

EXHIBIT I

**OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP**
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Michael S. Fox, Esq.
Jordanna L. Nadritch, Esq.
Jayme M. Bethel, Esq.
212.451.2300

**Hearing Date: August 31, 2010 at 11:00 a.m.
Objection Deadline: August 24, 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 ENTRY OF AN ORDER
UNDER BANKRUPTCY CODE SECTIONS 105(a) AND 363(b)(1)
AUTHORIZING THE DEBTORS TO ENTER INTO A NEW LEASE**

Jennifer Convertibles, Inc. ("Jennifer Convertibles") and its affiliated debtors, as debtors in possession (together, the "Debtors"), hereby move this Court (the "Motion") for entry of an order authorizing the Debtors to enter into a new lease (the "Coram Lease") for real property located at 2257 Route 112, Coram, NY 11727 (the "Coram Facility"). 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. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofa-bed 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.

3. 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.

4. 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.

5. 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 (the "Abada Declaration") filed on July 19, 2010 and incorporated herein by reference.

Jurisdiction

6. 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.

7. The statutory predicates for the relief requested herein are sections 105(a) and 363(b)(1) of title 11 of the United States Code (the "Bankruptcy Code").

Relief Requested

8. By this Motion, the Debtors respectfully request authorization from this Court to enter into a lease for the Coram Facility. Based upon the significant cost savings to the Debtors as discussed herein, the Debtors have determined, in an exercise of their sound business judgment, that entering into the Coram Lease is in the best interests of the Debtors, their estates and their creditors.

9. Provided that the Court approves the relief sought in this Motion, the Debtors will be closing three Jennifer stores located in the same general area as the Coram Facility, with the intention of consolidating operations into one single store location. By doing so, the Debtors will be able to significantly decrease expenditures, and decrease annual rent obligations by approximately \$315,000 (as discussed in greater detail below). In addition, should the Debtors be allowed to enter the Coram Lease, the Coram Facility is large enough that the Debtors could potentially relocate their corporate offices to Coram at a future date.

10. The Debtors have engaged in extensive arms-length negotiations with the landlord of the Coram Facility in an effort to negotiate favorable terms, and ultimately agreed to the form of lease agreement, as reflected in Exhibit A hereto. The effectiveness of the Coram Lease is expressly conditioned upon its approval by this Court, and the Debtors may not take possession

of the Coram Facility prior to bankruptcy court approval. Thus, by this Motion, the Debtors request authorization by the Court to enter into the Coram Lease.

Terms of Coram Lease

11. The following description sets forth a summary of the principal material terms of the Coram Lease.²

Term: The term of the Coram Lease commences on September 1, 2010 and shall terminate at midnight on July 31, 2023 unless otherwise earlier terminated pursuant to the terms and conditions contained in the Coram Lease.

Rent:

September 1, 2010 – October 31, 2010:	\$15,000.00 monthly
November 1, 2010 – December 31, 2010:	\$0
January 1, 2011 – August 31, 2011:	\$15,000.00 monthly
September 1, 2011 – August 31, 2012:	\$20,000.00 monthly
September 1, 2012 – August 31, 2013:	\$30,000.00 monthly
September 1, 2013 – August 31, 2014:	\$30,000.00 monthly
September 1, 2014 – August 31, 2015:	\$30,900.00 monthly
September 1, 2015 – August 31, 2016:	\$31,827.00 monthly
September 1, 2016 – August 31, 2017:	\$32,781.81 monthly
September 1, 2017 – August 31, 2018:	\$33,765.26 monthly
September 1, 2018 – August 31, 2019:	\$34,778.22 monthly
September 1, 2019 – August 31, 2020:	\$35,821.56 monthly
September 1, 2020 – August 31, 2021:	\$36,896.21 monthly
September 1, 2021 – August 31, 2022:	\$38,003.10 monthly
September 1, 2022 – August 31, 2023:	\$39,143.19 monthly

Permitted Use: The Coram Facility will be used only for a retail store and showroom for the sale of furniture, and corporate offices, and for no other purpose without the prior written consent of the landlord. The Debtors have represented that they are authorized to operate as a “Jennifer Convertibles” retail store and “Ashley Furniture Home Store” retail store.

Bankruptcy Rider: The parties acknowledge that the Debtors have filed for bankruptcy protection and are functioning as Debtors-in-Possession. The Debtors have agreed to timely file this motion with the Bankruptcy Court for approval of the assumption of the Coram Lease. In addition, should the Debtors subsequently reject the lease under 11

² The summary of the Coram Lease contained herein is subject in all respects to the actual terms of the Coram Lease, and to the extent that this Motion and the terms of the Coram Lease are inconsistent, the terms of the Coram Lease shall control.

U.S.C. § 365 during the course of their bankruptcy cases, the landlord will waive its administrative rejection claim under sections 503(b)(7) and 502(b)(6) of the Bankruptcy Code, in exchange for a liquidated damages in the total amount of one month's base rent (\$15,000) from the Debtors, which claim shall have priority under Bankruptcy Code section 503(b)(1).

Basis For Relief

12. Before settling on the Coram Facility, the Debtors investigated a number of other properties before ultimately deciding that the Coram Facility presents a superior option for the Debtors. In evaluating these alternatives, the Debtors used various criteria, including, but not limited to: (i) cost, (2) timing, (iii) layout, (iv) corporate image, and (v) location.

13. Among other things, in addition to receiving two month's rent free, the Debtors will be saving approximately \$315,000 in rent in the first year alone. Currently, the Debtors pay approximately \$488,000 in annual rental obligations for the three store locations. Under the Coram Lease, rent will be \$15,000 per month during the first year, with the first month's rent free, for a total rental obligation of \$150,000 the first year, thus saving the Debtors approximately \$315,000. Thereafter, even with additional rent increases to \$20,000 per month, the Debtors will have a cost savings of approximately \$240,000 per year.

14. In addition, because of the location of the Coram Facility, the Debtors would be able to reach the same customer base they currently target with their three Jennifer stores, without expending the costs and resources necessary to maintain three separate store locations, including expenses related to maintaining three separate sales forces. Other benefits of entering the Coram Lease include the availability of extra retail space in the Coram Facility to test new products and to handle increased clearance products due to new Ashley stores volume.

15. Finally, the Debtors will not be harmed by entering into the Coram Lease postpetition, as the landlord for the Coram Facility has agreed to a capped liquidated damages provision. The relevant lease provision provides that, should the Debtors assume the Coram

Lease and then reject it at a later date, the landlord will waive any administrative rejection claim in exchange for liquidated damages in the total amount of one month's rent. Specifically, such payment would be in full and final settlement of any claims the landlord would have against the Debtors, thereby waiving Bankruptcy Code sections 503(b)(7) and 502(b)(6) and providing a significant benefit for the Debtors.

Applicable Authority

16. In pertinent part, section 363(b) of the Bankruptcy Code provides that “[t]he trustee, after notice and hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b). Courts interpreting section 363(b) of the Bankruptcy Code have generally approved the use, sale, or lease of estate property out of the ordinary course of business where there exists a sound business justification for the proposed transaction. See, e.g., In re Lionel Corp., 722 F.2d 1063, 1071 (2d Cir. 1983) (adopting rule that requires a judge determining a § 363(b) application to expressly find from the evidence presented before him at the hearing a good business reason to grant such an application); In re Iridium Operating LLC, 478 F.3d 452, 466 (2d Cir. 2007) (“In this Circuit, the sale of an asset of the estate under § 363(b) is permissible if the judge determining [the] § 363(b) application expressly find[s] from the evidence presented before [him or her] at the hearing [that there is] a good business reason to grant such an application”) (internal citations omitted); In re Enron Corp., 335 B.R. 22, 27 -28 (S.D.N.Y. 2005) (same); In re Bethlehem Steel Corp., No. 02-2854(MBM), 2003 WL 21738964, at *10 (S.D.N.Y. 2003) (same). Moreover, pursuant to section 105(a) of the Bankruptcy Code, a bankruptcy court “may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a).

17. Once a debtor articulates a valid business justification, “[t]he business judgment rule is a presumption that in making a business decision the directors of a corporation acted on

an informed basis, in good faith and in the honest belief that the action was in the best interest of the company.” In re Integrated Resources, Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992) (internal citations omitted). The business judgment rule has validity in chapter 11 cases and shields a debtors’ management from judicial second-guessing. See id.; see also Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 615-6 (Bankr. S.D.N.Y. 1986) (“[T]he Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a debtor’s management decisions”). The business judgment standard mandates that a court shall approve a debtor’s business decisions unless the decision is the product of bad faith or gross abuse of discretion. In re G Survivor Corp., 171 B.R. 755, 757 -8 (Bankr. S.D.N.Y. 1994), citing Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1047 (4th Cir. 1985), cert. denied, 475 U.S. 1057 (1986).

18. The Debtors can easily demonstrate that the execution of the Coram Lease is an

exercise of sound business judgment. The Coram Lease is a result of extensive negotiations with the landlord that has resulted in significantly favorable terms for the Debtors, including (a) an increase in the leased rentable square feet; (b) a significant decrease in rental obligations and other costs and expenses related to maintaining three separate store locations; (c) the ability to reach the same customer base; and (d) the availability of extra retail space to test new products and to handle increased clearance products. Since the outset of the Debtors’ chapter 11 cases, the Debtors’ management has reviewed all aspects of their operations in order to determine and implement a plan for realizing cost savings. In connection with these efforts, the Debtors determined that relocating their three Jennifer stores to the Coram Facility would be in the best interests of their estates and creditors in order to capture such savings.

19. The Debtors respectfully submit that, in their business judgment, there are substantial justifications for the Debtors to enter into the Coram Lease, as it easily provides the best option for the Debtors' future operations.

Notice

20. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) those creditors holding the thirty (30) largest unsecured claims against the Debtors' estates (on a consolidated basis); (iii) counsel to the Official Committee of Unsecured Creditors; (iv) counsel for the Coram Lease; and (v) any other party directly affected by this Motion. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

21. 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
August 10, 2010

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

By: /s/ Michael S. Fox
Michael S. Fox
Jordanna L. Nadritch
Jayme M. Bethel
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

*Counsel for the Debtors and Debtors in
Possession*
