

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

In re:

JENNIFER CONVERTIBLES, INC.,<sup>1</sup>

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**PRELIMINARILY APPROVAL ORDER AUTHORIZING AND  
APPROVING SETTLEMENT OF CIVIL ACTIONS**

Upon the Motion, dated December 30, 2010 (the “Motion”)<sup>2</sup> of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), for entry of an order pursuant to Rules 7023, 9014 and 9019 of the Federal Rules of Bankruptcy Procedure and sections 105(a) and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing and approving the settlement of the Combs Cases; 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

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<sup>1</sup> 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).

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

in the Motion (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 Motion establish just cause for the relief granted herein; and it appearing that the Settlement proposed in the Settlement Agreement has been negotiated at arms’-length and is fair, reasonable and adequate for settlement purposes; and it appearing that the proposed manner of distributing the combined Class Notice and Claim Form to the Combs Classes complies fully with applicable law and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the Settlement of the Combs I Case; 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. Subject to entry of the Final Judgment and Order to the extent required under the Settlement Agreement, the relief requested in the Motion is GRANTED.
2. The Settlement Agreement, annexed to the Motion as Exhibit A, is approved.
3. The Debtors are authorized to enter into and consummate the Settlement Agreement.
4. The Debtors may take such actions as are necessary to consummate the settlement of the Combs Cases as provided in the Settlement Agreement.
5. Within 10 days of entry of this Order, Jennifer Convertibles shall pay \$50,000 to Ayisha Combs (the “Combs Payment”) in full and final settlement of the Combs II Case and the claims asserted therein, in accordance with the wiring instructions annexed to the Settlement Agreement.

6. Immediately upon payment of the Combs Payment (the “Combs II Effective Date”), the Combs Release shall be fully enforceable, and Greenfield and Abada shall be entitled to the benefits of the Combs Release. The Combs Release shall apply, without limitation, to any and all claims of the Combs Releasing Parties that would be barred by the doctrines of res judicata and collateral estoppel had the issues in the Combs II Case been litigated to a final judgment on the merits, and to any and all past, present and future claims, administrative or otherwise, actions, causes of action, rights or liabilities, known or unknown, based on, arising out of, or in any way relating or pertaining to, the facts, events or transactions at issue in the Combs II Case. Without limiting the foregoing, the Combs Released Claims specifically extend to and include claims that the Combs Releasing Parties do not know or suspect to exist in their favor at the time that the Settlement Agreement is executed, which, if known, might have affected their decision to enter into the Settlement Agreement. The Combs Releasing Parties are hereby deemed to have intentionally and knowingly waived any and all provisions, right and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity, which governs or limits a person’s release of unknown claims.

7. Within five (5) business days of the Combs II Effective Date, Class Counsel shall withdraw the Appeal, with prejudice, and take such actions as are necessary to terminate the Mediation.

8. The Settlement Administrator shall be solely responsible for making any and all distributions to the Combs Class Members and Class Counsel in connection with the Settlement.

9. For settlement purposes only, a class action consisting of the Class Members and a collective action consisting of the Collective Action Members are hereby certified. In the event

that entry of the Final Judgment and Order is denied for any reason, the Parties' respective stipulations regarding certification of the Combs Classes shall be deemed withdrawn and shall have no further force or effect with respect to certification of the Combs Classes, and the Combs Classes will no longer be deemed certified for any purposes.

10. H&R is hereby appointed as Settlement Administrator to perform the services required to effectuate the terms of the Settlement Agreement.

11. The Class Notice and the Claim Form, in substantially the forms annexed as Exhibit 1 to the Settlement Agreement, are hereby approved.

12. Within five (5) business days after entry of this Order and provision by Jennifer Convertibles of the last known names and addresses of each Combs Class Member (which shall be provided in Microsoft Excel format not later than ten (10) business days after entry of this Order), H&R shall mail, via U.S. first class mail, notice of the Settlement Agreement (attached in draft form as Exhibit 1 to the Settlement Agreement, which includes the Claim Form and to be revised as per the record of the hearing held on January 25, 2011) to each Class Member and Collective Action Member at the last known billing address in Jennifer Convertible's records. The Class Notice will encourage all Combs Class Members to raise all questions about the Settlement to the Settlement Administrator, which the Settlement Administrator shall answer using a set of guidelines jointly approved by the Parties. Under no circumstances will the Settlement Administrator, any counsel or Plaintiff encourage a Combs Class Member to opt-out or otherwise not participate in the Settlement. Prior to mailing the Class Notice, the Settlement Administrator will attempt to update the Combs Class Members' addresses utilizing the U.S. Postal Service's National Change of Address database. In the event that the Class Notice is returned undeliverable with no forwarding address, the Parties shall have no further obligation to

attempt to obtain a forwarding address. In the event that the Class Notice is returned undeliverable with a forwarding address, H&R shall re-mail the Class Notice, via U.S. first class mail, to the indicated forwarding address within five (5) days of receipt of the forwarding address.

13. To be eligible to obtain the settlement benefits identified in the Settlement Agreement, a Settlement Class Member or Settlement Collective Action Member must, within forty-five (45) days of the date of the Class Notice, submit to the Settlement Administrator a fully and correctly executed Valid Claim Form in accordance with the Class Notice, and must not have opted out of the Combs Classes. To be deemed a fully and correctly executed Valid Claim Form, the Combs Class Members must provide: (i) current name and address of the Combs Class Member, (ii) declare under penalty of perjury that they were employed by Jennifer Convertibles in a showroom in a capacity other than a store manager or regional manager, during the relevant time period, and (iii) that he/she worked more than (a) eight hours in one day without being paid overtime compensation; and/or (b) forty hours in one week without being paid overtime compensation. Jennifer Convertibles shall have the right, but not the obligation, to verify the accuracy of information supplied by a Settlement Class Member or Settlement Collective Action Member on the Claim Form. Any claim may be denied if the person submitting the Claim Form is not a member of the Combs Classes. At Class Counsel's request, the Settlement Administrator shall send to Class Counsel all Claim Forms that are not correctly executed or are untimely. Class Counsel shall not be responsible for any costs incurred by any Combs Class Member as a result of a denial of any Claim Form for any reason. Jennifer Convertibles shall not be responsible for any costs incurred by any Combs Class Member or Class Counsel as a result of a denial of any Claim Form for any reason.

14. Class Members may request to be excluded from the Settlement, and shall have no rights under the Settlement Agreement, by mailing to the Settlement Administrator at the address provided in the Class Notice and postmarked (or mailed by overnight delivery) within 45 days of the date of Class Notice a written request for exclusion. Such request must be in writing, state the Class Member's name and current address, be signed by the Class Member, and contain a statement requesting to be excluded from the proposed settlement class in the Combs Cases. A request for exclusion that does not include all of the foregoing information, that is sent to an address other than the one designated in the Class Notice, or that is not sent within the time specified, shall be invalid and the person(s) serving such a request shall be a member(s) of the class and be bound as a Class Member if the Settlement Agreement is finally approved. No person shall purport to exercise any exclusion rights of any other person, or purport to exclude other Class Members as a group, aggregate, or class involving more than one Class Member, or as an agent or representative. Any such purported exclusion shall be void, and the Class Members that is or are the subject of the purported opt-out shall be treated as Class Members for all purposes. Any Class Member that fails to properly exclude itself from participation in the Settlement and does not opt-in to the Settlement shall be deemed a party plaintiff and be bound by the terms of the Settlement Agreement, including the release provisions thereof, but shall not be entitled to the benefits of the distributions proposed thereunder.

15. Any Class Member who does not request exclusion may object to the Settlement, at his or her own expense, by filing a written objection with the Bankruptcy Court specifically stating his or her objections and grounds thereof. No Class Member shall be heard and no papers, briefs, pleadings or other documents submitted by any such Class Members shall be received and considered by the Bankruptcy Court unless, within the time specified in the Class

Notice (which in no event shall be less than forty-five (45) days after such notice is mailed), such Class Member has both filed with the Bankruptcy Court and mailed to Class Counsel and counsel for Jennifer Convertibles, at the addresses set forth in the Class Notice, a written objection that includes (i) the information specified by the Class Notice and (ii) the specific grounds for the objection and any reasons why such Class Member desires to appear and be heard, as well as all documents or writings that such Class Member desires the Bankruptcy Court to consider. Any Class Member who fails to comply with this Order or the Class Notice shall be barred from being heard at the Final Settlement Hearing. Any Class Members who exclude themselves from the Settlement shall have no right file an objection.

16. Except as otherwise provided herein (including Paragraph 6 hereof) or in the Settlement Agreement, in the event that (i) the Settlement Agreement is not approved in all material respects, as set forth in the Settlement Agreement, by entry of the Final Judgment and Order by the Bankruptcy Court, or (ii) the Final Judgment and Order is reversed, vacated or modified in any material respect from what is set forth in the Settlement Agreement, or (iii) the Bankruptcy Court conditions final approval of any change not previously agreed to or consented to by the Parties, then the Settlement Agreement shall become null and void, the Combs I Case may continue, and any and all orders entered pursuant to the Settlement Agreement shall be deemed vacated, including without limitation, the certification of the Combs Classes for any purposes.

17. The Final Settlement Hearing shall be held before the Bankruptcy Court on **May 27, 2011 at 10:00 a.m. (EST)**.

18. Nothing in this Order shall prejudice or be deemed a waiver of (a) the rights of the Debtors or any other party, including without limitation the Debtors' directors and officers, to

seek recovery of any fees, expenses or other costs from any insurance policy to which the Debtors or any other party, including without limitation the Debtors' directors and officers, are a party or a beneficiary or under which the Debtors or any other party, including without limitation Debtors' directors and officers, may have any rights of recovery, or (b) the right of any party to seek disgorgement of any amounts paid hereunder (or any defenses to any such right of recovery).

19. In the event of a conflict between the provisions of this Order and the provisions of the Settlement Agreement, the provisions of this Order shall control.

20. This Court shall retain jurisdiction to interpret and enforce this Order and the Settlement Agreement.

Dated: January 28, 2011  
New York, New York

*/s/ Allan L. Gropper*

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HONORABLE ALLAN L. GROPPER  
UNITED STATES BANKRUPTCY JUDGE