

SHULMAN ROGERS HELPS CLIENT REORGANIZE FOR SUCCESS

Classic Sleep Files Chapter 11 to Pave Way for New Investor

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JESSUP, Md. — Classic Sleep Products, a specialty bedding producer, filed for Chapter 11 protection Monday and is aiming to restructure its business with a new investor.

With the approval of the court, a new company, Classic Brands LLC, would own the assets. That company is backed by \$10 million in new financing, Classic said.

Classic Sleep said its longtime Chinese manufacturing partner, which it did not identify, will have an equity stake in the new company. The business plan for the new company creates "a unique opportunity for Classic to solidify its position as the leading value mattress brand in the U.S.," the company said.

Classic said there will be no disruption of service to its customers, vendors or suppliers. It expects to make a speedy exit from Chapter 11.

The current management team, led by CEO Mike Zippelli, will increase its majority ownership stake in the company under the new Classic Brands entity, with funding provided by JMX Capital Partners and Classic's senior lender, CIT Financial.

"We see this move as a very exciting opportunity to solidify Classic's position as the leading value brand in the United States," Zippelli said. "This strong infusion of capital will strengthen our current business and position the company for dynamic future growth."

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He said the Chapter 11 filing was necessary for Classic to separate itself from its parent company, Dormia, which had operated more than 30 mattress stores until shortly after its Chapter 11 filing 18 months ago.

"We have worked closely with our Chinese supplier for many years," Zippelli said. "We are designing mattresses and they are building beds to the same specifications we use in our Jessup facility, but at pricing that delivers greater value to the consumer. The cost differential gives us a unique strategic advantage by enabling us to include features at the under \$1,500 price point at quality levels that are impossible to produce domestically."

Classic began sourcing its value-priced beds from China last year.

The company sells its bedding and accessories under the Dormia, Space Age and Natural Expressions brands.