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(Successors to the Debtors and Debtors in Possession)*

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

In re:

JENNIFER CONVERTIBLES, INC. et al¹

Reorganized Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**STIPULATION AND AGREED ORDER DISALLOWING
CLAIM NUMBER 229 AND ALLOWING CLAIM NUMBER 383**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliates, as successors to the debtors and debtors in possession in the above-caption cases (together, the “Debtors”, now known as the “Reorganized Debtors”), hereby submit this Stipulation and Agreed Order Disallowing Claim Number 229 and Allowing Claim Number 383 (the “Stipulation”) and agree and state:

¹ The Reorganized 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).

WHEREAS, on July 18, 2010 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”); and

WHEREAS, on October 18, 2010, Klaussner Furniture Industries (the “Claimant”) filed claim number 229, asserting an administrative claim of \$92,960.03 and a general unsecured claim in the amount of \$903,052.00 (the “Original POC”); and

WHEREAS, on November 19, 2010, the Debtors filed their Joint Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and Its Affiliated Debtors, and Disclosure Statement with Respect to the Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and Its Affiliated Debtors. On December 22, 2010, the Debtors filed their Amended Disclosure Statement with Respect to the Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and Its Affiliated Debtors (the “Amended Disclosure Statement”) and their Amended Joint Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and Its Affiliated Debtors (the “Amended Plan”); and

WHEREAS, also on December 22, 2010, the Bankruptcy Court entered an order approving the Amended Disclosure Statement (Docket No. 397); and

WHEREAS, the confirmation hearing was held on January 25, 2011, and on February 9, 2011, the Bankruptcy Court entered the Findings of Fact and Conclusions of Law and Order Confirming the Amended Joint Chapter 11 Amended Plan of Reorganization of Jennifer Convertibles, Inc. and its Affiliated Debtors (Docket No. 491); and

WHEREAS, on February 22, 2011, the Amended Plan became effective and the Reorganized Debtors filed with the Court the Notice of Effective Date (Docket No. 503); and

WHEREAS, on March 8, 2011, the Claimant filed an amended proof of claim number 383, asserting a reconciled and agreed upon administrative claim of \$45,410.37 and a general unsecured claim in the amount of \$950,601.66, which was filed to amend and supersede the Original POC (the “Amended POC”, a copy of which is attached hereto as Exhibit A); and

WHEREAS, after an exchange of information, the Claimant and Debtors have concluded that the Original POC should be disallowed and the Amended POC should be allowed in these chapter 11 cases.

NOW, THEREFORE, in consideration of the foregoing, the Debtors and the Claimant stipulate and agree:

1. This Stipulation shall become effective upon the date it is “So Ordered” by the Court (the “Stipulation Effective Date”). This Stipulation shall be null and void if it is not approved by the Bankruptcy Court.

2. On the Stipulation Effective Date, the Original POC shall be disallowed and expunged, and the Amended POC shall be allowed in the amount of (i) \$45,410.37 as a claim under section 503(b)(9) of the Bankruptcy Code, and (ii) \$950,601.66 as a Class 3 General Unsecured Claim in accordance with the Debtors’ Amended Plan, as the sole remaining claim the Claimant has against the Debtors in these chapter 11 cases. Unless otherwise agreed to by the Claimant and the Debtors, the Claimant shall have no other or further claims against the Debtors or the reorganized Debtors with respect to the subject property.

3. On and after the Stipulation Effective Date, BMC Group, Inc., the Claims Agent appointed in these chapter 11 cases, is hereby authorized to reflect the treatment of the Amended POC as described in paragraph 2 above on the official claims register maintained in these cases.

4. Claimant will not object to the classification or treatment of the Amended POC as described in paragraph 2 above.

5. This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original, including any facsimile or “PDF” counterparts, and which together shall constitute one and the same agreement.

6. This Stipulation constitutes the entire agreement between the parties regarding the Original POC and the Amended POC, and it may not be amended or modified in any manner except by a writing signed by each of the parties or their counsel and approved by the Court.

7. Each party and signatory to this Stipulation represents and warrants to each other party hereto that such party or signatory has full power, authority and legal right and has obtained all approvals and consents necessary to execute, deliver and perform all actions required under this Stipulation.

8. The Court shall retain jurisdiction to hear any matters or disputes arising from or relating to this Stipulation.

Dated: New York, New York
March 11, 2011

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

By:

/s/ Michael Fox

MICHAEL S. FOX

Park Avenue Tower

65 East 55th Street

New York, New York 10022

(212) 451-2300

Dated: New York, New York
March 11, 2011

KLAUSSNER FURNITURE INDUSTRIES

By:

/s/ Kim Cockerham

KIM COCKERHAM

405 Lewallen Road

Asheboro, NC 27205

(336) 625-6175

SO ORDERED:

Date: _____, 2011

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Amended POC

AMENDED

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK (MANHATTAN) PROOF OF CLAIM

In re: Jennifer Convertibles, Inc Case Number: 10-13779

NOTE: See Reverse for List of Debtors/Case Numbers/ important details. This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor and Address: the person or other entity to whom the debtor owes money or property

KLAUSSNER FURNITURE INDUSTRIES 405 Lewallen Road Asheboro NC 27205 Attention: Kim Cockerham

Creditor Telephone Number (336) - 625-6175 Name and address where payment should be sent (if different from above): Payment Telephone Number: ()

If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again. THIS SPACE IS FOR COURT USE ONLY Check this box to indicate that this claim amends a previously filed claim. Claim Number (if known): 229 Filed on: October 18, 2010

1. AMOUNT OF CLAIM AS OF DATE CASE FILED \$ 996,012.03 If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. If all or part of your claim qualifies as an administrative expense under 11 U.S.C. § 503(b)(9), complete item 6. Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

2. BASIS FOR CLAIM: Goods Sold (See Instructions #2 and #3a on reverse side.) 3. LAST FOUR DIGITS OF ANY NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR: 2000 3a. Debtor may have scheduled account as: 432000

4. SECURED CLAIM (See instruction #4 on reverse side.) Secured Claim Amount: \$ Unsecured Claim Amount: \$ DO NOT include the priority portion of your claim here. Nature of property or right of setoff: Describe: Amount of arrearage and other charges as of time case filed included in secured claim. Real Estate Motor Vehicle Other Value of Property: \$ Annual Interest Rate: % if any: Basis for Perfection:

5. PRIORITY CLAIM Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). Unsecured Priority Claim Amount: \$ Include ONLY the priority portion of your unsecured claim here. If any portion of your claim falls in one of the following categories, check the box and state the amount. You MUST specify the priority of the claim: Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). Wages, salaries, or commissions (up to \$11,725*), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4). Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5). * Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

6. AMOUNT OF CLAIM THAT QUALIFIES AS AN ADMINISTRATIVE EXPENSE UNDER 11 U.S.C. § 503(b)(9): \$45,410.37 See instruction #6 on reverse side

7. CREDITS: The amount of all payments on this claim has been credited for the purpose of making this proof of claim. 8. SUPPORTING DOCUMENTS: Attach redacted copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of evidence of perfection of a security interest. (See instruction 8 and definition of "redacted" on reverse side.) If the documents are not available, please explain. DATE-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim. See attached / Additional documentation available upon request. DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Eastern Time on _____, 2010 for Non-Governmental Claimants OR on or before _____, 2010 for Governmental Units. BY MAIL TO: BMC Group, Inc Attn: Jennifer Convertibles Claims Processing PO Box 3020 Chanhassen, MN 5537 7-3020 BY HAND OR OVERNIGHT DELIVERY TO: BMC Group, Inc Attn: Jennifer Convertibles Claims Processing 18750 Lake Drive East Chanhassen, MN 55317 THIS SPACE FOR COURT USE ONLY

DATE: 3/4/2011 SIGNATURE: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Kim W. Cockerham / Credit Manager

Penalty for presenting fraudulent claim is a fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 AND 3571

ADDENDUM TO AMENDED PROOF OF CLAIM

This Amended Proof of Claim is being filed by virtue of an agreement among Klaussner Furniture Industries, Inc. ("Klaussner" or "Claimant"), the reorganized Debtors and the Litigation Trustee appointed in connection with the Debtors' confirmed plan, by which this Amended Proof of Claim will be allowed in the amounts and with the priorities set forth herein. This Amended Proof of Claim amends claim number 229 filed on October 18, 2010. At the time Jennifer Convertibles, Inc. and its affiliated debtors ("Debtors") filed their bankruptcy cases, the total amount of the claim of Klaussner Furniture Industries, Inc. ("Klaussner" or "Claimant") against the Debtors was \$996,012.03 (*see* Schedule "A" attachment hereto) (the "Claim").

1. \$45,410.37 of the Claim is entitled to administrative priority pursuant to 11 U.S.C. § 503(b)(9) (*see* Schedule "B" attachment hereto).
2. This Amended Proof of Claim is not subject to any valid set-off or counterclaim.
3. This Amended Proof of Claim is filed to protect the rights of Claimant and is not intended as, and shall not be construed as, (a) a waiver or release of any rights of Claimant to have the reference withdrawn in the bankruptcy case or with respect to any proceeding, controversy, matter or other issue, or to demand and obtain a trial by jury therein; (b) a waiver or release of the right of Claimant to have final orders in non-core matters entered only after de novo review by a district judge; (c) a waiver or release of any rights of Claimant against any other person or other entity liable for any or all of the claims described herein; (d) a waiver of any right of subordination in favor of Claimant of indebtedness or liens held by any other creditors; (e) an election of any remedy

waiving or otherwise affecting any other remedy of Claimant; (f) a waiver or release of any additional claims or other rights that Claimant may have in or against the Debtors, their estates or the property thereof; or (g) a waiver or release of any other rights, claims, actions, defenses, set-offs or recoupments to which Claimant is or may be entitled under agreements, in law or in equity. All of the rights, claims, actions, defenses, set-offs and recoupments described above are hereby reserved.