

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

In re:

JENNIFER CONVERTIBLES, INC.,<sup>1</sup>

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER GRANTING THE APPLICATION OF THE DEBTORS  
PURSUANT TO SECTIONS 105, 327 AND 328 OF THE BANKRUPTCY CODE  
FOR AUTHORIZATION TO EMPLOY AND RETAIN TM CAPITAL CORP  
AS FINANCIAL ADVISORS *NUNC PRO TUNC* TO THE PETITION DATE**

Upon the application, dated July 19, 2010 (the “Application”)<sup>2</sup> of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for an order authorizing the employment of TM Capital, all as more fully set forth in the Application; and upon consideration of the Declaration of Robert C. Grien and the Supplemental Declaration of Robert C. Grien filed on August 9, 2010 (the “Supplemental Declaration”); and consideration of the Application and the relief requested being a core proceeding under 28 U.S.C. § 157(b); and the Court having jurisdiction to consider the Application and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 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; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Application having been provided to the parties listed therein, and it

<sup>1</sup> 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).

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

appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (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 Application establish just cause for the relief granted herein; and it appearing that the relief requested in the Application is in the best interests of the Debtors, their estates, 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 Application is GRANTED, to the extent provided herein.
2. In accordance with sections 105, 327(a), 328(a) of the Bankruptcy Code, the Debtors are hereby authorized to employ and retain TM Capital as their financial advisors in connection with these cases and the Debtors’ businesses generally, *nunc pro tunc* to the Petition Date, in accordance with the terms and conditions set forth in the Application, the attached Grien Declaration, the Supplemental Declaration, and this Order.
3. Subject to the limitations set forth in paragraph 4 of this Order, TM Capital shall be compensated and reimbursed in accordance with the terms of the Engagement Letter, as modified by this Order, and all compensation and reimbursement of expenses to be paid to TM Capital, including, without limitation, the monthly advisory fee and the Transaction Fee, shall be subject to section 328(a) of the Bankruptcy Code, except as set forth herein.
4. TM Capital shall not be entitled to the reimbursement of attorney’s fees and expenses other than in connection with indemnification and/or TM Capital's participation in preparing for, or responding to third-party actions, subpoenas or depositions.

5. TM Capital may participate in the procedures for compensation and reimbursement of expenses, as applicable, set forth in the order establishing procedures for interim monthly compensation and reimbursement of expenses of professionals, dated August \_\_, 2010 (the "Interim Compensation Order").

6. Notwithstanding anything to the contrary contained herein or in the Engagement Letter, TM Capital shall file fee applications with the Court for interim and final allowance of compensation and reimbursement of expenses pursuant to Bankruptcy Code sections 330 and 331, the Bankruptcy Rules, the Local Bankruptcy Rules, the Interim Compensation Order and any other applicable orders of the Court.

7. The United States Trustee retains all rights to respond or object to TM Capital's interim and final applications for compensation and reimbursement of expenses on all grounds including, but not limited to, reasonableness pursuant to section 330 of the Bankruptcy Code; provided further, that in the event the United States Trustee objects, the Court retains the right to review the interim and final applications pursuant to section 330 of the Bankruptcy Code.

8. All of TM Capital's personnel who provide services to or on behalf of the Debtors, with the exception of clerical staff, shall keep contemporaneous records of the services they have performed in one-half hour increments and in project categories.

9. All requests by TM Capital for the payment of indemnification as set forth in the Engagement Letter shall be made by means of an application to the Court and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Engagement Letter and is reasonable under the circumstances of the litigation or settlement in respect of which indemnity is sought, provided however, that in no event shall TM Capital be

indemnified in the case of its own bad-faith, self-dealing, breach of fiduciary duty (if any such duty is determined to exist), gross negligence or willful misconduct.

10. In no event shall TM Capital be indemnified if the Debtors assert a claim for, and a court determines by final order that such claim arose out of, TM Capital's own bad-faith, self-dealing, breach of fiduciary duty breach of fiduciary duty (if any such duty is determined to exist), gross negligence, or willful misconduct.

11. In the event that TM Capital seeks reimbursement for attorneys' fees pursuant to the terms of the Engagement Letter, with regard to indemnification and/or TM Capital's participation in preparing for, or responding to third-party actions, subpoenas or depositions, the invoices and supporting time records from such attorneys shall be included in TM Capital's own applications, both interim and final, and such invoices and time records shall be subject to the United States Trustee's Guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court pursuant to sections 330 and 331 of the Bankruptcy Code without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy Section 330(a)(3)(C) of the Bankruptcy Code.

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

13. The terms of the Engagement Letter as modified herein are "reasonable" as such term is used in section 328(a) of the Bankruptcy Code, and the Debtors shall be bound by the Engagement Letter as modified by this Order.

14. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

15. This Court shall retain jurisdiction with respect to all matters relating to the interpretation or implementation of this Order.

16. To the extent there is an inconsistency among this Order, the Engagement Letter or the Application, the terms of this Order shall govern.

Dated: August \_\_, 2010  
New York, New York

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UNITED STATES BANKRUPTCY JUDGE