

EXHIBIT “B”

FIRST AMENDMENT TO LEASE
AND
PARTIAL LEASE SURRENDER AGREEMENT

THIS FIRST AMENDMENT OF LEASE AND PARTIAL LEASE SURRENDER AGREEMENT (this "Agreement") made this 17 day of ~~October~~ ^{August}, 2007, by and between LAKE PARK 415 CROSSWAYS PARK DRIVE LLC and CLK-HP 415 CROSSWAYS PARK DRIVE LLC, having an office at 7600 Jericho Turnpike, Woodbury, New York 11797 ("Landlord"), and JENNIFER CONVERTIBLES, INC. having an office at 417 Crossways Park Drive, Woodbury, New York 11797 ("Tenant").

WITNESSETH:

WHEREAS:

1. By Agreement of Lease dated February 1, 2003 by and between Industrial & Research Associates, LLC, (predecessor-in-interest to Landlord) and Tenant, (hereinafter referred to as the "Lease"), Tenant is leasing from Landlord certain premises consisting of 16,640 rentable square feet of space (the "Existing Space") as more fully described in the Lease (the "Demised Premises") in the building known as 417 Crossways Park Drive, Woodbury, New York (the "Building") for a Term ending on January 31, 2008.

2. The parties hereto desire to further amend the Lease by, among other things, extending the Term of the Lease and having Tenant surrender a portion of the Existing Space and in other respects as hereinafter provided.

NOW, THEREFORE, in consideration of One Dollar and other good and valuable consideration, the receipt of which is hereby acknowledged and in further consideration of the mutual covenants herein contained, it is agreed as follows:

FIRST: Unless the context otherwise clearly indicates a contrary intent or unless specifically provided herein, each term used in this Agreement which is defined in the Lease shall be deemed to have the meaning ascribed to such term in the Lease.

SECOND: Tenant shall surrender to Landlord that portion of the Existing Space consisting of approximately 5,310 rentable square feet (hereinafter called the "Surrender Space") as more particularly described on the rental plan annexed hereto as Exhibit "A" and made part hereof. The Surrender Space shall be surrendered to Landlord in the condition required by and otherwise in accordance with the terms of the Lease. Provided that Tenant shall surrender the Surrender Space in accordance with the terms hereof and Landlord shall accept of possession of same, the size of the Demised Premises shall be amended, effective as of the date of Tenant's surrender and Landlord's acceptance of possession of the Surrender Space, which is anticipated to occur on January 31, 2008 (the "Effective Surrender Date"), to provide that the "Demised Premises", as said term is defined in the Lease, shall be conclusively deemed to consist of 11,330 rentable square feet as more particularly described on the rental plan annexed hereto as Exhibit "A" and made part hereof, which includes the usable area plus additional footage which has been mutually and conclusively fixed by the parties hereto to encompass "common areas" within the Building for which the Tenant has covenanted to pay Annual Basic Rent and Additional Rent. Upon the Effective Surrender Date, the Lease shall be amended so as to provide that the Demised Premises shall be deemed to constitute 28.33% of the Building ("Tenant's Proportionate Share").

Tenant shall use and occupy the remainder of the Demised Premises from and after the Effective Surrender Date upon the same terms, covenants and conditions as provided in the Lease, as herein amended. If delivery of possession of the Surrender Space by Tenant is delayed, then this Agreement and validity hereof shall not be affected thereby other than as expressly provided herein and Tenant shall not be entitled to terminate this Agreement, to claim actual or constructive eviction, partial or total, or to be compensated for loss or injury suffered as a result thereof, provided, however, that, the Effective Surrender Date shall be the date as determined pursuant to the terms hereof.

The provisions of this paragraph SECOND shall be considered an express provision to the contrary pursuant to New York Real Property Law Section 223-(a) governing delivery of possession of the Surrender Space and any law providing for such a contingency in the absence of such express agreement now or hereafter enacted shall have no application in such case to the extent inconsistent with this Agreement.

Landlord shall not be obligated to make any improvements, alterations or repairs whatsoever to the Surrender Space or the remainder of the Demised Premises except as expressly provided in the Lease and Tenant acknowledges that it is currently in possession of the Demised Premises and agrees to accept possession of the Demised Premises in its then "as-is" physical condition on the Effective Surrender Date provided, however, that Landlord shall, on a one-time, non-recurring basis perform the work in the Demised Premises set forth on Exhibit "B" annexed hereto and made part hereof ("Landlord's Work"). Tenant shall be responsible for the cost of moving any furniture, equipment, and other personal property within the Demised Premises to accommodate Landlord's Work.

THIRD: The term of the Lease is hereby extended upon all of the terms, covenants, conditions, rents, and additional rents, except as otherwise expressly set forth herein, for a term of **TEN (10) YEARS** (the "Extension Term") commencing on **February 1, 2008** (the "Extension Term Commencement Date") and expiring at midnight on **January 31, 2018** (the "Extension Term Expiration Date"). Upon the date hereof, Section 3.1(F) of the Lease is hereby deleted in its entirety.

FOURTH: Upon the Extension Term Commencement Date, Article III of the Lease shall be amended to provide that Tenant shall pay Annual Basic Rent for the Demised Premises during the Extension Term in equal monthly installments to Landlord at Woodbury Office Seven, P.O. Box 422, Laurel, New York 11948-0422, based upon the following schedule:

- (i) \$218,102.50 per annum payable in equal monthly installments of \$18,175.21 for the period commencing on the Extension Term Commencement Date, and ending January 31, 2009, both dates inclusive (the "1st Rental Period"); and
- (ii) \$224,645.58 per annum payable in equal monthly installments of \$18,720.46 for the period commencing February 1, 2009 and ending January 31, 2010, both dates inclusive (the "2nd Rental Period"); and
- (iii) \$231,384.94 per annum payable in equal monthly installments of \$19,282.08 for the period commencing February 1, 2010 and ending January 31, 2011, both dates inclusive (the "3rd Rental Period"); and
- (iv) \$238,326.49 per annum payable in equal monthly installments of \$19,860.54 for the period commencing February 1, 2011 and ending January 31, 2012, both dates inclusive (the "4th Rental Period"); and
- (v) \$245,476.29 per annum payable in equal monthly installments of \$20,456.36 for the period commencing February 1, 2012 and ending January 31, 2013, both dates inclusive (the "5th Rental Period"); and
- (vi) \$252,840.57 per annum payable in equal monthly installments of \$21,070.05 for the period commencing February 1, 2013 and ending January 31, 2014, both dates inclusive (the "6th Rental Period"); and
- (vii) \$260,425.79 per annum payable in equal monthly installments of \$21,702.15 for the period commencing February 1, 2014 and ending January 31, 2015, both dates inclusive (the "7th Rental Period"); and
- (viii) \$268,238.56 per annum payable in equal monthly installments of \$22,353.21 for the period commencing February 1, 2015 and ending January 31, 2016, both dates inclusive (the "8th Rental Period"); and

(ix) \$276,285.72 per annum payable in equal monthly installments of \$23,023.81 for the period commencing February 1, 2016 and ending January 31, 2017, both dates inclusive (the "9th Rental Period"); and

(x) \$284,574.29 per annum payable in equal monthly installments of \$23,714.52 for the period commencing February 1, 2017 and ending January 31, 2018, both dates inclusive (the "10th Rental Period").

Annual Basic Rent shall be payable in equal monthly installments in advance on the first day of each month without notice and without abatement, deduction or set-off of any amount whatsoever in the manner set forth in the Lease. Provided that Tenant is not in default under the terms, covenants and conditions of the Lease or this Agreement, Tenant is herewith granted a rent credit in the amount of \$18,175.21 (the "Basic Rent Credit") to be applied towards the first monthly installment of Annual Basic Rent due for the Demised Premises beginning on the Extension Term Commencement Date (the "Basic Rent Credit Period").

Effective from and after the Effective Surrender Date, Article III, Section 3.2 of the Lease is amended to provide that Tenant shall pay to the Landlord its proportionate share of any increase in real estate taxes over the 2007/2008 School Tax and the 2008 Town Tax.

FIFTH: Effective from and after the Effective Surrender Date, the last paragraph of Article I, Section 1.1 of the Lease is hereby deleted in its entirety and replaced by the following:

Subject to the Building's Rules and Regulations, as same may be amended from time to time, Landlord agrees that Tenant shall be entitled to use, in common with other tenants of the Building, not more than Tenant's Proportionate Share of the parking spaces in the common surface parking facilities at the Building on a general, unassigned, non-reserved basis. Notwithstanding the foregoing, four (4) parking spaces of Tenant's Proportionate Share of such parking spaces shall be designated as reserved for Tenant's use only at no additional charge. Landlord shall have no responsibility for maintaining or removing vehicles from any such reserved or general parking spaces. Tenant agrees that Landlord shall have the right, in its sole and absolute discretion, upon thirty (30) days written notice to Tenant, to change the location of all parking spaces in the event that Landlord determines to change the area, level, location and arrangement of parking areas and other facilities; to build multistory parking facilities; to temporarily restrict parking by Tenants, their officers, agents and employees; and to close all or any portion of said areas or facilities to such extent as may be legally sufficient to prevent a dedication thereof or the accrual of any right to any person or the public therein; to close temporarily all or any portion of the parking areas or facilities to discourage non-customer parking. The license and privilege hereby granted shall apply only to those duly registered and operating private passenger motor vehicle(s) owned and operated by Tenant or Tenant's employees, invitees and contractors and shall not be transferable to any other person or used for any other purpose other than as herein provided. Tenant and its employees, officers, partners, directors, agents, and contractors, covenant and agree that they shall park their vehicles in legal parking spaces designated by Landlord on the Property and shall not park their vehicles in any other location on the Property, or on any roadway or property adjacent to the Property.

SIXTH: Effective from and after the Extension Term Commencement Date, Article XXI, Section 21.1 of the Lease is hereby deleted in its entirety and replaced by the following:

Section 21.1 Tenant shall obtain and keep in full force and effect during the Term, and during any earlier period of time when Tenant or Tenant's agents, employees, or contractors may enter the Demised Premises at its own cost and expense: (1) commercial general liability insurance (with a contractual liability endorsement covering the matters set forth in this Lease) having a combined single limit of not less than Three Million (\$3,000,000.00) Dollars protecting Landlord, any Landlord's agent which is acting as a property manager for the Building, the holder of any mortgage, or owner under any superior lease and Tenant as insureds (and naming each such person as an insured party or as an additional insured as their respective interests may appear) against any and all claims for bodily injury, death or property damage occurring, during the Term and during any earlier period of time when Tenant or Tenant's agents, employees, or contractors may enter the Demised Premises; (2) insurance (herein sometimes referred to as "Tenant's fire

(casualty) insurance") against loss or damage by any and all risks and hazards to Tenant's property for the full replacement value thereof (including coverages which are currently sometimes referred to as "all risk" with coverage written on a replacement cost basis); (3) workers' compensation and employees liability insurance in accordance with the laws of the State of New York and all governmental authorities having jurisdiction over the Demised Premises and/or the Building; and (4) Tenant shall insure and keep insured in the name of Tenant, with the name of Landlord included as an additional insured, at Tenant's expense (i) all internal plate glass in the Demised Premises; (ii) if there is a steam boiler, steam generator, HVAC unit or any other combustible device, mechanism or appliance in, on, adjoining or beneath the Demised Premises, now or in the future, for the exclusive use of the Tenant, Tenant shall insure and keep the same insured with a broad form boiler insurance in the amount of at least Five Hundred Thousand (\$500,000.00) Dollars. Tenant shall further insure, at Landlord's request, against any other peril generally insured against by a business of Tenant's type.

SEVENTH: The existing security of \$20,627.29 shall continue to be held by Landlord in accordance with the terms of Article XXVII of the Lease.

EIGHTH: Effective from and after the Effective Surrender Date, the following shall be added to the Lease as Article XXXI:

Section 31.1 Provided that Tenant is not default beyond any applicable cure period of any of the terms covenants and conditions of the Lease or this Agreement, Tenant shall have two (2) options to cancel this Lease effective as (i) January 31, 2013 or (ii) January 31, 2015 (each an "Early Termination Date"), provided that Tenant has delivered written notice of such election to Landlord no later than (i) January 31, 2011 or (ii) January 31, 2013, respectively, time being of the essence with respect to any such Tenant's notice. In the event Tenant timely exercises its option to terminate this Lease pursuant to this Section 31.1, this Lease and the Term demised hereunder shall end and expire on the Early Termination Date as if such date had been the date originally set forth in this Lease as the date upon which the Term demised hereunder shall end and expire and neither party hereto shall have any further rights or obligations under this Lease, excepting only those obligations that expressly survive the expiration or early termination of this Lease.

NINTH: Tenant represents and warrants to Landlord that Tenant has not consulted nor negotiated with any broker or finder other than CLK/Houlihan-Parnes, LLC (referred to as the "Broker") with regards to any of the terms of this Agreement. Tenant agrees to indemnify and hold Landlord harmless from and against any and all claims, losses, judgments, costs and expenses (including reasonable attorneys' fees and disbursements) arising out of any claim or action by any broker or finder other than Broker for a commission or compensation in connection with this Agreement or the transactions contemplated thereby. Landlord agrees to pay Broker a commission pursuant to a separate agreement.

TENTH: (a) This Agreement is hereby tendered to Tenant without obligation on Landlord's part and in no event shall be deemed to be binding upon Landlord or give Tenant any rights unless and until Landlord shall have executed and unconditionally delivered an original counterpart of the Agreement to Tenant.

(b) This Agreement may not be changed, modified or canceled orally. Except as hereinabove modified and amended, and as so modified and amended, the Lease is hereby ratified and affirmed in all respects and shall be binding upon the parties hereto and their respective successors and permitted assigns.

[SIGNATURE PAGE FOLLOWS]


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

LANDLORD:

LAKE PARK 415 CROSSWAYS PARK DRIVE LLC

By: 
Name:
Title:

CLK-HP 415 CROSSWAYS PARK DRIVE LLC

By: 
Name:
Title:

TENANT:

JENNIFER CONVERTIBLES, INC.

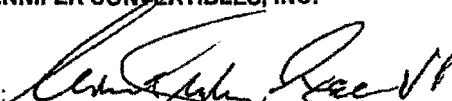
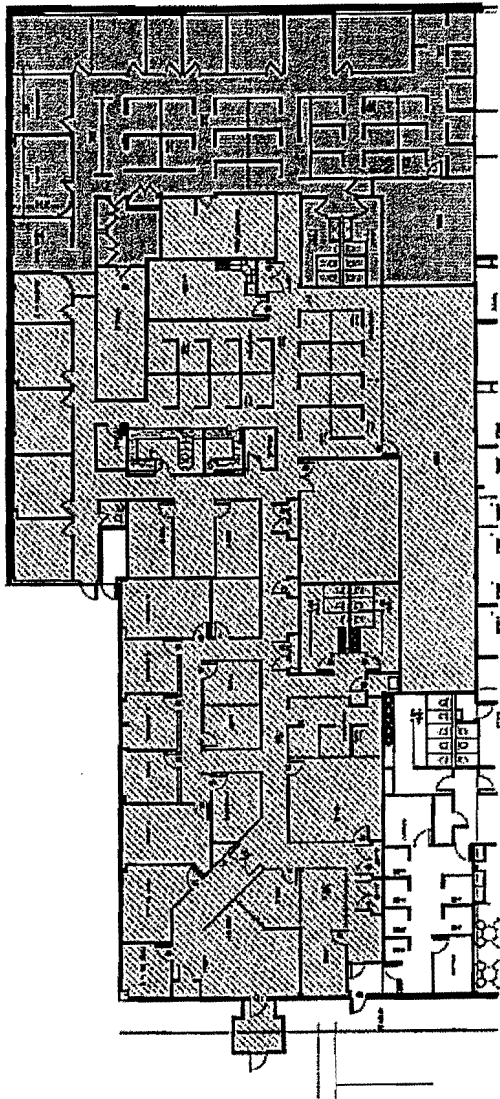
By: 
Name: EDWARD B. SEYNER
Title: EXECUTIVE V.P.

EXHIBIT "A"

SURRENDER SPACE

CLK|Houlihan-Parsons
We own, we manage, we lease
7680 Jericho Turnpike
Woodbury, NY 11797
516.364.1200

**417 CROSSWAYS PARK WEST
WOODBURY NY**
10-23-07
NOT TO SCALE



NOTE: This is a schematic plan and is intended to only show the proposed general layout of the Demised Premises and the Surrender Space. All measures, distances and dimensions are approximate and not to scale. The depictions hereon do not constitute a warranty or representation of any kind.

Exhibit "B"
Landlord's Work
JENNIFER CONVERTIBLES
417 CROSSWAYS PARK WEST
WOODBURY NY

1. PARTITIONING

Landlord shall remove the existing partitions which are marked on the attached Plan marked as Exhibit "A". Landlord shall supply and install new demising partitions shall consist of 5/8" gypsum board applied to 3 5/8" metal studs at 16" o/c. with sound attenuating insulation and shall extend from the concrete floor slab to the underside of the deck above. The amount of such partitioning shall be as indicated on the attached Plan marked as Exhibit "A".

2. WALL FINISHES

New demise partition shall be finished with two coats of Building Standard flat paint. Color to match existing.

3. CEILING

Landlord will repair ceiling grid conform to the new office configuration shown on the attached plan marked as Exhibit "A".

4. HEATING, VENTILATION AND AIR CONDITIONING

Landlord shall relocate ductwork to accommodate the new demised area and separate HVAC distribution to conform with the new layout, as shown on the attached Plan marked as Exhibit "A". This installation shall include all supply registers and return grilles. This work shall be completed in accordance with Building Standards design criteria. All duct work and registers shall be connected to the existing mechanical systems.

The general design criteria for air conditioning shall be 74° Fahrenheit inside when the outside temperature is 95° Fahrenheit. Heating shall provide 70° Fahrenheit inside when the outside temperature is 5° Fahrenheit.

5. FIRE ALARM

Landlord shall supply and install smoke detectors, pull stations and all pertinent wiring, etc. connected to the building fire alarm system. All work completed shall be in compliance with National Fire and Safety Codes and the Nassau County Fire Marshall.

6. MISCELLANEOUS

Landlord shall provide and install the following items:

1. Landlord shall separate utility services so that the Tenant can maintain direct meters for gas and electric.

Tenant shall provide and install the following items, at the Tenant's sole cost and expense, unless otherwise noted in the Lease Agreement and the Exhibits:

1. All furniture and equipment, including secretarial work stations, etc. unless otherwise indicated in this Exhibit;
2. All signage and interior directories;
3. All built-in cabinetry work, including bookshelves;
4. Appliances and vending machines
5. Moveable partitions, workstation, and work surfaces.

7. NOTES

Exhibit "A" is the Plan prepared by: CLK/Houlihan-Parnes LLC and dated October 23, 2007.

The foregoing work represents a one-time, non-recurring obligation. Tenant shall provide to the Landlord within fourteen (14) working days from the signing of this agreement, all finishes and special requirements for electrical outlets indicated, blocking or finishes so as not to delay the construction schedule.

Any subcontractors hired by the Tenant shall coordinate schedules and moves with the Landlord's office to ensure a smooth and controlled construction sequence. All work of this construction shall be completed during normal business hours.

END OF SECTION