



Jennifer Convertibles, Inc., 417 Crossways Park Drive, Woodbury, NY 11797 516/496-1900

FOR IMMEDIATE RELEASE

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JENNIFER CONVERTIBLES REPORTS THIRD QUARTER RESULTS

- **Comparable store sales increased by 8.7% for quarter, decrease 5.1% year-to-date**
- **Reorganization items, net (\$4,000) for quarter, \$33,374,000 year-to-date**
- **Income (loss) from continuing operations (\$1,953,000) versus (\$3,675,000) for quarter, \$26,701,000 versus (\$15,674,000) year-to-date**

Woodbury, New York ***July 12, 2011*** Jennifer Convertibles, Inc. (www.jenniferfurniture.com) announced today its financial results for the third quarter ended May 28, 2011.

For purposes of this press release the results of operations have been combined for the period from August 29, 2010 to February 26, 2011 of the Predecessor Company with the period from February 26, 2011 to May 28, 2011 of the Successor Company. The combined results of operations for the thirty-nine weeks ended May 28, 2011 are compared to the corresponding periods in the prior year. References to Jennifer Convertibles as the "Successor Company" and "Predecessor Company" in this release pertain to Jennifer Convertibles (a) on the close of business on February 26, 2011 and thereafter and (b) periods prior thereto, respectively.

For the third quarter, revenue from continuing operations increased by 1.2% to \$19,005,000 from \$18,781,000 for the same period last year. For the nine-month period, revenue from continuing operations decreased 3.6% to \$54,271,000 from \$56,313,000 for the same period last year.

For the third quarter, net loss was (\$1,953,000) or (\$1.95) per basic and diluted share, compared to net loss of (\$4,775,000) or (\$0.68) per basic and diluted share, for the same period last year. For the nine-month period, net income was \$26,763,000, compared to net loss of (\$18,058,000) for the same period last year.

For the third quarter, operating margins from continuing operations increased to 28.0% compared to 25.4% for the same period last year. For the nine-month period operating margins from continuing operations remained the same at 26.3% compared to 26.3% for the same period last year.

For the third quarter, selling, general, and administrative expenses from continuing operations decreased to 36.0% as a percentage of revenue from continuing operations compared to 43.9% for the

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same period last year. For the nine-month period, selling, general and administrative expenses from continuing operations decreased to 37.1% compared to 41.4% for the same period last year.

Reorganization items, net were (\$4,000) and \$0 in the third quarter of fiscal 2011 and 2010, respectively. For the nine-month period, reorganization items, net were \$33,374,000 compared to \$0 for the same period last year. Reorganization items consist of a gain on discharge of debt, legal and other professional fees for bankruptcy services and fair value adjustments.

Income (loss) from operations of discontinued operations was \$0 and (\$1,100,000) in the third quarter of fiscal 2011 and 2010, respectively. For the nine-month periods for fiscal 2011 and 2010, income (loss) from discontinued operations amounted to \$62,000 and (\$2,384,000), respectively.

Rami Abada, President of Jennifer, commenting on the results of the third fiscal quarter said, “While we were not profitable for the third quarter much of it can be attributed to residual effects from the previous nine months in bankruptcy, as well as the time needed to transition the emerging company to a vibrant entity.”

Mr. Abada added, “We are at various stages of implementation of many new initiatives including but not limited to new products, new vendors, new marketing campaigns and some more efficient supply chains. We will continue to explore other opportunities to return us to profitability and provide quality and value to our consumers.”

Jennifer Convertibles is the owner of the largest group of sofabed specialty retail stores in the United States, with 65 Jennifer Convertibles® stores and is the largest specialty retailer of leather furniture with 8 Jennifer Leather stores. As of July 11, 2011, the Company owned 73 stores and operates six licensed Ashley Furniture HomeStores.

Statements in this press release other than the statements of historical fact are “forward-looking statements.” Such statements are subject to certain risks and uncertainties, including changes in retail demand, vendor performance and other risk factors identified from time to time in Jennifer Convertibles’ filings with the Securities and Exchange Commission that could cause actual results to differ materially from any forward-looking statements. These forward-looking statements represent Jennifer Convertibles’ judgment as of the date of the release. Jennifer Convertibles disclaims, however, any interest or obligations to update these forward-looking statements.

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JENNIFER CONVERTIBLES, INC. & SUBSIDIARIES
SUMMARY CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SUCCESSOR COMPANY 05/28/11 (Unaudited)	PREDECESSOR COMPANY 08/28/10 (Audited)
CASH AND CASH EQUIVALENTS	\$ 4,958	\$ 5,591
RESTRICTED CASH	-	99
ACCOUNTS RECEIVABLE	1,750	4,160
MERCHANDISE INVENTORIES, Net	7,189	8,603
PREPAID EXPENSES AND OTHER CURRENT ASSETS	1,135	2,086
	<u>15,032</u>	<u>20,539</u>
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	1,972	2,239
OTHER ASSETS	528	577
TRADEMARK	7,310	-
GOODWILL	11,342	-
	<u>\$ 36,184</u>	<u>\$ 23,355</u>
ACCOUNTS PAYABLE	\$ 4,054	\$ 1,590
CUSTOMER DEPOSITS	4,714	5,353
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	6,784	5,565
NOTE PAYABLE	1,400	-
DEFERRED RENT AND ALLOWANCES – Current Portion	46	359
TOTAL CURRENT LIABILITIES	<u>16,998</u>	<u>12,867</u>
LONG TERM-DEBT	8,167	-
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	207	1,897
DEFERRED TAX LIABILITY	1,255	-
OBLIGATIONS UNDER CAPITAL LEASES – Net of Current Portion	42	58
TOTAL LIABILITIES NOT SUBJECT TO COMPROMISE	<u>26,669</u>	<u>14,822</u>
LIABILITIES SUBJECT TO COMPROMISE	-	37,249
TOTAL LIABILITIES	<u>26,669</u>	<u>52,071</u>
STOCKHOLDERS' EQUITY (DEFICIENCY)	<u>9,515</u>	<u>(28,716)</u>
	<u>\$ 36,184</u>	<u>\$ 23,355</u>

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JENNIFER CONVERTIBLES, INC. & SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	Successor	Predecessor	Combined	Predecessor
	05/28/11	05/29/10	05/28/11	05/29/10
REVENUE:				
NET SALES	\$ 18,106	\$ 17,833	\$ 51,855	\$ 53,474
REVENUE FROM SERVICE CONTRACTS	882	948	2,399	2,839
WAREHOUSE	17	-	17	-
	<u>19,005</u>	<u>18,781</u>	<u>54,271</u>	<u>56,313</u>
COST OF SALES AND OTHER CHARGES	13,679	14,010	40,000	41,487
LOSS RELATED TO SERVICE CONTRACTS	-	-	-	3,500
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	6,841	8,249	20,140	23,330
PROVISION FOR LOSS ON AMOUNTS DUE FROM RELATED COMPANY	-	-	-	3,128
DEPRECIATION AND AMORTIZATION	286	192	574	559
	<u>20,806</u>	<u>22,451</u>	<u>60,714</u>	<u>72,004</u>
LOSS FROM OPERATIONS	(1,801)	(3,670)	(6,443)	(15,691)
GAIN ON ACQUISITION OF RELATED COMPANY	-	-	-	23
INTEREST INCOME	-	-	2	11
INTEREST EXPENSE	(139)	(3)	207	(11)
LOSS FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	(1,940)	(3,673)	(6,648)	(15,668)
REORGANIZATION ITEMS, NET	(4)	-	33,374	-
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>(1,944)</u>	<u>(3,673)</u>	<u>26,726</u>	<u>(15,668)</u>
INCOME TAXES	9	2	25	6
INCOME (LOSS) FROM CONTINUING OPERATIONS	(1,953)	(3,675)	26,701	(15,674)
INCOME (LOSS) FROM OPERATIONS OF DISCONTINUED OPERATIONS	-	(1,100)	62	(2,384)
NET INCOME (LOSS)	<u>\$ (1,953)</u>	<u>\$ (4,775)</u>	<u>\$ 26,763</u>	<u>\$ (18,058)</u>

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BASIC INCOME (LOSS) PER COMMON SHARE:

INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ (1.95)	\$ (0.52)	N/A	\$ (2.23)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(0.16)	N/A	(0.34)
NET INCOME (LOSS) PER COMMON SHARE	<u>\$ (1.95)</u>	<u>\$ (0.68)</u>	<u>N/A</u>	<u>\$ (2.57)</u>

DILUTED INCOME (LOSS) PER COMMON SHARE:

INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ (1.95)	\$ (0.52)	N/A	\$ (2.23)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(0.16)	N/A	(0.34)
NET INCOME (LOSS) PER COMMON SHARE	<u>\$ (1.95)</u>	<u>\$ (0.68)</u>	<u>N/A</u>	<u>\$ (2.57)</u>

WEIGHTED AVERAGE COMMON SHARES
OUTSTANDING

1,000,000	6,979,887	N/A	7,022,548
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COMMON SHARES ISSUABLE ON CONVERSION OF
SERIES A PARTICIPATING PREFERRED STOCK

-	-	N/A	-
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TOTAL WEIGHTED AVERAGE COMMON SHARES
OUTSTANDING BASIC

1,000,000	6,979,887	N/A	7,022,548
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EFFECT OF POTENTIAL COMMON SHARE ISSUANCE:

STOCK OPTIONS	-	-	N/A	-
WARRANTS	-	-	N/A	-
SERIES B CONVERTIBLE PREFERRED STOCK	-	-	N/A	-

WEIGHTED AVERAGE COMMON SHARES DILUTED

1,000,000	6,979,887	N/A	7,022,548
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