

**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 (I) AUTHORIZING DEBTORS (A) TO CONTINUE EXISTING CASH MANAGEMENT SYSTEMS, (B) TO MAINTAIN EXISTING BANK ACCOUNTS AND BUSINESS FORMS, AND (C) TO CONTINUE INTERCOMPANY ARRANGEMENTS AND (II) WAIVING THE REQUIREMENTS OF SECTION 345(b) OF THE BANKRUPTCY CODE

Upon the motion dated July 19, 2010 (the “Motion”)², of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, “Debtors”), for an order authorizing the Debtors (a) to continue to use their existing cash management systems (the “Cash Management Systems”), (b) to maintain their existing bank accounts (the “Bank Accounts”) and business forms (the “Business Forms”), (c) to continue intercompany arrangements and (d) to waive compliance with the requirements of section 345(b) of the Bankruptcy Code, as more fully set forth in the Motion; and upon consideration of the Declaration of Rami Abada in Support of the Debtors’ Chapter 11 Petitions and Request for First Day Relief; 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.

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).

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

§§ 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 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. The Debtors are authorized and empowered, pursuant to sections 105(a), 345, and 363(c)(1) of the Bankruptcy Code, to continue to manage their cash pursuant to their existing Cash Management Systems, as modified herein, and to collect, concentrate, and disburse cash in accordance with such Cash Management Systems.
3. Pursuant to section 364(b) of the Bankruptcy Code, all intercompany claims arising after the Petition Date owed by an individual Debtor to another individual Debtor shall be accorded administrative priority status of the kind specified in sections 503(b) and 507(a) of the Bankruptcy Code. The Debtors shall continue to maintain records with respect to transfers of cash in a manner consistent with historical practices, so that transactions can be ascertained, traced, and recorded properly on all intercompany accounts.
4. To the extent the Debtors' deposit bank accounts are maintained at banks that are authorized depositories in the Southern District of New York, the requirement that the Debtors establish new bank accounts as of the Petition Date is dispensed with and waived.
5. To the extent that the Debtors deposit bank accounts are maintained at banks that are not authorized depositories in the Southern District of New York, the Debtors

~~should~~ **shall** transfer such accounts to banks that are authorized depositories by July 31, 2010. Additionally, the Debtors' funds in the Debtors' certificate of deposit account at American Express Bank FSB ~~should~~ **shall** be transferred to an authorized depository institution at the maturity of the account.

6. The Debtors are authorized to (a) designate, maintain, and continue to use any or all of the Bank Accounts, including, but not limited to, those bank accounts listed on Exhibit A to the Motion, in the names and with the account numbers existing immediately prior to the commencement of these chapter 11 cases, (b) deposit funds into and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, automated transfers, and other debits, and (c) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

7. The Debtors are authorized to (a) continue paying all intercompany payables, if any, (b) extend intercompany credit, and (c) continue performing all obligations, commitments and transactions between and among the Debtors and between and among the Debtors and their non-Debtor affiliates.

8. Subject to the provisions of this Order, the Banks are authorized ~~and directed~~ to accept, honor, and rely upon all representations from the Debtors as to which checks should be honored or dishonored consistent with orders entered by this Court, whether the checks are dated prior to, on, or subsequent to the Petition Date and whether or not the Bank believes that payment is authorized by some other order of this Court; provided, that the Banks shall not be held liable for improperly honoring or dishonoring any check, draft, or automated clearing house payment presented, issued, or drawn on the Bank Accounts on account of a claim (as such term is defined in 11 U.S.C. § 101(5)) arising before the Petition Date, which, at the

direction of the Debtors was requested to be honored or dishonored, as the case may be, unless the Banks' actions were grossly negligent; the Banks shall not have a duty to independently verify or audit whether a particular item may be paid in accordance with this Order but shall be entitled to rely on the direction of the Debtors.

9. Nothing contained herein shall prevent the Debtors from closing any Bank Account(s) or opening any additional bank accounts, as they may deem necessary and appropriate, to the extent consistent with the terms of any cash collateral agreement and any order(s) of this Court relating thereto, and any relevant bank is authorized to honor the Debtors' requests to close or open such Bank Accounts or additional bank accounts, as the case may be.

10. The Debtors are authorized to use their existing Business Forms, but will indicate their status as debtors in possession by printing "debtor in possession" on any of their Business Forms or in wire transfer instructions.

11. The application of the deposit and investment guidelines set forth in section 345 of the Bankruptcy Code ~~are hereby waived to permit the Debtor to continue to maintain its deposits and its investments in the same or similar manner it did so prior to the~~ **shall be complied by the Debtors no later than 30 days from the** Petition Date, provided, however, that the Debtors ~~will use their reasonable best efforts to conform their investment practices to, or otherwise comply with, section 345(b) of the Bankruptcy Code~~ **can seek a future extension for cause shown.**

12. Any payment or transfer made or service rendered by the Debtors pursuant to this Order is not, and shall not be deemed, an admission as to the validity of the underlying obligation, a waiver of any rights the Debtors may have to dispute such obligation, or an

approval or assumption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

13. The Debtors are authorized to take all steps necessary to carry out this Order.

14. The Final Hearing to consider entry of an order granting the relief requested in the Motion on a permanent basis shall be held on **August 4, 2010 at 11:00 a.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 **12:00 p.m.** (Eastern Time) on **August 2, 2010**.

15. ~~If no Objections are filed to the Motion, the Court may enter a Final Order without further notice or hearing.~~ **The ability of the Debtors to continue its cash management system with respect to funds of Hartsdale Convertibles Management II Corp. shall be subject to further hearing on July 26, 2010 at 11:30 a.m.**

16. This Court retains jurisdiction to interpret and enforce this Order.

Dated: New York, New York
July 22, 2010

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE