



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**

- **Revenue from continuing operations decreased 21.9% for quarter, 20.2% year-to-date**
- **Comparable store sales decreased by 26.5% for quarter, 23.9% year-to-date**
- **Loss from continuing operations \$1,514,000 versus \$620,000 for quarter, \$5,503,000 versus \$2,217,000 year to date**
- **Basic and Diluted EPS (\$0.22) versus (\$0.10) for quarter, (\$0.81) versus (\$0.35) year to date**
- **Release of Security Interest and Termination of Obligations Under Credit Facility**
- **Engages TM Capital Corp**

Woodbury, New York ***July 14, 2009*** Jennifer Convertibles, Inc. (AMEX: JEN) announced today its unaudited financial results for the third fiscal quarter ended May 30, 2009.

For the third quarter, revenue from continuing operations decreased by 21.9% to \$22.1 million from the \$28.3 million reported for the same period last year. For the nine-month period, revenue from continuing operations decreased 20.2% to \$71.4 million from the \$89.5 reported in the same period last year.

For the third quarter, the net loss was \$1,532,000 or (\$0.22) per basic and diluted share, compared to net loss of \$711,000 or (\$0.10) per basic and diluted share, for the same period last year. For the nine-month period, the net loss was \$5,745,000 or (\$0.81) per basic and diluted share, compared to net loss of \$2,462,000 or (\$0.35) per basic and diluted share, for the same period last year.

Operating margins from continuing operations decreased during the current three-month period to 28.4% compared to 28.8% the same period last year. For the current nine-month period operating margins from continuing operations decreased to 28.5% compared to 28.8% for the nine-month period last year.

For the third quarter, selling, general, and administrative expenses from continuing operations increased to 34.2% as a percentage of revenue from continuing operations compared to 30.4% for the same period last year. For the nine-month period, selling, general and administrative expenses from continuing operations increased to 35.0% compared to 31.0% for the same period last year.

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During the third quarter, the Company closed one store in Illinois, one store in Arizona and one store in New York compared to three stores in Ohio and one store in New York the same period last year. The operating results of the closed stores in Illinois and New York were recorded in continuing operations based on management's judgment that there will be significant continuing sales to customers of the closed stores from other stores in the respective areas. The operating results of the closed store in Arizona were reported as discontinued operations. Loss from discontinued operations was \$18,000 and \$91,000 in the third quarter of fiscal 2009 and 2008, respectively. For the nine-month periods for fiscal 2009 and 2008, loss from discontinued operations amounted to \$242,000 and \$245,000, respectively.

Commenting on the results of the third fiscal quarter, Harley J Greenfield, Chief Executive Officer of Jennifer said, "While our results for the quarter continue to be disappointing, we began to see some impact of the cost reductions we have made. Compared to the second fiscal quarter, we reduced our loss by approximately \$800,000, despite recording about \$700,000 less in revenue. Selling, general, and administrative expenses were reduced by approximately \$600,000 from the previous quarter and our EPS loss was reduced from (\$0.33) per share to (\$0.22)."

Mr. Greenfield added, "We are still very optimistic about the future. When either the economy begins to strengthen or our new marketing initiatives take hold, we have positioned ourselves to quickly resume sales momentum with a highly efficient infrastructure and a very competitive product mix. Our Ashley division continues to grow, producing about 15% of revenues and increased profitability from the second fiscal quarter."

On July 10, 2009, the Company entered into a letter agreement with Caye, the major supplier for the Company, pursuant to which it agreed to pay down its debt to Caye by approximately \$400,000 in exchange for Caye releasing their security interest in all of the Company's assets and terminating all obligations under the Credit Facility. In connection with the release, the \$1,000,000 that was required to be maintained by the Company in a restricted deposit account is unrestricted and available for operating purposes. In exchange for this release, Caye has provided the Company with \$500,000 of trade credit. Neither Caye nor the Company will incur any termination costs or penalties as a result of the termination of the Credit Facility.

During January 2009, the Company began a transition from Caye to the Chinese supplier which currently manufactures approximately 95% of the merchandise ordered through Caye. On April 13, 2009, the terms of this agreement were restated to provide, effective August 1, 2009, vendor terms of 150 days without interest for up to a balance of \$10,000,000 in purchases through September 2010. There is no security interest connected with this extension of credit and certain terms will be reviewed October 31, 2009.

Commenting on the changes to the Credit Facility, Mr. Greenfield said, "We are extremely pleased with the terms of this new credit facility. We have been able to release \$1,000,000 that had been restricted which now can be used for general corporate purposes, extend the terms for payments, and reduce potential interest expense, all without encumbering our assets. This should provide additional liquidity during this difficult economic period."

We have retained the investment banking firm of TM Capital Corp. to assist us in the evaluation of our strategic alternatives. TM Capital Corp. is an independent investment banking firm based in New York, Boston and Atlanta, which has completed over 200 mergers, acquisitions and financings with a combined value in excess of \$11 billion for its global roster of clients.

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Jennifer Convertibles is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 149 Jennifer Convertibles® stores and is the largest specialty retailer of leather furniture with 14 Jennifer Leather stores. As of July 14, 2009, the Company owned 142 stores and licensed 21 stores (including 19 owned and operated by a related company on a royalty free basis) and operates two 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 the Company's 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 the Company's judgment as of the date of the release. The Company 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)

	05/30/09	08/30/08
	(Unaudited)	
CASH AND CASH EQUIVALENTS	\$ 6,018	\$ 9,057
RESTRICTED CASH	1,099	1,116
ACCOUNTS RECEIVABLE	1,365	779
MERCHANDISE INVENTORIES, Net	8,645	10,646
DUE FROM RELATED COMPANY	3,694	4,063
PREPAID EXPENSES AND OTHER CURRENT ASSETS	1,524	1,508
	<u>22,345</u>	<u>27,169</u>
MARKETABLE AUCTION RATE SECURITIES	-	1,400
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	2,535	3,202
GOODWILL	1,650	1,650
OTHER ASSETS	671	691
	<u>\$ 27,201</u>	<u>\$ 34,112</u>
ACCOUNTS PAYABLE	\$ 12,496	\$ 12,932
CUSTOMER DEPOSITS	6,519	6,493
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	3,786	3,892
DUE TO RELATED COMPANY	350	400
DEFERRED RENT AND ALLOWANCES – Current Portion	562	634
TOTAL CURRENT LIABILITIES	<u>23,713</u>	<u>24,351</u>
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	2,393	2,905
OBLIGATIONS UNDER CAPITAL LEASES – Net of Current Portion	107	139
TOTAL LIABILITIES	<u>26,213</u>	<u>27,395</u>
STOCKHOLDERS' EQUITY	<u>988</u>	<u>6,717</u>
	<u>\$ 27,201</u>	<u>\$ 34,112</u>

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

	<u>THREE MONTHS ENDED</u>		<u>NINE MONTHS ENDED</u>	
	<u>05/30/09</u>	<u>05/24/08</u>	<u>05/30/09</u>	<u>05/24/08</u>
REVENUE:				
NET SALES	\$ 20,765	\$ 26,586	\$ 67,275	\$ 84,168
REVENUE FROM SERVICE CONTRACTS	1,328	1,664	4,084	5,293
	<u>22,093</u>	<u>28,250</u>	<u>71,359</u>	<u>89,461</u>
COST OF SALES AND OTHER CHARGES	15,808	20,128	50,992	63,663
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	7,557	8,591	24,994	27,691
DEPRECIATION AND AMORTIZATION	239	248	936	758
	<u>23,604</u>	<u>28,967</u>	<u>76,922</u>	<u>92,112</u>
LOSS FROM OPERATIONS	(1,511)	(717)	(5,563)	(2,651)
INTEREST INCOME	6	102	80	451
INTEREST EXPENSE	(4)	(5)	(14)	(11)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(1,509)	(620)	(5,497)	(2,211)
INCOME TAXES	5	-	6	6
LOSS FROM CONTINUING OPERATIONS	(1,514)	(620)	(5,503)	(2,217)
LOSS FROM OPERATIONS OF DISCONTINUED OPERATIONS (including loss on store closings of \$3 and \$19 for the thirteen week and \$116 and \$89 for the for the thirty-nine week periods ended in fiscal 2009 and 2008, respectively)	(18)	(91)	(242)	(245)
NET LOSS	<u>\$ (1,532)</u>	<u>\$ (711)</u>	<u>\$ (5,745)</u>	<u>\$ (2,462)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE:				
LOSS FROM CONTINUING OPERATIONS	\$ (0.22)	\$ (0.09)	\$ (0.78)	\$ (0.32)
LOSS FROM DISCONTINUED OPERATIONS	-	(0.01)	(0.03)	(0.03)
NET LOSS PER COMMON SHARE	<u>\$ (0.22)</u>	<u>\$ (0.10)</u>	<u>\$ (0.81)</u>	<u>\$ (0.35)</u>
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
	<u>7,073,466</u>	<u>7,073,466</u>	<u>7,073,466</u>	<u>7,073,466</u>

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