

BIDDING PROCEDURES

A. Bid Deadline

1. The Debtors¹ seek to solicit bids for the sale of its or its inventory (the “Subject Assets”) in certain of its stores (the “Closing Stores”) identified in Exhibit A to the GAFS Agency Agreement.

2. In order to receive bids for the sale of the Subject Assets, an auction (the “Auction”) shall be conducted as set forth below. In order to bid at the Auction, a bidder (the “Bidder” and collectively, the “Bidders”) must submit a written bid in the form of the Required Bid Documents (as defined below) for the Subject Assets in the Closing Stores no later than July 27, 2010 at 5:00 PM (ET) (the “Bid Deadline”). The original Required Bid Documents must be submitted to: counsel for the Debtors, Olshan Grundman Frome Rosenzweig & Wolosky LLP (“Olshan”), Park Avenue Tower, 65 East 55th Street, New York NY 10021 (Attn: Michael S. Fox, Esq. and Jordanna L. Nadritch, Esq.), mfox@olshanlaw.com, with copies to (i) Jennifer Convertibles, Inc., (Attn: Rami Abada), rabada@jenniferfurniture.com; and (ii) TM Capital Corp., Attention: Paul Smolevitz, psmolevitz@tmcapital.com

3. Each Bidder shall be deemed to acknowledge: (a) that it had an opportunity to inspect and examine the Subject Assets prior to making its offer and that each such Bidder relied solely on that review and upon its own investigation and inspection of the Subject Assets in making its offer, (b) that Bidder is not relying upon any written or oral statements, representations, or warranties of the Debtors, their agents or representatives; and (c) that the occupancy of the Closing Stores may not be available until the completion of the store closing at the premises. Other pertinent documents will be available for inspection prior to the

¹ All capitalized terms not defined herein shall have the meanings ascribed to them in the Sale Motion.

Auction during regular business hours at the offices of Olshan or arrangements can be made with Olshan prior to the Auction for copies to be delivered to Bidder for inspection.

B. Reservation of Rights

4. “Stalking Horse” Agreement: In order to maximize the value of the Subject Assets to the estates, the Debtors have entered into an Agency Agreement with Great American Furniture Services LLC (“GAFS”), subject to further amendment on the consent of GAFS and Bankruptcy Court approval, for the Subject Assets. As consideration for the value of such “stalking horse” bid(s), in the event that the Bankruptcy Court should determine any third party’s competitive bid as a higher and better offer and the Debtors thereafter close an Agency Agreement with such third party, then, subject to the Bankruptcy Court’s approval, the Debtors propose to pay to GAFS a break-up fee up of \$50,000.

5. In order to maximize the value of the Subject Assets to the estates, the Debtors may, after consultation with their advisors and the Official Committee of Unsecured Creditors of the Debtors (the “Committee”), withdraw from sale any of the Subject Assets prior to or during the Auction. The Debtors, after consultation with the Committee, reserve the right to reject any and all bids for the Subject Assets.

C. Required Bid Documents

6. All bids must include the following documents (the “Required Bid Documents”):

a. a written offer, on Bidder’s corporate letterhead, or, if on behalf of Bidder by Bidder’s legal counsel, then on Bidder’s legal counsel’s letterhead, for the purchase of the Subject Assets that must include the full name and identity of the proposed purchaser, the amount being offered in the form of an allocation schedule and the intended use of each premises. Such written offer must expressly state that the Bidder’s offer is irrevocable until the earlier to occur of (i) the Closing (as defined herein) or (ii) fifteen days following the Auction (unless such bid is sooner expressly rejected in writing by the Debtors) and that if it is the Successful

Bidder, Bidder is ready, willing and able to execute the individual Agency Agreement. The GAFS Agency Document shall be deemed to be a Qualified Bid;

b. a certified check for the Deposit (as defined herein);

c. written evidence of Bidder's ability to consummate the transaction and evidence of adequate assurance of future performance: (i) including, but not limited to, federal tax returns for two years and/or a current audited or review financial statement and/or bank account statements; and (ii) any information that the Debtors may reasonably request.

7. All bids shall remain open and irrevocable until the earlier to occur of: (i) the Closing (as defined herein) or (ii) fifteen days following the completion of the Auction.

D. Qualified Bids

8. Unless such requirement is waived by the Debtors, only Bidders that have submitted qualified bids ("Qualified Bids") shall be eligible to participate in the Auction. In order to be a Qualified Bid, a bid shall:

a. include each of the Required Bid Documents;

b. not be contingent on obtaining financing; and

c. be received by the Bid Deadline.

9. In addition, to be a Qualified Bid, each Bidder must be prepared to demonstrate to the Debtors its ability to consummate the purchase of the Subject Assets, demonstrate adequate assurance of future performance, and otherwise fulfill its obligations.

E. Deposit Requirement

10. Each Bidder shall tender a deposit equal to ten percent (10%) of the bid amount (the "Deposit").

11. In the event the Debtors do not consummate a sale for any reason (other than the Bidder's failure to consummate a sale), the Debtors' sole obligation and liability shall be to refund the Deposit to the Bidder.

12. No sale shall be deemed to have been consummated by the Debtors pursuant to the procedures described herein unless (a) the Bankruptcy Court has approved such sale pursuant to an order submitted by Debtors or entered an order approving such sale at a hearing on the sale (the "Sale Hearing"), and (b) such proposed transaction is in fact consummated.

F. The Auction

13. The Auction shall occur on July 28, 2010 at 10:00 AM (ET), or such other time as agreed amongst the Debtors, the Committee and the Bidders that have submitted qualified Bids, at the offices Olshan, on the terms and conditions set forth in these Bidding Procedures. Only Qualified Bids will be considered at the Auction. **THE SALE SHALL BE SUBJECT TO APPROVAL OF THE BANKRUPTCY COURT.**

14. The terms and procedures governing the Auction are as follows:

a. The GAFS Bid is deemed to be a Qualified Bid. GAFS is authorized to credit bid at the Auction, pursuant to section 363 of the Bankruptcy Code, using the Break-Up Fee only in Round 1.

b. In the event the Debtors receive only a single Qualified Bid, the Subject Assets will not be subject to bidding at the Auction, and the Debtors may seek to sell the Subject Assets at the Sale Hearing, if such Qualified Bid is otherwise acceptable to the Debtors. In the event the Debtors receive multiple Qualified Bids, the Subject Assets will be offered for sale at the Auction.

c. Bidders are subject to a Qualified Bid minimum of no less than \$10,000 higher than the Break-Up Fee in Round 1 and minimum increments of \$10,000 in every round thereafter.

d. The Debtors intend to sell their interest to the Bidder making the highest or best Qualified Bid at the Auction. Formal acceptance of a bid will not occur unless and until the Court enters an order approving and authorizing the Debtors to consummate the sale to such Bidder or its designated assignee.

e. At the conclusion of the Auction, the Debtors, after consultation with the Committee, will announce which bid is the highest and best bid

(the “Successful Bidder”) and which bid is the second highest and/or best bid. The Successful Bidder shall supplement its Deposit within one business day so that, to the extent necessary, such Deposit equals ten percent (10%) of the highest and best bid.

f. The Debtors reserve the right, in consultation with the Committee, to (i) determine which Bid is the highest or best Bid and (ii) reject at any time prior to entry of an order of the Bankruptcy Court approving a Bid, any offer which the Debtors, at their discretion, in consultation with the Committee, deem to be (x) inadequate or insufficient, (y) not in conformity with the requirements of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Bankruptcy Local Rules or the terms and conditions of sale set forth herein, or (z) contrary to the best interests of the Debtors, their estate and creditors. The Debtors will have no obligation to accept or submit for Court approval any offer presented at the Auction except such written offers as may have been accepted by the Debtors.

G. The Closing

15. Except as otherwise provided in a written offer that has been accepted by the Debtors, the closing of the sale shall take place within one business day following the entry of an order by the Bankruptcy Court approving the sale of the Subject Assets to the Successful Bidder (the “Closing”). If an Auction is held, a telephonic Sale Hearing before the Bankruptcy Court is scheduled for July 29, 2010 at 9:00 a.m. (EDT). With respect to the Closing, time of performance by the Successful Bidder is of the essence. Upon failure to consummate a sale because of a breach or failure on the part of the Successful Bidder(s), the Debtors shall retain the Deposit as liquidated damages, and the next highest or otherwise best Qualified Bidder, as disclosed at the Sale Hearing shall be deemed the Successful Bidder and shall consummate the sale of the Subject Assets without further order of the Court.

16. The balance of the purchase price shall be paid by the Successful Bidder by wire transfer or an endorsed bank or certified check at the Closing.

17. All adjustments to be made in connection with the Closing shall be made as of midnight of the date immediately prior to the date of Closing (the “Adjustment Date”).

Any adjustments attributable to escalation or pass-through charges which would be billed after the Adjustment Date shall be made based upon the most recent billing received by the Debtors for such charges. The Successful Bidder shall be liable for all obligations with respect to the Subject Assets from the Adjustment Date forward including, but not limited to, any year-end adjustments, and shall indemnify the Debtors with respect thereto and unless otherwise agreed the Debtors shall be liable for all obligations accrued prior to the Adjustment Date.

H. Miscellaneous Terms of Sale

18. Any sale, assignment or other disposition of the Subject Assets shall be without representations or warranties of any kind, nature or description by the Debtors, their agents or representatives. The Subject Assets shall be transferred “as is” and “where is.”

19. All of the Debtors’ rights, title and interest in and to the Subject Assets shall be assigned and sold pursuant to section 365(f) of the Bankruptcy Code free and clear of all liens, claims, encumbrances and security interests, which shall attach to the net proceeds received by the Debtors as a result of the sale with the same force and effect that they now have, subject to further order of the Bankruptcy Court.

20. All sales, transfer and recording taxes, stamp taxes or similar taxes, if any, relating to the sale of the Subject Assets of the Debtors in connection therewith shall be the sole responsibility of the Successful Bidder and shall be paid to the Debtors at the Closing of each transaction.

21. The Debtors, in consultation with the Committee, at or before the Auction, may impose or modify the terms and conditions herein as they determine to be in the best interests of the Debtors, their estates, creditors and other parties in interest. The Debtors, in consultation with the Committee, may revise the procedures herein without Court approval.