

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
Greenbelt Division**

IN RE:)	
)	
JOANNE'S BED & BACK STORES, INC.)	Case No. 08-14606 (TJC)
)	(Chapter 11)
Debtor)	

**NOTICE OF BID DEADLINE AND AUCTION
PURSUANT TO THE DEBTOR'S MOTION FOR ORDER
ESTABLISHING BIDDING PROCEDURES IN CONNECTION
WITH THE SALE OF SUBSTANTIALLY ALL OF THE
DEBTOR'S ASSETS**

PLEASE TAKE NOTICE that on April 2, 2008, JoAnne's Bed & Back Stores, Inc., the above-captioned debtor and debtor-in-possession (the "Debtor"), filed its Motion For Order Establishing Bidding Procedures In Connection With The Sale Of Substantially All Of The Debtor's Assets (the "Motion"). A copy of the Motion may be obtained by contacting the proposed undersigned counsel to the Debtor at (301) 230-5231.

PLEASE TAKE FURTHER NOTICE that at the hearing for approval of the bidding procedures that was held on April 9, 2008 before the Honorable Thomas J. Catliota at the United States Bankruptcy Court for the District of Maryland, 6500 Cherrywood Lane, Suite 300, Greenbelt, Maryland 20770, the Court approved and subsequently entered the attached Order.

PLEASE TAKE FURTHER NOTICE that in accordance with the attached Order, **QUALIFIED BIDS** are due on or before **MAY 5, 2008 AT 4:00 P.M. EASTERN TIME**.

PLEASE TAKE FURTHER NOTICE that if one or more competitive bids are received by May 5, 2008 at 4:00 p.m. Eastern Time Bid Deadline, then the Debtor will conduct an auction **COMMENCING AT 9:00 A.M. EASTERN TIME ON MAY 8, 2008** at the offices of Shulman, Rogers, Gandal, Pordy & Ecker, P.A., 11921 Rockville Pike, Suite 300, Rockville, Maryland

20852-2743, and the Court has scheduled a hearing for approval of the sale of substantially all of the Debtor's assets on May 8, 2008 at 2:00 p.m. Eastern Time.

Respectfully submitted,

**SHULMAN, ROGERS, GANDAL,
PORDY & ECKER, P.A.**

By: /s/ Michael J. Lichtenstein
Michael J. Lichtenstein (Bar No. 05604)
Morton A. Faller (Bar No. 01488)
Stephen A. Metz (Bar No. 13720)
11921 Rockville Pike, Suite 300
Rockville, Maryland 20852-2743
TEL: (301) 231-0928
FAX: (301) 230-2891
Attorneys for Debtor

Dated: April 11, 2008

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SO ORDERED



**IN THE UNITED STATES BANKRUPTCY COURT
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IN RE:)	
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JOANNE'S BED & BACK STORES, INC.)	Case No. 08-14606 (TJC)
)	(Chapter 11)
Debtor)	

**ORDER ESTABLISHING BIDDING PROCEDURES
IN CONNECTION WITH THE SALE OF SUBSTANTIALLY
ALL OF THE DEBTOR'S ASSETS**

This matter having come before the Court on JoAnne's Bed & Back Stores, Inc.'s (the "Debtor") Motion for Entry of an Order Establishing Bidding Procedures in connection with the Sale of Substantially all of Debtor's Assets, and after notice and opportunity for a hearing, it is by the United States Bankruptcy Court for the District of Maryland,

ORDERED, that the Motion be, and it hereby is, GRANTED; and it is further

ORDERED, that the bid procedures attached hereto be and the same hereby are APPROVED; and it is further

ORDERED, that in the event that The Healthy Back Store, LLC ("Healthy Back") is not the successful bidder at an auction of substantially all of the Debtor's assets (the "Sale"), Healthy Back shall be entitled to a 2% break-up fee in the amount of \$24,000 and expense reimbursement in the amount of \$40,000 to be paid from the proceeds of the Sale; and it is further

ORDERED, that any objections to entry of an Order approving the Sale must be in writing and be filed with the United States Bankruptcy Court for the District of Maryland (and served upon counsel for the Debtor, no later than 4:00 p.m. Eastern Time on the date that is one (1) business day before the Auction Sale and that any person objecting to the Sale after the auction may present such objection at the hearing scheduled for May 8 at 2:00 p.m.

BID PROCEDURES

A.

- a. All bids for the Asset Sale shall be in the form of a signed letter bid (the "Bid") to counsel for the Debtor, Shulman, Rogers, Gandal, Pordy & Ecker, P.A., 11921 Rockville Pike, Suite 300, Rockville, Maryland 20852, Attn: Michael J. Lichtenstein, Fax No. (301) 230-2891 on the date three (3) business days before the Auction Sale (the "Bid Date"); and
- b. Any Bid(s)¹ shall be irrevocable until the conclusion of the Auction, if any, and shall:
 - i. contains a description of the bidder(s)' business;
 - ii. include such prospective bidder(s)' financial statements for the preceding two years or other evidence of financial ability;
 - iii. such Bid (a) at a minimum, provides for aggregate consideration of at least \$100,000 over and above the Purchase Price, (b) is not conditioned on the outcome of due diligence by the bidder(s) with respect to the Debtor's assets that is not completed by the time of the Auction, (c) is not conditioned on the bidder(s)' ability to obtaining financing, and (d) provides the same or better terms as contained in the Healthy Back offer;
 - iv. be accompanied by a good faith deposit of \$50,000 (the "earnest Money Deposit") in cash or certified or cashier's check payable to the Debtor, which deposit shall be subject to the jurisdiction of the Bankruptcy Court, shall (if cash) be maintained by the Debtor in a segregated interest bearing account, and shall (a) be retained by the Debtor in the event the bidder(s) submit(s) the Accepted Offer(s) as defined below, which is approved by the Bankruptcy Court, but fails to consummate sale, or (b) be returned to such bidder(s) in the event the

¹ The Healthy Back Store, LLC asset purchase agreement will constitute its initial bid.

Bid(s) is not the Accepted Offer(s), or is not approved by the Bankruptcy Court.

- B. The following terms and conditions shall (subject to Court approval) govern the conduct of the Auction Sale:
- a. Upon receipt of any Bid(s) that satisfy(ies), in the sole opinion of the Debtor,² the required terms and conditions set forth in the preceding paragraphs, the Debtor may communicate with such bidder(s) before the Auction, and such alternative bidder(s) shall provide to the Debtor on the next business day, after the Debtor requests therefor, any information reasonably required by the Debtor in connection with the Debtor's evaluation of such Qualifying Offer(s);
 - b. Prior to the Auction, if any, the Debtor will evaluate any Qualifying Offer(s) it has received with respect to Asset Sale and will select the highest and/or best offer(s) for the Asset Sale from among such offers (the "Opening Offer(s)"). In considering any Qualifying Offer(s), the Debtor shall consider the value thereof to the Debtor's estate. If multiple bids in the same amount for the Asset Sale are received, the Debtor shall designate the order of bidding at the Auction;
 - c. Only those prospective bidders who have satisfied the conditions described above may participate in the Auction, if any. If an auction is held, all bidders shall appear at such Auction in person, or through a duly authorized representative. Before the commencement of the Auction, if any, each bidder or its representative shall be required to provide the Debtor with proof satisfactory to the Debtor and the Debtor's counsel that such bidder or representative is legally empowered, by power of attorney or otherwise, and financially capable to (a) bid on behalf of the prospective bidder(s), and (b) complete and sign, on behalf of the bidder(s), a binding and enforceable purchase agreement to acquire the Debtor's assets, and to perform its obligations with respect thereto;
 - d. All bidders shall be deemed to have submitted to the exclusive jurisdiction of the Bankruptcy Court with respect to all matters related to the Auction;
 - e. At the auction, all further overbids shall be in increments of no less than \$10,000.00
 - f. All Bids shall be "firm offers" and shall not contain any contingencies as to the validity, effectiveness and/or binding nature of the bid, including, without limitation, contingencies for financing, due diligence or inspection;

² The Healthy Back Store, LLC is entitled to bid at the auction, if any.

- g. If multiple bids satisfying all Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction;
- h. Within one business day following Bankruptcy Court approval of the Asset Sale, the entity that makes the highest and best bid for the Debtor's assets, in the sole opinion of the Debtor (the "Accepted Offer"), shall complete and sign all agreement(s), contract(s), instrument(s) or other document(s) evidencing and containing the terms and conditions upon which such Accepted Offer was made;
- i. Subject to Bankruptcy Court approval following the Auction, the entity that makes the Accepted Offer shall be sold the Debtor's assets, pursuant to the proposed order attached to the Sale Motion and an executed asset purchase agreement; and

Notwithstanding anything contained herein to the contrary, if for any reason the entity that makes the Accepted Offer fails to consummate the purchase of the Debtor's assets on the date determined by the Debtor and such bidder, the bidder with the next highest and best bid (other than The Healthy Back Store, LLC unless it agrees) will automatically be deemed to have submitted the Accepted Offer and, to the extent the Debtor consents, the Debtor and such bidder are authorized to effect the transaction contemplated herein as soon as is commercially reasonable. In such event, the Debtor will submit a proposed order to the Bankruptcy Court. If there are no objections to the sale within five (5) days of such service by the Debtor, the Bankruptcy Court will enter an order approving the next highest and best bidder without further notice or hearing. In such event, the Debtor specifically reserves the right to seek all available damages from the defaulting bidder(s), including, without limitation, retention of the Earnest Money Deposit(s).

Copies to:

Michael J. Lichtenstein, Esquire
Morton A. Faller, Esquire
Stephen A. Metz, Esquire
Shulman, Rogers, Gandal, Porfy & Ecker, P.A.
11921 Rockville Pike, 3rd Floor
Rockville, Maryland 20852

END OF ORDER

**IN THE UNITED STATES BANKRUPTCY COURT
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IN RE:)	
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JOANNE'S BED & BACK STORES, INC.)	Case No. 08-14606 (TJC)
)	(Chapter 11)
Debtor)	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing **Notice of Bid Deadline and Auction Pursuant to the Debtor's Motion for Order Establishing Bidding Procedures in Connection with the Sale of Substantially all of the Debtor's Assets AND the Order Establishing Bidding Procedures in Connection with the Sale of Substantially all of the Debtor's Assets** were delivered first class mailed, postage prepaid, this 11th day of April, 2008, to the parties on the attached list:

Howard R. Herman, Esquire
Moses & Singer, LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174-1299
Counsel for The Healthy Back Store, LLC

Office of the United States Trustee
6305 Ivy Lane, Suite 600
Greenbelt, Maryland 20770

Office of the Attorney General of Maryland
200 St. Paul Place
Baltimore, Maryland 21201

Maryland SDAT
301 West Preston Street
Baltimore, Maryland 21201

Office of the Attorney General for
The Commonwealth of Virginia
10555 Main Street
Fairfax, VA 22030

Security Exchange Commission
100 F Street, NE
Washington, DC 20549
Attn: Bankruptcy Specialist

Internal Revenue Service
Insolvency Unit
31 Hopkins Plaza, Room 1150
Baltimore, MD 21201

To the 20 Largest Unsecured Creditors on the Attached List

Landlords

Robin Tang
7098 Crows Nest #22
Laurel, MD 20707

8032 Tysons Plaza (Mar-West)
c/o May Jewelers
8032 Leesburg Pike
Vienna, VA 22182

Saul Subsidiary Conn Ave
7501 Wisconsin Avenue, Suite 1500
Bethesda, MD 20814-6522

Kentlands LLC
c/o Beatty Management Co., Inc.
6824 Elm Street, Suite 200 West
McLean, VA 22101

Writ Ltd Partnership
P.O. Box 79555
Baltimore, MD 21279-0555

Central Park
c/o William A. and Dana Middleton
P.O. Box 1480
King George, VA 22485

The Peterson Companies
Atlas Walk LC #3443
P.O. Box 601726
Charlotte, NC 28275-1726

Annapolis Harbour Center Associates
11501 Huff Court
North Bethesda, MD 20895-1904

Saint Thomas Joint Venture
c/o Harry B. Cooper Associates
10749 Falls Road, Suite 202
Lutherville, MD 21093

AAK Dobbin, LLC
7221 Lee DeForest Drive, Suite 100
Columbia, MD 21046

Government Counties re Leases

Charles W. Thompson, Jr.
Office of Montgomery County Attorney
101 Monroe Street, 3rd Floor
Rockville, MD 20850

David Whitacre
Office of Prince George's County Attorney
14741 Governor Oden Bowie Drive, Suite 5121
Upper Marlboro, MD 20772

Office of Fairfax County Attorney
12000 Government Center Parkway, Suite 549
Fairfax, VA 22035

Linda M. Schvett
Office of Anne Arundel County Attorney
Heritage Office Complex
2660 River Road
Annapolis, MD 21401

Office of Alexandria City Attorney
301 King Street, Suite 1300
Alexandria, VA 22314

Leslie J. Polt, Esquire
Adelberg, Rudow, Dorf & Hendler, LLC
7 Saint Paul Street, Suite 600
Baltimore, Maryland 21202
Counsel for The Healthy Back Store, LLC

Stephen Nichols, Esquire
Deckelbaum Ogens & Raftery, Chartered
3 Bethesda Metro Center
Suite 200
Bethesda, Maryland 20814
Counsel for Beltsville Commercial Center General Partnership, L.P.

Respectfully submitted,

**SHULMAN, ROGERS, GANDAL,
PORDY & ECKER, P.A.**

By: /s/ Michael J. Lichtenstein
Michael J. Lichtenstein (Bar No. 05604)
Morton A. Faller (Bar No. 01488)
Stephen A. Metz (Bar No. 13720)
11921 Rockville Pike, Suite 300
Rockville, Maryland 20852-2743
TEL: (301) 231-0928
FAX: (301) 230-2891
Attorneys for Debtor

Service List
(Creditors Holding 20 Largest Unsecured Claims)

Arent Fox PLLC
P.O. Box 758670
Baltimore, MD 21275

Kim Davis
160 E. 72nd Street, #3A
New York, NY 10021-4364

Beltsville Commercial Ctr (B&R)
11716 Baltimore Avenue
Beltsville, MD 20705

King Koil Mid Atlantic
1112 Kingwood Avenue
Norfolk, VA 23502

Bruce Stram
3200 W. Lamar, #13
Houston, TX 77019

Leggett & Platt
P.O. Box 198747
Atlanta, GA 30384-8747

Classic Sleep Products
8214 Wellmoor Court
Jessup, MD 20794

Mark M. Levin
4700 Linnean Avenue, NW
Washington, DC 20008

Daniel and Rebecca Okrent
645 West End Avenue, Apt. 12F
New York, NY 10022

Phillip M. Sierralta
17207 Loblolly Court
Accokeek, MD 20607

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136 Country Road
Ipswich, MA 01938

Sandra Sauls
1238 Girard Street, NW
Washington, DC 20009

David B. and Betsy H. Summer
1027 Duchess Drive
McLean, VA 22102

Sealy Corporation
P.O. Box 932621
Atlanta, GA 31193-2621

Golden Technologies
401 Bridge Street
Old Forge, PA 18518

Tempur-pedic
P.O. Box 632852
Cincinnati, OH 45263-2852

James Turner
1236 Girard Street, NW
Washington, DC 20009

The Washington Post
1150 11th Street, NW
Washington, DC 20071-7100

Judith and Philip Davis
6925 Cottonwood Knoll
West Bloomfield, MI 48322

Thomas and Laura Aust
226 Elderwood Avenue
Pelham, NY 10803