

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

In re:

JENNIFER CONVERTIBLES, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)
(Jointly Administered)

Hearing Date: September 22, 2010 at 11:00 a.m. (EDT)
Objection Deadline: September 15, 2010 at 5:00 p.m. (EDT)

**APPLICATION OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF JENNIFER CONVERTIBLES, INC., *ET AL.*
TO RETAIN AND EMPLOY DELOITTE FINANCIAL ADVISORY SERVICES LLP AS
FINANCIAL ADVISORS, *NUNC PRO TUNC* TO JULY 28, 2010**

The Official Committee of Unsecured Creditors (the “Committee”) of Jennifer Convertibles, Inc., *et al.*, the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), hereby respectfully submit this application (the “Application”), pursuant to sections 328 and 1103 of the Bankruptcy Code, Bankruptcy Rules 2014 and 5002, and Local Bankruptcy Rule 2014-1, to retain and employ Deloitte Financial Advisory Services LLP (“Deloitte FAS”) as its financial advisors in the Debtors’ cases, *nunc pro tunc* to July 28, 2010. In support of the Application, the Committee submits the declaration of Narendra Ganti, a partner at Deloitte FAS (the “Ganti Declaration”), together with supporting exhibit(s), attached hereto as Exhibit A and incorporated herein by reference. In further support of the Application, the Committee respectfully represents as follows:

¹ The Debtors in these chapter 11 cases are: (i) Jennifer Convertibles, Inc.; (ii) Jennifer Convertibles Boylston MA, Inc.; (iii) Jennifer Chicago Ltd.; (iv) Elegant Living Management, Ltd.; (v) Hartsdale Convertibles, Inc.; (vi) Jennifer Management III Corp.; (vii) Jennifer Purchasing Corp.; (viii) Jennifer Management II Corp.; (ix) Jennifer Management V Ltd.; (x) Jennifer Convertibles Natick, Inc.; (xi) Nicole Convertibles, Inc.; and (xii) Washington Heights Convertibles, Inc.

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory bases for the relief requested herein are sections 328 and 1103 of the Bankruptcy Code, as supplemented by Bankruptcy Rules 2014 and 5002 and Local Bankruptcy Rule 2014-1.

BACKGROUND

2. On July 18, 2010 (the “Petition Date”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

3. Since the Petition Date, the Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. On July 23, 2010, the United States Trustee appointed Klaussner Furniture Industries Inc., Creative Television Marketing, Brent Associates Inc., Caye Home Furnishings LLC, Fata Equities LLC, PIC Management Group d/b/a PIC Media Group, PS Promotions Inc., 301 East 66 LLC, and Ayisha Combs to the Committee.² On July 28, 2010, the Committee elected to retain Deloitte FAS to serve as financial advisors to the Committee.

5. By this Application, the Committee requests, pursuant to sections 328(a) and 1103 of the Bankruptcy Code, Bankruptcy Rules 2014 and 5002, and Local Bankruptcy Rule 2014-1, entry of an order substantially in the form attached hereto as Exhibit B approving the employment and retention of Deloitte FAS as financial advisors to the Committee in connection with these cases, *nunc pro tunc* to July 28, 2010, in accordance with the terms of that

² Docket Entry No. 77.

certain engagement letter between the Committee and Deloitte FAS (the “Engagement Letter”), Deloitte’s normal hourly rates in effect when services are rendered and its normal reimbursement policies, subject to the United States Trustee guidelines, Local Bankruptcy Rule 2016-1, and any applicable Orders of this Court.

6. The Committee requested that Deloitte FAS immediately commence work in these cases in order for Deloitte FAS to assist the Committee as described below. Additional details with respect to the scope of Deloitte FAS’ retention are set forth in the Engagement Letter. Due to the fact that Deloitte FAS has been requested to begin work immediately, and commenced providing services on July 28, 2010, the Committee respectfully requests that the Application be approved on a *nunc pro tunc* basis effective as of July 28, 2010.

7. The Committee believes that the size and scope of the Debtors’ operations, the magnitude and the complexity of the attendant financial issues to be ascertained, and the time frames proposed require the Committee to employ a financial advisor to assist the Committee in gathering and analyzing financial information and to perform other services as set forth herein. The Committee hereby requests this Court’s approval of its employment and retention of Deloitte FAS in the Debtors’ cases. The Committee believes that the employment of Deloitte FAS will be a positive contribution to the resolution of the Case.

8. The Committee has reviewed the qualifications and experience of Deloitte FAS’ personnel and believes that such personnel have considerable experience in advising creditors’ committees and assisting various parties-in-interest in restructuring and other business combination transactions, both inside and outside of chapter 11 proceedings. For example, personnel of Deloitte FAS have assisted secured creditors, unsecured creditors, bondholders, and equity holders in numerous bankruptcy cases and out-of-court restructurings and have acted as

financial advisors to both buyers and sellers in numerous business combination transactions.

Deloitte FAS is a well-qualified professional services firm whose reorganization professionals have experience in matters of this type. Deloitte FAS' depth of experience and breadth of service capabilities render it able to provide services to the Committee during the pendency of the Case.

A. Services to be Performed

9. The Committee contemplates that Deloitte FAS will provide the Committee with assistance in connection with the restructuring and reorganization of the Debtors' affairs throughout the course of these cases as set forth in the Ganti Declaration and the Engagement Letter, and as the Committee or its counsel may otherwise request and as may be agreed to by Deloitte FAS. Certain of the advisory services and assistance that Deloitte FAS may render to the Committee may be summarized as follows:

- Assist the Committee in connection with its assessment of the Debtors' cash and liquidity requirements, as well as the Debtors' financing requirements;
- Assist the Committee in connection with its monitoring of the Debtors' financial and operating performance, including its current operations, monthly operating reports, and other financial and operating analyses or periodic reports as provided by management or the Debtors' financial advisors;
- Assist the Committee in connection with its evaluation of the Debtors' compensation and benefit plans and/or other incentive or bonus plans;
- Assist the Committee in connection with its evaluation of the Debtors' business, operational and financial plans, both short-term and long-term, including with respect to actual results versus forecast, capital expenditure requirements, and cost reduction opportunities;
- Assist the Committee in connection with its evaluation of the Debtors' statements of financial affairs and supporting schedules, executory contracts and claims;
- Assist the Committee in connection with its evaluation of the Debtors' operating structure, business configuration and strategic alternatives;

- Assist the Committee in connection with its evaluation of restructuring-related alternatives for the Debtors;
- Assist the Committee in connection with the Committee's restructuring or reorganization-related negotiations including analysis, preparation or evaluation of any plan(s) of reorganization proposed by the Debtors, the Committee or a third party;
- Assist the Committee in connection with its analysis of issues related to claims filed against the Debtors including reclamation issues, administrative, priority or unsecured claims, case litigation and contract rejection damages;
- Assist the Committee in its evaluation of and negotiations in connection with auction procedures or sale transactions that may take place, including with respect to the Committee's evaluation of sale alternatives, bids, establishment of bid procedures, identification of additional potentially interested parties for the Debtors' assets, asset purchase agreement(s), working capital adjustments, valuation issues, asset/property sale(s), store closing/Going Out of Business ("GOB") sale(s) and other related matters;
- Consistent with the scope of services set forth herein, attend and participate in hearings before the Court;
- Assist the Committee, where appropriate, in its analysis of the books and records of the Debtors in connection with potential for recovery of funds to the estate from voidable transactions including related party transactions, preference payments and unenforceable claims; and
- Provide such other related services as may be requested in writing by the Committee and as agreed to by Deloitte FAS.

B. Disclosures Concerning Conflicts of Interest

10. To the best of the Committee's knowledge, information and belief and based upon the Ganti Declaration, Deloitte FAS neither holds nor represents an interest adverse to the Committee in the matters on which it is to be retained. Furthermore, to the best of the Committee's knowledge, Deloitte FAS does not have any connection with the Debtors, their significant creditors, the United States Trustee's office for the Southern District of New York, any other significant party in interest in the Debtors' cases, or with the Debtors' attorneys, except as stated herein, or as described in the Ganti Declaration or the attachments thereto.

11. As is discussed in more detail in the Ganti Declaration and any attachments thereto, from time to time Deloitte FAS or its affiliates have provided, may currently provide, and may in the future continue to provide professional services to certain of the Debtors' creditors or their affiliates, or to other parties-in-interest in matters unrelated to the Debtors' cases. A listing of such parties is shown on Exhibit "A" to the Ganti Declaration.

12. In the ordinary course of its business, Deloitte FAS or its affiliates have business relationships in unrelated matters with its competitors, including Eisner LLP, the Debtors' current auditors. For example, from time to time, Deloitte FAS or its affiliates and one or more of such entities may work jointly on assignments for the same client or may otherwise engage each other for various purposes.

13. Certain law firms, including Kelley Drye & Warren LLP (Committee's counsel), have provided, currently provide and may in the future provide legal services to Deloitte FAS or its affiliates in matters unrelated to the Debtors' cases. Further, Deloitte FAS and/or its affiliates have provided, currently provide, and may in the future provide services, in connection with matters unrelated to the Debtors' cases, to, or in connection with unrelated matters in which these law firms, and those additional law firms listed in Exhibit A to the Ganti Declaration, are also involved.

14. Certain parties-in-interest may be adverse to and/or involved in litigation matters with Deloitte FAS and/or its affiliates in connection with matters unrelated to the Debtors' cases.

15. Because Deloitte FAS is a nationwide firm with many client relationships, and because various parties-in-interest are significant enterprises, Deloitte FAS is unable to state with certainty that every client relationship or other connection has been disclosed. In this regard

if Deloitte FAS discovers additional information that it determines requires disclosure, it will file promptly a supplemental disclosure with the Court.

C. Terms of Retention

16. Subject to allowance and approval by the Court, in exchange for the services hereunder, the following table provides the applicable hourly billing rates by classification of personnel:

Personnel Classification	Applicable Rates
Partner/Principal/Director	\$810 to \$875
Senior Manager	\$770
Manager	\$665
Senior Associate	\$510
Associate and Junior Staff	\$300 to \$410

17. Notwithstanding the foregoing, the Committee understands that Deloitte FAS will agree to take a voluntary reduction in its fees so that the blended rate for the services does not exceed \$375 per hour during the duration of this engagement. In the normal course of business, Deloitte FAS may revise its regular hourly rates to reflect changes in responsibilities, increased experience, and increased costs of doing business. Changes in regular hourly rates will be noted on the invoices for the first time period in which the revised rates become effective.

18. In addition to professional fees for the services described in the Engagement Letter, Deloitte FAS fee applications will include requests for reimbursement of reasonable expenses, including travel, report production, delivery services, and other costs incurred in providing the services.

19. The Committee understands that Deloitte FAS intends to apply to the Court for allowance of compensation for professional services to be rendered in connection with the Debtors' cases and for reimbursement of expenses incurred, in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules of the United States Bankruptcy Court for the Southern District of New York, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under § 330, and the Administrative Order Establishing Procedures For Interim Compensation and Reimbursement of Expenses of Professionals. Payment of fees and reimbursement of expenses will be subject to ultimate allowance and approval by the Court.

20. Except as may be described herein, Deloitte FAS does not have any agreement to share its compensation from the services for which it is seeking to be retained hereunder with any non-affiliated entity. Finally, Deloitte FAS has not requested and has not been paid any retainer in connection with the Case.

21. The Committee believes Deloitte FAS' fees are comparable with those of Deloitte FAS' competitors.

22. The Committee believes that the retention of Deloitte FAS as its financial advisor on the terms described above *nunc pro tunc* to July 28, 2010, is in the best interests of this estate.

NOTICE

23. Notice of this Application has been provided to: (i) counsel to the Debtors; (ii) the Office of the United States Trustee for this District; and (iii) all parties requesting notice pursuant to Bankruptcy Rule 2002. Because of the nature of the relief requested, the Committee

respectfully submits that no further notice of the Application is necessary or required under the circumstances.

NO PRIOR REQUESTS

24. No prior application for the relief requested herein has been presented to this Court or any other court.

WHEREFORE, the Committee requests that the Court enter an order substantially in the form attached hereto as Exhibit B: (i) authorizing the Committee to retain and employ Deloitte FAS as its financial advisors, *nunc pro tunc* to July 28, 2010; (ii) authorizing payment of such compensation to Deloitte FAS as may be allowed by this Court; and (iii) granting such other and further relief as the Court may deem just and proper.

Dated: August 18, 2010

Respectfully submitted,

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF JENNIFER CONVERTIBLES,
INC., *et al.*

By: 

Kim Cockerham
Klaussner Furniture Industries, Inc.

AND

By: _____

Richard Storrs
Creative Television Marketing

Co-Chairs of the Official Committee of Unsecured
Creditors

respectfully submits that no further notice of the Application is necessary or required under the circumstances.

NO PRIOR REQUESTS

24. No prior application for the relief requested herein has been presented to this Court or any other court.

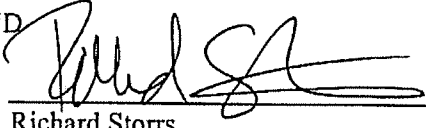
WHEREFORE, the Committee requests that the Court enter an order substantially in the form attached hereto as Exhibit B: (i) authorizing the Committee to retain and employ Deloitte FAS as its financial advisors, *nunc pro tunc* to July 28, 2010; (ii) authorizing payment of such compensation to Deloitte FAS as may be allowed by this Court; and (iii) granting such other and further relief as the Court may deem just and proper.

Dated: August 18, 2010

Respectfully submitted,

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF JENNIFER CONVERTIBLES,
INC., *et al.*

By: _____
Kim Cockerham
Klaussner Furniture Industries, Inc.

AND
By:  _____
Richard Storrs
Creative Television Marketing

Co-Chairs of the Official Committee of Unsecured
Creditors

EXHIBIT A TO APPLICATION

DECLARATION OF NARENDRA GANTI

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

In re:

JENNIFER CONVERTIBLES, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)
(Jointly Administered)

Hearing Date: September 22, 2010 at 11:00 a.m. (EDT)
Objection Deadline: September 15, 2010 at 5:00 p.m. (EDT)

**DECLARATION OF NARENDRA GANTI IN SUPPORT OF THE APPLICATION
OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF
JENNIFER CONVERTIBLES, INC., *ET AL.*, TO RETAIN AND EMPLOY
DELOITTE FINANCIAL ADVISORY SERVICES LLP AS FINANCIAL
ADVISORS, *NUNC PRO TUNC* TO JULY 28, 2010**

I, Narendra Ganti, being duly sworn, declare and say:

1 I am a Partner of Deloitte Financial Advisory Services LLP ("Deloitte FAS"), which has an office at 555 Twelfth St., Suite 500, Washington D.C., 20004-1200.

2 I am authorized to make this Declaration in connection with the proposed retention of Deloitte FAS as financial advisors to the Official Unsecured Creditors' Committee (the "Committee") of Jennifer Convertibles, Inc., et al (the "Debtors") as set forth in the Committee's application (the "Application") to employ and retain Deloitte FAS, *nunc pro tunc* to July 28, 2010, and in the engagement letter dated August 9, 2010 between Deloitte FAS and the Committee submitted herewith (the "Engagement Letter").

¹ The Debtors in these chapter 11 cases are: (i) Jennifer Convertibles, Inc.; (ii) Jennifer Convertibles Boylston MA, Inc.; (iii) Jennifer Chicago Ltd.; (iv) Elegant Living Management, Ltd.; (v) Hartsdale Convertibles, Inc.; (vi) Jennifer Management III Corp.; (vii) Jennifer Purchasing Corp.; (viii) Jennifer Management II Corp.; (ix) Jennifer Management V Ltd.; (x) Jennifer Convertibles Natick, Inc.; (xi) Nicole Convertibles, Inc.; and (xii) Washington Heights Convertibles, Inc.

3 The statements set forth in this Declaration are based upon my personal knowledge, upon information and belief, and upon client matter records kept in the ordinary course of business that were reviewed by me or other personnel of Deloitte FAS or its affiliates.

4 Personnel of Deloitte FAS have considerable experience advising creditors' committees and assisting various parties-in-interest in restructuring and other business combination transactions, both inside and outside of chapter 11 proceedings. For example, personnel of Deloitte FAS have assisted secured creditors, unsecured creditors, bondholders, and equity holders in numerous bankruptcy cases and out-of-court restructurings, and have acted as financial advisors to both buyers and sellers in numerous business combination transactions. Such experience renders Deloitte FAS qualified and able to provide services to the Committee during the pendency of the case.

5 Except as set forth herein, and in the attachments hereto, to the best of my information, knowledge and belief based on reasonable inquiry, (1) neither I, Deloitte FAS, nor any partner, principal or director of Deloitte FAS that is anticipated to provide the services for which Deloitte FAS is to be retained (the "Engagement Partners/Principals/Directors") holds any interest adverse to the Debtors or its affiliates with respect to the matters on which Deloitte FAS is to be retained in the above-captioned chapter 11 cases (the "Cases"), and (2) Deloitte FAS and the Engagement Partners/Principals/Directors have no relationship to the Debtors, their significant creditors, the United States Trustee's Office for the Southern District of New York, certain other parties-in-interest herein, or to the attorneys that are known to be assisting the Debtors and the Committee in the Cases, except as stated herein or on any attachment hereto submitted with the Application and any attachment thereto.

6 Deloitte FAS and its affiliates have relationships with thousands of clients, some of which may be creditors of the Debtors or other parties-in-interest. Accordingly, Deloitte FAS or its affiliates from time to time have or may have banking or other relationships with or have provided professional services to, or may currently provide professional services to, and may in the future be engaged to provide professional services, in matters unrelated to the Cases, to entities that are the Debtors' creditors or other parties-in-interest in the Cases or to their respective affiliates. A listing of such parties is attached to this Declaration as Exhibit A. Deloitte FAS believes that these connections have no bearing on the services for which Deloitte FAS's retention is being sought by the Committee in these Cases.

7 Deloitte FAS believes that the relationships described herein or on Exhibit A or in the Application or in attachments thereto do not impair Deloitte FAS's disinterestedness and Deloitte FAS does not represent an adverse interest in connection with these Cases.

8 In connection with its proposed retention by the Committee in these Cases, Deloitte FAS has undertaken a search to determine and to disclose whether it or its affiliates have any relationships with the following entities whose specific names were provided to Deloitte FAS by the Committee:

- The Debtors;
- The Debtors' affiliates;
- The Debtors' executives;
- The Debtors' Board of Directors;
- Significant owners of the Debtors;
- The 30 largest unsecured creditors of the Debtors';
- The attorneys that the Committee has sought authority to employ in these Cases, pursuant to applications filed through the date hereof;
- The attorneys that the Debtors have sought authority to employ in these Cases, pursuant to applications filed through the date hereof;

- Other involved law firms;
- Other involved professional services firms; and
- Other significant parties-in-interest.

9 Despite the efforts described above to identify and disclose Deloitte FAS' connections with parties-in-interest in these Cases, and because Deloitte FAS is a nationwide firm with many employees, Deloitte FAS is unable to state with certainty that every client relationship or other connection has been disclosed. In this regard, if Deloitte FAS discovers additional information that it determines requires disclosure, it will file a supplemental disclosure with the Court promptly.

10 To the best of my knowledge, the connections of Deloitte FAS or its affiliates with any of the foregoing entities in matters unrelated to these Cases are set forth on Exhibit A and/or below:

(a) In the ordinary course of its business, Deloitte FAS or its affiliates have business relationships in unrelated matters with its competitors, including Eisner LLP, the Debtors' current auditors. For example, from time to time, Deloitte FAS or its affiliates and one or more of such entities may work jointly on assignments for the same client or may otherwise engage each other for various purposes;

(b) Certain law firms, including Kelley Drye & Warren LLP (Committee's counsel), have provided, currently provide and may in the future provide legal services to Deloitte FAS or its affiliates in matters unrelated to the Case. Further, Deloitte FAS and/or its affiliates have provided, currently provide, and may in the future provide services, in connection with matters unrelated to these Cases, to, or in connection with unrelated matters involving this law firm, and those additional law firms listed in Exhibit A;

(c) Certain parties-in-interest may be adverse to and/or involved in litigation matters with Deloitte FAS and/or its affiliates in connection with matters unrelated to these Cases.

11 Subject to the foregoing, neither I, Deloitte FAS, nor the Engagement Partners/Principals/Directors insofar as I have been able to ascertain, holds or represents any interest adverse to the Debtors or its estate with respect to the matters on which Deloitte FAS is to be retained.

12 Furthermore, through reasonable inquiry, I do not believe there is any connection between the personnel of Deloitte FAS or its affiliates who are anticipated to provide services to the Committee and the United States Bankruptcy Judge presiding in these Cases, the United States Trustee, the Assistant United States Trustee for the Southern District of New York, and the attorney assigned to these Cases.

13 The services to be rendered may include all those services set forth in the Engagement Letter.

14 Subject to allowance and approval by the Court, in exchange for the services hereunder, the following table provides the applicable hourly billing rates by classification of personnel:

Personnel Classification	Applicable Rates
Partner/Principal/Director	\$810 to \$875
Senior Manager	\$770
Manager	\$665
Senior Associate	\$510
Associate and Junior Staff	\$300 to \$410

15 Notwithstanding the foregoing, Deloitte FAS will agree to take a voluntary reduction in our fees so that the blended rate for the services does not exceed \$375 per hour during the duration of this engagement. In the normal course of business, Deloitte FAS may revise its regular hourly rates to reflect changes in responsibilities, increased experience, and increased costs of doing business. Changes in regular hourly rates will be noted on the invoices for the first time period in which the revised rates become effective.

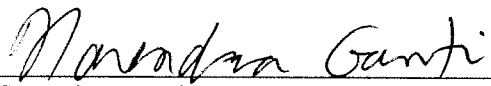
16 In addition to professional fees for the services described in the Engagement Letter, Deloitte FAS's fee applications will include requests for reimbursement of reasonable expenses, including travel, report production, delivery services, and other costs incurred in providing the services.

17 Deloitte FAS intends to apply for compensation for professional services to be rendered in connection with these Cases and for reimbursement of expenses incurred, in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules of the United States Bankruptcy Court for the Southern District of New York, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under § 330, and the Administrative Order Establishing Procedures For Interim Compensation and Reimbursement of Expenses of Professionals. Payment of fees and reimbursement of expenses will be subject to ultimate allowance and approval by this Court.


18 Deloitte & Touche LLP ("Deloitte & Touche"), an affiliate of Deloitte FAS, has completed a reorganization of some of its business, including its financial advisory services, tax services, solutions, human capital and outsourcing. This reorganization is intended to align the organizational structure more closely with the manner in which business is

conducted. These services are now being performed by entities affiliated with Deloitte & Touche including, Deloitte FAS, Deloitte Tax LLP and Deloitte Consulting LLP. Accordingly, some services incidental to the tasks to be performed by Deloitte FAS in these Cases may be performed by personnel now employed by or associated with these affiliates of Deloitte FAS or their respective subsidiaries, including subsidiaries located outside of the United States. The fees and expenses with respect to such services will be included in the fee applications of Deloitte FAS.

19 Deloitte FAS has received no promises regarding compensation in the Case other than in accordance with the Bankruptcy Code and as set forth in this Declaration. With respect to the services to be provided to the Committee, Deloitte FAS has no agreement with any non-affiliated entity to share any revenues earned in these Cases.


Narendra Ganti
Partner
Deloitte Financial Advisory Services LLP

Sworn to and subscribed to before
me this 9th day of August 2010


My Commission expires Oct. 14, 2012



Deloitte Financial Advisory
Services LLP
555 12th Street NW
Washington, DC 20004-1207
USA

Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

PRIVILEGED AND CONFIDENTIAL

August 20, 2010

To the Official Committee of Unsecured Creditors of Jennifer Convertibles, Inc.

c/o Kim Cockerham, Co-Chair
Klaussner Furniture Industries, Inc.
P.O. Drawer 220
Asheboro, North Carolina 27205
and

c/o Richard Storrs, Co-Chair
Creative Television Marketing
2550 N. Hollywood Way, #100
Burbank, California 91505

**Re: Jennifer Convertibles, Inc., et al. – Retention of Deloitte Financial Advisory
Services LLP**

Dear Committee Members:

This letter sets forth the agreement between the Official Committee of Unsecured Creditors of Jennifer Convertibles, Inc., et al. (the “Committee” or “you”) and Deloitte Financial Advisory Services LLP (“Deloitte FAS” and “we”), effective as of July 28, 2010. Deloitte FAS’ personnel will provide to the Committee the services described herein with respect to the Chapter 11 cases of Jennifer Convertibles, Inc. (the “Debtors”). The General Business Terms & Conditions applicable to this engagement are attached to this letter as Appendix A and are incorporated herein by reference.

UNDERSTANDING OF ROLES

Deloitte FAS will provide the following services (“Services”), as requested by the Committee and agreed to by us:

- Assist the Committee in connection with its assessment of the Debtors’ cash and liquidity requirements, as well as the Debtors’ financing requirements;
- Assist the Committee in connection with its monitoring of the Debtors’ financial and operating performance, including its current operations, monthly operating reports, and other financial and operating analyses or periodic reports as provided by management or the Debtors’ financial advisors;

- Assist the Committee in connection with its evaluation of the Debtors' compensation and benefit plans and/or other incentive or bonus plans;
- Assist the Committee in connection with its evaluation of the Debtors' business, operational and financial plans, both short-term and long-term, including with respect to actual results versus forecast, capital expenditure requirements, and cost reduction opportunities;
- Assist the Committee in connection with its evaluation of the Debtors' statements of financial affairs and supporting schedules, executory contracts and claims;
- Assist the Committee in connection with its evaluation of the Debtors' operating structure, business configuration and strategic alternatives;
- Assist the Committee in connection with its evaluation of restructuring-related alternatives for the Debtors;
- Assist the Committee in connection with the Committee's restructuring or reorganization-related negotiations including analysis, preparation or evaluation of any plan(s) of reorganization proposed by the Debtors, the Committee or a third party;
- Assist the Committee in connection with its analysis of issues related to claims filed against the Debtors including reclamation issues, administrative, priority or unsecured claims, case litigation and contract rejection damages;
- Assist the Committee in its evaluation of and negotiations in connection with auction procedures or sale transactions that may take place, including with respect to the Committee's evaluation of sale alternatives, bids, establishment of bid procedures, identification of additional potentially interested parties for the Debtors' assets, asset purchase agreement(s), working capital adjustments, valuation issues, asset/property sale(s), store closing/Going Out of Business ("GOB") sale(s) and other related matters;
- Consistent with the scope of services set forth herein, attend and participate in hearings before the Court;
- Assist the Committee, where appropriate, in its analysis of the books and records of the Debtors in connection with potential for recovery of funds to the estate from voidable transactions including related party transactions, preference payments and unenforceable claims; and

- Provide such other related services as may be requested in writing by the Committee and as agreed to by Deloitte FAS.

Deloitte FAS shall provide such other services as may be agreed to by Deloitte FAS and the Committee in writing based on discussions with you as the engagement progresses and additional information is obtained during the course of the engagement.

You acknowledge and agree that the Committee and the Debtors are responsible for supplying complete and accurate information, representations, and books and records upon which we rely, and we shall have no responsibility for mistakes or omissions on our part arising as a result of having relied upon information, representations, or books and records provided by the Committee or Debtors, or on the Committee's or Debtors' behalf, that were inaccurate or incomplete. In addition, in connection with the Services provided hereunder, we will not audit or otherwise verify the materials provided to us, nor will we provide any assurances concerning the reliability, accuracy, or completeness of any materials provided by or on behalf of the Committee, Debtors, or any other party, and our Services cannot be relied on to disclose errors or fraud should they exist. We shall have no responsibility for updating our Services unless pursuant to a new engagement letter.

THE BANKRUPTCY CASE

On July 18, 2010, the Debtors filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Committee has requested that Deloitte FAS perform the Services, and Deloitte FAS has agreed to perform the Services, subject to the terms and conditions of this engagement letter. This engagement letter, and Deloitte FAS' obligations and responsibilities relating to this engagement, shall be effective as of the effective date on the first page of this letter, subject to, and conditioned on, obtaining Bankruptcy Court approval in the matter, In re Jennifer Convertibles, Inc., Case No. 10-13779 (the "Case"), nunc pro tunc to such date.

In addition to Deloitte FAS' other rights or remedies, Deloitte FAS may, in its sole discretion and without any liability arising there from, terminate this engagement in the event that (a) a third party objects or threatens to object, or Deloitte FAS believes that a third party may object, in the form of an objection or otherwise, to Deloitte FAS' retention by the Committee in the Case on the terms and conditions set forth in this engagement letter, (b) a final order authorizing the employment of Deloitte FAS as financial advisors for the Committee is not issued by the Bankruptcy Court in the Case on or before sixty (60) days from the date hereof on the terms and conditions set forth herein or on such other terms and conditions as are satisfactory to Deloitte FAS in its sole discretion, or (c) the application seeking such order is denied by the Bankruptcy Court in the case. In any such event, the Committee hereby agrees to withdraw or amend, promptly upon Deloitte FAS' request, any application filed or to be filed with the Bankruptcy Court to retain Deloitte FAS services in the case.

ENGAGEMENT STAFFING AND FEES

I will serve as engagement partner, and maintain overall responsibility for the engagement on behalf of Deloitte FAS. Michael Taylor will serve as the engagement manager, coordinating daily management of the engagement assisted, as appropriate, by staff. Technical support may also be provided by other professionals who will be identified during the course of this engagement. However, circumstances may occur that could result in changes to our anticipated staffing for this engagement.

The following table provides the applicable hourly billing rates by classification of personnel for all services above:

<u>Personnel Classification</u>	<u>Applicable Rates</u>
Partner/Principal/Director	\$810 to \$875
Senior Manager	\$770
Manager	\$665
Senior Associate	\$510
Associate and Junior Staff	\$300 to \$410

In the normal course of business, Deloitte FAS may revise its regular hourly rates to reflect changes in responsibilities, increased experience, and increased costs of doing business. Changes in regular hourly rates will be noted on the invoices for the first time period in which the revised rates become effective. Notwithstanding the foregoing, we will agree to take a voluntary reduction in our fees so that the blended rate for the Services does not exceed \$375 per hour during the duration of this engagement.

Because the scope and depth of our Services to you may change, it is difficult to estimate our total fees in advance. We will endeavor to discuss changes in our scope and activities with you before proceeding and, if you request, provide fee estimates for specific assignments.

As to expenses, we will be entitled to reimbursement of reasonable expenses incurred in connection with this engagement, including but not limited to travel, report preparation, delivery services, photocopying and other costs included in providing the Services.

Deloitte FAS intends to apply for compensation for professional services rendered and for reimbursement of expenses incurred, in accordance with applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the applicable local rules of bankruptcy procedure (the "Local Rules") and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under § 330 of the Bankruptcy Code. In this case, payment of fees and reimbursement of expenses will be subject to ultimate allowance and approval by the Bankruptcy Court. However, in the interim, the Committee will ask the Bankruptcy Court for approval to allow Deloitte FAS to submit invoices in accordance with the Local Rules. Payment of these invoices will be made on an interim basis

subject to approval and allowance upon application to and order by the Bankruptcy Court. Deloitte FAS intends to submit fee applications seeking approval of its fees and expenses on a periodic basis. We will provide you with an invoice on a regular basis, with the invoice due pursuant to the payment mechanism provided by the Bankruptcy Court.

DISCLOSURE OF RELATIONSHIPS

As the Committee knows, Deloitte FAS is a large firm and we, as well as our affiliates, are engaged by new clients every day. Therefore, we cannot assure that, following the completion of our internal conflict search, another engagement for the Debtors' creditors, or other parties-in-interest or their respective attorneys and accountants will not be accepted by Deloitte FAS or its affiliates. Should any potential conflict come to the attention of Deloitte FAS, we will endeavor to resolve such potential conflict and will determine what action needs to be taken. The Committee agrees that it will inform us of the parties-in-interest to this matter or of additions to, or name changes for, those parties-in-interest whose names the Committee provided.

Further, Deloitte FAS and its affiliates may have provided professional services to, may currently provide professional services to, or may in the future provide such services to, the Debtors' creditors, other parties-in-interest, and their respective attorneys and accountants who are known to us to be assisting the parties-in-interest in this Case in matters unrelated to the Case. The Committee agrees that Deloitte FAS and its personnel will have no responsibility to it relating to such professional services, nor any responsibility to use or disclose information Deloitte FAS possesses by reason of such services, whether or not such information might be considered material to the Committee.

LIMITATIONS OF THE SERVICES

The Services will not result in the issuance of any written or oral communications by Deloitte FAS to the Committee, Debtors or any third parties expressing any opinion, conclusion, or any other form of assurance with respect to, among other things, accounting policies, financial data, financial statements and related footnotes, appropriate application of generally accepted accounting principles, disclosure, operating or internal controls, compliance with the rules and regulations of the Securities and Exchange Commission or the Public Company Accounting Oversight Board, compliance with the Sarbanes-Oxley Act of 2002 and related rules and regulations, or any other matters.

The Committee understands that the Services may include access to the work of the Committee's or Debtors' other professional advisors or to financial statements or financial information or data reported on by such other professional advisors. The Committee agrees that such access is not for the purpose of affirming or evaluating the procedures or professional standards used by such other professional advisors. In this regard, we call your attention to the possibility that other professional advisors may perform procedures concerning the same information or data, and perhaps the same accounts and records, and reach different observations than Deloitte FAS for a variety of reasons, including the possibilities that additional or different information or data might be provided to them that was not provided to Deloitte FAS, that they might perform

different procedures from Deloitte FAS, or that professional judgments concerning, among others, complex, unusual, or poorly documented matters may differ.

The Services to be provided by Deloitte FAS will not include any predictions or provide any opinions or other assurances concerning the outcomes of future events, including, without limitation, those that pertain to the operating results of the Debtors or any entity, the achievability of any business plan, the success of any investment, the recovery of any asset, or the ability to pay any debt. By signing this letter, the Committee expressly acknowledges that Deloitte FAS does not guarantee, warrant, or otherwise provide any assurances that Debtors will restructure successfully.

The Committee recognizes and acknowledges that by performing the Services, Deloitte FAS is not acting in any management capacity and that the Committee has not asked Deloitte FAS to make, nor has Deloitte FAS agreed to make, any business decisions on behalf of the Debtors or the Committee. All decisions about the Committee's activities and the Debtors' business or operations, including, but not limited to, decisions concerning the execution of transactions with other entities and the establishment of terms for such transactions, remain the sole responsibility of the Committee or Debtors, as applicable. In addition, the Committee expressly acknowledges and agrees that Deloitte FAS has been retained by the Committee, and not by the individual Committee members in their individual capacities. Such individual Committee members shall not be deemed clients of Deloitte FAS by virtue of this agreement.

OTHER MATTERS

The Committee agrees that, without Deloitte FAS' prior written permission, any reports, schedules, documents, or other materials provided by Deloitte FAS are not to be used, in whole or in part, by the Committee for any purpose other than in connection with this matter.

* * * * *

This engagement letter, incorporating by reference the attached General Business Terms & Conditions, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties, whether written or oral, with respect to the subject matter hereof.

If the foregoing represents your agreement, please sign the enclosed copy of this letter in the space provided and return it to me; or if you have any questions, please call me at (202) 378-5054. By signing this letter, you represent and warrant that you have the authority to enter into

Official Committee of Unsecured Creditor of Jennifer Convertibles, Inc.
August 20, 2010

this engagement letter on behalf of the Committee. We appreciate the opportunity to work for you and look forward to your prompt response.

Very truly yours,

Deloitte Financial Advisory Services LLP

By: Narendra Ganti
Narendra Ganti, Partner

Agreed and Accepted by:

The Official Committee of Unsecured Creditors of Jennifer Convertibles, Inc.

Klaussner Furniture Industries, Inc.

By: Kim W. Cockerham
Name: Kim W. Cockerham
Date: 8/23/2010

Creative Television Marketing

By: _____
Name: _____
Date: _____

Official Committee of Unsecured Creditor of Jennifer Convertibles, Inc.
August 20, 2010

this engagement letter on behalf of the Committee. We appreciate the opportunity to work for you and look forward to your prompt response.

Very truly yours,

Deloitte Financial Advisory Services LLP

By: Narendra Ganti
Narendra Ganti, Partner

Agreed and Accepted by:

The Official Committee of Unsecured Creditors of Jennifer Convertibles, Inc.

Klaussner Furniture Industries, Inc.

By: _____

Name: _____

Date: _____

Creative Television Marketing

By: Richard Storrs

Name: Richard Storrs

Date: 8/26/10

Appendix A

GENERAL BUSINESS TERMS & CONDITIONS

1. Services.

- a) The services (the "Services") provided by Deloitte Financial Advisory Services LLP ("Deloitte FAS") under the engagement letter to which these terms are attached (the "Engagement Letter") may include advice and recommendations, but Deloitte FAS will not make any decisions on behalf of the Committee in connection with the implementation of such advice and recommendations.
- b) The Deliverables (as defined below) are complete only when presented in their entirety and only for the purpose stated therein. Furthermore, (1) neither the Services nor any Deliverables, in whole or in part, shall constitute a fairness or solvency opinion; (2) Deloitte FAS will not provide any legal advice or address any questions of law; and (3) the performance of the Services does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board (the "PCAOB"), or other regulatory body.

2. **Payment.** The Debtors or their estate will compensate Deloitte FAS under the terms of the Engagement Letter for the Services performed and expenses incurred, through the term or effective date of this engagement. Subject to any administrative rules or guidelines established in the Case and/or by the Bankruptcy Court, Deloitte FAS' invoices are due upon receipt. If payment is not received within thirty (30) days of receipt of an invoice or such other period of time set by the Bankruptcy Court (i) such invoice shall accrue a late charge of the lesser of (a) 1½ % per month or (b) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law and (ii) Deloitte FAS may also suspend or terminate the Services. The Debtors shall be responsible for any taxes imposed on the Services or on this engagement, other than income taxes imposed by employment withholding for Deloitte FAS' personnel or on Deloitte FAS' income or property. In addition, Deloitte FAS will be compensated for any time and expenses (including, without limitation, reasonable legal fees and expenses) that Deloitte FAS may incur in considering or responding to discovery requests or other requests for documents or information, or in participating as a witness or otherwise in any legal, regulatory, arbitration, or other proceedings (including, without limitation, those unrelated to the matters that are subject to this engagement) as a result of or in connection with the Services or the Engagement Letter.

3. **Term.** Unless terminated sooner as set forth below, this engagement shall terminate upon the completion of the Services. Either party may terminate this engagement, with or without cause, by giving thirty (30) days prior written notice to the other party. In the event of a termination for cause, the breaching party shall have the right to cure the breach within the notice period. Deloitte FAS may terminate this engagement upon written notice to the Committee if Deloitte FAS determines that the performance of any part of the Services would be in conflict with law or independence or professional rules.

4. Deloitte FAS Technology, Property and Deliverables.

- a) Deloitte FAS has rights in, and may, in connection with the performance of the Services, use, create, modify, or acquire rights in, works of authorship, materials, information, and other intellectual property (collectively, the "Deloitte FAS Technology").
- b) Upon full payment to Deloitte FAS hereunder, and subject to the terms and conditions contained herein, (i) the tangible items specified as deliverables or work product in the Engagement Letter (the "Deliverables") shall become the property of the Committee and (ii) Deloitte FAS hereby grants the Committee a royalty-free, fully

Official Committee of Unsecured Creditor of Jennifer Convertibles, Inc.
August 20, 2010

paid-up, worldwide, nonexclusive license to use the Deloitte FAS Technology contained in the Deliverables in connection with the use of such Deliverables. Except for the foregoing license grant, Deloitte FAS or its licensors retain all rights in and to all Deloitte FAS Technology.

- c) To the extent Deloitte FAS Technology provided to Committee hereunder constitutes inventory within the meaning of section 471 of the Internal Revenue Code, such Deloitte FAS Technology is licensed to the Committee by Deloitte FAS as agent for Deloitte FAS Products Company LLC on the terms and conditions contained herein. The rights granted in this Section 4 do not apply to any Deloitte FAS Technology that is subject to a separate license agreement between Committee and any third party (including Deloitte FAS' affiliates)

5. Limitation on Warranties. This is a services engagement. Deloitte FAS warrants that it shall perform the Services in good faith and with due professional care. **DELOITTE FAS DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

6. Limitation on Damages.

- a) Deloitte FAS, its subsidiaries and subcontractors, and their respective personnel shall not be liable to the Committee for any claims, liabilities, or expenses relating to this engagement ("Claims") for an aggregate amount in excess of the fees paid to Deloitte FAS pursuant to this engagement, except to the extent resulting from the gross negligence, bad faith or intentional misconduct of Deloitte FAS or its subcontractors.
- b) In circumstances where any limitation on damages provision hereunder is unavailable, the aggregate liability of Deloitte FAS, its subsidiaries and subcontractors, and their respective personnel for any Claim shall not exceed an amount that is proportional to the relative fault that the conduct of Deloitte FAS and its subcontractors bears to all other conduct giving rise to such Claim.

7. Committee Responsibilities, Third Party Information, and Assumptions.

- a) The Committee shall cooperate with Deloitte FAS in the performance by Deloitte FAS of the Services, including providing Deloitte FAS with timely access to data, information, and personnel of the Debtors. The Debtors shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of all data and information provided to Deloitte FAS for purposes of the performance of the Services. The Committee acknowledges and agrees that Deloitte FAS' performance is dependent upon the timely and effective satisfaction of the Committee's responsibilities hereunder and timely decisions and approvals of the Committee in connection with the Services. The Committee and the Debtors shall, as applicable, be solely responsible for, among other things: (1) making all management decisions and performing all management functions; (2) designating a competent management member to oversee the Services; (3) evaluating the adequacy and results of the Services; and (4) accepting responsibility for the results of the Services. Deloitte FAS shall be entitled to rely on all decisions and approvals of the Committee and the Debtors.
- b) Deloitte FAS may use information and data furnished by parties other than the Committee and Debtors and their agents if Deloitte FAS in good faith believes that such information and data is reliable. Deloitte FAS, however, shall neither be responsible for, nor provide any assurance regarding, the accuracy or completeness of any such information or data.
- c) Deloitte FAS shall be entitled to assume, without independent verification, the accuracy and completeness of any and all assumptions provided to Deloitte FAS by or on behalf of the Committee or the Debtors for purposes of the performance of the Services.

Official Committee of Unsecured Creditor of Jennifer Convertibles, Inc.
August 20, 2010

8. **Force Majeure.** Neither party shall be liable for any delays or nonperformance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order, or requirement of any governmental agency or authority.
9. **Limitation on Actions.** No action, regardless of form, relating to this engagement, may be brought by either party more than one year after the cause of action has accrued, except that an action for nonpayment may be brought by a party not later than one year following the due date of the last payment owing to the party bringing such action.
10. **Independent Contractor.** Nothing contained in these terms shall alter in any way the duties imposed by law on Deloitte FAS in respect of the Services to be provided by Deloitte FAS under this engagement. It is understood and agreed that Deloitte FAS is an independent contractor and that Deloitte FAS is not, and will not be considered to be, an agent, partner, or representative of the Committee.
11. **Confidentiality and Internal Use.**
 - a) All Services and Deliverables shall be solely for the Committee's benefit, and are not intended to be relied upon by any person or entity other than the Committee. The Committee shall not disclose the Services or the Deliverables, or refer to the Services or Deliverables in any communication, to any person or entity other than legal counsel for the Committee; provided, that they have agreed to be bound by confidentiality obligations similar to those in Section 11(b).
 - b) To the extent that, in connection with this engagement, either party (each, the "receiving party") comes into possession of any confidential information of the other (the "disclosing party"), it will not disclose such information to any third party without the disclosing party's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The disclosing party hereby consents to the receiving party disclosing such information (1) to subcontractors, whether located within or outside of the United States, that are providing services in connection with this engagement and that have agreed to be bound by confidentiality obligations similar to those in this Section 11(b); (2) as may be required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards or rules, or in connection with litigation pertaining hereto; or (3) to the extent such information: (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to the receiving party on a nonconfidential basis from a source that the receiving party believes is not prohibited from disclosing such information to the receiving party, (iii) is already known by the receiving party without any obligation of confidentiality with respect thereto, or (iv) is developed by the receiving party independently of any disclosures made to the receiving party hereunder. Nothing in this Section 11(b) shall alter the Committee's obligations under Section 11(a). Deloitte FAS, however, may use and disclose any knowledge and ideas acquired in connection with the Services, to the extent they are retained in the unaided memory of its personnel. Further, Deloitte FAS and its affiliates and related entities shall have the right to identify the Committee by name as part of a general client listing and as a specific citation in proposals or similar directed marketing efforts.
 - c) No provision of these terms or the Engagement Letter is or is to be construed as a condition of confidentiality within the meaning of PCAOB Release 2005-014, Internal Revenue Code Sections 6011 and 6111 or the regulations thereunder, any related Internal Revenue Service guidance, or any other similar law, with respect to any Services, Deliverables or other materials of any kind provided hereunder relating to tax treatment or tax structure (collectively referred to as "Subject Tax Planning Advice"). Notwithstanding anything herein to the contrary, no provision of these terms or the Engagement Letter shall place any limitation on Committee's disclosure of any Subject Tax Planning Advice. The Services and Deliverables shall be solely for Committee's benefit, and this engagement does not create privity between Deloitte FAS and any person or party other than Committee ("third party"). Neither the Services nor any Deliverables are intended for the express or implied benefit of any third party. Unless otherwise agreed to in writing by Deloitte FAS, no third party is entitled to rely in any manner or for any purpose on the Services or Deliverables. In the event of any unauthorized reliance as a result of distribution of the Deliverables or other work product of Deloitte FAS by a Committee member,

such Committee member agrees to indemnify and hold harmless Deloitte FAS, its subcontractors, and their respective personnel from all third-party claims, liabilities, costs, and expenses.

12. **Survival and Interpretation.** All provisions which are intended by their nature to survive performance of the Services shall survive such performance, or the expiration or termination of this engagement. Affiliated and related entities of Deloitte FAS are intended third-party beneficiaries of these terms, and may in their own right enforce such terms. **Each of the provisions of these terms shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise, notwithstanding the failure of the essential purpose of any remedy.** Any references herein to the term "including" shall be deemed to be followed by "without limitation".
13. **Assignment and Subcontracting.** Except as provided below, neither party may assign any of its rights or obligations hereunder (including, without limitation, interests or Claims) without the prior written consent of the other party. The Committee hereby consents to Deloitte FAS subcontracting any portion of the Services to any affiliate or related entity, whether located within or outside of the United States. Services performed hereunder by Deloitte FAS' subcontractors shall be invoiced as professional fees on the same basis as Services performed by Deloitte FAS' personnel, unless otherwise agreed.
14. **Waiver of Jury Trial. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM RELATING TO THIS ENGAGEMENT.**
15. **Non-exclusivity.** Deloitte FAS may (1) provide any services to any person or entity and (2) develop for itself, or for others, any materials or processes, including those that may be similar to those produced as a result of the Services, provided that, Deloitte FAS complies with its obligations of confidentiality set forth hereunder.
16. **Entire Agreement, Amendment, and Notices.** These terms, and the Engagement Letter, including attachments, constitute the entire agreement between the parties with respect to this engagement; supersede all other oral and written representations, understandings, or agreements relating to this engagement; and may not be amended except by a written agreement signed by the parties. In the event of any conflict or ambiguity between these terms and the Engagement Letter, these terms shall control. All notices hereunder shall be (a) in writing, (b) delivered to the representatives of the parties at the addresses set forth in the Engagement Letter, unless changed by either party by notice to the other party, and (c) effective upon receipt.
17. **Governing Law and Severability.** These terms, the Engagement Letter, including attachments, and all matters relating to this engagement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the choice of law principles thereof), except to the extent governed by the U.S. Bankruptcy Code, where applicable. If any provision of such terms or the Engagement Letter is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

EXHIBIT A TO GANTI DECLARATION

Parties-in-Interest for whom Deloitte Financial Advisory Services LLP or its affiliates has provided or is currently providing services in matters unrelated to the case or with whom such parties have other business relationships (including banking relationships) or connections.

Parties in Interest

Ashley Furniture Industries, Inc.

Belford, David

Boston Globe

Daily News, LP

Grossman, Kenneth

Kelley Drye & Warren, LLP

Los Angeles Times

NBC Universal

Neiger LLP

Newsday, Inc.

EXHIBIT B TO APPLICATION

PROPOSED FORM OF ORDER

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

In re:

JENNIFER CONVERTIBLES, INC., *et al.*¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)
(Jointly Administered)

Hearing Date: September 22, 2010 at 11:00 a.m. (EDT)
Objection Deadline: September 15, 2010 at 5:00 p.m. (EDT)

**ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF DELOITTE FINANCIAL ADVISORY SERVICES LLP AS FINANCIAL ADVISORS
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF
JENNIFER CONVERTIBLES, INC., ET AL., NUNC PRO TUNC TO JULY 28, 2010**

Upon the application (the “Application”)² dated August 18, 2010, of the Official Committee of Unsecured Creditors (the “Committee”) of Jennifer Convertibles, Inc., *et al.* (collectively, the “Debtors”), pursuant to sections 328 and 1103 of the Bankruptcy Code, Bankruptcy Rules 2014 and 5002, and Local Bankruptcy Rule 2014-1, for authority to retain and employ Deloitte Financial Advisory Services LLP (“Deloitte FAS”), *nunc pro tunc* to July 28, 2010; and upon the declaration of Narendra Ganti, a partner at Deloitte FAS, dated August 19, 2010 (the “Ganti Declaration”), filed in support of the Application; and the Court being satisfied and finding, based on the representations made in the Application and the Ganti Declaration, that Deloitte FAS represents no interest adverse to the Committee or the Debtors’ estates with respect to the matters upon which it is to be engaged; that Deloitte FAS’ employment is necessary and in the best interests of the Committee and the Debtors’ estates; that adequate notice of the

¹ The Debtors in these chapter 11 cases are: (i) Jennifer Convertibles, Inc.; (ii) Jennifer Convertibles Boylston MA, Inc.; (iii) Jennifer Chicago Ltd.; (iv) Elegant Living Management, Ltd.; (v) Hartsdale Convertibles, Inc.; (vi) Jennifer Management III Corp.; (vii) Jennifer Purchasing Corp.; (viii) Jennifer Management II Corp.; (ix) Jennifer Management V Ltd.; (x) Jennifer Convertibles Natick, Inc.; (xi) Nicole Convertibles, Inc.; and (xii) Washington Heights Convertibles, Inc.

² Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Application.

Application has been given and that no other notice need to be given; and after due deliberation and sufficient cause appearing therefore, it is hereby ORDERED that:

1. The Application is GRANTED.
2. In accordance with sections 328 and 1103 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 5002, and Local Bankruptcy Rule 2014-1, the Committee is hereby authorized and empowered to employ and retain Deloitte FAS as its financial advisors, *nunc pro tunc* to July 28, 2010, to represent the Committee in these cases under the Bankruptcy Code, and such retention and employment is hereby approved.
3. Deloitte FAS shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, such Bankruptcy Rules and Local Bankruptcy Rules as may then be applicable from time to time, and such procedures as may be fixed by order of this Court.
4. This Court shall retain jurisdiction over the implementation and interpretation of this Order.

Dated: New York, New York
September ____, 2010

THE HONORABLE ALLAN L. GROPPER
UNITED STATES BANKRUPTCY JUDGE