

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 PURSUANT TO SECTIONS 105(a)
AND 331 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 2016(a)
ESTABLISHING PROCEDURES FOR INTERIM MONTHLY COMPENSATION
AND REIMBURSEMENT OF EXPENSES OF PROFESSIONALS**

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 establishing procedures for interim monthly compensation and reimbursement of expenses of professionals, 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 the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); 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

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.

to the parties listed therein, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and the appearances of all interested parties having been noted in the record of the Hearing; 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 all parties in interest; 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. Except as otherwise provided in an order of the Court authorizing the retention of a particular professional, the professionals specifically retained pursuant to an order of the Court in these cases (collectively, the “Professionals”) may seek interim payment of compensation and reimbursement of expenses in accordance with the following procedures (collectively, the “Compensation Procedures”):

- a. On or before the 20th day of each calendar month, or as soon as practicable thereafter (but not earlier than the 15th day of each calendar month), each Professional seeking compensation will serve a monthly statement (the “Monthly Statement”) by overnight mail on each of the following parties (collectively, the “Notice Parties”):

- (i) Jennifer Convertibles, Inc. 417 Crossways Park Drive, Woodbury, New York 11797, Attn: Rami Abada; (ii) counsel to the Debtors, Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York, NY 10022 Attn: Michael S. Fox, Esq. and Jordanna L. Nadritch, Esq.; (iii) counsel to the Official Committee of Unsecured Creditors (the “Committee”), Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178, Attn: James S. Carr; and (iv) the Office of the United States Trustee, Southern District of New York, 33 Whitehall Street, 21st Floor, New York, NY 10004;

- b. The Monthly Statement need not be filed with the Court and a courtesy copy need not be delivered to Chambers since the order approving this Motion is not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code and since Professionals are still required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”);
- c. Each Monthly Statement must contain a list of the individuals and the individuals’ respective titles (e.g., attorney, paralegal, etc.) who provided services during the statement period, the individuals’ respective billing rates, in the case of attorneys, their respective years of graduation from law school, and to the extent applicable, their year of partnership, the aggregate hours spent by each individual, a reasonably detailed breakdown of the fees and expenses incurred (no professional should seek reimbursement of an expense that would otherwise not be allowed pursuant to the Court’s Administrative Orders dated June 24, 1991 and April 21, 1995, or the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, dated January 30, 1996), and contemporaneously maintained time entries for each individual in increments of tenths (1/10) of an hour, unless the Court orders otherwise with respect to an individual firms’ retention;
- d. Each Notice Party shall have 14 days after receiving the Monthly Statement to review it and, in the event that the Notice Party has an objection to the compensation or reimbursement sought in a particular statement, he or she shall, by no later than the 35th day following the end of the month for which compensation is sought, serve upon the Professional whose Monthly Statement is objected to, and the Notice Parties, a written “Notice of Objection to Fee Statement” setting forth the nature of the objection and the amount of fees or expenses at issue;
- e. At the expiration of the 35 day period, the Debtors shall promptly pay 80% of the fees and 100% of the expenses identified in each Monthly Statement to which no objection has been served in accordance with paragraph (d);
- f. If the Debtors object or receive an objection to a particular Monthly Statement, they shall withhold payment of that portion of the Monthly Statement to which the objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e);

- g. If the parties to an objection are able to resolve their dispute following the service of a Notice of Objection to Fee Statement and if the party whose Monthly Statement was objected to serves on the Notice Parties a statement indicating that the objection is withdrawn and describing in detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e), that portion of the Monthly Statement which is no longer subject to an objection;
- h. All objections that are not resolved by the parties, shall be preserved and presented to the Court at the next interim or final fee application hearing to be held by the Court (see sub-paragraph (j) below);
- i. The service of an objection in accordance with paragraph (d) shall not prejudice the objecting party's right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground whether raised in the objection or not. Furthermore, the decision by any party not to object to a Monthly Statement shall not be a waiver of any kind or prejudice that party's right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code;
- j. Approximately every 120 days, but no more than every 150 days, each of the Professionals shall serve and file with the Court an application (an "Interim Fee Application") for interim Court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested and filed during such period (the "Interim Fee Period");
- k. The Debtors' attorneys shall obtain a date from the Court for the hearing of Interim Fee Applications for all retained Professionals. At least 21 days prior to such hearing, the Debtors' attorneys shall file a notice with the Court, with service upon the U.S. Trustee and all retained Professionals, setting forth the time, date and location of the fee hearing, the Interim Fee Period applications covered and the objection deadline. Any retained Professional unable to file its own Interim Fee Application with the Court shall deliver to the Debtors' attorneys a fully executed copy with original signatures, along with service copies, three business days before the filing deadline. The Debtors' attorneys shall file and serve such application;
- l. Any Professional who fails to file an Interim Fee Application seeking approval of compensation and expenses previously paid pursuant to a Monthly Statement when due shall be (1) ineligible to receive further monthly payments of fees or expenses as provided herein until the Professional files its Interim Fee Application; and (2) may be required to disgorge any fees paid since retention or the last Interim Fee Application, whichever is later;

- m. The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court;
- n. Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein, shall have any effect on the Court's interim or final allowance of compensation and reimbursement of any Professional; and
- o. Counsel to the Committee may, in accordance with the foregoing procedure for monthly compensation and reimbursement of Professionals, collect and submit statements of expenses (excluding third-party counsel expenses of individual committee members), with supporting vouchers from members of the Committee he or she represents; provided, however, that such Committee counsel ensures that these reimbursement requests comply with this Court's Administrative Orders dated June 24, 1991, April 19, 1995, and November 25, 2009, or the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330.

3. Notice of interim and final fee application requests shall be served on (i) the Notice Parties; and (ii) all parties that have filed a notice of appearance with the Clerk of this Court and requested such notice. Notice given in accordance with this paragraph is deemed sufficient and adequate and in full compliance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules of this Court.

4. Each Professional whose retention has been approved by the Court as of the date of the commencement of these chapter 11 cases (the "Commencement Date") may seek, in its first Monthly Statement, compensation for work performed and reimbursement for expenses incurred during the period beginning on the Commencement Date and ending on August 31, 2010. The first interim fee application for such professionals shall seek compensation and reimbursement of expenses for the period from the Commencement Date through November 30, 2010. All professionals not retained as of the Commencement Date shall file their first Monthly Statement for the period from the effective date of their retention through the end of the first full

month following the effective date of their retention, and otherwise in accordance with the procedures set forth herein.

5. The amount of fees and disbursements sought be set out in U.S. dollars.

6. The Debtors must include all payments made to Professionals on their monthly operating reports, detailed so as to state the amount paid to each Professional.

7. Any party may object to requests for payments made pursuant to this Order on the grounds that the Debtors have not timely filed monthly operating reports, remained current with their administrative expenses and 28 U.S.C. § 1930 fees, or a manifest exigency exists by seeking a further order this Court, otherwise, this Order shall continue and shall remain in effect during the pendency of this case.

8. All time periods referenced in this Order shall be calculated in accordance with Rule 9006(a) of the Bankruptcy Rules.

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

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

Dated: August __, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE