

**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 APPROVING EXPEDITED PROCEDURE FOR REJECTION OF
CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY**

Upon the motion, dated August 9, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order approving an expedited procedure for rejection of certain unexpired leases of nonresidential real property; 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 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

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.

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, but not required, to (i) reject unexpired leases of real property pursuant to Bankruptcy Code section 365(a) and (ii) abandon property pursuant to Bankruptcy Code section 554(a), through the following procedures (the “Rejection Procedures”):
 - a. The Debtors will file on the docket for these chapter 11 cases a notice (the “Rejection Notice”) setting forth the proposed rejection of one or more Leases, and will serve the Rejection Notice via (a) Federal Express or other overnight mail delivery service and (b) fax or email (where available) on: (i) the counterparties to the Future Rejected Leases; (ii) known counsel to the counterparties to the Future Rejected Leases; (iii) the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”); (iv) counsel to the Official Committee of Unsecured Creditors (the “Committee”); and (v) any known third parties that have a known interest in Related Property (collectively, the “Notice Parties”).
 - b. The Rejection Notice shall be substantially in the form of Exhibit A annexed hereto. With respect to Leases to be rejected, the Rejection Notice shall set forth the following information, to the best of the Debtors’ information: (i) the street address of real property that is the subject of the Lease (if applicable), (ii) the monthly rental obligation, (iii) the remaining term of the Lease, and (iv) the name and address of the affected landlord. All Rejection Notices shall be accompanied by a copy of this Order.
 - c. Should a party in interest object to the Debtors’ proposed rejection of a Lease, such party must file and serve a written objection so that such objection is filed with this Court and actually received by the following parties (the “Objection Notice Parties”) no later than fourteen (14) days after the date the Rejection Notice is filed: (i) counsel to Jennifer Convertibles, Inc., Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York NY 10022, Attention: Michael S. Fox, Esq. and Jordanna L. Nadritch, Esq.; (ii) counsel to the Committee, Kelley Drye & Warren LLP, 101 Park Avenue, New York NY 10178, Attention: James S. Carr, Esq.; and (iii) the Office

of the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attention: Nazar Khodorovsky, Esq. and Andy Velez-Rivera, Esq.

- d. If no objection to a Rejection Notice is timely filed, the applicable lease shall be deemed rejected on the effective date set forth in the Rejection Notice, or, if no such date is set forth therein, the date the Rejection Notice is filed with the Court, provided, however, that the effective date of the rejection of a lease shall not occur until (i) the Debtors unequivocally relinquish control of the premises to the affected landlords in writing of the Debtors' surrender of the premises or by turning over keys or "key codes" to the affected landlord and (ii) the Collection Period (as defined below), if applicable, expires (the "Rejection Date").
- e. If an objection to a Rejection Notice is timely filed and received in accordance with these Rejection Procedures, the Debtors shall attempt to reach a consensual resolution of such objection. If the parties are unable to resolve the objection, the Debtors shall schedule a hearing on such objection and shall provide at least five (5) days' notice of such hearing to the objecting party and the Objection Notice Parties. If such objection is overruled by the Court or withdrawn by the objecting party, then the applicable lease shall be deemed rejected as of (a) the Rejection Date, or (b) such other date as the Court may set forth in any order overruling such objection. If the objection concerns the abandonment of property or other matters that may be determined independently of the rejection of the lease, the rejection of such lease shall be deemed to have occurred on the Rejection Date.
- f. In connection with the rejection of a Future Rejected Lease, if the Debtors have deposited monies with a Future Rejected Lease counterparty as a security deposit or other arrangement, such Future Rejected Lease counterparty may not set off or recoup or otherwise use such deposit without prior approval of this Court or agreement of the parties.
- g. If any party (the "Rejection Claimant") wishes to assert a claim against the Debtors arising from or relating to the rejection of a Future Rejected Lease, such Rejection Claimant shall file a proof of claim, such that it is received by BMC Group, Inc. (the Debtors' claims and noticing agent) on or before the later of (i) the date that is thirty days after the effective date of rejection of the Future Rejected Lease, or (ii) the general bar date established by this Court for filing proofs of claim against the Debtors. If a Rejection Claimant does not timely file such proof of claim, such claimant shall be forever barred from asserting a claim for any damages arising from or relating to the Future Rejected Lease.
- h. The Debtors are authorized to remove from premises that are the subject of a Rejection Notice (i) personal property, consistent with the Debtors' ownership rights or other interests therein, and (ii) personal property that

the Debtors have installed in or about the leased premises (i.e., fixtures, furniture, equipment, and other property) that is either owned by the Debtors, leased by the Debtors from third parties, or subject to any equipment financing agreements with third parties.

- i. With respect to the rejection of a Future Rejected Lease, if the Debtors determine that any property located at such location has little or no value or that the preservation thereof will be burdensome to their estates compared with the expense of removing and storing such property, the Debtors are authorized, in their sole discretion, to abandon such property pursuant to section 554 of the Bankruptcy Code. Property proposed to be abandoned shall be described with reasonable specificity on the applicable Rejection Notice.
- j. [[No personal property subject to a true lease shall be abandoned without first rejecting the underlying lease for such property. If the Debtors propose to abandon personal property that is (i) subject to a true lease and (ii) located at a premises that is the subject of a Rejection Notice, such Rejection Notice shall indicate that the underlying personal property lease is also being rejected and the property abandoned, and the applicable personal property lessor shall have seven (7) days from the date the Rejection Notice is filed and served to retrieve its property (the "Collection Period"). If such property is not retrieved by the Collection Period, the property shall be deemed abandoned without further order of this Court free and clear of any interests and landlord or its designee shall be free to dispose of same without liability to any party.]]
- k. In all events, any personal property remaining at any premises as of the Rejection Date, or the expiration of the Collection Period if the property is subject to a true lease, shall be deemed abandoned without further order of this Court free and clear of any interests and landlord or its designee shall be free to dispose of same without liability to any party. The right of any party in interest to assert a claim against the Debtors' estates for costs associated with abandoned property is preserved; provided, however, that any claim must be made within the time set by this Court in this order for filing proofs of claim. The Debtors and the Committee's rights to contest any such claim are fully preserved.

3. Pursuant to section 365(a) of the Bankruptcy Code, the Debtors' rejection of the leases in accordance with the Rejection Procedures set forth in this Order is hereby approved and such Rejection Procedures shall govern the rejection of leases, except to the extent the Debtors and a counterparty have agreed otherwise in writing, in which case the terms of such agreement shall govern the rejection of the lease with respect to such counterparty.

4. Pursuant to section 554(a) of the Bankruptcy Code, the Debtors are authorized to abandon any personal property, furniture, fixtures, and/or equipment remaining at the premises subject to a rejected lease in accordance with the procedures set forth in this Order.

5. The Debtors are hereby authorized to execute and deliver all instruments and documents, and take such other actions, as may be necessary or appropriate to implement and effectuate the Rejection Procedures.

6. Entry of this Order is without prejudice to the rights of the Debtors, including, but not limited to, the right to seek further, other, or different relief regarding the Leases pursuant to, among other things, section 365 of the Bankruptcy Code.

7. This Court shall retain jurisdiction to resolve all matters relating to implementation of this Order.

Dated: August 31, 2010
New York, New York

/s/ Allan L. Gropper

UNITED STATES BANKRUPTCY JUDGE