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**Presentment 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 TIME
WITHIN WHICH THE DEBTORS MUST ASSUME OR
REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY**

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 time within which the Debtors must assume or reject unexpired leases of nonresidential real property (the “Unexpired Leases”). 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.

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. On August 31, 2010, the court entered the Order Approving Expedited Procedure for Rejection of Certain Unexpired Leases of Nonresidential Real Property (the “Lease Rejection

Procedures Order”) (docket no. 199). Pursuant to the Lease Rejection Procedures Order, the Debtors are authorized to reject Unexpired Leases by filing on the docket a notice (the “Rejection Notice”) setting forth the proposed rejection of one or more of the Unexpired Leases, and serving the Rejection Notice on any counterparties to the rejected leases.

7. 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

8. 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.

9. The statutory predicate for the relief requested herein are sections 105(a) and 365(d)(4) of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 6006-1 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”).

The Debtors’ Unexpired Leases

10. 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. As part of their operations, the Debtors estimate that, as of the Petition Date, they were party to approximately 140 Unexpired Leases.

11. The Debtors have been diligently engaged in crafting a comprehensive reorganization strategy in an effort to maximize the value of their estates for the benefit of their

creditors. To that end, the Debtors are engaged in negotiations with many counterparties to their various leases and the Debtors have already entered into proposed lease modification agreements with respect to approximately thirty (30) of their leases, which will be assumed pursuant to a plan of reorganization. In addition, in just under three months since filing for chapter 11, the Debtors have made substantial and meaningful progress with respect to certain store closings, including rejecting a number of leases pursuant to the Lease Rejection Procedures Order. To date, the Debtors have rejected approximately fifty (50) of their leases. However, the details of the Debtors' strategy, including decisions regarding the assumption or rejection of certain executory contracts and unexpired leases for the go forward Jennifer Convertibles chain have not yet been finalized. For this reason, the Debtors are not in a position at this time to make irrevocable decisions to assume or reject the Unexpired Leases. As such, the Debtors require the 90-day extension of time set forth in section 365(d)(4) of the Bankruptcy Code within which to assume or reject the approximate ninety (90) remaining Unexpired Leases.

Relief Requested

12. By this Motion, the Debtors respectfully request the entry of an order pursuant to section 365(d)(4) of the Bankruptcy Code extending Debtors' time to assume or reject the Unexpired Leases from November 15, 2010 through and including February 13, 2011.²

Basis for Relief Requested

13. Section 365(d)(4) of the Bankruptcy Code, provides, in pertinent part:

(A) Subject to subparagraph (B), an unexpired lease of nonresidential real property under which the debtor is the lessee shall be deemed rejected and the [debtor] shall immediately surrender that nonresidential real property to the lessor, if the [debtor] does not assume or reject the unexpired lease by the earlier of --

² Pursuant to Bankruptcy Rule 9006, the deadline will accordingly be extended through and including Monday, February 14, 2011, the first business day after February 13, 2011.

- (i) the date that is 120 days after the date of the order for relief; or
- (ii) the date of the entry of an order confirming a plan.

(B)(i) The court may extend the period determined under subparagraph (A), prior to the expiration of the 120-day period, for 90 days on the motion of the [debtor] or lessor for cause.

- (ii) If the court grants an extension under clause (i), the court may grant a subsequent extension only upon prior written consent of the lessor in each instance.

11 U.S.C. § 365(d)(4).

14. Various courts have analyzed what constitutes sufficient cause to extend the time period within which a debtor may assume or reject unexpired leases of nonresidential real property. In In re Wedtech Corp., 72 B.R. 464, 471-472 (Bankr. S.D.N.Y. 1987), under a prior Bankruptcy Code provision related to unexpired leases of nonresidential real property that contemplated an extension of a Bankruptcy Code-imposed deadline for “cause,” the bankruptcy court held that “cause” exists to extend the time period to assume or reject unexpired nonresidential real property leases where, among other things:

- a. the leases are an important asset of the estate such that the decision to assume or reject would be central to any plan of reorganization;
- b. the landlord has a reversionary interest in a building built by the tenant on the landlord’s land and the gaining of the building would represent a windfall to the landlord;
- c. the debtor has had insufficient time to intelligently appraise each lease’s value to the plan of reorganization;
- d. the lessor continues to receive monthly rental payments;
- e. the case is exceptionally complex and involves large numbers of leases;
- f. the need for judicial determination of whether a lease exists; and
- g. the existence of any other facts indicating the lack of a reasonable time to decide whether to assume or reject.

Id.; see also In re Burger Boys, 94 F.3d 755, 761 (2d Cir. 1996) (considering whether the lease is important to the estate, whether the debtor has had sufficient time to formulate a plan of reorganization, whether the debtor was paying for the use of the property, whether the debtor's continued occupation could damage the lessor beyond the compensation available under the Bankruptcy Code, the complexity of the case facing the debtor, the number of leases the debtor must evaluate, and the need for judicial determination of whether a lease exists); In re 611 Sixth Avenue Corp., 191 B.R. 295, 298 (Bankr. S.D.N.Y. 1996) (same).

15. Cause exists to extend the time within which the Debtors may assume or reject the Unexpired Leases under the Wedtech factors. Most of the Debtors' store locations are integral to the Debtors' operations. Accordingly, it is imperative to the Debtors' ability to successfully reorganize that the Debtors and their professionals carefully identify and evaluate each of the store locations in order to make informed decisions about whether to assume or reject the Unexpired Leases, and the individual decisions to assume or reject each of them will be central to the Debtors' plan of reorganization.

16. Although the Debtors have been proceeding expeditiously since filing their voluntary petitions, the Debtors' cases involve many moving pieces that require substantial time commitments above and beyond day-to-day operational responsibilities. Given the size and complexity of these cases, the initial 120-day period specified in section 365(d)(4) of the Bankruptcy Code simply will not provide enough time for the Debtors and their professionals to identify and carefully consider the value of the Debtors' many leases. The Debtors, with KPMG CF Realty LLC acting as the Debtors' special real estate advisor, have been involved in negotiations with the landlords of the Unexpired Leases and have already agreed upon numerous lease modifications, with such leases to be assumed pursuant to a plan of reorganization, In

addition, the Debtors are in discussions with key stakeholders and have been working diligently to craft a comprehensive business plan and strategy for the Debtors' successful restructuring and emergence from chapter 11. Such a plan requires an informed analysis of the Unexpired Leases by the Debtors in order to determine whether each such lease should be assumed or rejected. While the Debtors have been able to reject approximately fifty (50) of the Unexpired Leases pursuant to the Lease Rejection Procedures Order, the Debtors have not had sufficient time to conduct such analysis with regard to the remaining Unexpired Leases.

17. The Debtors have been substantially current on their monthly rental lease payments on the Unexpired Leases. As lessors continue to receive such payments, the requested extension will not prejudice any lessor and simply maintains the status quo while the Debtors analyze the Unexpired Leases and make the decision whether to assume or reject. See, e.g., In re Am. Healthcare Mgt., Inc., 900 F.2d 827, 832 (5th Cir. 1990) (“[A]n order extending the time for a debtor to assume or reject a lease merely preserves the status quo[.]”) (quoting In re Victoria Station Inc., 875 F.2d 1380, 1386 (9th Cir.1989)).

18. If the relief sought in this Motion is not granted and the Debtors do not assume the Unexpired Leases, the Unexpired Leases (as nonresidential real property leases) will be deemed rejected by operation of section 365(d)(4) of the Bankruptcy Code. At this early stage an improvident or premature rejection of the Unexpired Leases will greatly harm Debtors' estates by resulting in the loss of one or more of the Unexpired Leases that may be essential to Debtors' business operations and reorganization. Likewise, the premature assumption of any of the Unexpired Leases could very well harm the estates by requiring the Debtors to incur administrative expense claims relating to cure obligations and commitments to leases prior to the

time when a fully informed decision can be made with regard to the necessity of each of the Unexpired Leases to the Debtors' successful reorganization.

19. The Debtors' requested extension of time to assume or reject the Unexpired Leases comports with relief granted in other cases by courts in this and other districts. See, e.g., In re Journal Register Company, Case No. 09-10769 (ALG) (Bankr. S.D.N.Y. June 18, 2009) (granting 90-day extension); In re Tronox, Incorporated, Case No. 09-10156 (ALG) (Bankr. S.D.N.Y. May 6, 2009) (granting 90-day extension); In re Frontier Holdings, Inc., Case No. 08-11298 (RDD) (Bankr. S.D.N.Y. July 21, 2008) (granting 90-day extension); In re Delphi, Case No. 05-44481 (Bankr. S.D.N.Y. Apr. 30, 2008) (RDD) (granting extension until effective date of plan of reorganization); In re Calpine Corp., No. 05-60200 (Bankr. S.D.N.Y. Apr. 11, 2006) (BRL) (granting 90-day extension); In re Refco, No. 05-60006 (Bankr. S.D.N.Y. Jan. 18, 2006) (RDD) (granting 90-day extension); In re Dana Corp., No. 06-10354 (Bankr. S.D.N.Y. June 28, 2006) (BRL) (granting 90-day extension).

20. For all of the above reasons, the Debtors respectfully request that their time to assume or reject the Unexpired Leases be extended through February 14, 2011.

Notice

21. 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; (iv) landlords for the Debtors' Unexpired Leases; and (v) 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

22. 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 TIME WITHIN WHICH
THE DEBTORS MUST ASSUME OR REJECT UNEXPIRED
LEASES OF NONRESIDENTIAL REAL PROPERTY**

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 time within which the Debtors must assume or reject unexpired leases of nonresidential real property; 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

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

all interested parties having been noted in the record of the Hearing; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, 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. Pursuant to section 365(d)(4) of the Bankruptcy Code, the Debtors are granted a ninety-day extension of time to assume or reject the Unexpired Leases from November 15, 2010 through and including February 14, 2011.
3. The relief requested herein is without prejudice to the right of any counterparty to an Unexpired Lease to move the Court to fix an earlier date by which the Debtors must assume or reject its Unexpired Lease (or for the Debtors to oppose any such request).
4. This Court shall retain jurisdiction to interpret and enforce this Order.

Dated: _____, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE