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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' APPLICATION TO EMPLOY AND RETAIN KGS LLP
AS TAX PROFESSIONALS FOR THE DEBTORS AND
DEBTORS IN POSSESSION PURSUANT
TO SECTIONS 327(a), 330, 331 AND 1107(b) OF THE BANKRUPTCY CODE**

Jennifer Convertibles, Inc. ("Jennifer Convertibles") and its affiliated debtors, as debtors in possession (together, the "Debtors"), hereby apply to this Court (the "Application") for entry of an order pursuant to sections 327(a), 330, 331 and 1107(b) of title 11 of the Bankruptcy Code, Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 2014-1 of the Local Rules of the Bankruptcy Court of the Southern District of New York (the

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

“Local Rules”), authorizing the Debtors to retain and employ KGS LLP (“KGS”), as their tax professionals (the “Application”). In support of the Application, the Debtors rely upon and incorporate by reference the Affidavit of Mitchell Kahn (the “Kahn Affidavit”), annexed hereto as Exhibit B. In support of this Application, the Debtors respectfully state as follows:

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 operate 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 Applications (the "Abada Declaration") 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 predicates for the relief requested herein are sections 105(a), 327(a) and 330 of title 11 of the United States Code (the "Bankruptcy Code").

Relief Requested

9. By this Application, the Debtors request entry of an order, pursuant to sections 327(a), 330, 331 and 1107(b) of the Bankruptcy Code, Rule 2014 of the Bankruptcy Rules and Local Rule 2014-1, authorizing the employment and retention of KGS as tax professionals for the Debtors, pursuant to terms of an engagement letter, dated as of October 10, 2010 (the "Engagement Letter"), a copy of which is annexed hereto as Exhibit A. It is proposed that KGS will provide assistance with the Debtors' 2010 tax returns.

10. The Debtors request that they be permitted to employ and retain KGS on terms substantially similar to those in effect prior to the Petition Date, but subject to the limitations described herein. The Debtors represent that: (a) they desire to employ KGS as necessary for the Debtors' operations and to be able to properly complete their 2010 tax returns; (b) the expenses

for KGS will be kept to a minimum; and (c) KGS will not perform substantial services relating to bankruptcy matters without permission of this Court.

QUALIFICATIONS AND SERVICES

11. The Debtors seek authority to continue to employ and retain KGS as an ordinary course professional, to render taxation-related services to the Debtors. The Debtors have selected KGS as their tax professionals because of KGS' diverse experience and extensive knowledge in the fields of accounting and taxation. In addition, KGS has provided taxation-related services to the Debtors prepetition for ten (10) years. By virtue of its prepetition engagement by the Debtors, KGS is familiar with the books, records, financial information and other data maintained by the Debtors and is well-qualified to continue to provide taxation-related services to the Debtors. Therefore, retaining KGS is an efficient and cost effective manner in which the Debtors may obtain the requisite services, and such retention is reasonable and in the best interests of the estates.

Services to be Rendered

12. If this Application is approved, KGS will continue to provide taxation-related services to the Debtors. KGS professionals, including Mitchell Kahn, who will lead the KGS team, will work closely with the Debtors' management and other professionals throughout these cases. The professional services that KGS will render to the Debtors may include, without limitation, the following:

- a. Prepare the federal, state and city income tax returns, personal property returns and annual reports, where required, for the Debtors;²
- b. Propose any bookkeeping and adjusted entries KGS finds necessary in connection with the preparation of the income tax returns; and

² In addition to the affiliated debtor entities, Jennifer Convertibles has five non-debtor entities that do not hold any assets or liabilities. KGS will be filing tax returns for these entities, as set forth on Exhibit A to the Engagement Letter.

- c. Prepare the necessary income tax accrual work papers for the annual financial statement to be included in the 10K filing.

13. Such professional services are necessary to ensure that the Debtors make their required filings with the taxing authorities during the bankruptcy process.

14. The Debtors submit that the retention of KGS and the payment of KGS' compensation on the basis set forth herein is reasonable and in the best interests of the Debtors, their estates, creditors, and other parties in interest. As set forth above, KGS has previously worked with the Debtors and has gained considerable expertise and background knowledge in that time. If the Debtors are forced to retain alternate tax professionals, the estates undoubtedly would incur additional and unnecessary expenses. It is therefore in the best interests of the Debtors' estates to avoid any disruption in the professional services required in the operation of their businesses.

Compensation

15. The Debtors have been mindful of the need to minimize expenses related to professionals given the precarious nature of their finances. Accordingly, the Debtors have carefully determined that the services of KGS are absolutely critical for the operation of the Debtors' business. The Debtors are required by law to comply with the relevant tax laws, and KGS' professional services are necessary to ensure that the Debtors make necessary filings with the taxing authorities during the bankruptcy process. Thus KGS' services are vital to the Debtors' continuing operations.

16. The Debtors therefore propose that KGS will file interim and final fee applications for allowance of its compensation and expenses and shall be subject to sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York,

dated November 25, 2009 (the “Amended Fee Guidelines”), and the United States Trustee Fee Guidelines (collectively, the “Fee Guidelines”). In addition, KGS will be reimbursed only for reasonable and necessary expenses as provided by the Fee Guidelines.

17. Pursuant to the terms of the Engagement Letter, KGS estimates that fees for the audit of the Debtors financial statements will be approximately \$85,000.

18. The Debtors believe that the fees and compensation of KGS and the terms of the engagement are fair and reasonable in light of industry practice, market rates both in and out of chapter 11 proceedings, KGS’ experience in reorganizations and the scope of work to be performed pursuant to its retention.

19. In connection with these cases, the Debtors have retained (a) Olshan Grundman Frome Rosenzweig & Wolosky LLP as general counsel, (b) TM Capital Corp. to provide financial advisor services, (c) KPMG CF Realty LLC as special real estate advisor, (d) EisnerAmper LLP as auditor, and (e) BMC Group, Inc. as claims and noticing agent. Each of these firms will work under the direction of the Debtors’ management. KGS is prepared to work closely with each of the Debtors’ professionals to ensure that there is no unnecessary duplication of effort or cost.

Disclosure of Disinterestedness

20. As further described in the Kahn Affidavit, attached hereto as Exhibit B, the Debtors believe that: (a) KGS has no connection with the Debtors, their creditors, the U.S. Trustee, any person employed in the Office of the U.S. Trustee or any other party with an actual or potential interest in these chapter 11 cases or their respective attorneys or accountants; (b) KGS is not a creditor, equity security holder or insider of the Debtors; (c) KGS is not and was not, within two years of the Petition Date, a director, officer or employee of the Debtors; and (d) KGS does not have an interest materially adverse to the interest of the estate or of any class of

creditors or equity security holders, by reason of any direct or indirect relationship to, connection with or interest in, the Debtors or for any other reason.

21. Accordingly, based on the Kahn Affidavit, the Debtors believe that KGS (a) does not hold or represent any interest adverse to the Debtors or their estates, and (b) is a “disinterested person” as that term is defined in section 101(14) of the Bankruptcy Code. Moreover, the Debtors believe that employment of KGS is necessary and in the best interests of the Debtors and their estates.

22. As set forth in the Kahn Affidavit, the Debtors do not owe KGS any amounts for professional services rendered prior to the Petition Date.

Basis For Relief

23. Pursuant to section 327(a) of the Bankruptcy Code, a debtor “may employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the [debtor’s] duties” 11 U.S.C. § 327(a).

24. Section 101(14) of the Bankruptcy Code defines “disinterested person” as a person that:

- a. is not a creditor, an equity security holder, or an insider;
- b. is not and was not, within 2 years before the date of the filing of the petition, a director, officer, or employee of the debtor; and
- c. does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the debtor, or for any other reason.

25. Bankruptcy Rule 2014 provides, in relevant part, as follows:

An order approving the employment of attorneys, accountants, appraisers, auctioneers, agents, or other professionals pursuant to § 327 . . . of the Code shall be

made only on application of the trustee or committee.

Fed R. Bankr. P. 2014.

26. Local Rule 2014-1 provides, in relevant part, as follows:

An application for the employment of a professional person pursuant to §§ 327 and 328 of the Bankruptcy Code shall state the specific facts showing the reasonableness of the terms and conditions of the employment, including the terms of any retainer, hourly fee or contingent fee arrangement.

S.D.N.Y. LBR 2014-1.

27. As set forth above, KGS has considerable expertise and background knowledge of the Debtors' businesses. Forcing the Debtors to retain alternate tax professionals would incur additional and unnecessary expenses. As such, the Debtors believe retention of KGS as their tax professionals is in the best interests of the Debtors, their estates, creditors, and other parties in interest. The Debtors believe it is essential that the employment of KGS be continued to avoid disruption of the Debtors' normal business operations, since without KGS the Debtors will not be able to complete their 2010 tax returns.

28. The Debtors therefore submit that the proposed employment of KGS and the payment of compensation on the basis set forth herein are both reasonable and in the best interest of their estates and creditors. Accordingly, the Debtors respectfully request that the relief sought herein is granted.

Notice

29. Notice of this Application 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 directly affected by this Application. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

30. 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 19, 2010

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

By: /s/ Michael S. Fox
Michael S. Fox
Jordanna L. Nadritch
Jayme M. Bethel
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*Counsel for the Debtors and Debtors in
Possession*

EXHIBIT A

Engagement Letter



KGS LLP
Certified Public Accountants

125 Jericho Turnpike, Suite 300
Jericho, NY 11753-1024
(516) 997-7500 Fax: (516) 997-3480
Email: info@kgsllp.com

October 10, 2010

Mr. Joseph Schillero
Controller
Jennifer Convertibles, Inc. and Subsidiaries
417 Crossways Park Drive
Woodbury, New York 11797

RE: Engagement of KGS LLP

Dear Mr. Schillero:

This letter is to confirm and specify the terms of our tax engagement with Jennifer Convertibles, Inc. and Subsidiaries for the year ended August 28, 2010 and to clarify the nature and extent of the tax services we will provide.

Our engagement is limited to performing the following services:

1. Prepare the federal, state and city income tax returns, personal property returns and annual reports, where required, for the companies listed on the attached Exhibit A. We are not responsible for returns not on the list.
2. Propose to you any bookkeeping and adjusting entries that we find necessary in connection with the preparation of the income tax returns.
3. Prepare the necessary income tax accrual work papers for the annual financial statement to be included in the 10K filing.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, cancelled checks, and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the returns. You also have the final

responsibility for the tax return and therefore, the appropriate officials should review the returns carefully before an authorized officer signs and files them.

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the bookkeeping and tax services we provide; and for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We may provide you with a questionnaire or other document requesting specific information. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. We will not verify the information you give us; however, we may ask for additional clarification of some information.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

Our work in connection with the preparation of the tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without verification by us.

The Firm may from time to time, and depending on the circumstances, use third-party service providers to assist in preparing your return, but these preparers will not make substantive decisions concerning your return. We may share your tax return information with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, the Firm will remain responsible for the work provided by any such third-party service providers. However, we will not disclose any tax return information to third parties without your express written consent.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that do not meet these standards. Accordingly, we will advise you if we identify such a situation and we will discuss those tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement. Likewise, where we disagree about the obligation to disclose a position, you also have a right to choose another professional to prepare your return. In either event, you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

It is our policy to keep records related to this engagement for three years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. By signing this engagement letter, you agree that upon the expiration of the three year period, we are free to destroy our records related to this engagement.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you, your employees, or agents may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication; you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The returns may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax returns.

Our fees for these services will be based on the actual time spent at our standard hourly rates. Our standard hourly rates vary according to the level of the personnel assigned. You will also be billed for travel and other out-of-pocket costs as incurred. Our invoices for these fees will be rendered as the work progresses, and are due and payable upon presentation. In accordance with our Firm policies, should any invoice remain unpaid for more than thirty days after its due date we reserve the right to defer providing any additional services until all outstanding invoices are paid in full. A late charge of 1 1/2 % per month may be added to all unpaid balances after thirty days after its due date. You agree that we are not responsible for the impact on the Company of any delay that results from such non-payment by you.

As a result of our planning process, we believe that the above described professional services can be completed for an estimated fee of \$85,000. The estimate of our fees is based on certain assumptions, including the required assistance described above. Our fee estimate may be significantly affected and additional fees may be necessary if the required assistance is not provided in a timely manner or the assumptions are not met. Additional services provided beyond the described scope of services will be billed separately.

We have the right to withdraw from this engagement, in our discretion, if you do not provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

Jennifer Convertibles, Inc. and Subsidiaries
October 10, 2010
Page 5

Agreement

This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If any provision of this letter is determined to be unenforceable, all other provisions shall remain in force.

It is hereby understood and agreed that this engagement is being undertaken solely for the benefit of the Company and that no other person or entity shall be authorized to enforce the terms of this engagement.

If you agree with the terms of our engagement, as described in this letter, please sign the two enclosed letters and return both of them to us and we will send you an executed original.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,

KGS LLP



Mitchell Kahn

ACCEPTED

This letter correctly sets forth the agreement of Jennifer Convertibles, Inc. and Subsidiaries.

Officer's signature: _____

Title: _____

Date signed: _____

Exhibit A

Preparation of federal, state and city income tax returns, where required, and any required personal property returns and annual reports for the following list of entities:

- 1 Jennifer Convertibles Boylston MA, Inc.
- 2 Jennifer Chicago Ltd.
- 3 Elegant Living Management, Ltd.
- 4 Jennifer Acquisition Corp.
- 5 Jamaica Avenue Convertibles, Inc.
- 6 Jennifer Management III Corp.
- 7 Jennifer Media Corp.
- 8 Jennifer Purchasing Corp.
- 9 Jennifer Convertibles Licensing Corp.
- 10 Jennifer Management II Corp.
- 11 Jennifer Management V Corp.
- 12 Natick Convertibles, Inc.
- 13 Nicole Convertibles, Inc.
- 14 Nicholson Lane Convertibles, Inc.
- 15 Valley Stream Convertibles, Inc.
- 16 Washington Heights Convertibles, Inc
- 17 Hartsdale Convertibles, Inc.

EXHIBIT B

KGS Affidavit

captioned cases (collectively, the “Debtors”), for entry of an order pursuant to sections 327(a), 330, 331 and 1107(b) of title 11 of the United States Code (the “Bankruptcy Code”), as supplemented by Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Local Rule 2014-1 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”), authorizing the Debtors to retain KGS as their tax professionals. I have personal knowledge of the matters set forth herein.³

2. The debtors and debtors in possession in the above captioned cases (collectively, the “Debtors”) have requested that KGS provide taxation-related services to the Debtors, with regard to the Debtors’ 2010 tax returns. Specifically, the professional services that KGS will render to the Debtors may include, without limitation, the following:

- a. Prepare the federal, state and city income tax returns, personal property returns and annual reports, where required, for the Debtors;⁴
- b. Propose any bookkeeping and adjusted entries KGS finds necessary in connection with the preparation of the income tax returns; and
- c. Prepare the necessary income tax accrual work papers for the annual financial statement to be included in the 10K filing.

3. Based upon information supplied by Debtors’ counsel, KGS searched its client database to identify any connection or relationship between KGS and the Debtors. KGS did not identify any such connections.

4. To the best of my knowledge, and based on the results of the conflicts check, KGS is a “disinterested person” within the meaning of section 101(14) of the Bankruptcy Code (as supplemented by section 1107(b) of the Bankruptcy Code), in that, except as otherwise set forth herein, KGS and its professionals:

³ Certain of the disclosures herein relate to matters within the knowledge of other professionals at KGS.

⁴In addition to the affiliated debtor entities, Jennifer Convertibles has five non-debtor entities that do not hold any assets or liabilities. KGS will be filing tax returns for these entities, as set forth on Exhibit A to the Engagement Letter.

- a. are not creditors, equity security holders or insiders of the Debtors
- b. are not and were not, within 2 years before the date of the filing of the petition, a director, officer, or employee of the Debtors; and
- c. do not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason.

5. The Debtors do not owe KGS any monies for prepetition services performed.

6. As of the Petition Date, KGS was party to an engagement letter with the Debtors, dated October 10, 2010 (the "Engagement Letter"). A copy of the Engagement Letter is attached as Exhibit A to the Application. Pursuant to the terms of the Engagement Letter, KGS estimates that fees for the audit of the Debtors financial statements will be approximately \$85,000.

7. Except as may otherwise be disclosed herein, neither I, KGS, nor any member or associate thereof, insofar as I have been able to ascertain and subject to disclosures herein, holds or represents any interest adverse to the Debtors or their estates. Except as may otherwise be disclosed herein, I believe KGS is a "disinterested person" as that term is defined in section 101(14), and as modified by section 1107(b), of the Bankruptcy Code.

8. If at any point during these cases KGS should discover any facts bearing on the matters described herein, KGS will supplement the information contained in this Affidavit.

I declare under the penalty of perjury that the foregoing is true and correct

Executed on October 18, 2010

By: 

MICHAEL B. FOX
Notary Public, State of New York
No. 02FO8168056
Qualified in Nassau County
Commission Expires June 4, 2011

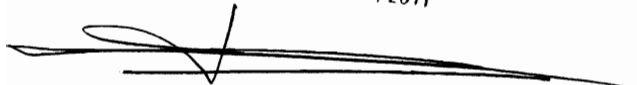


EXHIBIT C

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 AUTHORIZING DEBTORS TO EMPLOY KGS LLP AS TAX
PROFESSIONALS UTILIZED IN THE ORDINARY COURSE OF BUSINESS
PURSUANT TO BANKRUPTCY CODE SECTIONS 105(a), 327(a) AND 330**

Upon the Application, dated October 19, 2010 (the “Application”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order pursuant to sections 327(a), 330, 331 and 1107(b) of title 11 of the Bankruptcy Code, Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Rules of the Bankruptcy Court of the Southern District of New York (the “Local Rules”), authorizing the Debtors to retain and employ KGS LLP (“KGS”), as their tax professionals, effective as of the date hereof; and consideration of the Application and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and the Court having jurisdiction to consider the Application and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408

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.

and 1409; and due and proper notice of the Application 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 Application (the “Hearing”); and the appearances of all interested parties having been noted in the record of the Hearing; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and it appearing that the relief requested in the Application is in the best interests of the Debtors, their estates, creditors, and 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. To the extent provided herein, the Application is GRANTED.
2. Pursuant to sections 327(a), 330, 331 and 1107(b) of the Bankruptcy Code, the Debtors hereby are authorized to retain KGS as their tax professionals in these chapter 11 cases effective as of the date hereof, in accordance with the terms and conditions set forth in the Application and this Order, provided, however, that to the extent that the Application and the Engagement Letter are inconsistent with this Order, the terms of this Order shall govern.
3. KGS is authorized to perform the services set forth in the Application. In the event that the Debtors elect to retain KGS for the performance of any other permitted non-taxation related services, and KGS agrees to such retention, such non-taxation related services and the terms of their provision by KGS shall be set forth in a separate engagement letter, and a supplemental employment application with respect to such non-taxation related services shall be filed with the Bankruptcy Court.

4. Except as otherwise set forth herein, KGS shall apply for compensation for professional services rendered and reimbursement of expenses incurred in connection with the Debtors chapter 11 cases in compliance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, guidelines established by the Office of the United States Trustee for the Southern District of New York and any other applicable procedures and orders of the Court.

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

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

Dated: _____, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE