

**OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP**
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Michael S. Fox, Esq.
Jordanna L. Nadritch, Esq.
212.451.2300

Proposed Counsel to the Debtors

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Motion for Joint Administration Pending)

**DEBTORS' MOTION FOR AN ORDER (I) AUTHORIZING
DEBTORS (A) TO CONTINUE EXISTING CASH MANAGEMENT SYSTEMS,
(B) TO MAINTAIN EXISTING BANK ACCOUNTS AND BUSINESS FORMS, AND
(C) TO CONTINUE INTERCOMPANY ARRANGEMENTS AND
(II) WAIVING THE REQUIREMENT OF SECTION 345(b)**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors in possession (together, the “Debtors”), hereby move this Court for entry of an order (i) authorizing the Debtors (a) to continue to maintain existing cash management systems, (b) to maintain existing bank accounts and business forms, and (c) to continue intercompany arrangements and (ii) extending the time to comply with section 345(b) requirements (the “Motion”). In support of the Motion, the Debtors respectfully state as follows:

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).

Background

1. On July 18, 2010 (the “Petition Date”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or statutory creditors’ committee has been appointed in these chapter 11 cases.

2. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofabed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern seaboard, Midwest, West Coast and Southwest, and (ii) seven big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries, Inc.

3. In order to generate sales, the Debtors rely on aggressive pricing, the attractive image of its stores, extensive advertising and prompt delivery. Operations are classified into two operating segments organized by retail concept: Jennifer and Ashley. The Jennifer segment operates the sofabed specialty retail store concept. The Ashley segment is the big box, full line home furniture retail store concept. There are no inter-company sales between segments. The Ashley segment is highly profitable due to its unique sourcing model, whereby once most sales are executed, Ashley’s supplier manages the supply chain process. Under the Ashley sourcing model, the Debtors need for warehouse inventory is reduced, thereby limiting working capital needs and infrastructure requirements. The Debtors’ two operating segments enable the Debtors to more effectively offer diverse home furnishings and accessories and expand to a broader consumer base.

4. As of the Petition Date, the Debtors' stores include 130 stores operated by the Jennifer segment. During fiscal 2007, the Debtors opened their first Ashley Store. As of the Petition Date, the Debtors operate seven Ashley Stores.

5. As of the Petition Date, the Debtors employ 497 people. There are 336 employees in the Jennifer segment, 114 employees in the Ashley segment and 47 corporate employees. None of the employees are represented by a collective bargaining unit.

6. For the fiscal year ended August 29, 2009, the Debtors' consolidated financial statements showed revenues from continuing operations of approximately \$94,177,000, compared with \$120,131,000 for the fiscal year ended August 30, 2008, and \$132,683,000 for the fiscal year ended August 25, 2007. For the thirty-nine weeks ended May 29, 2010, revenues from continuing operations were approximately \$70,036,000, with \$56,144,000 coming from the Jennifer segment stores, and \$13,892,000 from the Ashley segment stores.

7. Net sales from continuing operations were \$88,845,000 and \$113,073,000 for the fiscal years ended August 29, 2009 and August 30, 2008, respectively. Net sales from continuing operations decreased by 21.4%, or \$24,228,000 for the fiscal year ended August 29, 2009 compared to the fiscal year ended August 30, 2008. The decrease in net sales is attributable to a decline in overall demand within the furniture industry sector due to a poor housing market and an overall weak U.S. economy. Consolidated same store sales from continuing operations (sales at those stores open for the entire current and prior comparable periods) decreased 19.6% for the thirteen weeks ended May 29, 2010, compared to the same period ended May 30, 2009.

8. Specifically, in the Ashley segment, net sales from continuing operations were \$5,106,000 and \$3,363,000 for the thirteen-week periods ended May 29, 2010 and May 30,

2009, respectively. Net sales from continuing operations increased by 51.8%, or \$1,743,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The increase is largely attributable to four new Ashley locations open during the thirteen-week period ended May 29, 2010, that were not open during the same thirteen week period last year.

9. In the Jennifer segment, net sales from continuing operations were \$16,375,000 and \$16,987,000 for the thirteen-week periods ended May 29, 2010 and May 30, 2009, respectively. Net sales from continuing operations decreased by 3.6%, or \$612,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The decrease is attributable to the decline in overall demand within the furniture industry sector due to the prevailing conditions of the U.S. economy, the current housing market, store closings, and delays in receipt of merchandise from the Debtors' Chinese supplier, all as discussed in greater detail in the other first day motions, filed concurrently herewith.

10. The factual background relating to the Debtors' commencement of these chapter 11 cases is set forth in additional detail in the Declaration of Rami Abada in Support of First Day Motions (the "Abada Declaration") filed contemporaneously with this Motion and incorporated herein by reference.

Jurisdiction

11. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

12. The statutory bases for the relief requested herein are sections 105(a), 345(b), and 363 of the United States Code (the "Bankruptcy Code"), and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Relief Requested

13. The Debtors request, pursuant to sections 105(a), 363(c) and 345(b) of the Bankruptcy Code, authority to (a) continue their existing cash management systems, as modified herein, (b) maintain existing bank accounts (the “Bank Accounts”) located at various banks (the “Banks”), including those listed on Exhibit A annexed hereto, and business forms, and (c) continue their existing intercompany funding arrangements, as modified herein, and a waiver of the requirements of Bankruptcy Code § 345(b).

14. Absent the requested relief, the Debtors will be unable to effectively and efficiently maintain their financial operations, which will cause significant harm to the Debtors and their estates and creditors. By preserving business continuity, and avoiding the disruption and delay to the Debtors’ payroll, disbursement, and collection activities that would necessarily result from closing the Bank Accounts and opening new accounts, all parties in interest, including employees, vendors, patrons, and creditors, will be best served. The benefit to the Debtors, their business operations, and all parties in interest will be considerable.

The Debtors’ Cash Management Systems

15. Prior to the Petition Date and in the ordinary course of business, the Debtors used more than 43 Bank Accounts which formed their cash management system (the “Cash Management System”). Given the complexity of the Cash Management System and multiple Bank Accounts, this Motion does not describe each and every Bank Account, but rather highlights the significant features of the prepetition Cash Management System that has been used by the Debtors prior to the commencement of these chapter 11 cases. This Cash Management System was organized to collect, concentrate and transfer the funds generated by the Debtors’ retail furniture sales, and to disburse the funds necessary to satisfy the obligations of these businesses.

16. The schematics depicting the movement of cash through the Cash Management System are annexed hereto as Exhibit B.

Cash Collection

17. The Debtors generate revenues from the sale of furniture and accessories, fabric and leather protection services and home delivery charges. Customers' payments are in the form of cash, checks and credit cards – American Express, MasterCard, VISA and Discover. The credit card payments are deposited directly to the respective segments' concentration account as discussed herein by a credit card processor. Jennifer and Ashley each have a separate concentration account (each the “Jennifer Concentration Account” and the “Ashley Concentration Account”). Cash and checks received from customers at the stores are deposited to respective store deposit accounts (the “Store Accounts”). CODs in the form of cash or check collected by truckers upon delivery of merchandise are deposited in designated deposit accounts (the “Trucker Accounts”) of the Jennifer segment. Ashley customers are required to pay 100% of the purchase price at the time of sale order and all cash and checks received at the Ashley segment stores at time of sale are deposited into the Ashley Concentration Account.

Cash Concentration

18. The Jennifer Concentration Account and Ashley Concentration Account are each maintained at JP Morgan Chase, NA. Funds deposited to the Jennifer Store Accounts and Trucker Accounts are regularly swept to the Jennifer Concentration Account. The Jennifer Concentration Account and Ashley Concentration Account each provide cash to the respective segments' disbursement account, a “zero balance” account (the “Disbursement Accounts”). The Jennifer Concentration Account also funds the payroll account, another “zero balance” account (the “Payroll Account”). Funds are generally swept to and from the Disbursement Accounts and Payroll Account, and linked to the designated Concentration Account. In addition, transfers are

periodically made from the Ashley Concentration Account to the Jennifer Concentration Account to fund certain Ashley store related expenses paid by Jennifer on behalf of this segment.

Cash Disbursement

19. Because the Disbursement Accounts are “zero balance” accounts, money can be swept to and from such accounts to the various operating accounts as needed to satisfy the Debtors’ obligations. The Debtors maintain the Disbursement Accounts for payments made to vendors, tax jurisdictions and customers, as well as the specialized Payroll Account.

20. The parent company, Jennifer Convertibles, Inc., pays all expenses. For example, Jennifer Convertibles, Inc. funds the cost of merchandise for Jennifer Purchasing Corporation, as well as payroll and store related expenses, including rent of the operating subsidiaries. Jennifer Convertibles, Inc. receives reimbursement for these expenses through an intercompany accounting debit.

Other Accounts

21. The Debtors also hold three certificates of deposit (the “Certificates of Deposit”). In June 2010, the Debtors entered into a letter of credit in the amount of \$59,868 as required by a supplier. The Debtors purchased a Certificate of Deposit for the same amount as collateral for the letter of credit. In December 2008, the Debtors opened a Certificate of Deposit in the amount of \$25,000 with American Express Bank as collateral for a corporate credit card. A final Certificate of Deposit originated in February 2004, and represents collateral for a 2004-2005 workers’ compensation insurance policy in the amount of \$73,880.

22. Finally, through October 2009, at the end of each business day, excess cash in the Concentration Accounts was swept into money-market accounts (the “Vista Accounts”) managed by the Bank that maintains the Jennifer Concentration Account and Ashley Concentration Account. This allowed the Debtors to earn interest on their account balances. All amounts in

these Vista Accounts were transferred back into either the Jennifer Concentration Account or the Ashley Concentration Account at the beginning of each business day. After October 2009, the Vista Accounts were no longer interest bearing and thus they are currently zero balance, inactive accounts.

23. The Debtors account for the movement of cash between, as well as the payment of expenses on account of, the various legal entities by recording intercompany payables and receivables. In general, the intercompany accounts are treated as unsecured debts and are reflected on the individual balance sheets of the various subsidiaries. Many subsidiaries could not function without the transfer of cash from Jennifer Convertibles, Inc. to fund the subsidiaries operations.

24. The Debtors will continue to maintain all receipts, disbursements and records of all transfers within the Cash Management System utilized postpetition. In this way, all transfers and transactions will be properly documented, and accurate intercompany balances will be maintained. As a result, the Debtors will be able to accurately document and record the transactions occurring within the Cash Management System, including intercompany transfers, for the benefit of all parties in interest.

25. Based on the foregoing, the Debtors believe that maintenance of the existing Cash Management System is in the best interests of their estates and all parties in interest. Therefore, the Debtors seek authority to maintain and use their Cash Management Systems during their chapter 11 cases.

Basis for Relief

Continuing the Cash Management System is in the Best Interests of the Debtors, Their Creditors and All Parties in Interest

26. The Debtors seek authority to continue to operate their Cash Management Systems, as modified herein and in accordance with any postpetition orders entered in these chapter 11 cases. The Debtors do not intend to “freeze” any intercompany balances that existed as of the Petition Date and will maintain all records of receipts, disbursements and all transfers within the Cash Management Systems used during the postpetition period. In this way, all transfers and transactions will be properly documented and accurate intercompany balances will be maintained.

27. The Debtors’ Cash Management Systems constitute ordinary course and essential business practices providing significant benefits to the Debtors, including, among other things, the ability to control corporate funds, ensure the maximum availability of funds when and where necessary, and reduce borrowing costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account balance information. Based upon the foregoing, maintenance of the existing Cash Management System is in the best interests of the Debtors and their estates.

28. Moreover, the relief sought by the Debtors is contemplated by the Bankruptcy Code. Section 363(c)(1) of the Bankruptcy Code authorizes the debtor in possession to “use property of the estate in the ordinary course of business without notice or a hearing.” The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business without unnecessary oversight by its creditors or the court. *See Med. Malpractice Ins. Ass’n v. Hirsch (In re Lavigne)*, 114 F.3d 379, 384 (2d Cir. 1997); *In re Git-N-Go-, Inc.*, 322 B.R. 164, 171 (Bankr.

N.D. Okla 2004); *In re Enron Corp*, No. 01-16034 (ALG), 2003 WL 1562202, at *15 (Bankr. S.D.N.Y. Mar 21, 2003); *In re Atlanta Retail, Inc.*, 287 B.R. 849, 856 (Bankr. N.D. Ga. 2002); *Chaney v. Official Comm. Of Unsecured Creditors of Crystal Apparel, Inc. (In re Crystal Apparel, Inc.)*, 207 B.R. 406, 509 (S.D.N.Y. 1997).

29. The Court may also exercise its equitable powers to grant the relief requested herein. Section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary to carry out the provisions of this title.” 11 U.S.C. § 105(a). Continuing the Debtors’ Cash Management Systems without interruption is vital to the efficient and economic administration of these chapter II cases. *See, e.g., In Re Lexington Precision Corp.*, Case No. 08-11153 (MG) (Bankr. S.D.N.Y. Apr. 2, 2008) [Docket No. 25]; *In re PRC, LLC*, Case No. 08-10239 (MG) (Bankr. S.D.N.Y. Jan. 25, 2008) [Docket No. 36]; *In re Atkins Nutritionals, Inc.*, Case No. 05-15913 (ALG) (Bankr. S.D.N.Y. Aug. 1, 2005) [Docket No. 36].

Performance of Intercompany Arrangements is Warranted

30. As noted above, in connection with the Cash Management System, the Debtors enter into certain intercompany transactions, in the ordinary course of business. If these intercompany transactions are discontinued there will be significant disruption to the Debtors’ business operations. Accordingly, the Debtors believe such intercompany transactions are in the best interests of the Debtors’ estates and their creditors.

31. The Debtors maintain records of all intercompany transactions and can ascertain, trace, and account for intercompany transactions at all times. The Debtors will continue to maintain such records postpetition. The Court should authorize the Debtors to continue their intercompany arrangements in accordance with their business judgment.

32. As a result of the intercompany transactions, there may be intercompany claims (“Intercompany Claims”) that reflect the intercompany receivables and payments made in the

ordinary course of the Debtors' businesses. To ensure that a Debtor will not fund, at the expense of its creditors, the operations of a related entity, the Debtors respectfully request that, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all Intercompany Claims against a Debtor by another Debtor or non-Debtor affiliate arising after the Petition Date as a result of an intercompany transaction be accorded administrative expense status. If Intercompany Claims are accorded administrative expense status, each entity utilizing funds flowing through a Cash Management System will continue to bear ultimate repayment responsibility for its ordinary course transactions with affiliates.

33. Administrative expense treatment for intercompany transactions has been granted in other comparable chapter 11 cases in this District. *See In re Fairpoint Communications, Inc., et al.*, Case No. 09-16335 (BRL) (Bankr. S.D.N.Y. Nov. 18, 2009); *In re Chrysler LLC, et al.*, Case No. 09-50002 (AJG) (Bankr. S.D.N.Y. May 20, 2009); *In re Dana Corporation*, Case No. 06-10354 (BRL) (Bankr. S.D.N.Y. March 29, 2006); *In re Calpine Corporation*, Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Jan. 26, 2006); *In re Global Crossing, Ltd.*, Case No. 02-40188 (REG) (Bankr. S.D.N.Y. Jan. 28, 2002); *In re Enron Corp.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 3, 2001); *In re Worldcom, Inc.*, Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. July 22, 2002).

Ample Cause Supports the Debtors' Maintenance of Existing Bank Accounts and Business Forms

34. The Office of the United States Trustee's "Operating Guidelines For Chapter 11 Cases" (the "UST Guidelines") mandate the closure of the Debtors' prepetition bank accounts and the opening of new accounts as a result of the filing of the petitions. If the Debtors are required to comply with these requirements, their operations would be severely harmed by the

disruption, confusion, delay and cost that most certainly would result from the closure of their existing Bank Accounts.

35. The Debtors believe that their transition to chapter 11 will be more orderly, with a minimum of harm to operations, if all Bank Accounts are continued following the Petition Date with the same account numbers; provided, however, that checks issued or dated prior to the Petition Date will not be honored absent an order of the Court. By preserving business continuity and avoiding the disruption and delay to the Debtors' collection and disbursement procedures that would necessarily result from closing the Bank Accounts and opening new accounts, all parties in interest will be best served.

36. In addition to mandating the closure of a debtor's prepetition bank accounts, the UST Guidelines require the immediate printing of new checks with the label "Debtor-in-Possession. To avoid disruption to their business and to minimize expenses, the Debtors respectfully request they be authorized to continue to use their existing check stock (collectively, the "Business Forms"), substantially in the forms existing immediately before the Petition Date, without reference to their status as debtors in possession at least until their existing stock runs out.

37. In other chapter 11 cases, bankruptcy courts have recognized that strict enforcement of bank account closing requirements does not serve the rehabilitative process of chapter 11. Bankruptcy courts in this district routinely have waived such requirements and replaced them with alternative procedures on a case-by-case basis. A similar authorization is appropriate in the Chapter 11 cases with respect to the Bank Accounts.

38. Bankruptcy courts routinely permit chapter 11 debtors to continue using their existing cash management systems, generally treating requests for such relief as a relative

“simple matter.” *In re Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987); *see also Official Comm. of Unsecured Creditors v. Columbia Gas Sys. Inc. (In re Columbia Gas Sys. Inc.)*, 997 F.2d 1039, 1061 (3d Cir. 1993) (noting with approval the bankruptcy court’s finding that a requirement to maintain all accounts separately “would be a huge administrative burden and economically inefficient.”); *Charter Co. v. Prudential Ins. Co. of Am. (In re Charter Co.)*, 778 F.2d 167, 621 (11th Cir. 1985) (holding that the debtors’ post-petition use of their pre-petition “routine case management system” was “entirely consistent” with applicable provisions of the Bankruptcy Code).

39. Further, the continued post-petition use of cash management systems has been approved as a routine matter in other bankruptcy cases in this district. *See, e.g., In re Dana Corp.*, No. 06-10354 (BRL) (Bankr. S.D.N.Y. Mar. 29, 2006); *In re Calpine Corp.*, No. 05-60200 (BRL) (Bankr. S.D.N.Y. Jan. 26, 2006); *Musicland Holding Corp.*, No. 06-10064 (SMB) (Bankr. S.D.N.Y. Jan 17, 2006); *In re Delphi Corp.*, No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005).

Compliance with Section 345(b) of the Bankruptcy Code

40. Section 345 of the Bankruptcy Code governs a debtor’s deposit and investment of cash during a chapter 11 case and authorizes deposits or investments of money as “will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment.” For deposits or investments that are not “insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States,” section 345(b) of the Bankruptcy Code requires the estate to obtain from the entity with which the money is deposited or invested a bond in favor of the United States that is secured by the undertaking of an adequate corporate surety, unless the Court for cause orders otherwise. In the alternative, the estate may require the entity to deposit

governmental securities pursuant to 31 U.S.C. § 9303, which provides that when a person is required by law to give a surety bond, that person, in lieu of a surety bond, may provide a governmental obligation.

41. Strict compliance with the requirements of section 345(b) of the Bankruptcy Code would, in a case such as this, be inconsistent with section 345(a), which permits a debtor in possession to make such investments of money of the estate “as will yield the maximum reasonable net return on such money.” Thus, in 1994, to avoid “needlessly handcuffing larger, more sophisticated debtors,” Congress amended section 345(b) of the Bankruptcy Code to provide that its strict investment requirements may be waived or modified if the Court so orders “for cause.” 140 Cong. Rec. H. 10,767 (Oct. 4, 1994), 1994 WL 54773.

42. The Debtors believe that their current investments will provide the protection contemplated by section 345(b) of the Bankruptcy Code, notwithstanding the absence of a “corporate surety” requirement. Similarly, the Debtors believe that any funds held in the Bank Accounts in excess of the amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) are secure and that obtaining bonds to secure these funds, as required by section 345(b) of the Bankruptcy Code, is unnecessary in the context of these cases. “Cause” exists under section 345(b) of the Bankruptcy Code to waive this requirement because, among other considerations, (i) the Debtors’ Banks are highly rated, federally chartered banks subject to supervision by federal banking regulators, (ii) the Debtors retain the right to close accounts and establish new bank accounts as needed, (iii) the cost associated with satisfying the requirements of section 345 is burdensome, and (iv) the process of satisfying those requirements would lead to needless inefficiencies in the management of the Debtors’ businesses. The Debtors therefore believe that the benefit of waiving the 345(b) requirement far outweighs any potential harm to

the estates. *See generally, In re Serv. Merchandise Co., Inc.*, 240 B.R. 894 (Bankr. M.D. Tenn. 1999).

43. Other courts in this jurisdiction have also allowed a debtor to waive such requirements. *See, e.g., In re Saint Vincents Catholic Medical Centers of New York*, Case No. 10-11963 (CGM) (Bankr. S.D.N.Y. May 7, 2010); *In re FairPoint Commc'ns, Inc.*, Case No. 09-16335 (Bankr. S.D.N.Y. Oct. 27, 2009); *In re Motors Liquidation Co. (f/k/a Gen. Motors Corp.)*, Case No. 09-50026 (Bankr. S.D.N.Y. June 25, 2009); *In re ION Media Networks, Inc.*, Case No. 09-13125 (Bankr. S.D.N.Y. May 21, 2009); *In re Bally Total Fitness of Greater N.Y., Inc.*, Case No. 08-14818 (Bankr. S.D.N.Y. Dec. 5, 2008); *In re Dana Corp.*, Case No. 06-10354 (Bankr. S.D.N.Y. Mar. 29, 2006); *In re Penn Traffic Co.*, Case No. 03-22945 (Bankr. S.D.N.Y. Oct. 9, 2003); *In re Ames Dep't Stores, Inc.*, Case No. 01-42217 (Bankr. S.D.N.Y. Aug. 20, 2001).

Notice

44. No trustee, examiner or statutory creditors' committee has been appointed in these chapter 11 cases. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) those creditors holding the thirty (30) largest unsecured claims against the Debtors' estate (on a consolidated basis); (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) the SEC; (v) the IRS; (vi) all taxing authorities in relevant jurisdictions; (vii) all attorneys general in relevant jurisdictions; and (viii) any other party directly affected by this Motion. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

45. No previous request for the relief sought herein has been made to this or any other Court.

WHEREFORE the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: New York, New York
July 19, 2010

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

By: /s Michael S. Fox
Michael S. Fox
Jordanna L. Nadritch
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

*Proposed Attorneys for the Debtors and
Debtors in Possession*

EXHIBIT A

Bank Accounts

Debtor	Bank Name and Address	Account Name	Account Number	Type of Account
Jennifer Convertibles, Inc.	American Express Bank FSB 4315 South 2700 West Salt Lake City, UT 84184	Certificate of Deposit	10110633	Certificate of Deposit
	Bank of America 101 S. Marengo Ave 5th Floor Pasadena CA 91101	California Trucker Account	01629-19509	Deposit
	Bank of America 101 S. Marengo Ave 5th Floor Pasadena CA 91101	Store Account (Cons)	01621-21261	Deposit
	Bank of America 101 S. Marengo Ave 5th Floor Pasadena CA 91101	Store Account (BO Cons)	941-890-9992	Deposit
	Bank of America 101 S. Marengo Ave 5th Floor Pasadena CA 91101	DC Trucker Account	0039-3363-4692	Deposit
	Capital One 3939 W. John Carpenter Freeway, Irving Texas 75063	Store Account (KP)	7047088458	Deposit
	Citizens P.O Box 42001 Providence RI 02940-2001	Store Account (JLY)	29001617	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Concentration Account	893-149616	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Disbursement Account	6301-485573-509	ZBA
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Payroll Account	209-340703	ZBA
	JP Morgan Chase Bank NA 395 N. Service Rd.	Store Account (Cons)	323-238920	Deposit

	Melville, NY 11747			
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (Pvt)	837-539550	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Vista Account	332104 (Fund #283)	Money Market
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Certificate of Deposit	530-637928	Certificate of Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Certificate of Deposit	293-3120418	Certificate of Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (CHI Cons)	111-00221- 68855	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (MI Cons)	636-070948	Deposit
	JP Morgan Chase Bank, NA 395 N. Service Rd. Melville, NY 11747	Store Account (RT)	100971656	Deposit
	PNC Bank 109 East Dekalb Pk, King of Prussia PA 19406	Store Account (Cons)	1009875975	Deposit
	Provident P.O. Box 617 Newark NJ 07101-0617	Store Account (FR)	984701518	Deposit
	Provident P.O. Box 617 Newark NJ 07101-0617	Store Account (JWC)	3316001952	Deposit
	Sovereign Bank One Sovereign Way, East Providence RI 02915	Store Account (BSC)	71100023309	Deposit
	Sovereign Bank One Sovereign Way, East Providence RI 02915	Store Account (PA)	5582016759	Deposit
	Sovereign Bank One Sovereign Way, East	Store Account (PH)	5541022444	Deposit

	Providence RI 02915			
	TD Bank 92 Main Street, Alton NH 03809	Store Account (LBC)	6855540899	Deposit
	TD Bank North 92 Main Street, Alton NH 03809	Store Account (Cons)	924-2208935	Deposit
	Valley National 1445 Valley Rd. Wayne NJ 07470	Store Account (JLT)	51102587	Deposit
	Valley National 1445 Valley Rd. Wayne NJ 07470	Store Account (RFS)	51102595	Deposit
	Wachovia PO Box 563966 Charlotte, NC 28256-3966	Store Account (JUC)	2000011443133	Deposit
	Wachovia PO Box 563966 Charlotte, NC 28256-3966	Store Account (MNJ)	2000009270758	Deposit
	Wachovia PO Box 563966 Charlotte, NC 28256-3966	Store Account (NG)	2035670228191	Deposit
	Wachovia PO Box 563966 Charlotte, NC 28256-3966	Store Account (NDU)	2000016581922	Deposit
	Wachovia PO Box 563966 Charlotte, NC 28256-3966	Store Account (PEX)	2000003303906	Deposit
	Wachovia Bank PO Box 563966 Charlotte, NC 28256-3966	NJ Trucker Account	2000011802897	Deposit
	Wachovia Bank PO Box 563966 Charlotte, NC 28256-3966	GA Trucker Account	2000020855628	Deposit
	Wachovia Bank PO Box 563966 Charlotte, NC 28256-3966	NC Trucker Account	2000000172198	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd.	Store Account (CSR)	3080141456	Deposit

	Melville, NY 11747			
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (JLV)	3121522135	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (SI)	34030743	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Store Account (VSC)	3121501684	Deposit
	Wells Fargo PO Box 6995, Portland OR 97228-6995	Store Account (CEL)	2626245530	Deposit
Hartsdale Convertibles, Inc	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Ashley Concentration Account	957-218842	Deposit
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Ashley Disbursement Account	6301-546895- 509	Checking
	JP Morgan Chase Bank NA 395 N. Service Rd. Melville, NY 11747	Ashley Vista Account	29911260	Money Market

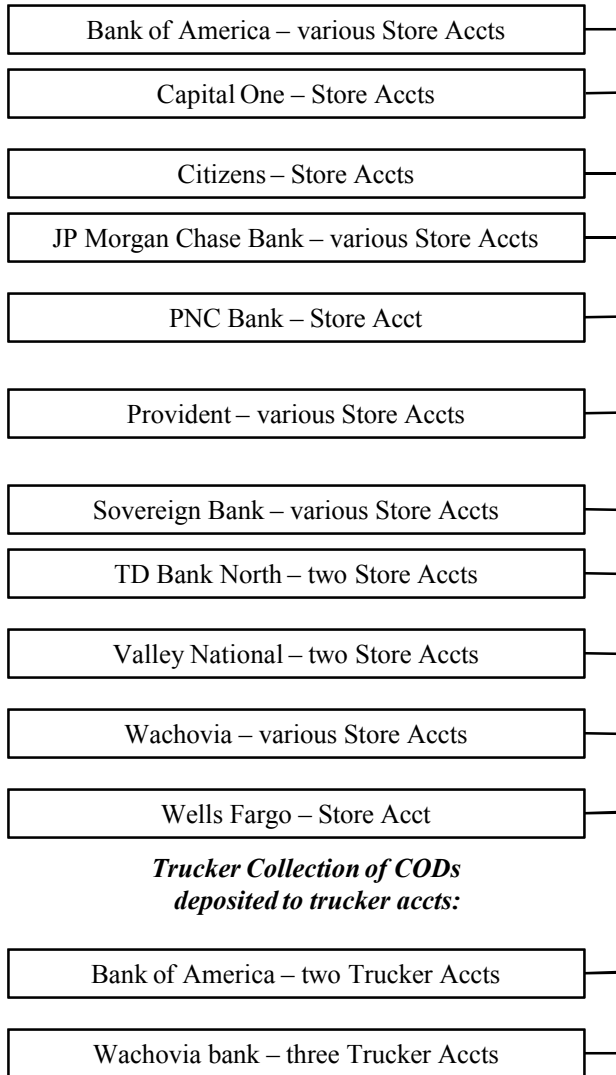
EXHIBIT B

Cash Management System

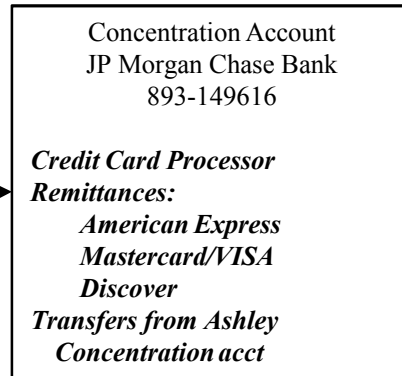
**CASH MANAGEMENT SYSTEM
JENNIFER SEGMENT**

COLLECTION

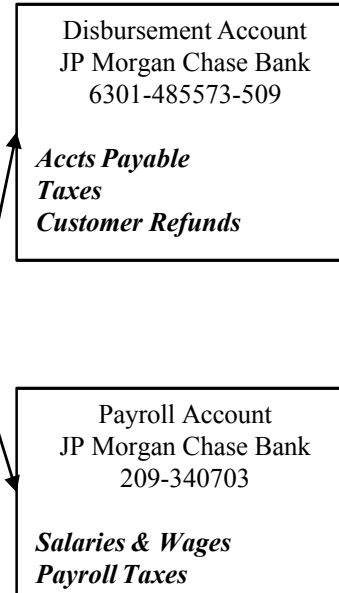
*Customer – Cash & Checks deposited in
respective Store Account:*



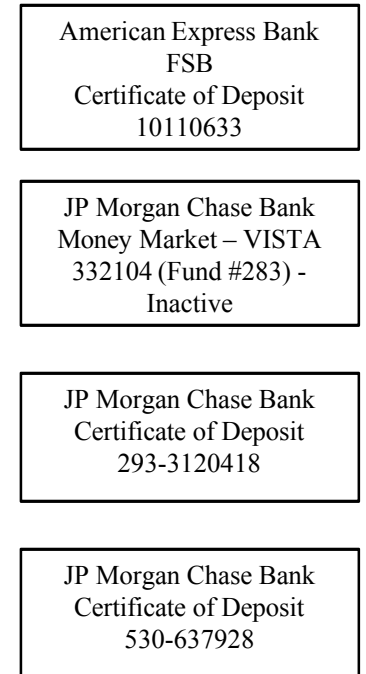
CONCENTRATION



DISBURSEMENT



**RESTRICTED
& OTHER**



**CASH MANAGEMENT SYSTEM
ASHLEY SEGMENT**

**COLLECTION/
CONCENTRATION**

DISBURSEMENT

OTHER

JP Morgan ChaseBank
957-218842
Ashley Concentration Account
Customers - Cash & Checks
Credit Card Processor Remittances:
American Express
Mastercard/VISA
Discover



JP Morgan Chase Bank
6301-546895-509
Ashley Disbursement Account
Accts Payable - Merchandise
Customer Refunds
*Transfers to Jennifer Concentration
acct*

JP MorganChase Bank
29911260
Ashley Vista Account - Inactive

EXHIBIT C

Proposed Order

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Motion for Joint Administration Pending)

**ORDER (I) AUTHORIZING DEBTORS (A) TO CONTINUE EXISTING CASH
MANAGEMENT SYSTEMS, (B) TO MAINTAIN EXISTING BANK ACCOUNTS AND
BUSINESS FORMS, AND (C) TO CONTINUE INTERCOMPANY ARRANGEMENTS
AND (II) WAIVING THE REQUIREMENTS OF SECTION 345(b) OF THE
BANKRUPTCY CODE**

Upon the motion dated July 19, 2010 (the “Motion”)², of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, “Debtors”), for an order authorizing the Debtors (a) to continue to use their existing cash management systems (the “Cash Management Systems”), (b) to maintain their existing bank accounts (the “Bank Accounts”) and business forms (the “Business Forms”), (c) to continue intercompany arrangements and (d) to waive compliance with the requirements of section 345(b) of the Bankruptcy Code, as more fully set forth in the Motion; and upon consideration of the Declaration of Rami Abada in Support of the Debtors’ Chapter 11 Petitions and Request for First Day Relief; 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.

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.

§§ 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 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 Debtors are authorized and empowered, pursuant to sections 105(a), 345, and 363(c)(1) of the Bankruptcy Code, to continue to manage their cash pursuant to their existing Cash Management Systems, as modified herein, and to collect, concentrate, and disburse cash in accordance with such Cash Management Systems.
3. Pursuant to section 364(b) of the Bankruptcy Code, all intercompany claims arising after the Petition Date owed by an individual Debtor to another individual Debtor shall be accorded administrative priority status of the kind specified in sections 503(b) and 507(a) of the Bankruptcy Code. The Debtors shall continue to maintain records with respect to transfers of cash in a manner consistent with historical practices, so that transactions can be ascertained, traced, and recorded properly on all intercompany accounts.
4. The requirement that the Debtors establish new bank accounts as of the Petition Date is dispensed with and waived.
5. The Debtors are authorized to (a) designate, maintain, and continue to use any or all of the Bank Accounts, including, but not limited to, those bank accounts listed on Exhibit A to the Motion, in the names and with the account numbers existing immediately prior

to the commencement of these chapter 11 cases, (b) deposit funds into and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, automated transfers, and other debits, and (c) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

6. The Debtors are authorized to (a) continue paying all intercompany payables, if any, (b) extend intercompany credit, and (c) continue performing all obligations, commitments and transactions between and among the Debtors and between and among the Debtors and their non-Debtor affiliates.

7. Subject to the provisions of this Order, the Banks are authorized and directed to accept, honor, and rely upon all representations from the Debtors as to which checks should be honored or dishonored consistent with orders entered by this Court, whether the checks are dated prior to, on, or subsequent to the Petition Date and whether or not the Bank believes that payment is authorized by some other order of this Court; provided, that the Banks shall not be held liable for improperly honoring or dishonoring any check, draft, or automated clearing house payment presented, issued, or drawn on the Bank Accounts on account of a claim (as such term is defined in 11 U.S.C. § 101(5)) arising before the Petition Date, which, at the direction of the Debtors was requested to be honored or dishonored, as the case may be, unless the Banks' actions were grossly negligent; the Banks shall not have a duty to independently verify or audit whether a particular item may be paid in accordance with this Order but shall be entitled to rely on the direction of the Debtors.

8. Nothing contained herein shall prevent the Debtors from closing any Bank Account(s) or opening any additional bank accounts, as they may deem necessary and appropriate, to the extent consistent with the terms of any cash collateral agreement and any

order(s) of this Court relating thereto, and any relevant bank is authorized to honor the Debtors' requests to close or open such Bank Accounts or additional bank accounts, as the case may be.

9. The Debtors are authorized to use their existing Business Forms and are not required to (i) obtain new stock reflecting their status as debtors in possession, including listing the chapter 11 case numbers under which these cases are being jointly administered, or (ii) print "debtor in possession" on any of their Business Forms or in wire transfer instructions; provided, however, that following the depletion of the Debtors' existing check stock, and/or Business Forms stock, the Debtors will obtain new check stock and/or Business Forms stock reflecting their status as debtors in possession.

10. The application of the deposit and investment guidelines set forth in section 345 of the Bankruptcy Code are hereby waived to permit the Debtor to continue to maintain its deposits and its investments in the same or similar manner it did so prior to the Petition Date, provided, however, that the Debtors will use their reasonable best efforts to conform their investment practices to, or otherwise comply with, section 345(b) of the Bankruptcy Code.

11. Any payment or transfer made or service rendered by the Debtors pursuant to this Order is not, and shall not be deemed, an admission as to the validity of the underlying obligation, a waiver of any rights the Debtors may have to dispute such obligation, or an approval or assumption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

12. The Debtors are authorized to take all steps necessary to carry out this Order.

13. This Court retains jurisdiction to interpret and enforce this Order.

Dated: New York, New York
July __, 2010

UNITED STATES BANKRUPTCY JUDGE