

**UNITED STATES BANKRUPTCY COURT
THE SOUTHERN DISTRICT OF NEW YORK**

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER ESTABLISHING PROCEDURES FOR THE ASSERTION,
RESOLUTION AND SATISFACTION OF (I) BANKRUPTCY CODE SECTION
503(B)(9) CLAIMS AND (II) RECLAMATION CLAIMS**

Upon the motion, dated July 19, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order establishing procedures for the assertion, resolution and satisfaction of (i) Bankruptcy Code section 503(b)(9) claims and (ii) reclamation claims; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if applicable, are: (i) Jennifer Convertibles, Inc. (4646); (ii) Jennifer Convertibles Boylston MA, Inc. (7904); (iii) Jennifer Chicago Ltd. (0505); (iv) Elegant Living Management, Ltd. (5049); (v) Hartsdale Convertibles, Inc. (1681); (vi) Jennifer Management III Corp. (3552); (vii) Jennifer Purchasing Corp. (7319); (viii) Jennifer Management II Corp. (9177); (ix) Jennifer Management V Ltd. (9876); (x) Jennifer Convertibles Natick, Inc. (2227); (xi) Nicole Convertibles, Inc. (5985); (xii) Washington Heights Convertibles, Inc. (0783).

² All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

interests of the Debtors, their estates, and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED

2. The following procedures (the “503(b)(9) Claims Procedures”), which 503(b)(9)

Claims Procedures are hereby authorized and approved in their entirety, shall apply to all 503(b)(9) Claims:

- a. Any Vendor asserting a 503(b)(9) Claim must prepare a proof of claim (a “Proof of 503(b)(9) Claim”) that sets forth (i) the value of the goods the claimant contends the Debtors received within twenty days prior to the Petition Date; (ii) documentation, including invoices, receipts, bills of lading and the like, identifying the particular goods for which the claim is being asserted; and (iii) documentation regarding which Debtor entity the goods were shipped to including the address of delivery, the date the goods were received by such Debtor entity, and the alleged value of such goods;
- b. All Proofs of 503(b)(9) Claims must (i) be filed with the Debtors’ claims agent, BMC Group Inc., (a) by U.S. Mail to Jennifer Convertibles, Inc., et al., C/O BMC Group, Inc., PO Box 3020, Chanhassen, MN 55317-3020, , or (b) by messenger or overnight delivery, to Jennifer Convertibles, Inc., et al., C/O BMC Group, Inc., 18750 Lake Drive East, Chanhassen, MN 55317; and (ii) be served on counsel for the Debtors , Olshan Grundman Frome Rosenzweig & Wolosky LLP, 65 E 55th Street, New York, NY 10022, Attn: Michael S. Fox, Esq. and Jordanna Nadritch, Esq., so as to be received, in each case, no later than the thirtieth day after entry of the order granting the relief requested (the “503(b)(9) Claim Filing Deadline”);
- c. The Debtors shall have 30 days after the 503(b)(9) Claim Filing Deadline to file with the Court and serve any objections to timely filed 503(b)(9) Claims (the “503(b)(9) Objection Deadline”);
- d. Vendors shall have 30 days from the 503(b)(9) Objection Deadline to file with the Court and serve any replies to such objections;
- e. All timely filed 503(b)(9) Claims will be deemed allowed unless objected to by the Debtors on or before the 503(b)(9) Objection Deadline;

- f. Notwithstanding and without limiting the foregoing, the Debtors are authorized, but not required, to negotiate, in their discretion, and in consultation with the Official Committee of Unsecured Creditors (the “Committee”), with any Vendor and to seek an agreement resolving any objection to such Vendor’s 503(b)(9) Claim. The approval of such an agreement will be subject to notice and a hearing; and
- g. To the extent a 503(b)(9) Claim is allowed, such 503(b)(9) Claim will be satisfied pursuant to and as set forth in such plan of reorganization as shall be confirmed by the Court, or as otherwise ordered by the Court after notice and an opportunity for a hearing.

3. The 503(b)(9) Claims Procedures are the sole and exclusive method for the assertion, resolution, allowance, and satisfaction of 503(b)(9) Claims against the Debtors.

4. All Vendors are prohibited from utilizing any other means for the assertion, reconciliation, allowance, resolution, or satisfaction of their 503(b)(9) Claims, including, without limitation, the filing of a motion for allowance, or to compel payment, of any 503(b)(9) Claims.

5. To the extent a Vendor asserting a claim under section 503(b)(9) of the Bankruptcy Code has been paid pursuant to another order entered by the Court in these chapter 11 cases, including, without limitation, any orders authorizing the Debtors to pay prepetition claims of certain essential suppliers and vendors, the 503(b)(9) Claims Procedures shall not apply and any 503(b)(9) Claim asserted by such Vendor shall be deemed withdrawn without the need for any application to, or further order of, the Court.

6. The Debtors are authorized to resolve all Reclamation Claims in accordance with the following reclamation procedures (the “Reclamation Procedures”), which are hereby approved and authorized in their entirety:

- a. Any Vendor asserting a Reclamation Claim must satisfy all procedural and timing requirements entitling it to have a right to reclamation under section 546(c) of the Bankruptcy Code;
- b. Any Vendor asserting a Reclamation Claim must submit a written demand asserting such Reclamation Claim (a “Reclamation Demand”) which must (i) include (A) a description of the Goods subject to the Reclamation

Demand; (B) the name of the Debtor entity to whom such Goods were delivered and the address of delivery; (C) copies of any purchase orders and invoices relating to such Goods; and (D) any evidence regarding the date(s) such Goods were shipped to and received by such Debtor entity; and (ii) be delivered to (a) Jennifer Convertibles, Inc., 417 Crossways Park Drive, Woodbury, New York 11797 Attn: Rami Abada; and (b) attorneys for the Debtors , Olshan Grundman Frome Rosenzweig & Wolosky LLP, 65 E 55th Street, New York, NY 10022, Attn: Michael S. Fox, Esq. and Jordanna Nadritch, Esq., so as to be received, in each case, in accordance with the deadlines set forth in section 546(c) of the Bankruptcy Code;

- c. Upon receipt of a Reclamation Demand, the Debtors will serve upon the Vendor, at the address indicated in its Reclamation Demand, a copy of the order granting this Motion;
- d. No later than 60 days after entry of the order granting the relief requested herein (the “Reclamation Notice Deadline”), the Debtors will file with the Court a notice (the “Reclamation Notice”), listing the Reclamation Claims and the amount (if any) of each such Reclamation Claim that the Debtors determine to be valid. The Debtors will serve the Reclamation Notice on the following parties (the “Reclamation Notice Parties”): (i) Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”); (ii) counsel for the Committee; and (iii) each Vendor listed in the Reclamation Notice, at the address indicated in the respective Vendor’s Reclamation Demand.
- e. If the Debtors fail to file the Reclamation Notice by the Reclamation Notice Deadline, any holder of a Reclamation Claim that submitted a Reclamation Demand in accordance with paragraph 15(b) of this Motion may bring a motion on its own behalf to seek relief with respect to its Reclamation Claim;
- f. Any party that wishes to object to the Reclamation Notice must file and serve an objection (a “Reclamation Notice Objection”) on the Reclamation Notice Parties and attorneys for the Debtors, Olshan Grundman Frome Rosenzweig & Wolosky LLP, 65 E 55th Street, New York, NY 10022, Attn: Michael S. Fox, Esq. and Jordanna Nadritch, Esq., so as to be received in each case no later than 4:00 pm (Eastern Time) on the twentieth (20th) day after the date on which the Reclamation Notice is filed (the “Reclamation Objection Deadline”). Any Reclamation Notice Objection must include (i) a copy of the Reclamation Demand, with evidence of the date mailed to the Debtors; and (ii) a statement describing with specificity the objections to the Reclamation Notice and any legal basis for such objections;
- g. Any Reclamation Claim listed in the Reclamation Notice for which no Reclamation Notice Objection was filed and served by the Reclamation

Objection Deadline shall be deemed allowed by the Court in the amount identified by the Debtors in the Reclamation Notice, provided that all issues relating to the treatment of any such allowed Reclamation Claim shall be reserved;

- h. Notwithstanding and without limiting the foregoing, the Debtors would be authorized, but not required, to negotiate, in their discretion, and in consultation with the Committee, with any Vendor and to seek an agreement resolving the Vendor's Reclamation Claim or Reclamation Notice Objection. If the Debtors and a Vendor agree on the validity, amount, or treatment of the Vendor's Reclamation Claim, the Debtors will prepare and file with the Court a notice of settlement (a "Reclamation Settlement Notice") and serve such Reclamation Settlement Notice on the Reclamation Notice Parties. Each Notice Party will have ten (10) days from the date of service of such Reclamation Settlement Notice to file with the Court and serve on the other Reclamation Notice Parties and attorneys for the Debtors an objection thereto (a "Reclamation Settlement Objection");
- i. If no Reclamation Settlement Objection with respect to a Reclamation Claim that is the subject of a Reclamation Settlement Notice is timely filed and served, such Reclamation Claim will be treated in accordance with the Reclamation Settlement Notice without further order of the Court.
- j. If a Reclamation Settlement Objection with respect to a Reclamation Claim that is the subject of a Reclamation Settlement Notice is timely filed and served, the parties may negotiate a consensual resolution of such objection to be incorporated in a stipulation filed with the Court (a "Reclamation Settlement Stipulation"). Upon the filing of a Reclamation Settlement Stipulation, the applicable Reclamation Claim shall be allowed and treated in accordance with the terms of the Reclamation Settlement Stipulation without further order of the Court.
- k. If no consensual resolution of a Reclamation Settlement Objection with respect to a Reclamation Claim that is the subject of a Reclamation Settlement Notice is reached within thirty (30) days after the date the Reclamation Settlement Objection was filed and served, the Debtors may file a motion with the Court requesting a hearing to fix the allowed amount of the Reclamation Claim, unless the Debtors and the party filing the Reclamation Settlement Objection agree in writing to extend such thirty (30) day period; and
- l. If any Reclamation Claims are still subject to a pending Reclamation Notice Objection sixty (60) days following the Reclamation Objection Deadline (or a later date as may be agreed to in writing by the Vendor and the Debtors) and no Reclamation Settlement Notice has been filed therewith, the Debtors may file a motion with the Court to fix the allowed

amounts of such Reclamation Claims and schedule a hearing to consider such motion.

7. The Reclamation Procedures are the sole and exclusive method for resolving unpaid Reclamation Claims asserted against the Debtors.

8. All Vendors are prohibited from seeking any other means for the resolution or treatment of their Reclamation Claims, including, without limitation: (a) commencing adversary proceedings and contested matters in connection with any Reclamation Claims, (b) seeking to obtain possession of any Goods, and (c) interfering with the delivery of any Goods to the Debtors.

9. Any adversary proceedings or contested matters related to Reclamation Claims, whether currently pending or initiated in the future, except those proceedings initiated by the Debtors in accordance with the Reclamation Procedures, are stayed and the claims asserted therein shall be resolved exclusively pursuant to the Reclamation Procedures set forth herein.

10. To the extent a Reclamation Claim has been paid by the Debtors pursuant to another order entered by the Court in these chapter 11 cases, including any orders authorizing the Debtors to pay prepetition claims of certain essential suppliers and vendors, the Reclamation Procedures shall not apply to such Vendor and any Reclamation Claim filed by such Vendor with the Court shall be deemed withdrawn without the need for any further order of the Court.

11. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

12. Bankruptcy Rule 6003(b) has been satisfied.

13. The requirements of Bankruptcy Rule 6004(a) are waived, and notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order.

14. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: August __, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE