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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 al<sup>1</sup>

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:

<sup>1</sup> 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 S. Fox

MICHAEL S. FOX

Park Avenue Tower

65 East 55<sup>th</sup> Street

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(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: March 21, 2011

/s/ Allan L. Gropper

UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT A**

**Amended POC**