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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Motion for Joint Administration Pending)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER UNDER BANKRUPTCY CODE
SECTION 521, BANKRUPTCY RULE 1007(d), AND LOCAL RULE 1007-1
AUTHORIZING THE DEBTORS TO (I) PREPARE CONSOLIDATED LIST OF
CREDITORS IN LIEU OF MAILING MATRIX, (II) FILE A CONSOLIDATED LIST OF
30 LARGEST UNSECURED CREDITORS, AND (III) MAIL INITIAL NOTICES**

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 (i) prepare consolidated list of creditors in lieu of mailing matrix, (ii) file a consolidated list of 30 largest unsecured creditors, and (iii) mail initial notices.

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. No trustee, examiner or statutory creditors’ committee has been appointed in these chapter 11 cases.

2. 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.

3. In order to generate sales, the Debtors rely on aggressive pricing, the attractive image of its stores, extensive advertising and prompt delivery. Operations are classified into two operating segments organized by retail concept: Jennifer and Ashley. The Jennifer segment operates the sofabed specialty retail store concept. The Ashley segment is the big box, full line home furniture retail store concept. There are no inter-company sales between segments. The Ashley segment is highly profitable due to its unique sourcing model, whereby once most sales are executed, Ashley’s supplier manages the supply chain process. Under the Ashley sourcing model, the Debtors need for warehouse inventory is reduced, thereby limiting working capital needs and infrastructure requirements. The Debtors’ two operating segments enable the Debtors to more effectively offer diverse home furnishings and accessories and expand to a broader consumer base.

4. As of the Petition Date, the Debtors' stores include 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 employ 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. For the fiscal year ended August 29, 2009, the Debtors' consolidated financial statements showed revenues from continuing operations of approximately \$94,177,000, compared with \$120,131,000 for the fiscal year ended August 30, 2008, and \$132,683,000 for the fiscal year ended August 25, 2007. For the thirty-nine weeks ended May 29, 2010, revenues from continuing operations were approximately \$70,036,000, with \$56,144,000 coming from the Jennifer segment stores, and \$13,892,000 from the Ashley segment stores.

7. Net sales from continuing operations were \$88,845,000 and \$113,073,000 for the fiscal years ended August 29, 2009 and August 30, 2008, respectively. Net sales from continuing operations decreased by 21.4%, or \$24,228,000 for the fiscal year ended August 29, 2009 compared to the fiscal year ended August 30, 2008. The decrease in net sales is attributable to a decline in overall demand within the furniture industry sector due to a poor housing market and an overall weak U.S. economy. Consolidated same store sales from continuing operations (sales at those stores open for the entire current and prior comparable periods) decreased 19.6% for the thirteen weeks ended May 29, 2010, compared to the same period ended May 30, 2009.

8. Specifically, in the Ashley segment, net sales from continuing operations were \$5,106,000 and \$3,363,000 for the thirteen-week periods ended May 29, 2010 and May 30,

2009, respectively. Net sales from continuing operations increased by 51.8%, or \$1,743,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The increase is largely attributable to four new Ashley locations open during the thirteen-week period ended May 29, 2010, that were not open during the same thirteen week period last year.

9. In the Jennifer segment, net sales from continuing operations were \$16,375,000 and \$16,987,000 for the thirteen-week periods ended May 29, 2010 and May 30, 2009, respectively. Net sales from continuing operations decreased by 3.6%, or \$612,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The decrease is attributable to the decline in overall demand within the furniture industry sector due to the prevailing conditions of the U.S. economy, the current housing market, store closings, and delays in receipt of merchandise from the Debtors' Chinese supplier, all as discussed in greater detail in the other first day motions, filed concurrently herewith.

10. 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 contemporaneously with this Motion and incorporated herein by reference.

Jurisdiction

11. 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.

12. The statutory predicates for the relief requested herein are section 521 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 1007(d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), Rule 1007-1 of the Local Bankruptcy Rules for

the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”), and General Order M-192.

Relief Requested

13. By this Motion, and in accordance with this Court’s Amended General Order M-192, dated March 16, 1998, the Debtors request that this Court enter an order, under Bankruptcy Code section 521, Bankruptcy Rule 1007(d) and Local Rule 1007-1, authorizing the Debtors to (i) prepare consolidated list of creditors in lieu of mailing matrix, (ii) file a consolidated list of 30 largest unsecured creditors, and (iii) mail initial notices. The Debtors further seek authority not to file the consolidated list of creditors described in the preceding clause with this Court concurrently with the filing of their bankruptcy petitions, but instead to make such lists available only upon request.

Basis For Relief

A. Request for Authority to Prepare a Consolidated List of Creditors

14. In this instance, permitting the Debtors to maintain a consolidated list of their creditors in electronic format only in lieu of filing a creditor matrix is warranted under the circumstances. Indeed, converting the Debtors’ computerized information to a format compatible with the matrix requirements would be an exceptionally burdensome task and would greatly increase the risk and recurrence of error with respect to information already intact on computer systems maintained by the Debtors or their agents.

15. Furthermore, Local Rule 1007-1 directs a debtor to comply with any standing orders issued by this Court regarding the filing of creditor lists. Under Amended General Order M-192, a debtor filing a petition with more than 1,000 creditors and equity security holders, is directed to contact the Clerk of the Court and to use the services of a process and claims agent to assist with such lists.

16. Moreover, in accordance with Amended General Order M-192, the Debtors have filed an application seeking the appointment of BMC Group, Inc. (“BMC”) as claims, noticing, and balloting agent in these chapter 11 cases. If such application is granted, BMC will, among other things, (a) assist with the consolidation of the Debtors’ computer records into a creditor database and (b) complete the mailing of notices to the parties in such databases.

17. After consultation with BMC, the Debtors believe that preparing the consolidated list in the format or formats currently maintained in the ordinary course of business will be sufficient to permit BMC to give notice promptly to all applicable parties. Accordingly, it is in the best interest of the Debtors’ estates to avoid the cost and risks associated with preparing and filing a separate matrix.

B. Single Consolidated List of the 30 Largest General Unsecured Creditors

18. Section 521 of the Bankruptcy Code requires the Debtors file a list of creditors, and Bankruptcy Rule 1007(d) further requires a debtor to file “a list containing the name, address, and claim of the creditors that hold the 20 largest unsecured claims, excluding insiders ...” Fed. R. Bankr. P. 1007(d). Because, however, many creditors are shared among certain of the Debtors, and the Debtors would have to expend significant resources and effort to reconcile which claims are assertable against which Debtors, the Debtors request authority to file a single, consolidated list of their 30 largest general unsecured creditors.

19. The Debtors have hundreds of potential unsecured creditors and over 3,500 shareholders. Requiring each of the Debtors to file a separate top 30 list in each of their respective cases would generate a large number of names, addresses, and claim amounts. The Debtors do not believe that such a voluminous filing would facilitate the review of creditor claims by the Office of the United States Trustee, or any other party-in-interest. In addition, the exercising of compiling separate “top 30” lists would consume an excessive amount of the

Debtors' scarce time and resources. In light of the foregoing, the Debtors submit that authority to file a single, consolidated list of the 30 largest unsecured creditors in these chapter 11 cases is in the best interests of the estates and will facilitate the efficient and orderly administration of these chapter 11 cases.

C. Mail Initial Notices to Creditors

20. As stated above, the Debtors by separate application are seeking authority to retain BMC as their notice and claims agent. The Debtors propose that BMC undertake all mailings directed by this Court, the U.S. Trustee, or as required by the Bankruptcy Code. Additionally, BMC will assist the Debtors in preparing creditor lists and mailing initial notices to the consolidated list of creditors, such as (a) a notice of filing of the chapter 11 cases, (b) a notice of meeting of creditors under section 341 of the Bankruptcy Code, and (c) notice of the time fixed for filing objections to and the hearing to consider approval of a disclosure statement or consider confirmation of a plan, and (d) any correspondence the Debtors may wish to send to creditors as part of the Debtors' communication efforts to keep their creditors informed with respect to the status of these chapter 11 cases.

21. With such assistance, the Debtors will be prepared to file a computer-readable consolidated list of creditors and a list of equity security holders upon request, and will be capable of undertaking all necessary mailings.

22. Courts have routinely granted to large business debtors the same or substantially similar relief to that requested in this Motion. See, e.g., Fortunoff Fine Jewelry and Silverware, LLC, Case No. 08-10353 (JMP) (Bankr. S.D.N.Y. Feb. 4, 2008); In re Dana Corp., et al., Case No. 06-10354 (BRL) (Bankr. S.D.N.Y. Mar. 6, 2006); In re Musicland Holding Corp., et al., Case No. 06-10064 (SMB) (Bankr. S.D.N.Y. Jan. 17, 2006); In re Refco Inc., et al., Case No. 05-60006 (RDD) (Bankr. S.D.N.Y. Oct. 20, 2005); In re Delphi Corp., et al., Case no/ 05-44481

(RDD) (Bankr. S.D.N.Y. Oct. 13, 2005); In re Winn-Dixie Stores, Inc., et al., Case No. 05-11063 (RDD) (Bankr. S.D.N.Y. Mar. 4, 2005).

Notice

23. No trustee, examiner or statutory creditors' committee 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) those creditors holding the thirty (30) largest unsecured claims against the Debtors' estates (on a consolidated basis); (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) the SEC; (v) the IRS; (vi) all taxing authorities in relevant jurisdictions; (vii) all attorneys general in relevant jurisdictions; and (viii) any other party directly affected by this Motion. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

24. 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
July 21, 2010

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*Proposed Attorneys for the Debtors and
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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)

(Motion for Joint Administration Pending)

**INTERIM ORDER AUTHORIZING THE DEBTORS TO (I) PREPARE
CONSOLIDATED LIST OF CREDITORS IN LIEU OF MAILING MATRIX, (II) FILE A
CONSOLIDATED LIST OF 30 LARGEST UNSECURED CREDITORS,
AND (III) MAIL INITIAL NOTICES**

Upon the motion, dated July 21, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order authorizing the Debtors to (i) prepare consolidated list of creditors in lieu of mailing matrix, (ii) file a consolidated list of 30 largest unsecured creditors, and (iii) mail initial notices; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); 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 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

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

the best interests of the Debtors, their estates, and creditors; 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, on an interim basis.
2. Notwithstanding Bankruptcy Rule 1007(d), the Debtors are authorized to prepare a consolidated list of creditors in a computer-readable format that is acceptable to the Clerk of this Court and to make such list available only upon request.
3. The Debtors are authorized to file a consolidated list of their top 30 creditors.
4. The Debtors, with the assistance of BMC, are directed to mail initial notices to the consolidated list of creditors, such as (a) a notice of filing of the chapter 11 cases, (b) a notice of a meeting of creditors under section 341 of the Bankruptcy Code, and (c) notice of the time fixed for filing objections to and the hearing to consider approval of a disclosure statement or consider confirmation of a plan, and (d) any correspondence the Debtors may wish to send to creditors as part of the Debtors' communication efforts to keep their creditors informed with respect to the status of these chapter 11 cases.
5. The Debtors, with the assistance of BMC, are directed to undertake all mailings directed by this Court, the Office of the United States Trustee, or as required by the Bankruptcy Code.
6. The Final Hearing to consider entry of an order granting the relief requested in the Motion on a permanent basis shall be held on _____, 2010 at __:___.m. (Eastern Time); and any objections to entry of such order shall be in writing and filed with this Court and served upon (a) Olshan Grundman Frome Rosenzweig & Wolosky LLP, Attn: Michael S. Fox, Esq., Counsel for the Debtors; (b) Office of the U.S. Trustee; (c) Lawrence A. Darby, III, Esq., Counsel to Mengnu; and (d) Neiger LLP, Attn: Edward E. Neiger, Esq., Counsel to Mengnu; and (e) counsel

for any statutory committee appointed in these cases, in each case so as to be received no later than __: __ .m. (Eastern Time) on _____, 2010.

7. If no Objections are filed to the Motion, the Court may enter a Final Order without further notice or hearing.

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

Dated: July __, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE