

JENNIFER CONVERTIBLES, INC.

COMPOSITION, DUTIES, RESPONSIBILITIES  
AND COMPENSATION OF MONITORING COMMITTEE

1. The Monitoring Committee will be established as of the effective date of the settlement (April 2005), and will remain in existence for a period of five years, at which time it will terminate all operations.

2. The Monitoring Committee shall be comprised of Kenneth Grossman (one of the intervenors) and Edward Bohn (a member of Jennifer Convertibles, Inc.'s Board of Directors). Kenneth Grossman shall be paid an annual compensation of \$50,000

3. The Monitoring Committee shall hold meetings every two months during the first two years of its operation and quarterly meetings during the remaining four years, with special meetings as necessary.

4. Minutes of the meetings of the Monitoring Committee shall be sent to the Board of Directors of Jennifer. The Committee may request to attend board meetings. If both Committee members request to attend a board meeting, they shall be permitted to attend. If only one member of the Committee requests attendance, it is up to Jennifer Convertibles, Inc. as to whether to issue the invitation.

5. In the event of any new related party transaction or modification of any previously existing related party relationship, which would require public disclosure and the approval from Jennifer Convertibles, Inc.'s board of directors, the board shall first seek approval of the Monitoring Committee for the transaction or modification. If the board approves the transaction or relationship without the approval or modification of the Monitoring Committee, the

absence of such approval will be reported by Jennifer Convertibles, Inc. in the document containing the public disclosure.

6 . Jennifer Convertibles, Inc. shall obtain directors' and officers' liability insurance to cover the members of the Monitoring Committee and its operations.