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DEC 03 2002
U.S. BANKRUPTCY COURT
DISTRICT OF MARYLAND
GREENBELT

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
at Greenbelt

IN RE:	:	
	:	
Mattress Discounters Corporation and T.J.B., Inc.	:	**CASE NO. 02-22330**
	:	**(Joint Administration)**
Debtor(s).	:	

ORDER DENYING APPROVAL OF SALE

Mattress Discounters Corporation and T.J.B., Inc. (collectively the "Debtors") filed a Motion of the Debtors for Order (A) Approving Sale of Certain Assets of Mattress Discounters Corporation Relating to its California Operations, Free and Clear of all Liens, Claims, Encumbrances and Interests and (B) Approving Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Pursuant to Sections 105, 363 and 365 of the United States Bankruptcy Code (the "Motion) on October 23, 2002. Contemporaneous with the filing of the Motion, Debtors filed Emergency Motion by Debtor Mattress Discounters Corporation for Entry of an Order Scheduling an Expedited Hearing on Debtors' Request for Authority to Conduct an Auction for the Sale of Certain Assets of Mattress Discounters Corporation Relating to Its California Operations, Free and Clear of All Liens, Claims Encumbrances and Interests, (A) Establishing and Approving Bidding Procedures, Including Breakup Fee and Certain Other Buyer Protections, Pursuant to 11 U.S.C. Sections 105, 363, 365, 503 and 507, (B) Scheduling Dates for the Auction, the Sale Hearing and the Objection Deadline, (C) Establishing Procedure to Determine Cure Obligations Under Certain Executory Contracts and Unexpired Leases and (D) Approving the Form and Manner of Notice Pursuant to Fed. R. Bankr. Proc. 2002 Related

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Matters, and Approving Form, Manner and Sufficiency of Notice (the "Bidding Motion"). On November 4, 2002 the court entered an order approving the Bidding Motion and authorizing the conduct of an auction for the sale of certain assets. That order established that an auction for the sale of certain assets of the Debtors was to be held on November 19, 2002.

Debtors held the auction on November 19, 2002. Both ST San Diego, LLC and LB & USPI Acquisition, LLC ("Acquisition LLC") submitted bids at the auction. Following the conclusion of the auction, Debtors reported to the court that ST San Diego, LLC was the successful bidder. Subsequently, LB & USPI Acquisition, LLC ("Acquisition LLC") filed an Objection of LB & USPI Acquisition, LLC to Motion of Mattress Discounters Corporation and T.J.B., Inc. for Entry of an Order Approving the Sale of Certain Assets of Mattress Discounters Corporation Relating to its California Operations, Free and Clear of Liens, Claims, Encumbrances and Interests (the "Objection"). The Objection averred that Debtors failed to follow the approved bidding procedures and Debtors did not provide a fair opportunity for Acquisition LLC to submit its best and final offer. Debtors responded to the Objection asserting that it followed the bidding procedures and its sound business judgment selected ST San Diego, LLC as the winner of the auction.

On November 27, 2002, the court held a hearing on the Motion and the Objection. For the reasons set forth on the record at the hearing the Motion is denied.

WHEREFORE, it is by the United States Bankruptcy Court for the District of Maryland,

ORDERED, that the Motion of the Debtors for Order (A) Approving Sale of Certain Assets of Mattress Discounters Corporation Relating to its California Operations, Free and Clear of all Liens, Claims, Encumbrances and Interests and (B) Approving Assumption and

Assignment of Certain Executory Contracts and Unexpired Leases Pursuant to Sections 105, 363 and 365 of the United States Bankruptcy Code is denied; and it is further

ORDERED, that this order shall be served by Debtors' Counsel upon all parties entitled to such service.

DATED: 12/2/02

DUNCAN W. KEIR
United States Bankruptcy Judge
for the District of Maryland