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**Hearing Date: Nov. 9, 2010 at 10:00 a.m.
Objection Deadline: Nov. 2, 2010 at 4:00 p.m.**

Counsel for the Debtors and Debtors in Possession

**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)

**DEBTORS' MOTION FOR AN ORDER EXTENDING THE EXCLUSIVE PERIODS TO
FILE A PLAN OF REORGANIZATION AND TO SOLICIT ACCEPTANCES
THERE TO PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors and debtors in possession (together, the “Debtors”) hereby move this Court (the “Motion”) for entry of an order extending the exclusive periods to file a plan of reorganization (the “Plan”) and to solicit acceptances. In support of this Motion, the Debtors respectfully state as follows:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if applicable, are: (i) Jennifer Convertibles, Inc. (4646); (ii) Jennifer Convertibles Boylston MA, Inc. (7904); (iii) Jennifer Chicago Ltd. (0505); (iv) Elegant Living Management, Ltd. (5049); (v) Hartsdale Convertibles, Inc. (1681); (vi) Jennifer Management III Corp. (3552); (vii) Jennifer Purchasing Corp. (7319); (viii) Jennifer Management II Corp. (9177); (ix) Jennifer Management V Ltd. (9876); (x) Jennifer Convertibles Natick, Inc. (2227); (xi) Nicole Convertibles, Inc. (5985); (xii) Washington Heights Convertibles, Inc. (0783).

Background

1. On July 18, 2010 (the “Petition Date”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. An Official Committee of Unsecured Creditors was appointed in these chapter 11 cases on July 23, 2010 (the “Creditors’ Committee”).

2. On September 3, 2010, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs. On September 15, 2010, the meeting of creditors pursuant to section 341 of the Bankruptcy Code was held.

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

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

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

6. The factual background relating to the Debtors' commencement of these chapter 11 cases is set forth in additional detail in the Declaration of Rami Abada in Support of First Day Motions filed on July 19, 2010 and incorporated herein by reference.

Jurisdiction

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

8. The statutory predicate for the relief requested herein are section 1121(d) of title 11 of the United States Code (the "Bankruptcy Code") and Rule 9006(b)(1) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Preliminary Statement

9. The Debtors have made substantial progress advancing these chapter 11 cases. While the Debtors' chapter 11 cases are complex and involve numerous unresolved contingencies, the Debtors have been in discussions with their key supplier, Haining Mengnu Group Co. Ltd. ("Mengnu"), Ashley Furniture Industries, Inc. ("Ashley") and the Creditors' Committee regarding terms of a Plan that will maximize value to creditors and that working forward towards a strategy that includes a consensual plan. The Debtors believe they have made substantial progress. However, before the Debtors can propose and successfully confirm a viable Plan, further clarity and discussion is needed with respect to the treatment and recoveries of the Debtors' various constituencies.

10. During the initial stages of these chapter 11 cases, the Debtors have worked diligently to improve liquidity and streamline operations, and have engaged in discussions and negotiations with Mengnu, Ashley, the Debtors' landlords, and the Creditors' Committee regarding any developments and their likely outcomes. Through these efforts, the Debtors are

well-positioned and have been engaged in the process of formulating a Plan that maximizes value for their creditors and estates. The Debtors hope to use the requested extension of the Exclusive Periods (as defined below) to capitalize on the progress made to date. Accordingly, for the reasons described herein, the Debtors submit that cause exists for this Court to extend the Exclusive Periods.

Relief Requested

11. Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the commencement of a chapter 11 case during which a debtor has the exclusive right to file a plan of reorganization (the “Exclusive Filing Period”). Section 1121(c)(3) of the Bankruptcy Code provides that, if a debtor files a plan of reorganization within the Exclusive Filing Period, then it has an initial period of 180 days after the commencement of its chapter 11 case to solicit acceptances of such plan (the “Exclusive Solicitation Period” and, together with the Exclusive Filing Period, the “Exclusive Periods”). The Debtors’ initial Exclusive Filing Period will expire on November 15, 2010 and the Debtors’ initial Exclusive Solicitation Period will expire on January 14, 2011. Section 1121(d) of the Bankruptcy Code permits the Court to extend the Exclusive Periods for “cause.”

12. By this Motion, the Debtors respectfully request, pursuant to section 1121(d) of the Bankruptcy Code, that: (a) the Exclusive Filing Period be extended by ninety (90) days through and including February 14, 2011;² and (b) the Exclusive Solicitation Period be extended by ninety (90) days through and including April 14, 2011. The Debtors also request that such an extension be without prejudice to the Debtors’ rights to request further extensions of the Exclusive Periods or to seek other appropriate relief. This is the Debtors’ first request of an

² The Exclusive Filing Period will be extended for ninety (90) days, which date is Sunday February 13, 2011. Pursuant to Bankruptcy Rule 9006, the date will be extended to the next business day, Monday, February 14, 2011.

extension of the exclusive period to file a Plan. For the reasons set forth herein, the Debtors believe that “cause” exists to extend the Exclusive Periods.

Basis for Relief Requested

13. The Exclusive Periods under section 1121(b) of the Bankruptcy Code are intended to afford a debtor with an opportunity to propose a plan of reorganization and to solicit acceptances of such plan without the deterioration and disruption to the operational restructuring of its businesses that might be caused by the filing of competing plans by non-debtor parties. In circumstances where, as here, the initial Exclusive Periods could run before the Debtors are able to confirm the Plan, and the Debtors are making meaningful progress in filing and soliciting acceptances of a plan of reorganization which garners support from parties in interest, section 1121(d) of the Bankruptcy Code allows the Court to extend the Debtors’ Exclusive Periods for “cause.” Specifically, section 1121(d) of the Bankruptcy Code provides:

Subject to paragraph (2), on request of a party in interest made within the respective periods specified in subsections (b) and (c) of this section and after notice and a hearing, the court may for cause reduce or increase the 120-day period or the 180-day period referred to in this section. . . .

(A) The 120-day period specified in paragraph (1) may not be extended beyond a date that is 18 months after the date of the order for relief under this chapter.

(B) The 180-day period specified in paragraph (1) may not be extended beyond a date that is 20 months after the date of the order for relief under this chapter.

11 U.S.C. § 1121(d).

14. It is well established that the decision to extend the Exclusive Periods is left to the sound discretion of the Bankruptcy Court and should be based upon the facts and circumstances of a particular case. See, e.g., In re Adelpia Communications Corp., 336 B.R. 610, 674 (Bankr. S.D.N.Y. 2006). Although the Bankruptcy Code does not define “cause” for the purpose of an

extension of the Exclusive Periods, courts have looked to the legislative history of section 1121(d) of the Bankruptcy Code for guidance, and found that Congress intended “cause” to be a flexible standard, and for the Exclusive Periods be of an adequate length, given the circumstances, for a debtor to formulate, negotiate and draft a viable plan of reorganization, which by definition means one supported by some or all of a debtor’s key constituents, without the disruption to its business that would occur with the filing of competing plans.. See In re McLean Indus., Inc., 87 B.R. 830, 833 (Bankr. S.D.N.Y. 1987) (cause is undefined by statute, but the legislative history indicates that it is to be viewed flexibly); In re Gibson & Cushman Dredging Corp., 101 B.R. 405, 409 (E.D.N.Y. 1989) (the cause standard under section 1121 allows for maximum flexibility); Geriatrics Nursing Home, Inc. v. First Fidelity Bank, N.A. (In re Geriatrics Nursing Home, Inc.), 187 B.R. 128, 133 (D. N.J. 1995) (“The opportunity to negotiate its plan unimpaired by competition . . . is meant to allow the debtor time to satisfy all creditors and win support for its restructuring scheme and thus ensure its survival as a business.”). Indeed, Congress recognized that often a 120-day exclusivity period will not afford a debtor sufficient time to formulate and negotiate a plan:

The court is given the power, though, to increase . . . the 120-day period depending on the circumstances of the case. [T]he bill allows the flexibility for individual cases that is not available today. For example, if an unusually large company were to seek reorganization under chapter 11, the Court would probably need to extend the time in order to allow the debtor to reach an agreement.

H.R. Rep. No. 95-595, 95th Cong. 1st Sess. 232 (1977) (footnotes omitted).

15. When determining whether cause exists for an extension of the Exclusive Periods, courts have relied on a variety of factors, each of which may provide sufficient grounds for granting such extension. Factors considered by the courts in making such a determination have included: (a) the size and complexity of the case; (b) the necessity of sufficient time to negotiate

and prepare adequate information; (c) the existence of good-faith progress toward reorganization; (d) whether the debtor is paying its debts as they come due; (e) whether the debtor has demonstrated reasonable prospects for filing a viable plan; (f) whether the debtor has made progress in negotiating with creditors; (g) the length of time the case has been pending; (h) whether the debtor is seeking the extension to pressure creditors; and (i) whether unresolved contingencies exist. See, e.g., In re Gibson & Cushman Dredging Corp., 101 B.R. at 409-10; In re Central Jersey Airport Servs., LLC, 282 B.R. 176, 184 (Bankr. D.N.J. 2002); In re Express One Int'l Inc., 194 B.R. 98, 100 (Bankr. E.D. Tex. 1996). The application of these factors to the facts and circumstances of these cases demonstrates that the requested extensions are both appropriate and necessary to afford the Debtors with time to adequately propose, negotiate, and solicit acceptances to their plan or plans of reorganization.

Cause Exists for an Extension of the Debtors' Exclusive Periods

16. In light of the progress that the Debtors have made in developing and implementing their strategy for maximizing value in these chapter 11 cases, and given the manner in which the Debtors have been conducting these cases, ample cause exists to extend the Debtors' Exclusive Periods to preserve the benefits of, and build upon, the Debtors' efforts to date.

(1) The Complexity of These Cases

17. The complexity of the Debtors' chapter 11 cases alone supports a finding of cause to extend the Exclusive Periods. The Debtors are the owner and operator of (i) the largest group of sofabed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern seaboard, Midwest, West Coast and Southwest, and (ii) seven big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand under a license from Ashley Furniture Industries, Inc. The Debtors have been diligently engaged

in working with both Mengnu and the Creditors' Committee to craft a comprehensive reorganization strategy in an effort to maximize the value of their estates for the benefit of their creditors.

18. As with most chapter 11 cases, the initial 120-day period in these cases was dominated by the Debtors' transition into chapter 11, including the appointment of the Creditors' Committee, as well as the Debtors' efforts to stabilize their operations. Notwithstanding the foregoing, the Debtors are navigating through chapter 11 with great speed. In three months time, among other endeavors, the Debtors have negotiated favorable terms with their key suppliers, including Mengnu, rejected burdensome leases and negotiated new terms with a number of the counterparties to the Debtors' continuing leases, dealt with various objections that have arisen, and made good progress in the drafting of a suitable Plan. While the Debtors are hopeful that they will be able to submit a Plan before the expiration of the Exclusive Filing Period, the Debtors cannot guarantee that they will be able to so.

(2) Good Faith Progress Made in These Cases and Towards Reorganization

19. The Debtors have made material progress towards emergence and do not seek the extension of the Exclusive Periods as a means to exert pressure on the relevant parties in interest. To the contrary, the purpose of the Debtors' present request for an extension of the Exclusive Periods is, among other things, to ensure that the Debtors have an opportunity to respond to and address the concerns of all creditors. During the first few months of these cases, the Debtors have focused much of their time and resources minimizing the disruption to the Debtors' business operations caused by the events leading up to and arising as a result of the commencement of these cases. During this period of time, the Debtors have expended substantial time and resources in (i) timely filing their schedules of assets and liabilities,

statements of financial affairs, and monthly operating reports, (ii) working with their credit card processors to ensure continued processing and cash flow into the estates, and (iii) most importantly, ensuring the continued supply of inventory and goods from Mengnu, Ashley, and other vendors.

20. A significant amount of time has also been spent negotiating with Mengnu and the Creditors' Committee and its professionals, which negotiations the Debtors expect will ultimately culminate in the Debtors' proposal of the Plan.

(3) The Debtors are Paying Their Debts as They Come Due

21. The Debtors continue to make substantially timely payments of their undisputed postpetition obligations. As such, the requested extension will afford the Debtors a meaningful opportunity to negotiate and solicit votes to accept or reject the Plan without prejudice to the parties in interest.

(4) Progress in Negotiations with Creditors

22. As set forth above, the Debtors have, to date, made progress in their negotiations with Mengnu and the Creditors' Committee. While the Debtors have not resolved all issues with their creditor constituents, the Debtors have successfully worked with creditor groups in a number of specific areas, including matters related to the Debtors' store leases and the Debtors' other key trade creditors and Ashley. A suitable extension of the Exclusive Periods will give the Debtors the flexibility and time necessary to permit the Debtors to continue to make similar progress. Accordingly, the Debtors submit that this factor favors granting the Motion and extending the Exclusive Periods.

**(5) Termination of the Debtors' Exclusive Periods
Could Adversely Impact These Cases**

23. Termination of the Debtors' Exclusive Periods could adversely impact the Debtors' business operations and the progress of these cases. The Debtors are in the process of drafting a comprehensive and equitable Plan. In effect, if this Court were to deny the Debtors' request for an extension of the Exclusive Periods, any party in interest then would be free to propose a plan of reorganization for each of the Debtors, which would likely foster a chaotic environment with no central focus.

24. Neither the Debtors nor their creditors can afford to enter into a litigious environment of competing plans of reorganization. Such an environment would not only be counterproductive, but would also significantly delay these cases to the detriment of the Debtors' estates, creditors and other parties in interests. Conversely, an extension of the Exclusive Periods now, while the Debtors continue to progress towards confirmation, will enable the Debtors to continue with their reorganization efforts. This role is precisely what Congress envisioned for a debtor in possession in the chapter 11 process and their Exclusive Periods should be extended.

25. As set forth above, during the three months since the Petition Date, the Debtors have focused much of their time and resources towards: (a) minimizing the disruption to the Debtors' business operations caused by the events leading up to and arising as a result of the commencement of these cases; (b) managing the document and information requests initiated by the Creditors' Committee; and (c) negotiating consensual arrangements with the Debtors' landlords and other creditors. The Debtors continue to make significant progress towards a speedy emergence from chapter 11. Accordingly, the Debtors should be granted sufficient time to complete this process and their Exclusive Periods should be extended.

26. Relief similar to the relief requested herein has been granted in this District. See, e.g., In re Journal Register Company, Case No. 09-10769 (ALG) (Bankr. S.D.N.Y. June 18, 2009) (extending the exclusive filing period by 90 days and the solicitation period by 60 days); In re Lyondell Chemical Company, Case No. 09-10023 (REG) (Bankr. S.D.N.Y. Apr. 30, 2009) (extending the exclusive filing period by 132 days and the exclusive solicitation period by 162 days); In re Stone Barn Manhattan LLC, Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. March 10, 2009) (granting a second exclusivity extension by four months); In re Value City Holdings, Inc., 08-14197 (JMP) (Bankr. S.D.N.Y. Feb. 19, 2009) (extending exclusivity by four months); In re Lehman Brothers Holdings Inc., Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. January 15, 2009) (extending exclusivity by six months); In re Ampex Corporation, Case No. 08-11094 (AJG) (Bankr. S.D.N.Y. July 23, 2008) (exclusivity extended by three months).

27. The facts and circumstances of these cases and the express terms of section 1121(d) of the Bankruptcy Code amply support granting the Debtors' request for an approximate ninety-day extension of the Exclusive Periods in these cases.

Notice

28. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) counsel to the Official Committee of Unsecured Creditors; (iii) the SEC; and (iv) any other party who has filed a notice of appearance in these cases. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

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

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

Dated: New York, New York
October 18, 2010

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EXHIBIT A

Proposed Order

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER EXTENDING THE EXCLUSIVE PERIODS TO FILE A
PLAN OF REORGANIZATION AND TO SOLICIT ACCEPTANCES
THERE TO PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE**

Upon the motion, dated October 18, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for the entry of an order extending the exclusive periods to file a plan of reorganization and to solicit acceptances; and upon the Objection filed by the United States Trustee that was resolved; and the Court having jurisdiction to consider the Motion 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 Motion having been provided 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

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.

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, creditors, and 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. The Debtors' Exclusive Filing Period shall be extended by approximately ninety (90) days through and including February 14, 2011.
3. The Debtors' Exclusive Solicitation Period shall be extended by ninety (90) days through and including April 14, 2011.
4. The entry of this Order shall be without prejudice to the rights of the Debtors to request further extensions of the Exclusive Periods or to seek other appropriate relief.
5. This Court shall retain jurisdiction to interpret and enforce this Order.

Dated: _____, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE