

**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)	

**DECLARATION OF MORTON A. FALLER IN SUPPORT OF
APPLICATION FOR AUTHORITY TO EMPLOY
SHULMAN, ROGERS, GANDAL, PORDY & ECKER, P.A.,
AS BANKRUPTCY COUNSEL FOR THE DEBTOR**

I, Morton A. Faller, state:

1. I am a shareholder in the law firm of Shulman, Rogers, Gandal, Pordy & Ecker, P.A. (“SRGPE”), which maintains offices for the practice of law at 11921 Rockville Pike, Suite 300, Rockville, Maryland 20852-2743. I am admitted to practice law before the Bars of the District of Columbia and the State of Maryland, as well as the United States Bankruptcy Courts, District Courts and Courts of Appeal in these jurisdictions.

2. JoAnne’s Bed & Back Stores, Inc. (the “Debtor”) filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code on April 2, 2008 (the “Petition Date”). The Debtor is submitting an Application (the “Application”) for authority to employ SRGPE as bankruptcy counsel in this proceeding as of the Petition Date. I make this declaration in support of the Application pursuant to Sections 327 and 329 of the Bankruptcy Code and Bankruptcy Rules 2014, 2016 and 5002.

3. Except as is otherwise indicated below, the facts set forth in this Declaration are based upon my own personal knowledge or records maintained by SRGPE in the ordinary course of its business, which have been reviewed by me and/or by other shareholders or employees of

SRGPE at my direction, or upon information known by other shareholders or employees of SRGPE and conveyed to me.

SRGPE's Qualifications and the Scope of SRGPE's Retention

4. SRGPE is a firm of approximately 96 lawyers engaged in the general practice of law with its primary offices in Rockville, Maryland. SRGPE has a regional practice in bankruptcy and restructuring matters, as well as corporate, litigation, real estate, and estate planning matters, among others. SRGPE's bankruptcy and restructuring lawyers have extensive experience representing clients involved in all aspects of Chapter 11 proceedings, as well as in non-judicial restructurings and work-outs.

5. In January, 2008, the Debtor asked SRGPE to provide legal services and advice relating to financial difficulties which it was experiencing. As a result, since January, 2008, SRGPE has represented and advised the Debtor in connection with such financial difficulties and ultimately with this Chapter 11 proceeding. Prior to January, 2008, SRGPE represented the Debtor in the 1990's with respect to an expansion of its business operations outside of the Washington, D.C. metropolitan area, and a private placement memorandum in order to raise funds from investors and other business for the purpose. SRGPE also provided some general business and legal services during the 1990's regarding such matters as potential franchising, employment contracts with key personnel and leasing issues.

6. The Debtor has asked SRGPE to represent it in its reorganization efforts and to render the following services in connection with this Chapter 11 case:

a. To provide legal advice with respect to the Debtor's powers and duties in the operation of its businesses and the management of its properties pursuant to the Bankruptcy Code.

- b. To prepare and file on behalf of the Debtor all applications, schedules, motions, responses, reports, objections and other pleadings as may be necessary and as the Debtor authorizes;
- c. To provide such other bankruptcy and restructuring advice and representation, and such corporate, litigation, tax and other advice and representation, as the Debtor requests;
- d. To appear on behalf of and represent the Debtor at hearings, meetings of creditors and other meetings and proceedings, as appropriate;
- e. To represent and advise the Debtor with respect to any adversary proceedings, lawsuit or other proceeding in which it may be a party or otherwise become involved; and
- f. To perform all other legal services as may be necessary and appropriate in connection with this Chapter 11 case and in connection with the preparation, confirmation and implementation of one or more plans of reorganization or liquidation.

Subject to the Court's approval of the Application, SRGPE is willing to serve as the Debtor's bankruptcy counsel and to perform the services described above.

Connections with Creditors and Other Parties-In-Interest

7. In preparing this Declaration, I utilized a set of procedures established by SRGPE to insure compliance with the requirements of the Bankruptcy Code and the Bankruptcy Rules (and the Maryland Lawyers Rules of Professional Conduct as to potential or actual conflicts of interest). SRGPE has taken various steps to determine whether any actual conflicts of interest exist that would preclude SRGPE's service as bankruptcy counsel. In connection with SRGPE's proposed representation of the Debtor in this case, I instructed the employees responsible for

maintaining SRGPE's computerized databases of client matters to review such databases to determine whether the databases reflect that SRGPE has or had any connection with any of the Debtor's creditors, professionals, debenture holders, equity holders, lessors, lenders or vendors (the "Identified Party"). Once the database identified a potential connection between SRGPE and an Identified Party, I or an attorney or legal assistant working under my supervision contacted the attorney(s) responsible for such other matter and elicited information to discern the nature and scope of the representation or connection with the Identified Party for appropriate disclosure in this Declaration.

8. Based upon the initial review of the computerized database described above and the resulting inquiries, and based upon responses elicited by the memorandum described above and received to date from individual attorneys, I have determined the following:

a. SRGPE does not now represent and has not previously represented any of the Debtor's directors or executive officers.

b. SRGPE checked against its database the names of the Debtor's largest unsecured creditors, as well as the lists the Debtor provided to SRGPE of the Debtor's secured lender, debenture holders, landlords and utility service providers. SRGPE has in the past represented or currently is representing, or has a contractual relationship with, the following entities whose names (or whose affiliates' names) appear on such lists:

Shareholders

i. Laurence R. Hefter – SRGPE has provided legal services for this shareholder on general matters unrelated to the Debtor more than ten (10) years ago.

ii. Ivan Schatz and JoAnne Schatz (also debenture holders) – SRGPE has provided legal services to these shareholders with respect to general matters for an entity or

entities in which they were principals, which matters were unrelated to the Debtor, and concluded more than five (5) years ago.

iii. David H. Caplan – SRGPE has provided legal services to this shareholder on general business matters unrelated to the Debtor, which concluded more than five (5) years ago.

iv. Melvyn Estrin – SRGPE has provided legal services to this shareholder or a trust created by this shareholder and a real estate matter unrelated to the Debtor, all of which were concluded more than three (3) years ago.

v. Jon M. Studner (also President and Chief Executive Officer) – SRGPE provided personal, real estate and estate planning legal services for this shareholder, unrelated for the Debtor, which services were concluded more than fifteen (15) years ago.

Landlords

i. Parole Town Center Associates, LP, t/a Annapolis Harbour Shopping Center – SRGPE provided legal services to this possible landlord with respect to a single lease matter which was unrelated to the Debtor, which concluded more than ten (10) years ago.

ii. Federal Realty Investment Trust – a former partner of the firm while at SRGPE provided representation of this landlord with respect to financing, corporate and real estate matters, unrelated to the Debtor. The former partner left the firm more than eight (8) years ago and took with him any files relating to matters relating to this former client of SRGPE. SRGPE has, over the years, represented numerous tenants and real estate clients in matters adverse to this landlord.

iii. Saul Holdings, L.P. – SRGPE represented this landlord in a claim dispute with respect to a former tenant in a bankruptcy proceeding unrelated to the Debtor, which matter concluded more than two (2) years ago.

iv. Saul Subsidiary Connecticut Avenue – SRGPE represented Saul Subsidiary I, LP, in a tenant matter which concluded more than four (4) years ago. SRGPE has represented, and currently represents, other “Saul” affiliates in matters unrelated to the Debtor.

v. Washington Real Estate Investment Trust – SRGPE provided legal services to this landlord on leasing and real estate matters more than ten (10) years ago. More recently, SRGPE has represented numerous tenants in matters adverse to this landlord.

vi. Robin Tang – In 1998-1999, SRGPE represented Debtor in connection with lease negotiations with this landlord. In 2003, SRGPE represented Debtor in connection with a lease amendment of the lease with this landlord. In 2007, SRGPE was retained to represent this landlord with respect to immigration related matters, and undertook to represent this landlord in connection with a casualty insurance dispute with an insurance carrier unrelated to the Debtor. In 2008, prior to retention of SRGPE by the Debtor, this landlord consulted with SRGPE regarding a pending litigation matter in which the Debtor was not a party or related, and possible future representation with respect to real estate property management issues, collection of rents and other personal matters unrelated to the Debtor. SRGPE has not commenced representation of this landlord with respect to the new matters and presently represents the landlord only with respect to certain on-going immigration matters.

While SRGPE does not believe that any prior relationship with any of the above landlords renders SRGPE unable to qualify as disinterested with respect to its representation of the Debtor, SRGPE has discussed with the Debtor the possibility that if any disputed issues arise

during the reorganization case with respect to leases with landlords who have in the past been represented by SRGPE, the Debtor will retain special counsel to deal with landlord claims and/or disputes in order to avoid even an appearance of any improper or lack of disinterestedness on the part of SRGPE.

9. SRGPE's shareholders and employees may have business associations with, professional, familiar or social relationships with, or interests aligned with or adverse to, creditors, shareholders or parties-in-interest, or their attorneys or agents; as far as I have been able to ascertain, none of these associations or interests has any connection with the Debtor or this case. As part of its practice, SRGPE regularly appears in cases, proceedings and transactions in many jurisdictions, and works together with or adverse to many different parties, which may include creditors, shareholders or parties-in-interest, or attorneys or accountants which may represent creditors, shareholders or parties-in-interest, in these cases.

10. To the best of my knowledge, neither SRGPE nor any shareholder of the firm is:

- a. A creditor, an equity security holder or an insider of the Debtor;
- b. Within two years before the Petition Date, a director, officer or employee of the Debtor.

11. To the best of my knowledge, SRGPE does not have an interest materially adverse to the interests of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor, or for any other reason.

12. To the best of my knowledge, no attorney at SRGPE is related to any United States District Judge or United States Bankruptcy Judge for the District of Maryland or to the

United States Trustee or any employee of the Office of the United States Trustee for such district.

13. As far as I have been able to ascertain to date, based upon the due diligence described above, SRGPE (a) is a disinterested person as that term is defined in 11 U.S.C. § 101(14); (b) does not hold or represent an interest adverse to the estate; and (c) except as set forth herein, has no connections with the Debtor or, to the extent identified to SRGPE and included in the inquiries described, any creditor, any other party-in-interest, their respective attorneys and accountants, the Office of the United States Trustee for this District or anyone employed in that Office.

SRGPE's Compensation

14. Prior to the filing of this Chapter 11 case, and in contemplation thereof, the Debtor and SRGPE entered into an engagement letter dated as of March 17, 2008 (the "Engagement Letter"), pursuant to which the Debtor engaged SRGPE to represent it in connection with financial difficulties which it was experiencing and possibly Chapter 11 proceedings if Debtor's management determined that such proceedings were advisable in their business judgment. In connection with that pre-petition work, SRGPE received an advance retainer in the aggregate amount of \$72,500. By agreement with the Debtor, this retainer was applied first to SRGPE's fees and expenses for services rendered and expenses incurred between January 4, 2008 and the Petition Date, with any balance remaining after such application to be held by SRGPE as an advance retainer for post-petition fees and expenses (the "Retainer"). SRGPE applied a total of \$29,815.50 of the Retainer for pre-petition fees and \$1,118.75 of the Retainer for pre-petition costs. SRGPE is holding \$41,565.75 as a security retainer for post-petition services, subject to application and allowance by the Court.

15. The Debtor has agreed that, to the extent the legal fees, costs and charges of SRGPE's bankruptcy services approved by this Court exceed the Retainer, it will pay SRGPE its normal hourly rates charged to clients of the firm for legal services of this nature, and it will reimburse for SRGPE's out-of-pocket costs and charges incurred in the performance of those services. SRGPE's hourly rates for legal services provided by attorneys range from \$270.00 per hour to \$500.00 per hour and \$150.00 per hour to \$175.00 per hour for legal assistants and law clerks. The principal attorneys whom I presently believe will be called upon to render material services in connection with this Chapter 11 case (and their hourly rates) are myself, Morton A. Faller (\$435.00), Michael J. Lichtenstein (\$435.00), Stephen A. Metz (\$315.00), John D. Sadler (\$255.00) and Jessica Hepburn (\$245.00). Such rates are subject to change annually as of January 1st to reflect, among other things, increasing seniority within the firm. SRGPE may assign different or additional attorneys to this matter (including other bankruptcy, corporate, tax or litigation attorneys), depending upon the needs of the Debtor and this case.

16. The hourly rates set forth above are SRGPE's current, customary hourly rates for work of this nature. It is SRGPE's policy to charge its clients for photocopying charges, travel expenses, computerized research, transcription costs and non-ordinary overhead expenses. SRGPE intends to apply for compensation for professional services rendered in connection with these cases on an hourly basis, and for reimbursement of expenses incurred, in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and Orders of this Court.

17. To the best of my knowledge, no promises have been received by SRGPE nor any shareholder or associate thereof as to payment or compensation in connection with the above-captioned cases other than in accordance with applicable provisions of the Bankruptcy Code.

SRGPE has no agreement with any other entity to share with such entity any compensation received by SRGPE in connection with the Debtor' bankruptcy cases, except as permitted by Bankruptcy Rule 2016(b).

18. SRGPE intends to periodically review its database during the pendency of this Chapter 11 case to ensure, to the extent reasonably possible, that no conflict or other disqualifying circumstance exists or arises. If any new relevant fact or relationship is discovered or arises, SRGPE will, as soon as reasonably practicable after identifying such a matter, file a supplemental declaration with the Court in accordance with Bankruptcy Rule 2014(a).

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

/s/ Morton A. Faller
Morton A. Faller

Dated: April 2, 2008

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