim and has no rights in or to the Confidential Information other than those rights provided by this Agreement.

Confidential Information will be used by Licensee for the sole purpose of performing its obligations under this Agreement. Licensee will divulge Confidential Information only to persons who must have access to such information in order to perform their responsibilities with respect to this Agreement or the construction or operation of the Licensed Business. Licensee will take all action that is necessary to protect the confidentiality of Confidential

information and will not communicate or make it available to, or use it for the benefit of, any unauthorized persons.

38. THIRD PARTY BENEFICIARY. Licensors and Licensee acknowledge that this Agreement is entered into for the direct and primary benefit of Owner, and, as a third-party beneficiary to this Agreement, Owner will have the right to enforce the provisions of this Agreement in the event of any breach or violation, or threatened breach or violation, of this Agreement.

39. MEDIATION AND MANDATORY BINDING ARBITRATION. WAIVER OF RIGHT TO TRIAL IN COURT, ETC. For the purposes of this Section 39, "Licensee" will be deemed to include Licensee and Principal Owner, and "Licensor" will be deemed to include Licensor and its affiliates and each of their respective predecessors, successors and/or assigns, and any partners, shareholders, officers, directors, and/or employees of any of the foregoing.

Licensee and Licensor believe that it is important to resolve any disputes amicably, quickly and professionally and to return to business as soon as possible. Licensee and Licensor have agreed that the provisions of this Section 39 support these mutual objectives and, therefore, agree as follows:

A. Dispute Resolution Process: Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type including any claim in which Licensee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Licensee and Licensor, on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Licensee and Licensor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 39(G):

- (i) First, discussed in a face-to-face meeting held within thirty (30) days after either Licensee or Licensor give written notice to the other proposing such a meeting.
- (ii) Second, if not resolved, submitted to non-binding mediation by a neutral mediator for a minimum of 4 hours before the American Arbitration Association ("AAA").
- (iii) Third, submitted to and finally resolved by binding arbitration with AAA and in accordance with its rules of commercial arbitration, subject to the provisions of this Section: provided that, in any case, arbitration may be filed prior to a face-to-face meeting and/or mediation, with such face-to-face meeting and/or mediation to follow as quickly thereafter as possible. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Any award shall be final

and binding on the parties hereto and any party to the arbitration proceeding may apply to the Trempealeau County Circuit Court, State of Wisconsin for an order confirming the award, and thereupon the Trempealeau County Circuit Court, State of Wisconsin shall grant such an order. Upon the granting of such an order confirming the award, judgment may be entered in conformity therewith in the Trempealeau County Circuit Court, State of Wisconsin.

B. Confidentiality: The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

C. Location/Venue: Any mediation/arbitration proceedings shall be conducted in Trempealeau County, Wisconsin, and judgment upon any award, which may include an award of damages, may be entered thereon by the Trempealeau County Circuit Court, State of Wisconsin; provided that if any court determines that this provision is unenforceable for any reason, mediation/arbitration will be conducted at a location near Licensee's principal place of business. Nothing contained herein shall in any way deprive the parties of any right to obtain injunctive relief or other relief set forth in Section 39(G). The parties agree that the exclusive venue for all proceedings seeking to enforce this arbitration provision and the exclusive venue for all proceedings seeking injunctive relief to prevent violations of this Agreement shall be the Circuit Court for Trempealeau County, Wisconsin, provided that if any court determines that this provision is unenforceable for any reason, mediation/arbitration will be conducted at a location near Licensee's principal place of business. The parties to this Agreement hereby consent to the personal jurisdiction of the courts described herein.

D. Arbitration Authority: Any arbitration will be conducted by a neutral arbitrator, who shall be appointed within twenty (20) days of the filing of any demand for mediation/arbitration. Any arbitration hearing shall be held within one hundred twenty (120) days of the applicable appointment. Arbitrators in any proceeding under this Section will apply all applicable law, and a failure to apply the applicable law in accord with Section 39(I), below, will be deemed an act in excess of authority. The arbitrator will decide any questions relating in any way to the parties' agreement (or claimed agreement) to arbitrate, including but not limited to applicability, subject matter, timeliness, scope, remedies, claimed unconscionability and any alleged fraud in the inducement. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding will not be subject to any geographical limitation.

E. Compulsory Counter-claims: Each participant

must submit or file any claim which would constitute a compulsory counter-claim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such Claim which is not submitted or filed in such proceeding will be forever barred. In no event may offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a dispute be admitted into evidence or otherwise used in any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the applicable court, as provided in Section 39(C), above.

F. Fees and Costs: Each party will pay their own costs and expenses, including attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees, mediator/arbitrator fees, and travel expenses incurred in any mediation, arbitration or court proceeding arising under, out of, in connection with, or in relation to this Agreement or the Licensed Businesses conducted hereunder, except as provided in Sections 39(H) and (I), below.

G. Disputes Not Subject to the Mediation/Arbitration Process: Licensee recognizes that the Licensed Businesses operated by Licensee are among a number of licensed businesses identified by the Marks and similarly situated and selling to the public similar products, and hence the failure on the part of a single licensee to comply with the terms of its agreement could cause irreparable damage to Licensor, Owner, and/or to some or all other licensees of Licensor. Therefore, notwithstanding anything contained herein to the contrary, it is mutually agreed that this Agreement shall not prevent a party from obtaining injunctive relief, and in the event of a breach or threatened breach of any of the terms of this Agreement by Licensee, including but not limited to the trademark usage provisions of Section 9 or the confidentiality provision contained in Section 37 or of any confidentiality agreement executed pursuant to this Agreement by any employee of Licensee's, Licensor shall forthwith be entitled to immediate injunctive relief by a court or by arbitration (including, but not limited to, a temporary restraining order and temporary injunction, all without bond) restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party, and Licensee further agrees that Licensor's pursuit of any remedy under this Agreement or otherwise available will not constitute an election of

remedies by Licensor, and Licensor will be allowed to split Licensor's claims against Licensee both legal and equitable, in separate and cumulative actions. The Circuit Court for Trempealeau County, Wisconsin, shall have exclusive jurisdiction to prevent violations of this Agreement, and Licensee and Principal Owner hereby consent to the personal jurisdiction of the Trempealeau County Circuit Court for the State of Wisconsin.

H. Limitations on Damages and/or Remedies, Waiver of Punitive Damages: Any arbitration award may include any of the remedies provided in this Agreement, including the following:

- (i) Whether either party has breached or in any manner violated any of the terms of the Agreement.
- (ii) Appropriate compensatory damages or attorneys' fees to be paid by either of the parties.

Notwithstanding the foregoing, neither Licensee, Principal Owner, nor Licensor shall be awarded any indirect, special or consequential damages, punitive damages, or lost profits arising out of or relating to any Claim. The award shall include interest at the annual rate of 7.75% on the amount determined to be due to a prevailing party, computed from the date of the breach or violation.

I. Choice of Laws: Arbitrators shall apply Wisconsin law to any Claim hereunder and in rendering any award. All arbitration proceedings shall be conducted in Trempealeau County, Wisconsin, except as expressly provided in Section 39(C), above. If any party files any legal proceeding or any proceeding to arbitrate in any state or county other than Trempealeau County, Wisconsin or other than as permitted under in Section 39(C), above, that party shall be obligated to pay all actual costs and all actual attorneys' fees incurred by the other party in all litigation or arbitration initiated outside of Trempealeau County, Wisconsin.

J. Licensee's and Our Intentions: Licensee and Licensor mutually agree and have expressly had a meeting of the minds that, notwithstanding any contrary provisions of state, provincial or other law:

- (i) All issues relating to arbitration and/or the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.);
- (ii) Licensee and Licensor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.)

and, as a result, the applicable dispute resolution provisions of this Agreement will be enforced only according to the Federal Arbitration Act's terms; and

- (iii) Licensee and Licensor each knowingly waive all rights to a court trial and select arbitration as the sole means to resolve disputes, except as expressly provided in Section 39(G), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, and that the fees and costs associated with mediation and/or arbitration may be substantially greater than in civil litigation, but still strongly preferring mediation and/or arbitration as provided in this Agreement.

- K. Venue: This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Wisconsin, except that Licensor and Licensee acknowledge and agree that (i) Licensee is not a "dealer" under *Wis. Stat. §135.02(2)*; (ii) the subject matter of this Agreement does not constitute a "dealership" situated in the State of Wisconsin for purposes of *Wis. Stat. §135.02(2)* and (3); and (iii) the Wisconsin Fair Dealership Law does not apply to this Agreement. In support of the non-applicability of the Wisconsin Fair Dealership Law, Licensee warrants and represents that (i) it is not situated in the State of Wisconsin, (ii) all of its sales of the Trademark Product Line Inventory and other goods will be outside the State of Wisconsin, (iii) title to all of the Trademark Product Line Inventory and other goods Licensee sells will pass outside of the State of Wisconsin, and (iv) Licensee will not provide any services within the State of Wisconsin. The Licensee further warrants and represents that its Licensed Territory is located outside the State of Wisconsin.

Without in any way limiting or modifying the parties' intentions and obligations regarding the dispute resolution process contained in Section 39(A), each party irrevocably submits to the jurisdiction of the Trempealeau County Circuit Court for the State of Wisconsin and agrees that all legal proceedings arising directly or indirectly under this Agreement and the license relationship created hereby will be tried in the Trempealeau County Circuit Court by a judge without a jury. Each party waives any right to a jury trial in any such proceedings. Licensee hereby consents to the personal jurisdiction of the Trempealeau County Circuit Court for the State of Wisconsin.

40. SURVIVAL. Licensee's covenants contained in Section 9 and all of Sections 21, 25, 28, 29, 30, 32, 36, 37, 38, 39, 40, 41 and any other provisions of this Agreement which by their very nature are intended to survive the

termination or expiration of this Agreement will survive the termination or expiration of this Agreement and will inure to the benefit of and be binding upon the parties hereto.

41. INTERPRETATION.

- A. The section headings are for reference and convenience only and will not be considered in the interpretation of this Agreement.
- B. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, then the Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable.
- C. The terms "include," "including," and similar terms will be construed as if followed by the phrase "without being limited to."
- D. The terms "will" and "shall" are to be construed as obligatory.
- E. All Exhibits referred to in this Agreement are incorporated herein by reference.
- F. No delay or omission by either party to exercise any right or power it has under this Agreement will impair or be construed as a waiver of such right or power. A waiver by any party of any breach or covenant will not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be in writing and signed by the party waiving its rights.
- G. This Agreement and any Addenda executed in connection with this Agreement constitutes and contains the entire agreement and understanding of the parties. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to herein. This Agreement supersedes and extinguishes any prior written agreement between the parties or any of them relating to the Licensed Business, provided that it will not release or extinguish any debt, obligation or liability of Licensee to Licensor or Owner accrued prior to the execution of this Agreement, nor cancel any credit owed by Licensor or Owner to Licensee at that time.
- H. No amendment to, or change, waiver or discharge of, any provision of this Agreement will be valid unless in writing and signed by an authorized representative of the party against which such amendment, change, waiver or discharge is sought to be enforced.
- I. The Recitals are hereby incorporated in this Agreement, constitute a part of this Agreement, and are made a part of this Agreement as fully and completely as if set out herein in their entireties.
- J. Subject to the terms of Section 30, the provisions of this Agreement will be binding upon and inure

to the benefit of each of the parties and their respective successors and assigns.

42. ACKNOWLEDGMENT. This Agreement defines trademark controls designed solely to protect Owner's legal rights in the Marks under state and federal trademark laws. It is expressly understood and agreed that the Licensed Business is operated independently by Licensee in accordance with Licensee's sole business judgment.

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

ASHLEY HOMESTORES, LTD.

By: 

Todd R. Wanek
Its President

Address: Attn: Todd R. Wanek
One Ashley Way
Arcadia, Wisconsin 54612

LICENSEE

By: 

Harley J. Greenfield
Its CEO

Address: Attn: Harley J. Greenfield
419 Crossways Park Drive
Woodbury, New York 11797

The undersigned Principal Owner hereby agrees to be bound by the terms and conditions of this Agreement, including but not limited to all representations and warranties contained therein.

JENNIFER CONVERTIBLES, INC.

By: 

Harley J. Greenfield
Its CEO

to the benefit of each of the parties and their respective successors and assigns.

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By: _____
Todd R. Wanek
Its President
Address: Attn: Todd R. Wanek
One Ashley Way
Arcadia, Wisconsin 54612

LICENSEE

By: _____
Harley J. Greenfield
Its CEO
Address: Attn: Harley J. Greenfield
419 Crossways Park Drive
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The undersigned Principal Owner hereby agrees to be bound by the terms and conditions of this Agreement, including but not limited to all representations and warranties contained therein.

JENNIFER CONVERTIBLES, INC.


By: _____
Harley J. Greenfield
Its CEO

EXHIBIT A: LICENSED TERRITORY

As defined in Section 1(J) of the Trademark Usage Agreement, subject to the terms and conditions of the Trademark Usage Agreement, Licensee's Licensed Territory is identified as follows:

The City of Carle Place in the State of New York

Licensor:

By: 
Todd R. Wanek
Its President

Licensee:

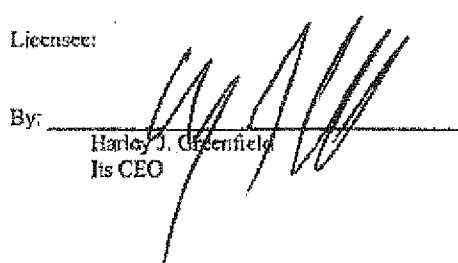
By: 
Harley J. Greenfield
Its CEO

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The City of Carle Place in the State of New York

Licensor:

By: _____

Todd R. Wanek
Its President

Licensee:

By: _____

Harley I. Greenfield
Its CEO

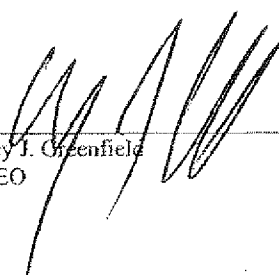


EXHIBIT B: THE MARKS

REGISTERED TRADEMARKS:

"ASHLEY HOMESTORES"	Reg. No. 2,231,864
"ASHLEY FURNITURE HOMESTORE" and Design	Reg. No. 2,449,045
"ASHLEY FURNITURE HOMESTORE"	Reg. No. 2,680,466
"YOU'RE GONNA LOVE THIS PLACE"	Reg. No. 2,681,280

TRADEMARKS WITH REGISTRATION PENDING:

"IN STYLE. IN REACH."	Ser. No. 76/649,101
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EXHIBIT C: SEPARATE WAREHOUSE LOCATION AND REQUIREMENTS

A warehouse having a minimum of 16,000 square feet and five (5) dock doors shall be kept and maintained by Licensee, during the Term of this Agreement. The warehouse space shall be located at a site approved by Licensor, whose consent shall not be unreasonably withheld ("Approved Location"), and shall be used for the purpose of receiving, storing, and delivering the Trademark Product Line Inventory for the Licensed Business and to allow retail customers of Licensee the ability to pick up and return goods purchased from the Licensed Business. Licensee will not (i) reduce the amount of square footage or dock doors, or (ii) relocate or move the Warehouse from the Approved Location, without Licensor's prior written approval.

PERSONAL GUARANTY

In consideration of Ashley HomeStores, Ltd. (the "Licensor") executing a Trademark Usage Agreement (the "Agreement") dated this 9th day of October, 2006, with Hartsdale Convertibles, Inc. (the "Licensee"), and for other good and valuable consideration, the undersigned, for itself, its successors and assigns, hereby guarantees payment of all amounts and the performance of all covenants, terms and conditions of the Agreement, to be paid, kept or performed by Licensee.

Further, the undersigned hereby agrees to be personally bound by each and every covenant, term and condition contained in the Agreement and agrees that this Personal Guaranty should be construed as though the undersigned executed an agreement containing the identical covenants, terms and conditions contained in the Agreement, including without limitation the provisions set forth in Section 39 of the Agreement.

Upon the occurrence of an event of default under the Agreement, the undersigned, its successors and assigns, does hereby promise and agrees to pay to Licensor all monies due and payable to Licensor under the covenants, terms and conditions of the Agreement.

In addition, if Licensee fails to comply with any of the covenants, terms or conditions contained in the Agreement, then the undersigned, its successors and assigns, does hereby promise and agrees to comply with all covenants, terms and conditions of the Agreement for and on behalf of Licensee.

The undersigned waives: (i) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and (ii) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed. In connection with any default or other action arising under the Agreement, the undersigned understands and agrees that Licensor may proceed directly against the undersigned, without first bringing an action against Licensee or any other person.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty will inure to the benefit of the successors and assigns of Licensor.

Dated: this 27th day of October, 2006.

PERSONAL GUARANTOR

JENNIFER CONVERTIBLES, INC.

By: 

Harley J. Greenfield
Its CEO

**ACKNOWLEDGMENT AND ADDENDUM
TO ASHLEY HOMESTORES, LTD.
TRADEMARK USAGE AGREEMENT**

The undersigned, immediately prior to the execution of a Trademark Usage Agreement ("Agreement") between Ashley HomeStores, Ltd. ("Licensor") and Hartsdale Convertibles, Inc. ("Licensee") make the following representations and acknowledgments:

1. The undersigned acknowledges and agrees that the relationship between the Licensee and Licensor is not a fiduciary or similar special relationship, but rather is an ordinary commercial relationship between independent business people with arms length dealings.
2. The undersigned understand that the success or failure of the Licensed Business (as defined in the Agreement) will depend in large part upon Licensee's skills, experience and business acumen together with various other factors including (i) time devoted by Licensee, its owners and employees to the Licensed Business, (ii) the location of the Licensed Business, (iii) the local market for the Trademark Product Line Inventory (as defined in the Agreement), (iv) interest rates, (v) various economic factors including without limitation inflation, housing starts and the prevailing wage rate, and (vi) competition and other business factors.
3. The undersigned acknowledge that Licensee understands that, there exists no guaranty against possible loss or failure in this or any other business, and that the most important factors in the success of the Licensed Business are the Licensee's personal business, marketing, sales, management, judgment, and other skills.
4. The undersigned acknowledge that neither Licensor, Ashley Furniture Industries, Inc. ("AFI"), nor any employee, agent, officer, director or other individual or entity acting for or in behalf of Licensor or AFI has ever (i) stated, suggested, predicted, projected or estimated the sales, expenses, income, or profit levels of any kind or nature that Licensee may reasonably expect to experience in connection with the Licensed Business; (ii) provided any statements, representations, charts, calculations or other materials which stated or suggested any level or range of sales, income, profits or cash flow; or (iii) made any representations as to any working capital or other funds necessary to reach any 'break-even' or any other financial level.
5. The undersigned acknowledge that neither Licensor, Ashley Furniture Industries, Inc. ("AFI"), nor any employee, agent, officer, director or other individual or entity acting for or in behalf of Licensor or AFI has ever stated, suggested, predicted, projected or estimated the sales, expenses, income, or profit levels of any other actual, future-established or hypothetical Ashley Furniture HomeStore Licensee. If any such information, promises, representations and/or warranties have been provided to Licensee, which are unauthorized and inherently unreliable, the undersigned agrees to advise Licensor of the delivery of any such information. Licensee must not rely upon any such information, nor shall Licensor be bound by it. Licensor does not, nor attempts to, predict, forecast, or project future performance, revenues or profits of any Ashley Furniture HomeStore Licensee.
6. The undersigned acknowledge that neither Licensor, Ashley Furniture Industries, Inc. ("AFI"), nor any employee, agent, officer, director or other individual or entity acting for or in behalf of Licensor or AFI or their affiliates has imposed or requested from Licensee any form of required payment, either directly or indirectly, other than for the purchase, at bonafide wholesale prices, of a reasonable quantity of goods (including the Trademark Product Line Inventory, as defined in the Agreement) to be used for resale.
7. The undersigned acknowledge that they have received, studied and carefully reviewed the Agreement, and fully understand each and every provision included therein, including, but not limited to how each provision of the Agreement will impact or affect Licensee's operation of the Licensed Business.
8. The undersigned acknowledge that neither Licensor, Ashley Furniture Industries, Inc. ("AFI"),

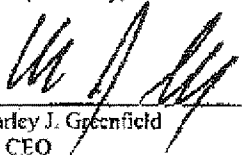
their affiliates, nor any employee, agent, officer, director or other individual or entity acting for or in behalf of Licensor, AFI or their affiliates has made any representation, agreement or understating, whether written or oral, that is contrary to or contradicts any term or condition contained in the Agreement.

9. The undersigned acknowledge that the terms and conditions contained in the Agreement shall exclusively control the (i) relationship between Licensor and Licensee; (ii) Licensee's conduct of the Licensed Business; and (iii) the responsibilities of all of the parties referred to in the Agreement. The undersigned further acknowledge that this Agreement contains the final, complete and exclusive expression of the terms of the agreement, and supersedes all other agreements and/or representations of any kind or nature. Any understandings, agreements, representations, or otherwise (whether written or oral) which are not fully expressed in this Agreement are expressly disclaimed by the Licensee and Licensor, including but not limited to any promises, options, rights-of-first refusal, guarantees, and/or warranties of any nature.
10. The undersigned acknowledge and agree that Licensee has independently selected and is solely responsible for the selection, development and operation of the Authorized Location (as defined in Agreement). The undersigned acknowledge that Licensor's acceptance of the Authorized Location is not, and should not be relied upon as endorsement of such location, and does not constitute a guarantee, recommendation, warranty, representation or assurance that the Authorized Location is capable of supporting a successful retail furniture store.
11. The undersigned acknowledge and agrees that they had the opportunity to consult with an independent professional advisor, such as an attorney. The undersigned have read, understood, had an opportunity to discuss, and agree to each provision of this Agreement.

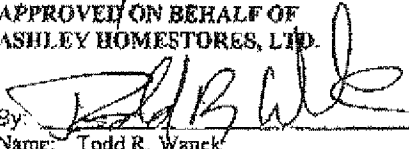
PLEASE READ CAREFULLY BEFORE SIGNING.

NOTE: Each personal guarantor must execute this Acknowledgment. In addition, an officer of Licensee must sign on behalf of the Licensee entity.

LICENSEE: (for Entity)

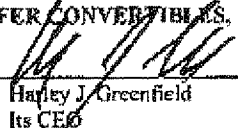
By: 
Harley J. Greenfield
Its CEO
Date: 27th day of October, 2006
27th 06

**APPROVED ON BEHALF OF
ASHLEY HOMESTORES, LTD.**

By: 
Name: Todd R. Wanek
Its President
Date: 10/27/06

LICENSEE: (for Individual Guarantors)

JENNIFER CONVERTIBLES, INC.

By: 
Harley J. Greenfield
Its CEO
Date: 27th day of October, 2006
27th 06

their affiliates, nor any employee, agent, officer, director or other individual or entity acting for or in behalf of Licensor, AFI or their affiliates has made any representation, agreement or understating, whether written or oral, that is contrary to or contradicts any term or condition contained in the Agreement.

9. The undersigned acknowledge that the terms and conditions contained in the Agreement shall exclusively control the (i) relationship between Licensor and Licensee; (ii) Licensee's conduct of the Licensed Business; and (iii) the responsibilities of all of the parties referred to in the Agreement. The undersigned further acknowledge that this Agreement contains the final, complete and exclusive expression of the terms of the agreement, and supersedes all other agreements and/or representations of any kind or nature. Any understandings, agreements, representations, or otherwise (whether written or oral) which are not fully expressed in this Agreement are expressly disclaimed by the Licensee and Licensor, including but not limited to any promises, options, rights-of-first refusal, guarantees, and/or warranties of any nature.
10. The undersigned acknowledge and agree that Licensee has independently selected and is solely responsible for the selection, development and operation of the Authorized Location (as defined in Agreement). The undersigned acknowledge that Licensor's acceptance of the Authorized Location is not, and should not be relied upon as endorsement of such location, and does not constitute a guarantee, recommendation, warranty, representation or assurance that the Authorized Location is capable of supporting a successful retail furniture store.
11. The undersigned acknowledge and agrees that they had the opportunity to consult with an independent professional advisor, such as an attorney. The undersigned have read, understood, had an opportunity to discuss, and agree to each provision of this Agreement.

PLEASE READ CAREFULLY BEFORE SIGNING.

NOTE: Each personal guarantor must execute this Acknowledgment. In addition, an officer of Licensee must sign on behalf of the Licensee entity.

LICENSEE: (for Entity)

By: _____

Harley J. Greenfield
Its CEO

Date: 9th day of October, 2006

**APPROVED ON BEHALF OF
ASHLEY HOMESTORES, LTD.**

By: _____

Name: Todd R. Wanek
Its President

Date: _____

LICENSEE: (for Individual Guarantors)

JENNIFER CONVERTIBLES, INC.

By: _____

Harley J. Greenfield
Its CEO

Date: 9th day of October, 2006

CONTINUING GUARANTY (Unlimited)

For value received, and to induce Ashley Furniture Industries, Inc. of One Ashley Way, Arcadia, Wisconsin ("Lender") to extend credit or continue credit accommodations to Hartsdale Convertibles, Inc. ("Debtor"), the undersigned guarantees the full, prompt, and complete payment of the Obligations defined below when due or, to the extent not prohibited by law, at the time any Debtor becomes the subject of bankruptcy or other insolvency proceedings. "Obligations" mean all loans, drafts, overdrafts, checks, notes, accounts, and all other debts, obligations and liabilities of every kind and description, whether of the same or a different nature, arising out of credit previously granted, credit contemporaneously granted or credit granted in the future by Lender to any Debtor, to any Debtor and another, or to another guaranteed or endorsed by any Debtor. Obligations include interest and charges and the amount of payments made to Lender or another by or on behalf of any Debtor which are recovered from Lender by a trustee, receiver, creditor or other party pursuant to applicable federal or state law, and to the extent not prohibited by law, all costs, expenses or attorneys' fees at any time paid or incurred before and after judgment in endeavoring to collect all or part of any of the above, or to realize upon this Guaranty, or any collateral securing any of the above, including those incurred incident to any action or proceeding involving Debtor or the undersigned brought pursuant to the United States Bankruptcy Code.

This Guaranty is valid and enforceable against the undersigned even though any Obligation is invalid or unenforceable against any Debtor. This is an absolute and unconditional guarantee of payment and not of collection. Lender shall not be required, as a condition of the liability of the undersigned, to resort to, enforce or exhaust any of its remedies against the Debtor or any other party who may be liable for payment on any Obligation or to resort to, marshal, enforce or exhaust any of its remedies against any property given or held as security for this Guaranty or any Obligation. Lender's rights hereunder shall be reinstated and revived and this Guaranty shall be fully enforceable, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be resolved or returned by Lender upon the bankruptcy, insolvency, or reorganization of the Debtor, the undersigned, or any other person, or as a result of any other fact or circumstance, all as though such amount has not been paid.

To the extent not prohibited by law the undersigned expressly waives notice of the acceptance of this Guaranty, the creation of any present or future Obligation, default under any Obligation, proceedings to collect from any Debtor or anyone else, all presentment, demand, notice and protest and any right to disclosures from Lender regarding the financial condition of any Debtor or guarantor of the Obligations or the enforceability of the Obligations. No claim, including without limitation, any claim for reimbursement, subrogation, contribution or indemnification which the undersigned may, as a guarantor of the Obligations, have against any Debtor shall be enforced nor any payment accepted until the Obligations are paid in full and no payments to or collections by Lender are subject to any right of recovery.

With respect to any of the Obligations, Lender may from time to time before or after the Revocation (as defined herein below) of this Guaranty without notice to the undersigned and without affecting the liability of the undersigned (a) release or agree not to sue any guarantor or surety, (b) fail to realize upon any of the Obligations or to proceed against any Debtor or any guarantor or surety, (c) renew or extend the time of payment, (d) increase or decrease the rate of interest of the amount of the Obligations, (e) determine the allocation and application of payments and credits and accept partial payments, and (f) settle or compromise the amount due or owing or claimed to be due or owing from any Debtor, guarantor or surety, which settlement or compromise shall not affect the undersigned's liability for the full amount of the unpaid Obligations. The undersigned expressly consents to and waives notice of all of the above. In addition to any other remedies available to Lender under this Guaranty, the undersigned agrees that Lender has the right to offset any amounts due the undersigned from Lender against any amounts owed to Lender by the undersigned under this provisions of the Guaranty or otherwise. The undersigned also consents to this Guaranty being governed by and construed exclusively in accordance with the laws of the State of Wisconsin. To the extent not prohibited by law, with respect

to any action brought by Lender to enforce any term of this Guaranty, the undersigned irrevocably consents to the exclusive jurisdiction and venue of any state court in Wisconsin, where Lender has its principal place of business and where payments are to be made by Debtor and the undersigned.

The undersigned represents and warrants that it has relied exclusively on its own independent investigation of Debtor for its decision to guarantee Debtor's obligations now existing or thereafter arising. The undersigned agrees that it has sufficient knowledge of the Debtor to make an informed decision about this Guaranty, and that Lender has no duty or obligation to disclose any information in its possession or control about Debtor to the undersigned. The undersigned warrants to Lender that it has adequate means to obtain from the Debtor on a continuing basis information concerning the financial condition of the Debtor and that it is not relying on Lender to provide such information either now or in the future.

This is a continuing guaranty, which shall not be revoked and shall remain in full force and effect from the date hereof until (i) the Trademark Usage Agreement entered into by and between Ashley HomeStores, Ltd. and Debtor is terminated or expires and (ii) all Obligations due and owing to Lender from Debtor are paid in full (collectively the "Termination Events"). Upon the occurrence of the Termination Events, this Guaranty shall be revoked ("Revocation"); provided however, that this Guaranty shall continue in full force and effect as to all Obligations contracted for or incurred before the Revocation, and as to these Obligations Lender shall have the rights provided by this Guaranty had the Revocation not occurred. Any renewal, extension or increase in the interest rate of any such Obligation, whether made before or after the Revocation, shall constitute an Obligation contracted for or incurred before the Revocation. Obligations contracted for or incurred before the Revocation shall also include credit extended after the Revocation pursuant to commitments made before the Revocation.

The undersigned agrees to pay Lender all reasonable costs and expenses incurred by Lender in the enforcement or attempted enforcement of this Guaranty (including but not limited to, reasonable attorney's fees), whether or not suit is filed in connection therewith, or in the exercise by Lender of any right, privilege, power, or remedy conferred by this Guaranty. No postponement or delay on the part of Lender in the enforcement of any right hereunder shall constitute a waiver of such right. The failure of any person or entity to sign this Guaranty shall not discharge the liability of any of the undersigned.

This Guaranty remains fully enforceable irrespective of any claim, defense, or counterclaim which the Debtor may or could assert on any of the Obligations including but not limited to credits, defects, chargebacks, damages, discounts, allowances, failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, fraud, bankruptcy, accord and satisfaction, and usury, all of which the undersigned hereby waives along with any standing by the undersigned to assert any said claim, defense, or counterclaim.

This Guaranty benefits Lender, its successors and assigns, and binds the undersigned, its successors and assigns.

This Guaranty is intended by the undersigned and Lender as a final expression of this Guaranty and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of this Guaranty. This Guaranty may not be supplemented or modified except in writing.

(signature page attached)

NOTICE OF GUARANTOR

You are being asked to guarantee the past, present and future Obligations of Debtor. If Debtor does not pay, you will have to. You may also have to pay collection costs. Lender can collect the Obligations from you without first trying to collect from Debtor or another guarantor.

27th 14
Dated this 27th day of October, 2006.

JENNIFER CONVERTIBLES, INC.

By: 

Harley J. Greenfield
Its CEO