

**OLSHAN GRUNDMAN FROME  
ROSENZWEIG & WOLOSKY LLP**

Park Avenue Tower  
65 East 55<sup>th</sup> Street  
New York, New York 10022  
Michael S. Fox, Esq.  
Andrea Fischer, Esq.  
Jordanna L. Nadritch, Esq.  
212.451.2300

*Proposed Counsel to the Debtors*

**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)

(Motion for Joint Administration Pending)

**APPLICATION OF THE DEBTORS PURSUANT TO SECTIONS 327(A) AND 328(A)  
OF THE BANKRUPTCY CODE FOR AUTHORIZATION TO EMPLOY AND RETAIN  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP AS ATTORNEYS  
FOR THE DEBTORS *NUNC PRO TUNC* TO THE PETITION DATE**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors in possession (together, the “Debtors”), hereby move this Court for entry of an order authorizing the employment of Olshan Grundman Frome Rosenzweig & Wolosky LLP (“Olshan”) as attorneys for the Debtors *nunc pro tunc* to the Petition Date (the “Application”). In support of this Application, the Debtors respectfully state as follows:

<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).

## **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 sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

### **Relief Requested**

13. By this Application, the Debtors seek approval to employ and retain Olshan as their attorneys in connection with the commencement and prosecution of their chapter 11 cases, *nunc pro tunc* to the Petition Date. Pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, and Bankruptcy Rule 2014, the Debtors request that the Court enter the proposed form of the order attached hereto authorizing the retention of Olshan, under a general retainer, as their attorneys, to perform the extensive legal services that will be necessary during their chapter 11 cases in accordance with Olshan's normal hourly rates in effect when services are rendered and Olshan's normal reimbursement policies. In support of this Application, the Declaration of Michael S. Fox, a member of Olshan (the "Fox Declaration") is attached hereto as Exhibit A.

### **Basis For Relief**

14. The Debtors have been informed that Michael S. Fox, a member of Olshan, as well as other members of, counsel to, and associates of Olshan who will be employed in these chapter 11 cases, are members in good standing of, among others, the Bar of the State of New York and the United States District Court for the Southern District of New York.

15. The Debtors have selected Olshan as their attorneys because of Olshan's knowledge of the Debtors' business and financial affairs and its extensive general experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code.

16. Additionally, Olshan has become familiar with the Debtors' business, affairs, capital structure, and potential legal issues which may arise in the context of these chapter 11 cases. Accordingly, Olshan has the necessary background to deal effectively with many of the potential legal issues and problems that may arise in the context of the Debtors' chapter 11 cases.

The Debtors believe that Olshan is both well qualified and uniquely able to represent them in their chapter 11 cases in an efficient and timely manner.

17. Should the Debtors be required to retain attorneys other than Olshan in connection with the prosecution of these chapter 11 cases, the Debtors, their estates, and all parties in interest would be unduly prejudiced by the time and expense necessarily attendant to such attorneys' familiarization with the intricacies of the Debtors and their business operations.

18. In addition to this Application, the Debtors have filed or expect to file shortly an application to employ (i) TM Capital as Bankruptcy Consultants and Special Financial Advisors to the Debtors; (ii) BMC as claims and noticing agent; and (iii) KPMG CF Realty LLC as special real estate advisors. The Debtors may also file applications to employ additional professionals, including, without limitation, special securities counsel. Olshan has advised the Debtors that it intends to monitor carefully and coordinate with the professionals listed above and any other professionals retained by the Debtors in these chapter 11 cases and will clearly delineate their respective duties so as to prevent duplication of effort, whenever possible. Rather than resulting in any extra expense to the Debtors' estates, it is anticipated that the efficient coordination of efforts of the Debtors' attorneys and other professionals will greatly add to the progress and effective administration of these chapter 11 cases.

#### **Scope of Services**

19. The employment of Olshan under a general retainer and in accordance with its normal hourly rates and disbursement policies in effect from time to time is appropriate and necessary to enable the Debtors to execute faithfully their duties as debtors and debtors in possession and to prosecute their chapter 11 cases. Subject to further order of this Court, it is proposed that Olshan be employed to render the following professional services:

- a. advising the Debtors of their rights, powers and duties as debtors and debtors in possession continuing to operate and to manage their respective businesses and properties under chapter 11 of the Bankruptcy Code;
- b. preparing on behalf of the Debtors all necessary and appropriate applications, motions, draft orders, other pleadings, notices, schedules and other documents, and reviewing all financial and other reports to be filed in these chapter 11 cases;
- c. advising the Debtors concerning, and preparing responses to, applications, motions, other pleadings, notices and other papers that may be filed by other parties in these chapter 11 cases;
- d. advising the Debtors with respect to, and assisting in the negotiation and documentation of, financing agreements and related transactions;
- e. reviewing the nature and validity of any liens asserted against the Debtors' property and advising the Debtors concerning the enforceability of such liens;
- f. advising the Debtors regarding their ability to initiate actions to collect and recover property for the benefit of their estates;
- g. advising and assisting the Debtors in connection with any commercial transactions, including, without limitation, transactions regarding store closing sales;
- h. advising and assisting the Debtors in negotiations or communications with the Debtors' suppliers, customers, equity holders and other stakeholders, and government regulatory bodies;
- i. advising the Debtors concerning executory contract and unexpired lease assumptions, assignments and rejections and lease restructurings and recharacterizations;
- j. advising the Debtors in connection with the formulation, negotiation and promulgation of a chapter 11 plan or plans, and related transactional documents;
- k. assisting the Debtors in reviewing, estimating and resolving claims asserted against the Debtors' estates;
- l. commencing and conducting litigation necessary and appropriate to assert rights held by the Debtors, protect assets of the Debtors' chapter 11 estates or otherwise further the goal of completing the Debtors' successful chapter 11 process, and to defend against any litigation brought against the Debtors; and
- m. performing all other necessary and appropriate legal services in connection with these chapter 11 cases for or on behalf of the Debtors.

20. Subject to Court approval in accordance with section 330(a) of the Bankruptcy Code, compensation will be payable to Olshan on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by Olshan, as discussed below and in the Fox Declaration.

#### **Olshan's Disinterestedness**

21. Olshan has stated its desire and willingness to act in these chapter 11 cases and render the necessary professional services as attorneys for the Debtors. To the best of the Debtors' knowledge, the members of, counsel, and associates of, Olshan do not have any connection with or any interest adverse to the Debtors, their creditors, or any other party in interest, or their respective attorneys and accountants, except as may be set forth in the Fox Declaration. Olshan is a "disinterested person" as that phrase is defined in section 101(14) of the Bankruptcy Code, and Olshan's employment is necessary and in the best interests of the Debtors and their estates.

22. Based upon the Fox Declaration, the Debtors submit that Olshan is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code. The Debtors have been informed that Olshan will conduct an ongoing review of its files to ensure that no disqualifying circumstances arise, and if any new relevant facts or relationships are discovered, Olshan will supplement its disclosure to the Court.

#### **Professional Compensation**

23. Olshan has received payments from the Debtors during the year prior to the Petition Date in the amount of \$351,345.53 through July 15, 2010 in connection with its prepetition representation of the Debtors. In addition, on July 15, 2010, Olshan received a



retainer of \$250,000 for its preparation for and representation of the Debtors in these Chapter 11 cases. Olshan has not yet done a final reconciliation of its prepetition fees and expenses, but it will apply the retainer to professional services performed prepetition and out of pocket expenses incurred in relation thereto, and any balance that remains after the reconciliation will be applied to post-petition charges to the extent such charges are allowed by this Court.

24. The Debtors understand that Olshan hereafter intends to apply to the Court for allowances of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules for the Southern District of New York, the guidelines established by the United States Trustee for the Southern District of New York, and further Orders of this Court for all services performed and expenses incurred after the Petition Date.

25. For services rendered by Olshan in these cases, the Debtors, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules for the Southern District of New York, the guidelines established by the United States Trustee for the Southern District of New York, and further Orders of this Court, propose to pay Olshan its customary hourly rates for services rendered that are in effect from time to time, set forth in the Fox Declaration, and to reimburse Olshan according to its customary reimbursement policies. The Debtors respectfully submit that Olshan's rates and policies are reasonable.

#### **Reservation of Rights**

26. Nothing contained herein is intended or shall be construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors' or any party in interest's rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy or lease under section 365 of the Bankruptcy Code. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's Order is not

intended and should not be construed as an admission to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently. Finally, the relief requested herein shall not oblige the Debtors to accept any services, to accept the shipment of goods, or prevent the Debtors from returning or rejecting goods.

#### **Notice**

27. 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' estate (on a consolidated basis); (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) the Securities and Exchange Commission (v) the Internal Revenue Service; (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**

28. 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: July 19, 2010  
New York, New York

By: /s/ Michael S. Fox  
Michael S. Fox  
Andrea Fischer  
Jordanna L. Nadritch  
Park Avenue Tower  
65 East 55<sup>th</sup> Street  
New York, New York 10022  
(212) 451-2300

*Proposed Attorneys for the Debtors and  
Debtors in Possession*

**Exhibit A**

**Fox Declaration**

**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)

(Motion for Joint Administration Pending)

**DECLARATION AND DISCLOSURE STATEMENT ON BEHALF OF OLSHAN  
GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP PURSUANT TO SECTIONS  
327, 328(a), 329 AND 504 OF THE BANKRUPTCY CODE AND  
FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

Michael S. Fox makes this declaration under 28 U.S.C. § 1746, and states:

1. I am a member of the firm of Olshan Grundman Frome Rosenzweig & Wolosky LLP (“Olshan”), a law firm with principal offices at 65 East 55<sup>th</sup> Street, New York, New York 10022.

2. I submit this Declaration to provide the disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) in connection with the application, dated July 19, 2090 (the “Application”), of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for approval of the Debtors’ retention of Olshan as their attorneys in these chapter 11 cases pursuant to sections 327(a), 328(a) of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). Unless otherwise stated in this Declaration, I have personal knowledge of the facts set forth herein. To the extent any

---

<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).

information disclosed herein requires amendment or modification upon Olshan's completion of further review or as additional party in interest information becomes available to it, a supplemental declaration will be submitted to the Court reflecting such amended or modified information.

3. The Debtors have selected Olshan as their attorneys because of Olshan's knowledge of the Debtors' business and financial affairs and its extensive general experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code.

4. Additionally, Olshan has become familiar with the Debtors' business, affairs, capital structure, and potential legal issues which may arise in the context of these chapter 11 cases. Accordingly, Olshan has the necessary background to deal effectively with many of the potential legal issues and problems that may arise in the context of the Debtors' chapter 11 cases. The Debtors believe that Olshan is both well qualified and uniquely able to represent them in their chapter 11 cases in an efficient and timely manner.

5. Neither I, Olshan, nor any member, counsel to, or associate of the Firm represents any entity other than the Debtors in connection with these chapter 11 cases. In addition, to the best of my knowledge, after due inquiry, neither I, nor Olshan, nor any member, counsel to, or associate of Olshan represents any party in interest in these chapter 11 cases in matters related to these chapter 11 cases.

#### **Olshan Disclosure Procedures**

6. In preparing this Declaration, and as detailed more fully below, Olshan has reviewed the list of creditors and equity security holders of the Debtors provided to us by the Debtors. Olshan maintains a computerized conflicts check system. Olshan has compared the information obtained thereby with the information contained in its client and adverse party

conflict check system. The facts stated in this Declaration as to the relationship between Olshan and the Debtors, the Debtors' creditors, the United States Trustee, other persons employed by the Office of the United States Trustee, and those persons and entities who are defined as disinterested persons in Section 101(14) of the Bankruptcy Code, are based on the results of my review of Olshan's conflict check system. Based upon such search, and as detailed below, it is submitted that Olshan does not represent any entity in any matter involving or adverse to the Debtors or which would constitute a conflict of interest or impair the disinterestedness of Olshan in respect of its representation of the Committee herein.

7. Olshan's client and adverse party conflicts check system is comprised of records regularly maintained in the course of business by Olshan, and it is the regular practice of Olshan to make and maintain these records. The system reflects entries that are noted at the time the information becomes known by persons whose regular duties include recording and maintaining this information. I regularly use and rely upon the information contained in the system in the performance of my duties with Olshan and in my practice of law.

8. Except as set forth herein, a search of Olshan's conflicts check system revealed no connections which impairs Olshan's disinterestedness or constitutes any conflict of interest.

9. To the best of my knowledge, formed after a reasonable inquiry, Olshan neither holds nor represents any interest adverse to the Debtors and is a "disinterested person" within the scope and meaning of Section 101(14) of the Bankruptcy Code.

10. As a result of the research performed to date, Olshan makes the following disclosures: Olshan has represented and continues to represent Strategic Turnaround Equity Partners ("Strategic"), an equity holder of the Debtors in matters unrelated to these cases. The

fees earned by Olshan on Strategic matters were less than 1% of Olshan's total fees in any year that work was performed.

11. I believe that Olshan's representation of Strategic in matters entirely unrelated to the Debtors, does not present an interest adverse to these estates for which Olshan is engaged or will be engaged, nor will such representation and services impair Olshan's ability to zealously represent the Debtors in these cases.

#### **Olshan's Connections with the Debtors**

12. Olshan compiled responses to the foregoing inquiries for the purposes of preparing this Declaration. As of the Petition Date, no Olshan personnel or member holds any claims against, stock of, or other interests in the Debtors and that no such individuals were ever employed by any of the Debtors.

13. Olshan has rendered restructuring-related legal services to the Debtors since 2009. Since that time, Olshan has advised the Debtors concerning their affairs, debt obligations, and restructuring alternatives. Olshan also has performed services necessary to enable the Debtors to file for protection under chapter 11. Olshan was primarily responsible for the preparation of the chapter 11 petitions, initial motions, and applications relating to these chapter 11 cases and their commencement.

#### **Olshan's Connections with Parties in Interest in Matters Unrelated to these Chapter 11 Cases**

14. In addition to the foregoing, through diligent inquiry, I have ascertained no connection, as such term is used in section 101(14)(C) of the Bankruptcy Code, as modified by section 1107(b) and Bankruptcy Rule 2014(a), between Olshan and (i) the U.S. Trustee or any person employed by the Office of the U.S. Trustee, and (ii) any attorneys, accountants, or



financial consultants in these chapter 11 cases. As part of its practice, Olshan appears in cases, proceedings, and transactions involving many different attorneys, accountants, and financial consultants, some of which now or may in the future represent claimants and other parties in interest in these cases. Olshan has not represented, and will not represent, any of such parties in relation to the Debtors or their chapter 11 cases. Olshan does not have any relationship with any such attorneys, accountants, and financial consultants that would be adverse to the Debtors or their estates.

15. Olshan will continue to apply the Firm Disclosure Procedures as additional information concerning entities having a connection with the Debtors is developed and will file appropriate supplemental disclosure with the Court.

#### **Olshan is Disinterested**

16. Based on the foregoing, insofar as I have been able to ascertain after diligent inquiry, I believe Olshan does not hold or represent an interest adverse to the Debtors' estates in the matters upon which Olshan is to be employed, and Olshan is "disinterested" as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code.

#### **Olshan's Retainer, Rates, and Billing Practices**

17. Olshan has received payments from the Debtors during the year prior to the Petition Date in the amount of \$351,345.53 through July 15, 2010 in connection with its prepetition representation of the Debtors. In addition, on July 15, 2010, Olshan received a retainer of \$250,000 for its preparation for and representation of the Debtors in these Chapter 11 cases. Olshan has not yet done a final reconciliation of its prepetition fees and expenses, but it will apply the retainer to professional services performed prepetition and out of pocket expenses

incurred in relation thereto, and any balance that remains after the reconciliation will be applied to post-petition charges to the extent such charges are allowed by this Court.

18. Olshan intends to charge the Debtors for services rendered in these chapter 11 cases at Olshan's normal hourly rates in effect at the time the services are rendered. Olshan's current customary hourly rates, subject to change from time to time, are: \$450 to \$720 per hour for members, \$450 to \$800 per hour for of counsel, \$280-\$440 per hour for associates, and \$160-\$300 per hour for paraprofessionals.

19. Olshan also intends to seek reimbursement for expenses incurred in connection with its representation of the Debtors in accordance with Olshan's normal reimbursement policies, subject any modifications to such policies that Olshan may be required to make to comply with orders of this Court, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the guidelines established by the office of the U.S. Trustee. Olshan's disbursement policies pass through all out of pocket expenses at actual cost or an estimated actual cost when the actual cost is difficult to determine. For example, with respect to duplication charges, Olshan will charge \$0.18 per page because the actual cost is difficult to determine. Similarly, as it relates to computerized research, Olshan believes that it does not make a profit on that service as a whole although the cost of any particular search is difficult to ascertain. Other reimbursable expenses include, but are not limited to, facsimiles, toll calls, overtime, overtime meals, deliveries, court costs, cost of food at meetings, transcript fees, travel, and clerk fees.

20. No promises have been received by Olshan, or any member, counsel, or associate thereof, as to payment or compensation in connection with these chapter 11 cases other than in accordance with the provisions of the Bankruptcy Code, the Bankruptcy rules, the Local Rules, the Guidelines, and the retainer letter between the Debtors and Olshan, dated July 15, 2010.

Olshan has no agreement with any other entity to share with such entity any compensation received by Olshan or by such entity.

21. The Application requests, pursuant to section 328(a) of the Bankruptcy Code, approval of their retention of Olshan on rates, terms and conditions consistent with what Olshan charges non-chapter 11 debtors, namely, prompt payment of Olshan's hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulas that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, Olshan intends to apply pursuant to section 330 of the Bankruptcy Code for allowances of compensation for professional services rendered in these chapter 11 cases and for reimbursement of factual and necessary expenses incurred in connection therewith in accordance with the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and the Guidelines.

22. The foregoing constitutes the statement of Olshan pursuant to sections 327(a), 3289a), 329, and 504 of the Bankruptcy Code, and Bankruptcy Rules 2014(a) and 2016(b).

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 19, 2010

/s Michael S. Fox  
Michael S. Fox

**Exhibit B**

**Proposed Order**

**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)

(Motion for Joint Administration Pending)

**ORDER GRANTING THE APPLICATION OF THE DEBTORS PURSUANT TO  
SECTIONS 327(A) AND 328(A) OF THE BANKRUPTCY CODE FOR  
AUTHORIZATION TO EMPLOY AND RETAIN OLSHAN GRUNDMAN FROME  
ROSENZWEIG & WOLOSKY LLP AS ATTORNEYS FOR THE DEBTORS  
NUNC PRO TUNC TO THE PETITION DATE**

Upon the application, dated July 19, 2010 (the “Application”)<sup>2</sup> of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for an order authorizing the employment of Olshan, all as more fully set forth in the Application; and upon consideration of the Declaration of Michael S. Fox; and the Court having jurisdiction to consider the Application and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Application 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 Application 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 Application establish just cause for the

---

<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.

relief granted herein; and it appearing that the relief requested in the Application is in 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 Application is GRANTED.
2. The Debtors are authorized and empowered, but not directed, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014 to employ and retain Olshan as their attorneys under a general retainer on the terms and conditions set forth in the Application, *nunc pro tunc* to the date of the commencement of these chapter 11 cases.
3. Olshan shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and such other procedures as may be fixed by Order of this Court.
4. This Court retains jurisdiction to interpret and enforce this Order.

Dated: July \_\_, 2010  
New York, New York

---

UNITED STATES BANKRUPTCY JUDGE