

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**MOTION OF THE FORMER DIRECTORS AND OFFICERS
FOR ENTRY OF AN ORDER AUTHORIZING AND
APPROVING PAYMENT OF DEFENSE COSTS AND
EXPENSES UNDER THE DIRECTORS AND OFFICERS POLICY**

Rami Abada, Harley Greenfield, Ed Bohn, Mark Berman and Kevin Coyle, (collectively, the “Insured” or the “Directors and Officers”), potential defendants in litigation arising from their prepetition roles with Jennifer Convertibles, Inc. (“Jennifer”), by and through their respective counsel, out of an abundance of caution, hereby move this Court (the “Motion”) for entry of an order pursuant to sections 105(a), 362 and 363 of title 11 of the United States Code (the “Bankruptcy Code”), attached hereto as Exhibit “A”, authorizing Illinois National Insurance Company (“Illinois National”) to pay defense costs and expenses incurred by the Directors and Officers (collectively, the “Defense Costs”) in accordance with and subject to the terms and conditions of Illinois National’s Executive and Organization Liability Insurance Policy, Policy No. 01-420-58-47 issued to Jennifer (“D&O Policy”).

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).

Status of the Bankruptcy Case

1. 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) six big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries.

2. On July 18, 2010 (“the Petition”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of titles of the United States Code (the Bankruptcy Code”). The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to their business and manage their properties as debtor in possession pursuant to sections 11707(a) and 1108 of the Bankruptcy Code. An official Committee of Unsecured Creditors was appointed in these chapter 11 cases (the “Committee”).

3. As of the Petition Date, the Debtors employed 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.

4. Negotiations ensued between and among the Debtors, the Official Committee of Unsecured Creditors, and Haining Mengnu Group Co. Ltd. As a result of the same, 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”). Thereafter, on February 9, 2011, the Bankruptcy Court entered the Order Confirming the Amended Plan (the “Confirmation Order”).

5. Pursuant to, *inter alia*, Section 7.01 of the Amended Plan and the Confirmation Order, certain cause of actions were retained, reserved and assigned to KDW Restructuring Company as Litigation Trustee (the “Litigation Trustee”).

6. The Amended Plan became Effective on February 22, 2011.

Jurisdiction

7. 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.

8. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a) and 363(b).

Relief Requested

9. By this Motion, the Insured request entry of an order, allowing and authorizing Illinois National to advance and or reimburse the Directors and Officers for the Defense Costs incurred in connection with a potential Director and Officer Litigation now being asserted by the Litigation Trustee (the “Potential D&O Litigation”). As an accommodation to Illinois National, the Insured are seeking this Court’s authorization for the relief requested herein to reimburse and advance their Defense Costs in accordance with the D&O Policy, applicable non-bankruptcy law, the Certificate, and the Employment Agreements (as such terms are defined below). While the Insured contend that the advancement and/or reimbursement of their Defense Costs in connection with the Potential D&O Litigation is a transaction within the ordinary course of business, they nonetheless seek this Court’s approval out of an abundance of caution since the D&O Policy itself is a so-called wasting policy.

The Insured and the Potential Litigation

10. The Insured are the former Directors and Officers of the Debtors.

11. On or about December 2, 2010, the Committee, through its Counsel, gave notice by letter to the Debtors of its demand for suit against the Insured and stated its intention that if the Debtors did not pursue potential claims arising from the errors and omissions of the former Directors and Officers, it would deem the Debtors “to have refused to comply with the demand made . . . and the Committee will seek authority from the Bankruptcy Court to institute a lawsuit to recover damages on behalf of the Debtors’ bankruptcy estates.” See letter attached as Exhibit “B.” That notice was followed by repeated demands for Informal Discovery and ultimately resulted in an order being entered permitting certain discovery and documents being furnished.

The Policy

12. In 2009, Illinois National issued the D&O Policy for Jennifer covering claims made during the policy period of December 13, 2009 to December 13, 2010 (the “Policy Period”). A copy of the policy is attached hereto as Exhibit “C”. Pursuant to the “run off” endorsement, an additional 90 day “Discovery Period” was established pursuant to which the Insured could provide notice of a claim made relating to acts occurring prior to August 1, 2008. The Policy, sets forth its coverages:²

With respect to Coverage A, B and C, solely with respect to Claims first made against an **Insured** during the **Policy Period** or the Discovery Period (if applicable) . . . and reported to the **Insurer** . . . this policy affords the following coverage:

COVERAGE A: EXECUTIVE LIABILITY INSURANCE

This policy shall pay the **Loss** of any **Insured Person** arising from a **Claim** made against such **Insured Person** for any **Wrongful Act** of such **Insured Person**, except when and to the extent that an **Organization** has Indemnified such Insured Person . . .

² Per page 1 of the D&O Policy’s Declarations, terms in bold are elsewhere defined in the Policy.

COVERAGE B: ORGANIZATION INSURANCE

(i) **Organization Liability:** This policy shall pay the **Loss** of any **Organization** arising from a **Securities Claim** made against the **Organization** for any **Wrongful Act** of such **Organization**.

(ii) *Indemnification of an Insured Person:* This policy shall pay the **Loss** of an **Organization** arising from a **Claim** made against an **Insured Person** (including an **Outside Entity Executive**) for any **Wrongful Act** of such **Insured Person**, but only to the extent that such **Organization**, has **Indemnified** such **Insured Person**.

13. The D&O Policy defines an “Insured Person” to include the former Directors and Officers of Jennifer; a “Loss” to include defense costs arising out of “Claim”; and a “Claim” to include written demand for monetary, non-monetary or injunctive relief. The overall D&O Policy limit (the D&O Policy’s “Limit of Liability”) for all coverages is \$5 million. The Policy is thus a “wasting” policy under which each payment reduces what is left under the Limit of Liability for further Losses of any kind.

14. The D&O Policy specifically and unequivocally gives payment to an Insured under Coverage A priority over all other payments under the D&O Policy.

The Debtors Have A Duty to Pay Defense Costs

15. The Debtors have a duty to indemnify the Directors and Officers for costs and expenses incurred in connection with the Potential D&O Litigation. However, the D&O Policy itself provides for the Defense Costs to be advanced and or reimbursed to the Directors and Officers at this time. In addition to the D&O Policy, pursuant to (i) the Certificate of Incorporation of Jennifer Convertibles (the “Certificate”), (ii) applicable provisions of state and federal law, and, (iii) the employment agreements with the Directors and Officers (the “Employment Agreements”), claims for indemnification could be made.

a. The Certificate and Employment Agreements

16. In accordance with applicable Delaware or New York law, the Certificate and the Employment Agreements,³ the Debtors are obligated to indemnify the Directors and Officers under certain circumstances, as well as directly pay and/or advance defense costs and expenses incurred by such Directors and Officers.

17. The Debtors' Certificate provides in relevant part as follows:

Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding ... by reason of the fact that he is or was a director, officer ... or is or was serving at the request of the Corporation as a director, officer ... shall be entitled to be indemnified by the Corporation to the full extent then permitted by law against expenses (including attorneys' fees), judgments ... and amounts paid in settlement incurred by him in connection with such action, suit, or proceeding.

18. In addition, Jennifer Convertibles is party to the Employment Agreements with the Directors and Officers. The Employment Agreements are identical, and provide as follows:

INDEMNIFICATION. To the fullest extent permitted by law, the Company shall indemnify the Executive (including the advancement of expenses) for any judgment, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred by the Executive in connection with the defense of any lawsuit or other claim to which he is made a party by reason of being an officer, director or employee of the Company or any of its subsidiaries. During the Employment Period and for at least two (2) years thereafter, the Company shall make every reasonable effort to maintain customary director and officer liability insurance covering the Executive for acts and omissions prior to and during the Employment Period.

Thus, by executing the Employment Agreements, the Directors and Officers have already completed all of the prerequisites necessary to be entitled to advancement.

19. The advancement and indemnification rights discussed herein have been fully disclosed to the Debtors' stockholders and the general public, by way of the Debtors' filings with the Securities and Exchange Commission and the general availability of the Certificate.

³ Copies of the Certificate and Employment Agreements are available upon request.

b. Applicable State Law

20. Jennifer Convertibles, employer of all of the Directors and Officers, is incorporated in Delaware. Delaware law specifically authorizes the indemnification provisions described above. See 8 Del.C § 145(a) (“A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding ... by reason of the fact that the person is or was a director [or] officer ... if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation”).

21. Furthermore, Jennifer Convertibles’ headquarters, where its Directors and Officers are also headquartered, is in New York, which also has an indemnification statute that authorizes a corporation to indemnify “any person made, or threatened to be made, a party to an action or proceeding . . . by reason of the fact that he . . . was a director or officer of the corporation . . . if such director or officer acted, in good faith, for a purpose which he reasonable believed to be in . . the best interests of the corporation.” See N.Y.B.C.L. § 722(a).

22. Accordingly, the Debtors could seek authority to advance to the Directors and Officers for, and indemnify them from, any actual defense costs incurred in connection with the Potential D&O Litigation and advance such Defense Costs as required by the Certificate and Employment Agreements. Fortunately, the D&O Policy is in place to satisfy these expenses.

Basis for Relief Requested

23. As discussed herein, at the request of Illinois National, the Insured have filed this Motion and are seeking, out of an abundance of caution, this Court’s authorization to permit Illinois National to advance or reimburse the Defense Costs of the Directors and Officers. To the extent that the Court finds that the transactions contemplated are outside of the ordinary course of business, sections 362 and 363(b) of the bankruptcy Code permits a debtor in possession to

use property of the estate other than in the ordinary course of business after notice and a hearing. The Insured respectfully contend that the proceeds are not estate property. Even if the estate has some sort of interest in the proceeds because the use of the proceeds will diminish the aggregate value of what is available under the policy, that interest is expressly subordinate to the Directors and Officers interest in being able to pay for the Defense Costs associated with the Litigation Trustee's Proposed D&O Litigation. Accordingly, the Directors and Officers seek authorization from the Bankruptcy Court to allow Illinois National to pay the Defense Costs of the Directors and Officers in accordance with and subject to the terms and conditions of the filing.

24. Additionally, Bankruptcy Code section 105(a) empowers a court to issue “any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Code].” The purpose of section 105(a) is to ensure a bankruptcy court’s power to take whatever action “is appropriate or necessary in aid of the exercise of [its] jurisdiction.” In re Casse, 198 F.3d 327, 336 (2d Cir. 1999); *see* In re The 1031 Tax Group, LLC, 397 B.R. 670, 684 (Bankr. S.D.N.Y. 2008).

25. By offering indemnification rights to its Directors and Officers when they joined the Debtors, Jennifer Convertibles created an expectation that the individual would be protected, by way of prompt advancement of any defense fees and costs, for any matters relating to their service. Indeed, the Debtors have an existing contractual obligation to advance defense costs to the Directors and Officers and to indemnify them for costs associated with the Potential D&O Litigation. The Potential D&O Litigation clearly constitutes a “lawsuit or other claim” for which the Directors and Officers are entitled to advancement of Defense Costs and indemnification from the Debtors under the Employment Agreements. Regardless, the D&O Policy is available and in place to satisfy the Defense Costs.

26. The Directors and Officers reasonably relied upon the D&O Policy and the Employment Agreements and the aforementioned advancement and indemnity protections contained in the Certificate at the time they joined the Debtors and throughout the performance of their duties. Any failure to comply with the terms would not be in the best interest of the Debtors or their estates.

27. Additionally, the obligations under Delaware and New York statutes could not be more clear.

28. Obligations to comply with their contractual and statutory obligations do not terminate merely because the Debtors filed for bankruptcy. As Courts within this district and courts applying Delaware law have held, provisions in a Debtors' charter and bylaws have continued viability after the filing of the bankruptcy petition. See In re Sahlen & Associates, Inc., 113 B.R. 152, 153 (Bankr. S.D.N.Y. 1989) (holding a debtor had to indemnify its current officers and directors to the full extent provided by its bylaws and the laws of the state of incorporation); Continuing Creditors' Comm. of Star Telecomm., Inc. v. Edgecomb, 385 F.Supp.2d 449 (D. Del. 2004) (granting motion to dismiss claims of the creditors' committee that former directors of debtor had breached fiduciary duties on the basis of exculpation provision in the debtor's charter).

29. Pursuant to the D&O Policy, it is clear that there is an obligation to make advancements to and indemnify the Directors and Officers for the Defense Costs and expenses incurred by the Directors and Officers in connection with the Potential D&O Litigation. Currently, the Insured are at risk of being subjected to alleged causes of action resulting from their actions as Directors and Officers of the former Debtors. Their ability to defend themselves far outweighs any interest in preventing any erosion to the policy limits. The Directors and

Officers have an immediate need for funds to pay their legal expenses since the Directors and Officers have already been compelled to provide documents and retain separate counsel. Accordingly, this comfort Order Authorizing the Payment of Defense Costs to the Directors and Officers at this time is appropriate under the specific circumstances of these cases.

Reservation of Rights

30. Nothing herein shall be construed as an admission of any liability or waiver of any rights of Illinois National or any of the Directors and Officers.

Notice

31. No trustee or examiner 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) counsel to the Litigation Trustee; (iii) the SEC; and (iv) any other party who has filed a notice of appearance in these cases. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

32. 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: New York, New York
March 28, 2011

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP
Counsel For Rami Abada

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YANKWITT & MCGUIRE LLP
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By: /s/ Russell Yankwitt
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White Plains, New York 10611

EXHIBIT A

Proposed Order

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER AUTHORIZING AND APPROVING PAYMENT OF DEFENSE
COSTS AND EXPENSES TO CERTAIN DIRECTORS AND
OFFICERS UNDER DIRECTORS AND OFFICERS LIABILITY POLICY**

Upon consideration of the Motion, (the “Motion”)² of the Former Directors and Officers of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order pursuant to sections 105(a), 362, and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing payment of defense costs and expenses to those offices and directors of the Debtors serving as of the petition date (collectively, the “Directors and Officers”) 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

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.

having been held to consider the relief requested 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 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:

1. Ordered the Motion is granted: and it is further
2. Ordered that the automatic stay does not bar the use of the insurance proceeds of the D&O Policy issued by Illinois National to pay the reasonable defense costs, including all actual and necessary costs and expenses incurred by the Directors and Officers (the “Defense Costs”), to defend and otherwise respond to the Potential D&O Litigation; and it is further
3. Ordered that Illinois National is authorized to pay all Defense Costs incurred by the Directors and Officers from the D&O Policy; and it is further
4. Ordered that the Litigation Trustee shall not review any legal bills associated with the Defense Costs in connection with the Potential D&O Litigation; and it is further
5. Ordered that this Court shall retain jurisdiction to interpret and enforce this Order.

Dated: _____, 2011
New York, New York

Honorable Alan Gropper
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

101 PARK AVENUE

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December 2, 2010

VIA E-MAIL AND FEDERAL EXPRESS

Jennifer Convertibles, Inc.
417 Crossways Park Drive
Woodbury, New York 11797
Attn: Rami Abada

-and-

Olshan Grundman Frome Rosenzweig
& Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Attn: Michael S. Fox, Esq.

*Re: In re Jennifer Convertibles, Inc., et al., Case No. 10-13779 (ALG)
Demand for Lawsuit*

Dear Messrs. Abada and Fox:

As you are aware, Kelley Drye & Warren LLP is counsel to the Official Committee of Unsecured Creditors ("the Committee") of Jennifer Convertibles, Inc., *et al.* (the "Debtors"). In furtherance of the Committee's statutory obligations, Kelley Drye has commenced an investigation of the Debtors' pre-bankruptcy interactions and relationship with Jara Enterprises, Inc. ("Jara"). As a result of our investigation to date, the Committee believes that sufficient facts exist on which to commence a litigation against the Debtors' officers and directors, including, but not limited to, the Debtors' Chief Executive Officer and Chairman of the Board, Harley Greenfield, for damages, in an amount not less than \$5,000,000, resulting from their breaches of duties of loyalty, care and good faith and neglect in connection with their relationship with Jara. Accordingly, the Committee demands that you immediately bring suit against the Debtors' officers and directors.

December 2, 2010

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Summary of Background Facts¹

The Committee understands that Jara is owned and operated by Harley Greenfield's sister, Jane Love. Prior to 2010, Jara owned and operated approximately 20 "Jennifer" stores that were licensed by the Debtors to Jara. Until 2009, certain of the Debtors and Jara were parties to several agreements, including a Purchasing Agreement under which the Debtors purchased merchandise for Jara and Jara was required to reimburse the Debtors. The Debtors also provided warehousing services to Jara pursuant to a Warehousing Agreement (as amended in 2009) in exchange for a fee of 7.5% of the net sales price of goods sold by Jara. In addition, pursuant to a Management Agreement and License (as amended in 2009), Jara was required to contribute at least \$150,000 per month to the Debtors for advertising fees.

Throughout 2009, Jara accumulated, and failed to pay, significant amounts due to the Debtors. As of August 29, 2009, the Committee believes that Jara owed the Debtors not less than \$947,000 in net current charges under these agreements. Rather than require repayment, the Debtors provided an allowance for loss of \$947,000 as of August 29, 2009. Notwithstanding Jara's failure to pay this amount, the Debtors continued to do business with Jara and had to record an additional allowance for loss of \$3,167,000 for the 13-week period ending November 28, 2009.

On December 11, 2009, the Debtors and Jara entered into an interim agreement (effective as of November 27, 2009) that provided, among other things, that future sales at stores owned by Jara would be made on the Debtors' behalf, but that Jara, rather than repaying previous amounts owed to the Debtors, would be entitled to compensation equal to 35% of the sales price of the merchandise for writing such sales. Jara subsequently defaulted on this interim agreement and, on December 31, 2009, Harley Greenfield and Jane Love entered into another agreement, dated December 31, 2009 (the "2009 Agreement").

Notwithstanding the substantial amount still owed by Jara to the Debtors, under the 2009 Agreement, the Debtors paid Jara \$635,000 for Jara's inventory and absolved Jara of \$301,000 due under the interim agreement. Jara ceased operations on January 1, 2010. Thereafter, the Board of Directors of the Debtors relieved Jara of over \$4,000,000 in obligations owed to the Debtors and took on substantial liabilities for, among other things, certain lifetime fabric and leather protection plans for which Jara had been the sole obligor.

¹ Substantially all of the background facts contained in this Demand Letter were taken from the Debtors' publicly filed documents. The Committee reserves the right to supplement this Demand Letter with additional facts and allegations as its investigation continues.

December 2, 2010

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Breaches of Duties By The Debtors' Officers And Board of Directors

The Company's officers and Board of Directors owe fiduciary duties, including duties of loyalty, care, and good faith. "The duty of loyalty mandates that the best interest of the corporation and its shareholders takes precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the stockholders generally." *Cede & Co. v. Technicolor Inc.*, 634 A.2d 345, 361 (Del. 1994). It requires directors to eschew conflict between duty and self-interest. *Ivanhoe Partners v. Newmont Mining Corp.*, 535 A.2d 1334, 1345 (Del. 1987). In addition, the Board's duty of care mandates that directors use that amount of care that ordinarily careful and prudent individuals would use in similar circumstances. *In re The Walt Disney Co. Derivative Litig.*, 907 A.2d 693, 749 (Del. Ch. 2005). It requires that directors inform themselves, prior to making a business decision, of all material information reasonably available to them, *Aronson v. Lewis*, 473 A.2d 805 (Del. 1984), and to consider reasonable alternatives. *UIS, Inc. v. Walbro Corp.*, 1987 WL 18108, *2 (Del. Ch. Oct. 6, 1987). Failure to fulfill this duty amounts to gross negligence. *In re The Walt Disney Co. Derivative Litig.*, 906 A.2d 27, 64 (Del. 2006). Further, directors are obligated to discharge their obligations "honestly and in good faith in the corporation's best interests." *In re The Walt Disney Co. Derivative Litig.*, 825 A.2d 275, 289 (Del. Ch. 2003). Consequently, directors may be held liable for acting in bad faith where their conduct is "more culpable than simple inattention or failure to be informed of all facts material to the decision." *Walt Disney Co. Derivative Litig.*, 906 A.2d at 66.

In approving and/or acquiescing to the numerous transactions with Jara, including but not limited to the 2009 Agreement, forgiving over \$4,000,000 in debt owed to the Debtors and taking on substantial liabilities that were previously the sole obligation of Jara, the Debtors' officers and directors, including their CEO, Chairman and Board of Directors, failed to fulfill their fiduciary duties. Indeed, Harley Greenfield, with the approval of the Board, executed a series of strikingly one-sided deals in November and December 2009 with Jara after it had already defaulted on various other agreements and obligations to the Debtors. Harley Greenfield, again with Board approval, executed the 2009 Agreement, and paid \$635,000 for Jara's inventory and absolved Jara of \$301,000 due under the interim agreement for shares of the Debtor. Compounding their breaches of duties, in January 2010, Harley Greenfield and the Board forgave over \$4,000,000 in debt owed by Jara. The Committee believes that the Debtors' officers and directors were fully aware of the relationship between Harley Greenfield and Jara, yet consented to these numerous transactions at the expense of the Debtors' creditors. These facts lead to the inescapable conclusion that the officers and directors committed breaches of their duties of loyalty, care and good faith, gross negligence and/or negligence in approving the Debtors' dealings with Jara. Harley Greenfield's conduct, in his dealings with Jara, owned by his sister, was also a breach of the Debtors' Code of Conduct, which prohibits, among other things, the appearance of conflicts of interest. Moreover, the Debtors' officers and directors should have, but failed, to demand alternative solutions amounting to willful disregard of their fiduciary duties.

KELLEY DRYE & WARREN LLP

December 2, 2010

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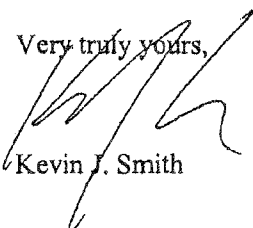
Conclusion

For all these reasons, the Committee believes that substantial and valid grounds exist to commence suit against the Debtors' officers and directors for violating their fiduciary duties, gross negligence and/or negligence.² The Debtors should be awarded a sum to be determined at trial, but no less than \$5,000,000 in compensatory damages.

If the Debtors do not file a lawsuit, or provide authority to the Committee to file a lawsuit, against their officers and directors within 10 days of receipt of this demand, we will deem you to have refused to comply with the demand made in this letter. At that time, the Committee will seek authority from the Bankruptcy Court to institute a lawsuit to recover damages on behalf of the Debtors' bankruptcy estates.³

The Committee reserves and does not waive any and all rights to commence proceedings against the Debtors, Harley Greenfield, the Board of Directors, and any other entity concerning the facts and claims (and potentially additional claims) set forth in this letter.

Very truly yours,


Kevin J. Smith

cc: James S. Carr
Jason R. Adams

² The Committee believes that discovery related to the Debtors' dealings with Jara may reveal facts that demonstrate additional potential claims.

³ "By definition, the fact of insolvency places the creditors in the shoes normally occupied by the shareholders" *Production Resources Group, L.L.C. v. NCT Group, Inc.*, 863 A.2d 772, 791 (De. Ch. 2004). As a result, "the creditors of an insolvent corporation have standing to maintain derivative claims against directors on behalf of the corporation for breaches of fiduciary duties." *North Am. Catholic Ed. Programming Foundation, Inc. v. Gheewalla*, 930 A.2d 92, 101 (Del. 2007).

EXHIBIT C

Illinois National Insurance Company

A capital stock company

EXECUTIVE AND ORGANIZATION LIABILITY INSURANCE POLICY

NOTICE: COVERAGES A, B AND C ARE CLAIMS MADE. THE COVERAGE OF THIS POLICY IS GENERALLY LIMITED TO LIABILITY FOR CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND CRISIS FIRST OCCURRING DURING THE POLICY PERIOD AND REPORTED IN WRITING TO THE INSURER PURSUANT TO THE TERMS HEREIN. PLEASE READ THIS POLICY CAREFULLY AND REVIEW ITS COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL REDUCE THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS, AND SHALL BE APPLIED AGAINST THE RETENTION AMOUNT.

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND. THE INSURER MUST ADVANCE DEFENSE COSTS, EXCESS OF THE APPLICABLE RETENTION, PURSUANT TO THE TERMS HEREIN PRIOR TO THE FINAL DISPOSITION OF A CLAIM.

NOTICE: TERMS APPEARING IN BOLD FACE TYPE HAVE SPECIAL MEANING. SEE CLAUSE 2 OF THE POLICY.

POLICY NUMBER: 01-420-58-47

REPLACEMENT OF POLICY NUMBER: 01-393-44-39

DECLARATIONS

ITEMS	
1	NAMED ENTITY: <i>JENNIFER CONVERTIBLES INC</i> (herein "Named Entity")
1(a)	MAILING ADDRESS: <i>417 CROSSWAYS PARK DR</i> <i>WOODBURY, NY 11797-7206</i>
1(b)	STATE OF INCORPORATION/FORMATION: <i>De laware</i>
2	POLICY PERIOD: From: <i>December 13, 2009</i> To: <i>December 13, 2010</i> 12:01 A.M. standard time at the address stated in Item 1(a)
3	POLICY AGGREGATE LIMIT OF LIABILITY (herein "Limit of Liability") For all Loss, in the aggregate, under this policy including Defense Costs: <i>\$5,000,000</i>
4	RETENTION: Not applicable to Non-Indemnifiable Loss and certain Defense Costs - (See Clause 6 for details.)
4(a)	Securities Claims: <i>\$250,000</i>
4(b)	Employment Practices Claims: <i>\$150,000</i>
4(c)	All other Claims: <i>\$150,000</i>

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75010 (2/00)

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ITEMS (continued)		
5	CONTINUITY DATE (herein "Continuity Date")	
5(a)	Coverages A and B, other than Outside Entity Executive coverage: <i>June 13, 1991</i>	5(b) Outside Entity Executive coverage, including Coverage C: The date on which the Insured Person first served as an Outside Entity Executive of such Outside Entity .
5(c)	Coverage D: <i>December 13, 1996</i>	
6	PREMIUM: \$133,533 <i>Premium for Certified Acts of Terrorism Coverage under Terrorism Risk Insurance Act 2002: Not applicable, coverage rejected by insured. Any coverage provided for losses caused by an act of terrorism as defined by TRIA (TRIA Losses) may be partially reimbursed by the United States under a formula established by TRIA as follows: 85% of TRIA Losses in excess of the insurer deductible mandated by TRIA, the deductible to be based on a percentage of the insurer's direct earned premiums for the year preceding the act of terrorism.</i> <i>A copy of the TRIA disclosure sent with the original quote is attached hereto.</i>	
7	CRISISFUNDSM limit:	
7(a)	Crisis Loss: <i>\$50,000</i>	7(b) Additional CRISISFUNDSM for Delisting Crisis Loss: <i>\$25,000</i>
8	NAME AND ADDRESS OF INSURER (herein "Insurer"): <i>Illinois National Insurance Company</i> <i>175 Water Street</i> <i>New York, NY 10038-4969</i> This policy is issued only by the insurance company indicated in this Item 8.	

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IN WITNESS WHEREOF, the Insurer has caused this policy to be signed on the Declarations page by its President, a Secretary and a duly authorized representative of the Insurer.

Andrew N. Holland

SECRETARY

John Z. Dylk

PRESIDENT

John Z. Dylk

AUTHORIZED REPRESENTATIVE

COUNTERSIGNATURE

DATE

COUNTERSIGNED AT

ARC EXCESS & SURPLUS LLC
1122 FRANKLIN AVE
GARDEN CITY, NY 11530-1643

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POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE
(APPLICABLE TO CERTIFIED AND NON-CERTIFIED ACTS)

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury-in concurrence with the Secretary of State, and the Attorney General of the United States-to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

COPY OF DISCLOSURE SENT WITH ORIGINAL QUOTE

Insured Name: *JENNIFER CONVERTIBLES INC*

Policy Number: *01-420-58-47*

Policy Period Effective Date: *December 13, 2009* To: *December 13, 2010*

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**NEW YORK REGULATION 121
DECLARATIONS DISCLOSURE SUPPLEMENT**

Solely for the purposes of this supplement, "Claims-made relationship" means that period of time between the effective date of the first claims made policy between us (the Insured) and you (the policy holder) and the cancellation or nonrenewal of the last consecutive claims-made policy between such parties, where there has been no gap in coverage, but does not include any period covered by tail coverage.

Retroactive Date/Prior Acts Exclusion Date/"Nose" Coverage

Coverage for events that occurred prior to the beginning of the policy period is referred to in this supplement as "nose" coverage. If the policy has a retroactive date feature or an exclusion or other wording deleting coverage for events that occurred before a certain date (a prior acts exclusion), then nose coverage is limited (or non existent) and **THERE WILL BE NO COVERAGE FOR CLAIMS ARISING OUT OF SUCH EVENTS THAT OCCURRED PRIOR TO THAT DATE.**

Extended Reporting Period/Discovery Period/"Tail" Coverage

The Extended Reporting Period, or Discovery Period as it may be called, will increase the time within which a claim may be eligible for the policy's coverage. This is referred to in this supplement as "tail" coverage. Tail coverage helps to prevent the situation of a claim going uncovered because of cancellation or nonrenewal of the policy or other termination of coverage. Tail coverage provides for a period of time after termination of coverage during which claims first made against you and reported to us in writing, events that occurred before the termination of coverage and otherwise covered by the policy, will be covered. Generally, this optional tail coverage can be purchased if coverage is terminated either by us or by you. If such optional tail coverage is not purchased, an automatic tail coverage goes into effect upon termination of coverage, however, this automatic tail coverage lasts for only 60 days, (90 days if the policyholder is a public entity as defined in section 107 (a)(51) of the New York Insurance Law). After the expiration of the tail coverage, you will have a gap in your insurance coverage, unless you have obtained appropriate coverage to fill the gap. **UPON TERMINATION OF COVERAGE IT IS VERY IMPORTANT THAT YOU CONSULT WITH YOUR INSURANCE AGENT, BROKER OR OTHER PROFESSIONAL INSURANCE ADVISER.**

The length of the optional tail offered in the policy is one (1) year generally, but, this option will not be available in some circumstances. It will not be available if coverage is terminated by us because of non-payment of premium or fraud and at the effective date of such termination of coverage a claims-made relationship has continued for less than one year.

Future Premium Increases As Claims-Made Relationship Matures

During the first several years of being covered on a claims-made basis, claims-made rates are generally comparatively lower than rates on other types of policies generally known as occurrence policies, especially if there is no nose coverage initially, and you can expect substantial annual premium increases, independent of overall rate level increases, until the claims-made relationship reaches maturity.

Length of Optional Tail and Premium Charged For it

The length of the optional tail offered in this policy and the premium charged for it is as follows (please see the policy form and endorsements for complete details):

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Length Of Optional Tail

Premium Charge For Optional Tail

One Year

200 %

THIS DISCLOSURE SUPPLEMENT GENERALLY DISCUSSES CERTAIN IMPORTANT FEATURES OF THE POLICY. PLEASE READ THE ENTIRE POLICY CAREFULLY AND DISCUSS IT WITH YOUR INSURANCE AGENT OR BROKER OR OTHER PROFESSIONAL INSURANCE ADVISER. THE PROVISIONS OF THE POLICY FORM AND ENDORSEMENTS THERETO ARE CONTROLLING.

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2-14047

75029 (7/02)

EXECUTIVE AND ORGANIZATION LIABILITY INSURANCE POLICY

In consideration of the payment of the premium, and in reliance upon the **Application** and the statements therein, which form a part of this policy, the **Insurer** agrees as follows:

1. INSURING AGREEMENTS

With respect to Coverage A, B and C, solely with respect to **Claims** first made against an **Insured** during the **Policy Period** or the **Discovery Period** (if applicable) and reported to the **Insurer** pursuant to the terms of this policy, and subject to the other terms, conditions and limitations of this policy, this policy affords the following coverage:

COVERAGE A: EXECUTIVE LIABILITY INSURANCE

This policy shall pay the **Loss** of any **Insured Person** arising from a **Claim** made against such **Insured Person** for any **Wrongful Act** of such **Insured Person**, except when and to the extent that an **Organization** has indemnified such **Insured Person**. Coverage A shall not apply to **Loss** arising from a **Claim** made against an **Outside Entity Executive**.

COVERAGE B: ORGANIZATION INSURANCE

- (i) **Organization Liability**: This policy shall pay the **Loss** of any **Organization** arising from a **Securities Claim** made against such **Organization** for any **Wrongful Act** of such **Organization**.
- (ii) **Indemnification of an Insured Person**: This policy shall pay the **Loss** of an **Organization** arising from a **Claim** made against an **Insured Person** (including an **Outside Entity Executive**) for any **Wrongful Act** of such **Insured Person**, but only to the extent that such **Organization** has indemnified such **Insured Person**.

COVERAGE C: OUTSIDE ENTITY EXECUTIVE LIABILITY INSURANCE

This policy shall pay the **Loss** of any **Outside Entity Executive** arising from a **Claim** made against such **Outside Entity Executive** for any **Wrongful Act** of such **Outside Entity Executive** but only excess of any indemnification provided by an **Outside Entity** and any insurance coverage afforded to an **Outside Entity** or its **Executives** applicable to such **Claim**, except when and to the extent that an **Organization** has indemnified such **Outside Entity Executive**.

COVERAGE D: CRISISFUNDSM INSURANCE

This policy shall pay the **Crisis Loss** (including **Delisting Crisis Loss**) of an **Organization** solely with respect to a **Crisis** (including a **Delisting Crisis**) occurring during the **Policy Period** or the **Discovery Period** (if applicable) and reported to the **Insurer** pursuant to the terms of this policy, up to the amount of the respective **CrisisFundSM**, from first dollar; provided that payment of any **Crisis Loss** under this policy shall not waive any of the **Insurer's** rights under this policy or at law. This Coverage D shall apply regardless of whether a **Claim** is ever made against an **Insured** arising from such **Crisis** and, in the case where a **Claim** is made, regardless of whether the amount is incurred prior to or subsequent to the making of the **Claim**.

2. DEFINITIONS

- (a) **"Application"** means each and every signed application, any attachments to such applications, other materials submitted therewith or incorporated therein and any other documents submitted in connection with the underwriting of this policy or the underwriting of any other directors and officers (or equivalent) liability policy issued by

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the **Insurer**, or any of its affiliates, of which this policy is a renewal, replacement or which it succeeds in time, and any public documents filed by an **Organization** with any federal, state, local or foreign regulatory agency (including but not limited to the Securities and Exchange Commission (SEC)).

(b) "**Claim**" means:

- (1) a written demand for monetary, non-monetary or injunctive relief;
- (2) a civil, criminal, administrative, regulatory or arbitration proceeding for monetary, non-monetary or injunctive relief which is commenced by: (i) service of a complaint or similar pleading; (ii) return of an indictment, information or similar document (in the case of a criminal proceeding); or (iii) receipt or filing of a notice of charges; or
- (3) a civil, criminal, administrative or regulatory investigation of an **Insured Person**:
 - (i) once such **Insured Person** is identified in writing by such investigating authority as a person against whom a proceeding described in Definition (b)(2) may be commenced; or
 - (ii) in the case of an investigation by the SEC or a similar state or foreign government authority, after the service of a subpoena upon such **Insured Person**.

The term "**Claim**" shall include any **Securities Claim** and any **Employment Practices Claim**.

(c) "**Crisis**" has the meaning as defined in Appendix B attached to this policy.

(d) "**CrisisFund**SM" means:

- (1) in the case of all **Crisis Loss**, other than **Delisting Crisis Loss**, the dollar amount set forth in Item 7(a) of the Declarations; and
- (2) in the case of **Delisting Crisis Loss** the dollar amount set forth in Item 7(a) of the Declarations plus the additional dollar amount set forth in Item 7(b) of the Declarations, combined.

(e) "**Crisis Loss**" has the meaning as defined in Appendix B attached to this policy. "**Delisting Crisis Loss**" means a **Crisis Loss** resulting solely from a **Delisting Crisis** (as defined in Appendix B).

(f) "**Defense Costs**" means reasonable and necessary fees, costs and expenses consented to by the **Insurer** (including premiums for any appeal bond, attachment bond or similar bond arising out of a covered judgment, but without any obligation to apply for or furnish any such bond) resulting solely from the investigation, adjustment, defense and/or appeal of a **Claim** against an **Insured**, but excluding any compensation of any **Insured Person** or any **Employee** of an **Organization**.

(g) "**Employee**" means any past, present or future employee, other than an **Executive** of an **Organization**, whether such employee is in a supervisory, co-worker or subordinate position or otherwise, including any full-time, part-time, seasonal and temporary employee.

(h) "**Employment Practices Claim**" means a **Claim** alleging any **Employment Practices Violation**.

(i) "**Employment Practices Violation**" means any actual or alleged:

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- (1) wrongful dismissal, discharge or termination, either actual or constructive, of employment;
- (2) harassment (including but not limited to sexual harassment);
- (3) discrimination;
- (4) retaliation;
- (5) employment-related misrepresentation;
- (6) employment-related libel, slander, humiliation, defamation or invasion of privacy;
- (7) wrongful failure to employ or promote;
- (8) wrongful deprivation of career opportunity, wrongful demotion or negligent **Employee** evaluation;
- (9) wrongful discipline
- (10) failure to grant tenure; or
- (11) with respect to any of the foregoing items (1) through (10) of this definition: negligent hiring, retention, training or supervision, infliction of emotional distress, failure to provide or enforce adequate or consistent corporate policies and procedures, or violation of an individual's civil rights,

but only if such act, error or omission relates to an **Executive** of, an **Employee** of or an applicant for employment with an **Organization** or an **Outside Entity**, whether committed directly, indirectly, intentionally or unintentionally. In addition, with respect to any natural person customer or client, "**Employment Practices Violation**" shall mean only actual or alleged discrimination, sexual harassment or violation of an individual's civil rights relating to such discrimination or sexual harassment, whether committed directly, indirectly, intentionally or unintentionally.

(j) "**Executive**" means any:

- (1) past, present and future duly elected or appointed director, officer, trustee or governor of a corporation, management committee member of a joint venture and member of the management board of a limited liability company (or equivalent position);
- (2) past, present and future person in a duly elected or appointed position in an entity organized and operated in a **Foreign Jurisdiction** that is equivalent to an executive position listed in Definition (j)(1); or
- (3) past, present and future General Counsel and Risk Manager (or equivalent position) of the **Named Entity**.

(k) "**Foreign Jurisdiction**" means any jurisdiction, other than the United States or any of its territories or possessions.

(l) "**Foreign Policy**" means the **Insurer's** or any other company Chartis Inc.'s (Chartis) standard executive managerial liability policy (including all mandatory endorsements, if any) approved by Chartis to be sold within a **Foreign Jurisdiction** that provides coverage substantially similar to the coverage afforded under this policy. If more than one such policy exists, then "**Foreign Policy**" means the standard policy most recently registered in the local language of the **Foreign Jurisdiction**, or if no such policy has been registered, then the policy most recently registered in that **Foreign Jurisdiction**. The term "**Foreign Policy**" shall not include any partnership managerial, pension trust or professional liability coverage.

(m) "**Indemnifiable Loss**" means **Loss** for which an **Organization** has indemnified or is permitted or required to indemnify an **Insured Person** pursuant to law or contract or the charter, bylaws, operating agreement or similar documents of an **Organization**.

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- (n) "Insured" means any:
- (1) Insured Person; or
 - (2) Organization, but only with respect to a **Securities Claim**.
- (o) "Insured Person" means any:
- (1) Executive of an Organization;
 - (2) Employee of an Organization; or
 - (3) Outside Entity Executive:
- (p) "Loss" means damages, settlements, judgments (including pre/post-judgment interest on a covered judgment), **Defense Costs** and **Crisis Loss**; however, "Loss" (other than **Defense Costs**) shall not include: (1) civil or criminal fines or penalties; (2) taxes; (3) punitive or exemplary damages; (4) the multiplied portion of multiplied damages; (5) any amounts for which an **Insured** is not financially liable or which are without legal recourse to an **Insured**; and (6) matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.

Notwithstanding the foregoing paragraph, **Loss** shall specifically include (subject to this policy's other terms, conditions and limitations, including but not limited to exclusions relating to profit or advantage, deliberate fraud or deliberate criminal acts): (1) civil penalties assessed against any **Insured Person** pursuant to Section 2(g) (2)(B) of the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2(g)(2)(B); and (2) solely with respect to **Securities Claims**, punitive, exemplary and multiplied damages. Enforceability of this paragraph shall be governed by such applicable law that most favors coverage for such penalties and punitive, exemplary and multiple damages.

In the event of a **Claim** alleging that the price or consideration paid or proposed to be paid for the acquisition or completion of the acquisition of all or substantially all the ownership interest in or assets of an entity is inadequate, **Loss** with respect to such **Claim** shall not include any amount of any judgment or settlement representing the amount by which such price or consideration is effectively increased; provided, however, that this paragraph shall not apply to **Defense Costs** or to any **Non-Indemnifiable Loss** in connection therewith.

- (q) "Management Control" means: (1) owning interests representing more than 50% of the voting, appointment or designation power for the selection of a majority of: the Board of Directors of a corporation; the management committee members of a joint venture; or the members of the management board of a limited liability company; or (2) having the right, pursuant to written contract or the by-laws, charter, operating agreement or similar documents of an **Organization**, to elect, appoint or designate a majority of: the Board of Directors of a corporation; the management committee of a joint venture; or the management board of a limited liability company.
- (r) "No Liability" means a final judgment of no liability obtained: (1) prior to trial, in favor of each and every **Insured** named in the **Claim**, by reason of a motion to dismiss or a motion for summary judgment, after the exhaustion of all appeals; or (2) after trial and after the exhaustion of all appeals, in favor of each and every **Insured** named in the **Claim**. In no event shall the term "No Liability" apply to a **Claim** made against an **Insured** for which a settlement has occurred.
- (s) "Non-Indemnifiable Loss" means ~~Loss for which an Organization has neither indemnified nor is permitted or required to indemnify an Insured Person pursuant to law or contract or the charter, bylaws, operating agreement or similar documents of an Organization~~

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- (t) **"Organization"** means:
- (1) the **Named Entity**;
 - (2) each **Subsidiary**; and
 - (3) in the event a bankruptcy proceeding shall be instituted by or against the foregoing entities, the resulting debtor-in-possession (or equivalent status outside the United States), if any.
- (u) **"Outside Entity"** means any: (1) not-for-profit entity; or (2) other entity listed as an **"Outside Entity"** in an endorsement attached to this policy.
- (v) **"Outside Entity Executive"** means any: (1) **Executive** of an **Organization** who is or was acting at the specific written request or direction of an **Organization** as an **Executive** of an **Outside Entity**; or (2) any other person listed as an **Outside Entity Executive** in an endorsement attached to this policy.
- (w) **"Policy Period"** means the period of time from the inception date shown in Item 2 of the Declarations to the earlier of the expiration date shown in such Item 2 or the effective date of cancellation of this policy.
- (x) **"Pollutants"** means, but is not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and **Waste**. **"Waste"** includes, but is not limited to, materials to be recycled, reconditioned or reclaimed.
- (y) **"Securities Claim"** means a **Claim**, other than an administrative or regulatory proceeding against, or investigation of an **Organization**, made against any **Insured**:
- (1) alleging a violation of any federal, state, local or foreign regulation, rule or statute regulating securities (including but not limited to the purchase or sale or offer or solicitation of an offer to purchase or sell securities) which is:
 - (a) brought by any person or entity alleging, arising out of, based upon or attributable to the purchase or sale or offer or solicitation of an offer to purchase or sell any securities of an **Organization**; or
 - (b) brought by a security holder of an **Organization** with respect to such security holder's interest in securities of such **Organization**; or
 - (2) brought derivatively on the behalf of an **Organization** by a security holder of such **Organization**.
- Notwithstanding the foregoing, the term **"Securities Claim"** shall include an administrative or regulatory proceeding against an **Organization**, but only if and only during the time that such proceeding is also commenced and continuously maintained against an **Insured Person**.
- (z) **"Subsidiary"** means: (1) any for-profit entity that is not formed as a partnership of which the **Named Entity** has **Management Control** (**"Controlled Entity"**) on or before the inception of the **Policy Period** either directly or indirectly through one or more other **Controlled Entities**; and (2) any not-for-profit entity under section 501(c)(3) of the Internal Revenue Code of 1986 (as amended) sponsored exclusively by an **Organization**.
- (aa) **"Wrongful Act"** means:

- (1) any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or act of any actual or alleged **Employment Practices Violation**.

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- (i) with respect to any **Executive** of an **Organization**, by such **Executive** in his or her capacity as such or any matter claimed against such **Executive** solely by reason of his or her status as such;
 - (ii) with respect to any **Employee** of an **Organization**, by such **Employee** in his or her capacity as such, but solely in regard to any: (a) **Securities Claim**; or (b) other **Claim** so long as such other **Claim** is also made and continuously maintained against an **Executive** of an **Organization**; or
 - (iii) with respect to any **Outside Entity Executive**, by such **Outside Entity Executive** in his or her capacity as such or any matter claimed against such **Outside Entity Executive** solely by reason of his or her status as such; or
- (2) with respect to an **Organization**, any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or act by such **Organization**, but solely in regard to a **Securities Claim**.

3. WORLDWIDE EXTENSION

Where legally permissible, this policy shall apply to any **Claim** made against any **Insured** anywhere in the world.

In regard to **Claims** brought and maintained solely in a **Foreign Jurisdiction** against an **Organization** formed and operating in such **Foreign Jurisdiction** or an **Insured Person** thereof for **Wrongful Acts** committed in such **Foreign Jurisdiction**, the **Insurer** shall apply to such **Claim(s)** those terms and conditions (and related provisions) of the **Foreign Policy** registered with the appropriate regulatory body in such **Foreign Jurisdiction** that are more favorable to such **Insured** than the terms and conditions of this policy. However, this paragraph shall apply only to Clauses 1-4, 9-13, 15, 16, 18, 20 and 21 of this policy and the comparable provisions of the **Foreign Policy**. In addition, this paragraph shall not apply to the non-renewal or claims made and reported provisions of any policy.

All premiums, limits, retentions, **Loss** and other amounts under this Policy are expressed and payable in the currency of the United States of America. If judgment is rendered, settlement is denominated or other elements of **Loss** are stated or incurred in a currency other than United States of America dollars, payment of covered **Loss** due under this policy (subject to the terms, conditions and limitations of this policy) will be made either in such other currency (at the option of the **Insurer** and if agreeable to the **Named Entity**) or, in United States of America dollars, at the rate of exchange published in The Wall Street Journal on the date the **Insurer's** obligation to pay such **Loss** is established (or if not published on such date the next publication date of The Wall Street Journal).

4. EXCLUSIONS

The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** made against an **Insured**:

- (a) arising out of, based upon or attributable to the gaining in fact of any profit or advantage to which the **Insured** was not legally entitled;
- (b) arising out of, based upon or attributable to payments to an **Insured** of any remuneration without the previous approval of the stockholders or members of an **Organization**, which payment without such previous approval shall be held to have been illegal;
- (c) arising out of, based upon or attributable to the committing in fact of any deliberate criminal or deliberate fraudulent act by the **Insured**.

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- (d) alleging, arising out of, based upon or attributable to the facts alleged, or to the same or related **Wrongful Acts** alleged or contained in any **Claim** which has been reported, or in any circumstances of which notice has been given, under any policy of which this policy is a renewal or replacement or which it may succeed in time;
- (e) alleging, arising out of, based upon or attributable to, as of the **Continuity Date**, any pending or prior: (1) litigation; or (2) administrative or regulatory proceeding or investigation of which an **Insured** had notice, or alleging or derived from the same or essentially the same facts as alleged in such pending or prior litigation or administrative or regulatory proceeding or investigation;
- (f) with respect to any **Outside Entity Executive**, for any **Wrongful Act** occurring prior to the **Continuity Date** if any **Insured**, as of such **Continuity Date**, knew or could have reasonably foreseen that such **Wrongful Act** could lead to a **Claim** under this policy;
- (g) alleging, arising out of, based upon or attributable to any actual or alleged act or omission of an **Insured Person** serving in his or her capacity as an **Executive** or an **Employee** of any entity that is not an **Organization** or an **Outside Entity**, or by reason of his or her status as an **Executive** or an **Employee** of such other entity;
- (h) for bodily injury (other than emotional distress or mental anguish), sickness, disease, or death of any person, or damage to or destruction of any tangible property, including the loss of use thereof;
- (i) which is brought by or on behalf of an **Organization** or any **Insured Person**, other than an **Employee** of an **Organization**; or which is brought by any security holder or member of an **Organization**, whether directly or derivatively, unless such security holder's or member's **Claim** is instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of, any **Executive** of an **Organization** or any **Organization**; provided, however, this exclusion shall not apply to:
 - (1) any **Claim** brought by an **Insured Person** in the form of a cross-claim or third-party claim for contribution or indemnity which is part of, and results directly from, a **Claim** that is covered by this policy;
 - (2) any **Employment Practices Claim** brought by an **Insured Person**, other than an **Insured Person** who is or was a member of the Board of Directors (or equivalent governing body) of an **Organization**;
 - (3) in any bankruptcy proceeding by or against an **Organization**, any **Claim** brought by the examiner, trustee, receiver, liquidator or rehabilitator (or any assignee thereof) of such **Organization**, if any;
 - (4) any **Claim** brought by any past **Executive** of an **Organization** who has not served as a duly elected or appointed director, officer, trustee, governor, management committee member, member of the management board, General Counsel or Risk Manager (or equivalent position) of or consultant for an **Organization** for at least four (4) years prior to such **Claim** being first made against any person; or
 - (5) any **Claim** brought by an **Executive** of an **Organization** formed and operating in a **Foreign Jurisdiction** against such **Organization** or any **Executive** thereof, provided that such **Claim** is brought and maintained outside the United States, Canada or any other common law country (including any territories thereof);
- (j) for any **Wrongful Act** arising out of the **Insured Person** serving as an **Executive** of an **Outside Entity** if such **Claim** is brought by the **Outside Entity** or by any **Executive** thereof; or which is brought by any security holder of the **Outside Entity**, whether

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directly or derivatively, unless such security holder's **Claim** is instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of the **Outside Entity**, any **Executive** of the **Outside Entity** or an **Organization** or any **Executive** of an **Organization**;

- (k) alleging, arising out of, based upon or attributable to, directly or indirectly: (i) the actual, alleged or threatened discharge, dispersal, release or escape of **Pollutants**; or (ii) any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, (including but not limited to a **Claim** alleging damage to an **Organization** or its securities holders); provided, however, that this exclusion shall not apply to **Non-Indemnifiable Loss**, other than **Non-Indemnifiable Loss** constituting **Cleanup Costs**;

"**Cleanup Costs**" means expenses (including but not limited to legal and professional fees) incurred in testing for, monitoring, cleaning up, removing, containing, treating, neutralizing, detoxifying or assessing the effects of **Pollutants**.

- (l) for emotional distress of any person, or for injury from libel, slander, defamation or disparagement, or for injury from a violation of a person's right of privacy; provided, however, this exclusion shall not apply to an **Employment Practices Claim**; and
- (m) for violation(s) of any of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 or amendments thereto, or any similar provisions of any state, local or foreign statutory or common law.

For the purpose of determining the applicability of the foregoing Exclusions 4(a) through 4(c) and Exclusion 4(f): (1) the facts pertaining to and knowledge possessed by any **Insured** shall not be imputed to any other **Insured Person**; and (2) only facts pertaining to and knowledge possessed by any past, present or future chairman of the board, president, chief executive officer, chief operating officer, chief financial officer or General Counsel (or equivalent position) of an **Organization** shall be imputed to an **Organization**.

This Clause 4, Exclusions, shall not be applicable to **Crisis Loss**.

5. LIMIT OF LIABILITY (FOR ALL LOSS-INCLUDING DEFENSE COSTS)

The **Limit of Liability** stated in Item 3 of the Declarations is the aggregate limit of the **Insurer's** liability for all **Loss**, under Coverages A, B, C and D combined, arising out of all **Claims** first made against each and every **Insured**, and all **Crisis Loss** occurring, during the **Policy Period** and the **Discovery Period** (if applicable). The **Limit of Liability** for the **Discovery Period** and the **CrisisFundSM** shall be part of, and not in addition to, the **Limit of Liability** for the **Policy Period**. Further, a **Claim** which is made subsequent to the **Policy Period** or **Discovery Period** (if applicable) which pursuant to Clause 7(b) or 7(c) is considered made during the **Policy Period** or **Discovery Period** shall also be subject to the one aggregate **Limit of Liability** stated in Item 3 of the Declarations. The limit of the **Insurer's** liability for **Crisis Loss** and **Delisting Crisis Loss** arising from all **Crises** occurring during the **Policy Period**, in the aggregate, shall be the amounts set forth as the **CrisisFundSM**. The **CrisisFundSM** shall be the aggregate limit of the **Insurer's** liability for all **Crises** under this policy regardless of the number of **Crises** occurring during the **Policy Period**.

Defense Costs are not payable by the Insurer in addition to the Limit of Liability. Defense Costs are part of Loss and as such are subject to the Limit of Liability for Loss.

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6. RETENTION CLAUSE

For each **Claim**, the **Insurer** shall only be liable for the amount of **Loss** arising from a **Claim** which is in excess of the applicable Retention amounts stated in Items 4(a), 4(b) and 4(c) of the Declarations, such Retention amounts to be borne by an **Organization** and/or the **Insured Person** and remain uninsured, with regard to all **Loss** other than **Non-Indemnifiable Loss**. The Retention amount specified in:

- (i) Item 4(a) applies to **Defense Costs** that arise out of a **Securities Claim**;
- (ii) Item 4(b) applies to **Loss** that arises out of an **Employment Practices Claim**; and
- (iii) Item 4(c) applies to **Loss** that arises out of any **Claim** other than a **Securities Claim** or an **Employment Practices Claim**.

A single Retention amount shall apply to **Loss** arising from all **Claims** alleging the same **Wrongful Act** or related **Wrongful Acts**.

In the event a **Claim** triggers more than one of the Retention amounts stated in Items 4(a), 4(b) and 4(c) of the Declarations, then, as to that **Claim**, the highest of such Retention amounts shall be deemed the Retention amount applicable to **Loss** (to which a Retention is applicable pursuant to the terms of this policy) arising from such **Claim**.

Further, with respect to all **Claims**, other than **Employment Practices Claims**, no Retention shall apply to **Loss** arising from such **Claims** and the **Insurer** shall reimburse **Defense Costs** otherwise covered hereunder and paid by the **Insured**, in the event of: (1) a determination of **No Liability** of each and every **Insured** against whom the same **Claim** or related **Claims** have been made; or (2) a dismissal or a stipulation to dismiss each and every **Insured** against whom the same **Claim** or related **Claims** have been made without prejudice and without the payment of any consideration by or on behalf of any **Insured**. However, in the case of (2) above, such reimbursement shall occur 90 days after the date of dismissal or stipulation as long as such **Claim** is not brought (or any other **Claim** which is subject to the same single retention by virtue of Clause 6 is not pending or brought) again within that time, and further subject to an undertaking by an **Organization** in a form acceptable to the **Insurer** that such reimbursement shall be paid back by such **Organization** to the **Insurer** in the event the **Claim** (or any other **Claim** which is subject to the same single retention by virtue of Clause 6) is brought after such 90-day period.

No Retention amount is applicable to **Crisis Loss** or **Non-Indemnifiable Loss**.

7. NOTICE/CLAIM REPORTING PROVISIONS

Notice hereunder shall be given in writing to the **Insurer** named in Item 8 of the Declarations at the address indicated in Item 8 of the Declarations. If mailed, the date of mailing shall constitute the date that such notice was given and proof of mailing shall be sufficient proof of notice.

- (a) An **Organization** or an **Insured** shall, as a condition precedent to the obligations of the **Insurer** under this policy, give written notice to the **Insurer** of a **Claim** made against an **Insured** or a **Crisis** as soon as practicable: (i) after the **Named Entity's** Risk Manager or General Counsel (or equivalent position) first becomes aware of the **Claim**; or (ii) the **Crisis** commences, but in all events no later than either:

- (1) the end of the **Policy Period** or the **Discovery Period** (if applicable); or
- (2) within 30 days after the end of the **Policy Period** or the **Discovery Period** (if applicable), as long as such **Claim** was first made against an **Insured** within the final 30 days of the **Policy Period** or the **Discovery Period** (if applicable).

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- (b) If written notice of a **Claim** has been given to the **Insurer** pursuant to Clause 7(a) above, then a **Claim** which is subsequently made against an **Insured** and reported to the **Insurer** alleging, arising out of, based upon or attributable to the facts alleged in the **Claim** for which such notice has been given, or alleging any **Wrongful Act** which is the same as or related to any **Wrongful Act** alleged in the **Claim** of which such notice has been given, shall be considered related to the first **Claim** and made at the time such notice was given.
- (c) If during the **Policy Period** or during the **Discovery Period** (if applicable) an **Organization** or an **Insured** shall become aware of any circumstances which may reasonably be expected to give rise to a **Claim** being made against an **Insured** and shall give written notice to the **Insurer** of the circumstances, the **Wrongful Act** allegations anticipated and the reasons for anticipating such a **Claim**, with full particulars as to dates, persons and entities involved, then a **Claim** which is subsequently made against such **Insured** and reported to the **Insurer** alleging, arising out of, based upon or attributable to such circumstances or alleging any **Wrongful Act** which is the same as or related to any **Wrongful Act** alleged or contained in such circumstances, shall be considered made at the time such notice of such circumstances was given.

8. DEFENSE COSTS, SETTLEMENTS, JUDGMENTS (INCLUDING THE ADVANCEMENT OF DEFENSE COSTS)

Under Coverages A, B and C of this policy, except as hereinafter stated, the **Insurer** shall advance, excess of any applicable retention amount, covered **Defense Costs** no later than ninety (90) days after the receipt by the **Insurer** of such defense bills. Such advance payments by the **Insurer** shall be repaid to the **Insurer** by each and every **Insured** or **Organization**, severally according to their respective interests, in the event and to the extent that any such **Insured** or **Organization** shall not be entitled under this policy to payment of such **Loss**.

*The **Insurer** does not, however, under this policy, assume any duty to defend. The **Insureds** shall defend and contest any **Claim** made against them. The **Insureds** shall not admit or assume any liability, enter into any settlement agreement, stipulate to any judgment, or incur any **Defense Costs** without the prior written consent of the **Insurer**. Only those settlements, stipulated judgments and **Defense Costs** which have been consented to by the **Insurer** shall be recoverable as **Loss** under the terms of this policy. The **Insurer's** consent shall not be unreasonably withheld, provided that the **Insurer** shall be entitled to effectively associate in the defense, the prosecution and the negotiation of any settlement of any **Claim** that involves or appears reasonably likely to involve the **Insurer**.*

The **Insurer** shall have the right to effectively associate with each and every **Organization** and **Insured Person** in the defense and prosecution of any **Claim** that involves, or appears reasonably likely to involve, the **Insurer**, including, but not limited to, negotiating a settlement. Each and every **Organization** and **Insured Person** shall give the **Insurer** full cooperation and such information as it may reasonably require.

Notwithstanding any of the foregoing, if all **Insured** defendants are able to dispose of all **Claims** which are subject to one retention amount (inclusive of **Defense Costs**) for an amount not exceeding any applicable retention amount, then the **Insurer's** consent shall not be required for such disposition.

No **Organization** is covered in any respect under Coverage A or Coverage C. An **Organization** is covered, subject to the policy's terms, conditions and limitations only with respect to: (1) its indemnification of its **Insured Persons** under Coverage B(ii) as respects a **Claim** against such **Insured Persons**, and (2) under Coverage B(i) for a **Securities Claim**. Accordingly, the **Insurer** has no obligation under this policy for covered **Defense Costs**

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incurred by, judgments against or settlements by an **Organization** arising out of a **Claim** made against an **Organization** other than a covered **Securities Claim**, or any obligation to pay **Loss** arising out of any legal liability that an **Organization** has to a claimant, except as respects a covered **Securities Claim** against such **Organization**.

With respect to: (i) **Defense Costs** jointly incurred by; (ii) any joint settlement entered into by; and/or (iii) any judgment of joint and several liability against any **Organization** and any **Insured** in connection with any **Claim** other than a **Securities Claim**, any such **Organization** and any such **Insured** and the **Insurer** agree to use their best efforts to determine a fair and proper allocation of the amounts as between any such **Organization**, any such **Insured** and the **Insurer**, taking into account the relative legal and financial exposures, and the relative benefits obtained by any such **Insured** and any such **Organization**. In the event that a determination as to the amount of **Defense Costs** to be advanced under the policy cannot be agreed to, then the **Insurer** shall advance **Defense Costs** excess of any applicable retention amount which the **Insurer** states to be fair and proper until a different amount shall be agreed upon or determined pursuant to the provisions of this policy and applicable law.

This Clause 8 shall not be applicable to **Crisis Loss**. Nevertheless the **Insurer** does not, under this policy, assume any duty to defend.

9. PRE-AUTHORIZED SECURITIES DEFENSE ATTORNEYS

Affixed as Appendix A hereto and made a part of this policy is a list of Panel Counsel law firms ("**Panel Counsel Firms**"). The list provides the **Insureds** with a choice of law firms from which a selection of legal counsel shall be made to conduct the defense of any **Securities Claim** made against such **Insureds**.

The **Insureds** shall select a **Panel Counsel Firm** to defend the **Securities Claim** made against the **Insureds** in the jurisdiction in which the **Securities Claim** is brought. In the event the **Claim** is brought in a jurisdiction not included on the list, the **Insureds** shall select a **Panel Counsel Firm** in the listed jurisdiction which is the nearest geographic jurisdiction to either where the **Securities Claim** is brought or where the corporate headquarters of the **Named Entity** is located. In such instance the **Insureds** also may, with the express prior written consent of the **Insurer**, which consent shall not be unreasonably withheld, select a non-**Panel Counsel Firm** in the jurisdiction in which the **Securities Claim** is brought to function as "local counsel" on the **Claim** to assist the **Panel Counsel Firm** which will function as "lead counsel" in conducting the defense of the **Securities Claim**.

With the express prior written consent of the **Insurer**, an **Insured** may select a **Panel Counsel Firm** different from that selected by another **Insured** defendant if such selection is required due to an actual conflict of interest or is otherwise reasonably justifiable. The list of **Panel Counsel Firms** may be amended from time to time by the **Insurer**. However, no firm shall be removed from the specific list attached to this policy during the **Policy Period**, without the consent of the **Named Entity**.

10. DISCOVERY CLAUSE

Except as indicated below, if the **Named Entity** shall cancel or the **Named Entity** or the **Insurer** shall refuse to renew this policy, the **Named Entity** shall have the right to a period of either one, two or three years following the effective date of such cancellation or nonrenewal (the "**Discovery Period**") upon payment of the respective "**Additional Premium Amount**" described below in which to give to the **Insurer** written notice pursuant to Clause 7(a) and (c) of the policy of **THIS CLAIM** first made against an **Insured**; and (ii) circumstances of which an **Organization** or an **Insured** shall become aware, in either

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case during said **Discovery Period** and solely with respect to a **Wrongful Act** occurring prior to the end of the **Policy Period** and otherwise covered by this policy.

The **Additional Premium Amount** for: (1) one year shall be no more than 75% of the **Full Annual Premium**; (2) two years shall be no more than 150% of the **Full Annual Premium**; and (3) three years shall be no more than 225% of the **Full Annual Premium**. As used herein, "**Full Annual Premium**" means the premium level in effect immediately prior to the end of the **Policy Period**.

Notwithstanding the first paragraph of Clause 5, if the **Named Entity** shall cancel or the **Insurer** or the **Named Entity** shall refuse to renew this policy, then the **Named Entity** shall also have the right, to request an offer from the **Insurer** of a **Discovery Period** (with respect to **Wrongful Acts** occurring prior to the end of the **Policy Period**) with an aggregate limit of liability applicable to **Claims** made against the **Insured** during such **Discovery Period** which is in addition to, and not part of, the applicable **Limit of Liability** set forth in Item 3 of the Declarations. The **Insurer** shall quote such a **Discovery Period** pursuant to such terms, conditions, exclusions and additional premium as it deems appropriate in its sole and absolute discretion.

In the event of a **Transaction** as defined in Clause 12(a), the **Named Entity** shall have the right to request an offer from the **Insurer** of a **Discovery Period** (with respect to **Wrongful Acts** occurring prior to the effective time of the **Transaction**). The **Insurer** shall offer such **Discovery Period** pursuant to such terms, conditions, exclusions and additional premium as the **Insurer** may reasonably decide. In the event of a **Transaction**, the right to a **Discovery Period** shall not otherwise exist except as indicated in this paragraph.

The **Discovery Period** is not cancelable and the additional premium charged shall be fully earned at inception. This Clause 10 shall not apply to any cancellation resulting from non-payment of premium. The rights contained in this Clause 10 shall terminate unless written notice of election of a **Discovery Period** together with any additional premium due is received by the **Insurer** no later than thirty (30) subsequent to the effective date of the cancellation, nonrenewal or **Transaction**.

11. CANCELLATION CLAUSE

This policy may be canceled by the **Named Entity** at any time only by mailing written prior notice to the **Insurer** or by surrender of this policy to the **Insurer** or its authorized agent. This policy may only be canceled by or on behalf of the **Insurer** in the event of non-payment of premium by the **Named Entity**. In the event of non-payment of premium by the **Named Entity**, the **Insurer** may cancel this policy by delivering to the **Named Entity** or by mailing to the **Named Entity**, by registered, certified, or other first class mail, at the **Named Entity's** address as shown in Item 1(a) of the Declarations, written notice stating when, not less than 15 days thereafter, the cancellation shall be effective. The mailing of such notice as aforesaid shall be sufficient proof of notice. The **Policy Period** terminates at the date and hour specified in such notice, or at the date and time of surrender. The **Insurer** shall have the right to the premium amount for the portion of the **Policy Period** during which the policy was in effect.

If this policy shall be canceled by the **Named Entity**, the **Insurer** shall retain the customary short rate proportion of the premium herein. If the period of limitation relating to the giving of notice as set forth in this Clause 11 is also set forth in any law controlling the construction thereof, then such period shall be deemed to be amended so as to be equal to the minimum period of limitation set forth in the controlling law.

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12. ORGANIZATIONAL CHANGES

(a) If during the **Policy Period**:

- (1) the **Named Entity** shall consolidate with, merge into, or sell all or substantially all of its assets to any other person or entity or group of persons or entities acting in concert; or
- (2) any person or entity or group of persons or entities acting in concert shall acquire **Management Control** of the **Named Entity**;

(any of such events being a "**Transaction**"), then this policy shall continue in full force and effect as to **Wrongful Acts** occurring prior to the effective time of the **Transaction**, but there shall be no coverage afforded by any provision of this policy for any actual or alleged **Wrongful Act** occurring after the effective time of the **Transaction**. This policy may not be canceled after the effective time of the **Transaction** and the entire premium for this policy shall be deemed earned as of such time. The **Named Entity** shall also have the right to an offer by the **Insurer** of a **Discovery Period** described in the fourth paragraph of Clause 10 of this policy.

(b) **Subsidiary Additions**: "**Subsidiary**" also means any for-profit entity that is not formed as a partnership of which the **Named Entity** first had **Management Control** during the **Policy Period**, whether directly or indirectly through one or more other **Subsidiaries**, and:

- (1) whose assets total less than 25% of the total consolidated assets of each and every **Organization** as of the inception date of this policy; or
- (2) whose assets total 25% or more than the total consolidated assets of each and every **Organization** as of the inception date of this policy, but such entity shall be a "**Subsidiary**" only: (i) for a period of sixty (60) days from the date the **Named Entity** first had **Management Control** of such entity; or (ii) until the end of the **Policy Period**, which ever ends or occurs first (hereinafter "**Auto-Subsidiary Period**");

provided that the **Named Entity** or any other **Insured** shall report such **Subsidiary** to the **Insurer**, in writing, prior to the end of the **Policy Period**.

The **Insurer** shall extend coverage for any **Subsidiary** described in 12(b)(2) above, and any **Insured Person** thereof, beyond its respective **Auto-Subsidiary Period** if during such **Auto-Subsidiary Period**, the **Named Entity** shall have provided the **Insurer** with full particulars of the new **Subsidiary** and agreed to any additional premium and amendment of the provisions of this policy required by the **Insurer** relating to such **Subsidiary**. Further, coverage as shall be afforded to any **Subsidiary** and any **Insured Person** thereof is conditioned upon the **Named Entity** paying when due any additional premium required by the **Insurer** relating to such **Subsidiary**.

(c) **Insured Persons** and **Outside Entity Executives**: Coverage will automatically apply to all new **Insured Persons** of and **Outside Entity Executives** of an **Organization** following the inception date of this policy.

(d) **Other Organizational Changes**: In all events, coverage as is afforded under this policy with respect to a **Claim** made against any **Organization** and/or any **Insured Person** thereof shall only apply for **Wrongful Acts** committed or allegedly committed after the effective time such **Organization** became an **Organization** and such **Insured Person** became an **Insured Person**, and prior to the effective time that such **Organization** ceases to be an **Organization** or such **Insured Person** ceases to be an **Insured Person**. An **Organization** ceases to be an **Organization** when the **Named Entity** no longer maintains **Management Control** of an **Organization** either directly or indirectly through one or more **Subsidiaries**.

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13. SUBROGATION

In the event of any payment under this policy, the **Insurer** shall be subrogated to the extent of such payment to all of each and every **Organization's** and **Insured's** rights of recovery thereof, and each such **Organization** and **Insured** shall execute all papers required and shall do everything that may be necessary to secure such rights including the execution of any and all documents necessary to enable the **Insurer** effectively to bring suit in the name of each such **Organization** and each such **Insured**. In no event, however, shall the **Insurer** exercise its rights of subrogation against an **Insured** under this policy unless such **Insured** has been convicted of a deliberate criminal act, or been determined to have in fact committed a deliberate fraudulent act, or been determined to have in fact obtained any profit or advantage to which such **Insured** was not legally entitled.

14. OTHER INSURANCE AND INDEMNIFICATION

Such insurance as is provided by this policy shall apply only as excess over any other valid and collectible insurance, unless such other insurance is written only as specific excess insurance over the **Limit of Liability** provided by this policy. This policy shall specifically be excess of any other valid and collectible insurance pursuant to which any other insurer has a duty to defend a **Claim** for which this policy may be obligated to pay **Loss**.

In the event of a **Claim** made against an **Outside Entity Executive**, coverage as is afforded by this policy, whether under Coverage B(ii) or Coverage C, shall be specifically excess of: (1) any indemnification provided by an **Outside Entity**; and (2) any insurance coverage afforded to an **Outside Entity** or its **Executives** applicable to such **Claim**. Further, in the event such other **Outside Entity** insurance is provided by the **Insurer** or any other company of Chartis Inc. (Chartis) (or would be provided but for the application of the retention amount, exhaustion of the limit of liability or failure to submit a notice of a claim as required) then the **Insurer's** maximum aggregate **Limit of Liability** for all **Loss** under this policy, as respects any such **Claim**, shall be reduced by the amount of the limit of liability (as set forth on the Declarations) of the other Chartis insurance provided to such **Outside Entity**.

15. NOTICE AND AUTHORITY

It is agreed that the **Named Entity** shall act on behalf of its **Subsidiaries** and each and every **Insured** with respect to the giving of notice of **Claim**, the giving and receiving of notice of cancellation, the payment of premiums and the receiving of any return premiums that may become due under this policy, the receipt and acceptance of any endorsements issued to form a part of this policy and the exercising or declining of any right to a **Discovery Period**.

16. ASSIGNMENT

This policy and any and all rights hereunder are not assignable without the written consent of the **Insurer**.

17. ALTERNATIVE DISPUTE RESOLUTION PROCESS

It is hereby understood and agreed that all disputes or differences which may arise under or in connection with this policy, whether arising before or after termination of this policy, including any determination of the amount of **Loss**, shall be submitted to the alternative dispute resolution ("**ADR**") process set forth in this clause.

Either the **Insurer** or an **Insured** may elect the type of **ADR** process discussed below; provided, however, that such **Insured** shall have the right to reject the **Insurer's** choice of the type of **ADR** process at any time prior to its commencement, in which case such **Insured's** choice of **ADR** process shall control.

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The **Insurer** and each and every **Insured** agrees that there shall be two choices of **ADR** process: (1) non-binding mediation administered by the American Arbitration Association, in which the **Insurer** and any such **Insured** shall try in good faith to settle the dispute by mediation under or in accordance with its then-prevailing Commercial Mediation Rules; or (2) arbitration submitted to the American Arbitration Association in accordance with its then-prevailing Commercial Arbitration Rules, in which the arbitration panel shall consist of three disinterested individuals. In either mediation or arbitration, the mediator or arbitrators shall have knowledge of the legal, corporate management, or insurance issues relevant to the matters in dispute. The mediator or arbitrators shall also give due consideration to the general principles of the law of the state where the **Named Entity** is incorporated in the construction or interpretation of the provisions of this policy. In the event of arbitration, the decision of the arbitrators shall be final and binding and provided to both parties, and the arbitrators' award shall not include attorneys fees or other costs. In the event of mediation, either party shall have the right to commence a judicial proceeding; provided, however, that no such judicial proceeding shall be commenced until the mediation shall have been terminated and at least 120 days shall have elapsed from the date of the termination of the mediation. In all events, each party shall share equally the expenses of the **ADR** process.

Either choice of **ADR** process may be commenced in New York, New York; Atlanta, Georgia; Chicago, Illinois; Denver, Colorado; or in the state indicated in Item 1(a) of the Declarations as the mailing address for the **Named Entity**. The **Named Entity** shall act on behalf of each and every **Insured** in deciding to proceed with an **ADR** process under this clause.

18. ACTION AGAINST INSURER

Except as provided in Clause 17 of the policy, no action shall lie against the **Insurer** unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, or until the amount of the **Insured's** obligation to pay shall have been finally determined either by judgment against such **Insured** after actual trial or by written agreement of the **Insured**, the claimant and the **Insurer**.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the **Insurer** as a party to any action against any **Insured** or **Organization** to determine the **Insured's** liability, nor shall the **Insurer** be impleaded by any **Insured Person**, their spouse, any **Organization** or any legal representative of the foregoing.

19. BANKRUPTCY

Bankruptcy or insolvency of any **Organization** or any **Insured Person** shall not relieve the **Insurer** of any of its obligations hereunder.

It is further understood and agreed that the coverage provided under this policy is intended to protect and benefit the **Insured Persons**. Further, if a liquidation or reorganization proceeding is commenced by the **Named Entity** and/or any other **Organization** (whether voluntarily or involuntarily) under Title 11 of the United States Code (as amended), or any similar state, local or foreign law (collectively "**Bankruptcy Law**") then, in regard to a covered **Claim** under this policy, the **Insureds** hereby:

- (a) waive and release any automatic stay or injunction to the extent it may apply in such proceeding to the proceeds of this policy under such **Bankruptcy Law**; and
- (b) agree not to oppose or object to any efforts by the **Insurer** or any **Insured** to obtain relief from any stay or injunction applicable to the proceeds of this policy as a result of the commencement of such liquidation or reorganization proceeding.

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20. SPOUSAL AND LEGAL REPRESENTATIVE EXTENSION

If a **Claim** against an **Insured Person** includes a **Claim** against: (i) the lawful spouse of such **Insured Person**; or (ii) a property interest of such spouse, and such **Claim** arises from any actual or alleged **Wrongful Act** of such **Insured Person**, this policy shall cover **Loss** arising from the **Claim** made against that spouse or the property of that spouse to the extent that such **Loss** does not arise from a **Claim** for any actual or alleged act, error or omission of such spouse. This policy shall cover **Loss** arising from a **Claim** made against the estates, heirs, or legal representatives of any deceased **Insured Person**, and the legal representatives of any **Insured Person**, in the event of incompetency, insolvency or bankruptcy, who was an **Insured Person** at the time the **Wrongful Acts** upon which such **Claim** is based were committed.

21. RENEWAL APPLICATION PROCEDURE

If this policy is a renewal of, a replacement of, or succeeds in time any policy (providing similar coverage) issued by the **Insurer**, or any of its affiliates, then in granting coverage under this policy it is agreed that the **Insurer** has relied upon the **Application** as being accurate and complete in underwriting this policy. This Clause 21 together with the **Application** constitute the complete **Application** that is the basis of this policy and form a part hereof, and is material to the risk assumed by the **Insurer**. No written renewal application form need be completed by the **Named Entity** in order to receive a renewal quote from the **Insurer**, although the **Insurer** reserves the right to require specific information upon renewal.

22. ORDER OF PAYMENTS

In the event of **Loss** arising from a covered **Claim** for which payment is due under the provisions of this policy, then the **Insurer** shall in all events:

- (a) first, pay **Loss** for which coverage is provided under Coverage A and Coverage C of this policy; then
- (b) only after payment of **Loss** has been made pursuant to Clause 22(a) above, with respect to whatever remaining amount of the **Limit of Liability** is available after such payment, at the written request of the chief executive officer of the **Named Entity**, either pay or withhold payment of such other **Loss** for which coverage is provided under Coverage B(ii) of this policy; and then
- (c) only after payment of **Loss** has been made pursuant to Clause 22(a) and Clause 22(b) above, with respect to whatever remaining amount of the **Limit of Liability** is available after such payment, at the written request of the chief executive officer of the **Named Entity**, either pay or withhold payment of such other **Loss** for which coverage is provided under Coverages B(i) and D of this policy.

In the event the **Insurer** withholds payment pursuant to Clause 22(b) and/or Clause 22(c) above, then the **Insurer** shall at such time and in such manner as shall be set forth in written instructions of the chief executive officer of the **Named Entity** remit such payment to an **Organization** or directly to or on behalf of an **Insured Person**.

The bankruptcy or insolvency of any **Organization** or any **Insured Person** shall not relieve the **Insurer** of any of its obligations to prioritize payment of covered **Loss** under this policy pursuant to this Clause 22.

23. HEADINGS

The descriptions in the headings of this policy are solely for convenience, and form no part of the terms and conditions of coverage.

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**APPENDIX A
SECURITIES CLAIMS PANEL COUNSEL LIST**

In consideration of the premium charged, it is understood and agreed as follows: The information in our Panel Counsel lists/appendices is now accessible through our online Panel Counsel Directory at <http://www.briefbase.com/default.aspx> at the "Panel Counsel" tab. To access the applicable online Panel Counsel Directory, please go to the website, click on the "Panel Counsel" tab and then click on the "Directors & Officers (Securities Claims)" link.

References in this policy to list of Panel Counsel law firms or related appendices are deemed amended to refer to the applicable Panel Counsel Directories at the website referenced above.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

Revised (6/08)

2-14047

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

APPENDIX B

I. DEFINITIONS

(a) "Crisis" means:

- (1) a Delisting Crisis; or
- (2) one of the following events which, in the good faith opinion of the Chief Financial Officer of an **Organization** did cause or is reasonably likely to cause a "Material Effect on an Organization's Common Stock Price":

(i) *Negative earning or sales announcement*

The public announcement of an **Organization's** past or future earnings or sales, which is substantially less favorable than any of the following: (i) an **Organization's** prior year's earnings or sales for the same period; (ii) an **Organization's** prior public statements or projections regarding earnings or sales for such period; or (iii) an outside securities analyst's published estimate of an **Organization's** earnings or sales.

(ii) *Loss of a patent, trademark or copyright or major customer or contract*

The public announcement of an unforeseen loss of: (i) an **Organization's** intellectual property rights for a patent, trademark or copyright, other than by expiration; (ii) a major customer or client of an **Organization**; or (iii) a major contract with an **Organization**.

(iii) *Product recall or delay*

The public announcement of the recall of a major product of an **Organization** or the unforeseen delay in the production of a major product of an **Organization**.

(iv) *Mass tort*

The public announcement or accusation that an **Organization** has caused the bodily injury, sickness, disease, death or emotional distress of a group of persons, or damage to or destruction of any tangible group of properties, including the loss of use thereof.

(v) *Employee layoffs or loss of key executive officer(s)*

The public announcement of layoffs of **Employees** of an **Organization**. The death or resignation of one or more key **Executives** of the **Named Entity**.

(vi) *Elimination or suspension of dividend*

The public announcement of the elimination or suspension of a regularly scheduled dividend previously being paid by an **Organization**.

(vii) *Write-off of assets*

The public announcement that an **Organization** intends to write off an identifiable and distinct asset from the filing requirements of the New York State Insurance Department. However, such forms and rates must meet the minimum standards of the New York Insurance Law and Regulations.

NOTICE: This public announcement policy for **Organizations** is subject to change without notice. All rights reserved.

(viii) *Debt restructuring or default*

The public announcement that an **Organization** has defaulted or intends to default on its debt or intends to engage in a debt restructuring.

(ix) *Bankruptcy*

The public announcement that an **Organization** intends to file for bankruptcy protection or that a third party is seeking to file for involuntary bankruptcy on behalf of an **Organization**; or that bankruptcy proceedings are imminent, whether voluntary or involuntary.

(x) *Governmental or regulatory litigation*

The public announcement of the commencement or threat of commencement of litigation or governmental or regulatory proceedings against an **Organization**.

(xi) *Unsolicited takeover bid*

An unsolicited written offer or bid by any person or entity other than an **Insured** or any affiliate of any **Insured**, whether publicly announced or privately made to an **Executive** of an **Organization**, to effect a **Transaction** (as defined in Clause 12(a) of the policy) of the **Named Entity**.

A **Crisis** shall first commence when an **Organization** or any of its **Executives** shall first become aware of such **Crisis**. A **Crisis** shall conclude once a **Crisis Firm** advises an **Organization** that such **Crisis** no longer exists or when the **CrisisFund**SM has been exhausted.

- (b) "**Crisis Firm**" means any public relations firm, crisis management firm or law firm as listed in section III of this Appendix B. Any "**Crisis Firm**" may be hired by an **Organization** to perform **Crisis Services** without further approval by the **Insurer**.
- (c) "**Crisis Loss**" means the following amounts incurred during the pendency of a **Crisis** for which an **Organization** is legally liable:
- (1) the reasonable and necessary fees and expenses incurred by a **Crisis Firm** in the performance of **Crisis Services** for an **Organization**;
 - (2) the reasonable and necessary fees and expenses incurred in the printing, advertising or mailing of materials; and
 - (3) travel costs incurred by **Executives**, employees or agents of an **Organization** or of the **Crisis Firm**, arising from or in connection with the **Crisis**.
- (d) "**Crisis Services**" means those services performed by a **Crisis Firm** in advising an **Insured** or any **Employee** of an **Organization** on minimizing potential harm to an **Organization** from the **Crisis** (including but not limited to maintaining and restoring investor confidence in an **Organization**), and solely with respect to **Delisting Crisis Loss**, any legal services performed by a **Crisis Firm** in responding to a **Delisting Crisis**.

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- (e) **"Delisting Crisis"** means written notice to an **Organization** that such **Organization's** securities will be or have been delisted from an **Exchange**.
- (f) **"Exchange"** means NASDAQ, the American Stock Exchange, the New York Stock Exchange and the Singapore Exchange.
- (g) **"Material Effect on an Organization's Common Stock Price"** means, within a period of 24 hours, that the price per share of an **Organization's** common stock shall decrease by the greater of \$2.00, or 15% net of the percentage change in the Standard & Poor's Composite Index.

II. EXCLUSIONS

The term **Crisis** shall not include any event relating to:

- (i) any **Claim** which has been reported, or any circumstances of which notice has been given, under any policy of which this policy is a renewal or replacement or which it may succeed in time;
- (ii) the actual, alleged or threatened discharge, dispersal, release or escape of **Pollutants**; or any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**; provided, however, the foregoing shall not apply if the policy contains any provision or endorsement modifying or deleting, in part or in whole, exclusion (k) of the policy; or
- (iii) the hazardous properties of nuclear materials; provided, however, the foregoing shall not apply to any **Crisis** arising from the ownership of, operation of, construction of, management of, planning of, maintenance of or investment in any nuclear facility.

III. PRE-APPROVED CRISIS FIRMS

- (a) For all **Crisis** (including a **Delisting Crisis**), **Crisis Firm(s)** means any public relations firm listed in (1) - (8) below:

1. Abernathy MacGregor Group, Inc.
501 Madison Avenue
New York, New York 10022
(212) 371-5999
Contacts: James T. MacGregor (jtm@abmac.com)
Rhoda Barnat (rb@abmac.com)
2. Burson- Marsteller
230 Park Avenue South
New York, New York 10003- 1566
(212) 614- 5236
Contact: Michael Claes (Michael.Claes@bm.com)

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3. Kekst and Company
437 Madison Avenue
New York, New York 10022
(212) 521- 4800
Contacts: Jim Fingerroth (Jim- Fingerroth@kekst.com)
Lissa Perlman (Lissa- Perlman@kekst.com)
4. Patton Boggs, LLP
2550 M Street, N.W.
Washington D.C. 20037
(202) 457- 6040
Contact: Thomas Boggs, Esq. (tboggs@pattonboggs.com)
5. Reputation Partners, LLC
105 West Adams Street, Suite 2220
Chicago, IL 60603- 6265
(312) 222- 9887
Contacts: Nick Kalm (nick@reputationpartners.com)
Jane Devron (jane@reputationpartners.com)
6. Robinson Lerer & Montgomery
1345 Avenue of The Americas, 4th Floor
New York, New York 10105
646- 805- 2000
Contact: Michael Gross (mgross@rlmnet.com)
7. Sard Verbinnen & Co.
630 Third Avenue, 9th Floor
New York, New York 10017
(212) 687- 8080
Contacts: George Sard (gsard@sardverb.com)
Paul Verbinnen (pverbinnen@sardverb.com)
8. Sitrick And Company
1840 Century Park East, Suite 800
Los Angeles, CA 90067
(310) 788- 2850
Contact: Michael Sitrick (mike sitrick@sitrick.com)

- (b) Solely for **Delisting Crisis**, "Crisis Firm(s)" shall also include any **Panel Counsel Firm** (as defined in Clause 9) approved to handle **Securities Claims**.

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. ~~HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.~~

ENDORSEMENT# 1

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

NEW YORK CLAIMS-MADE AMENDATORY ENDORSEMENT

Wherever used in this endorsement: 1) "we", "us", "our", and "Insurer" mean the insurance company which issued this policy; and 2) "you", "your", or "Insured", means the Named Corporation, Named Organization, Named Sponsor, Named Insured, First Named Insured, Insured's Representative, Insured or equivalent term stated in Item 1 of the Declarations Page; and 3) "Other Insured(s)" means all other persons or entities afforded coverage under the policy.

In consideration of the premium charged, it is hereby understood and agreed that except as otherwise indicated, a Claim will be deemed "first made" for the purposes of this policy when the Insurer receives written notice of the Claim or suit from the Insured, an Other Insured(s) or a third party. A Claim will be also deemed "reported" to the Insurer on the date notice that it is so received. Claims reported to the Insurer alleging the same or related Wrongful Acts shall be considered reported to the Insurer at the time and during the policy period when the first such Claim was reported.

Accordingly, except as indicated below and subject to the policy's other terms and conditions, this policy shall provide coverage for Claims for which notice is first received by the Insurer during the Policy Period (or the Discovery Period, if applicable) even if such Claim was filed against, sent to or delivered to, or received by the Insured or an Other Insured(s) prior to the inception date of this policy. This policy shall not provide coverage for Claims for which notice is first received by the Insurer prior to the inception date of the policy or subsequent to the expiration date of the policy (or the Discovery Period, if applicable.)

Notwithstanding the above, in the event a Claim is filed against, sent or delivered to, or received by the Insured or an Other Insured(s) prior to the inception date of this policy but notice of which is not received by the Insurer until after the inception date of this policy (and prior to the expiration date of the policy or the Discovery Period, if applicable), coverage under this policy shall only apply (subject to the policy's other terms and conditions) only as follows:

- (a) If at the time the Claim was filed against, sent or delivered to, or received by the Insured or an Other Insured(s), there was in existence at that time a valid and collectible management liability policy, providing substantially similar coverage as is provided by this policy, issued to the Insured by the Insurer (or by any other member company of Chartis Inc.) of which this policy is a renewal (hereinafter referred to as the "Former Policy"), then
- (b) Coverage shall be afforded under this policy in an amount not greater than the amount of coverage which would have been provided for the Claim under the Former Policy if notice of the Claim had been received by the Insurer during the policy period of such Former Policy. The foregoing sentence may result in (but not be limited to) (1) reducing the limit of liability available for such a

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75027 (03/00)

ENDORSEMENT# 1 (continued)

Claim to the available limit of liability applicable to the Former Policy; (2) increasing the applicable retention amount to that retention amount applicable to the Former Policy; or (3) reducing or eliminating coverage due to exclusions or other restrictions appearing in the Former Policy but eliminated, in part or in whole, in this policy. No coverage shall be afforded under this endorsement if there was not in existence a Former Policy at the time the Claim was filed against, sent or delivered to, or received by the Insured or an Other Insured(s).

Nothing in this endorsement shall be construed to provide coverage for Claims notice of which is not received by the Insurer during the Policy Period of this policy (or the Discovery Period, if applicable). Further, the Insured or the Other Insured(s) shall, as a condition precedent to the obligations of the Insurer under this endorsement, give written notice to the Insurer as soon as practicable after receiving a Claim or becoming aware that a Claim has been filed against or sent or delivered to the Insured or an Other Insured(s).

Nothing in this endorsement shall be construed to limit the rights of the Insurer under the clause in the policy entitled, DEFENSE COSTS, SETTLEMENTS, JUDGMENTS (or any other clause bearing a similar title and addressing the same issues), as respects the defense and settlement of a Claim.

Nothing in this endorsement shall be construed to provide coverage for a Claim under the Former Policy, nor shall this endorsement ever result in providing coverage under this policy for Loss for which coverage is in fact provided (or would be provided but for the exhaustion of the limit of liability) under the Former Policy.

The Insurer's limit of liability for Claims as described in this endorsement shall be part of and not in addition to the Limit of Liability stated on the Declarations page of this policy for all Claims under this policy and nothing in this endorsement shall be construed to increase the Insurer's limit of liability as therein stated.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS SHALL REMAIN UNCHANGED.

John J. Doyle

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

2-14047

75027 (03/00)

ENDORSEMENT# 2

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

NEW YORK AMENDATORY ENDORSEMENT - DISCOVERY CLAUSE

Wherever used in this endorsement: 1) "we", "us", "our", and "Insurer" mean the insurance company which issued this policy; and 2) "you", "your", or "Insured", means the Named Corporation, Named Organization, Named Sponsor, Named Insured, First Named Insured, Insured's Representative, Insured or equivalent term stated in Item 1 of the Declarations Page; and 3) "Other Insured(s)" means all other persons or entities afforded coverage under the policy. 4) "Discovery Period" or "Extended Reporting Period" means both the Automatic Discovery Period and the Optional Discovery Period described in this endorsement.

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

I.

The policy Clause labeled "DISCOVERY PERIOD," or "EXTENDED REPORTING PERIOD," to the extent applicable, is amended as follows:

Solely in regard to this endorsement the following definitions shall apply:

- 1) "Termination of Coverage" means: (1) cancellation or non-renewal of this policy by the Insurer or the Insured; or (2) decrease in the limit of liability, reduction of coverage, increased deductible or self-insured retention, new exclusion, or any other change in coverage less favorable to the Insureds.
- 2) "Public Entity" means a Public Entity as defined in section 107(a)(51) of the New York Insurance Law.

Upon Termination of Coverage afforded by this policy, and only to the extent coverage is terminated, the Insured shall have the right to an Automatic Discovery Period or an Optional Discovery Period as follows:

1) AUTOMATIC DISCOVERY PERIOD

There shall be a period of sixty (60) days (ninety (90) days if the Insured is a Public Entity) following the effective date of such Termination of Coverage (herein referred to as the Automatic Discovery Period) in which to give written notice to the Insurer of a Claims first made against the Insureds during said sixty (60) (or ninety (90) day) period for any Wrongful Act occurring prior to such Termination of Coverage and otherwise covered by this policy. The Automatic Discovery Period shall be void ab initio if the Optional Discovery Period becomes effective.

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75030 (7/02)

ENDORSEMENT# 2 (continued)

2) OPTIONAL DISCOVERY PERIOD

The Insured shall have the right, upon payment of the required additional premium, less any return premium owed because of Termination of Coverage, plus any premium for the Policy Period which is owed and not yet paid, to a period of one year following the effective date of Termination of Coverage (herein referred to as the Optional Discovery Period) in which to give written notice to the Insurer of Claims first made against the Insured during said one year period for any Wrongful Act occurring prior to such Termination of Coverage and otherwise covered by this policy.

The right to an Optional Discovery Period shall terminate, however, unless written notice of such election together with payment of the required additional premium due, less any return premium owed because of cancellation of this policy, plus any premium for the Policy Period which is owed and not yet paid, is received by the Insurer not later than the later of: (1) sixty (60) days after the effective date of Termination of Coverage; or (2) thirty (30) days after the Insurer has mailed or delivered to the Insured a written advice of the amount of the required additional premium, if the Insurer is obligated to give such written advice.

The required additional premium for the one year Optional Discovery Period shall be the lesser of the amount stated in the policy or 200 % of the "Full Annual Premium". Full Annual Premium means the premium level in effect immediately prior to the end of the Policy Period.

Not later than thirty (30) days after the effective date of Termination of Coverage, the Insurer shall mail or deliver to the Insured a written advice of the amount of the required additional premium; however, if this policy is canceled by the Insurer due to non-payment of premium or fraud on the part of any Insureds, the Insurer shall not be required to provide such a premium quotation unless requested by the Insured.

If coverage is terminated by the Insurer because of non-payment of premium or fraud, and at the effective date of such Termination of Coverage the Insurer has provided this insurance to the Company and the Insureds on a claims-made basis without interruption for less than one year, there shall be no right to elect and purchase an Optional Discovery Period. For purposes of this paragraph, Discovery Period coverage shall not be considered as time when the Insurer was providing this coverage.

Any Other Insured(s) shall have the right to purchase the Optional Discovery Period to the extent of Termination of Coverage as respects only himself, if: (i) the Insured has been placed in liquidation or bankruptcy or permanently ceases operations; and (ii) the Insured or designated trustee does not purchase the Optional Discovery Period; and (iii) within one hundred twenty (120) days of the Termination of Coverage the Insurer has received from such Other Insured a written request for such Optional Discovery Period coverage. If such Other Insured does not pay the required additional premium when due, then such Optional Discovery Period shall be void ab initio.

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ENDORSEMENT# 2 (continued)

3) **OTHER PROVISIONS**

The additional premium for the Discovery Period or Optional Discovery Period shall be fully earned at the inception of the Discovery Period or Optional Discovery Period. The Discovery Period or Optional Discovery Period is not cancelable except for non-payment of premium. This clause and the rights contained herein shall not apply to any cancellation resulting from non-payment of premium.

II.

The following provisions are hereby added to the policy:

- **NOTICE TO AGENT:** Notice given by or on behalf of the Insured, or written notice by or on behalf of the injured party or any other claimant, to any licensed agent of the Insurer in the state of New York, with particulars sufficient to identify the Insured, shall be deemed notice to the Insurer.
- **INSOLVENCY/BANKRUPTCY OF INSURED:** The insolvency or bankruptcy of the Insured shall not relieve the Insurer of its obligations under this Policy as long as all Policy requirements are met by Insured, its trustee or receiver in bankruptcy. Should a judgement be rendered against an insolvent or bankrupt Insured, the Insurer shall be liable for the amount of such judgement not to exceed the applicable limit of liability under this Policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS SHALL REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

2-14047

75030 (7/02)

ENDORSEMENT# 3

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

NEW YORK AMENDATORY ENDORSEMENT

Wherever used in this endorsement: 1) "Insurer" means the insurance company which issued this policy; and 2) "Insured" means the Named Corporation, Named Organization, Named Sponsor, Named Insured, Named Entity or Insured stated in the declarations page;

The policy is hereby amended as follows:

- I. The Cancellation and When We Do Not Renew provisions are deleted and replaced by the following:

(a) CANCELLATION BY THE INSURED

This policy may be cancelled by the Insured by surrender of this policy to the Insurer or by giving written notice to the Insurer stating when thereafter such cancellation shall be effective. The Policy Period terminates at the date and hour specified in such notice, or at the date and time of surrender.

(b) CANCELLATION, NONRENEWAL AND CONDITIONAL RENEWAL BY THE INSURER

- (i) If this policy has been in effect for sixty (60) or fewer days when cancellation notice is mailed, and this policy is not a renewal of a policy issued by the Insurer, then this policy may be cancelled by the Insurer by mailing or delivering to the Insured, and to his authorized insurance agent or broker, written notice stating when not less than twenty (20) days thereafter (fifteen (15) days thereafter if cancellation is because of one of the reasons for cancellation set forth in subsection (ii) below) the cancellation shall be effective. Notice of cancellation issued by the Insurer shall specify the grounds for cancellation.

- (ii) If this policy has been in effect for more than sixty (60) days when notice of cancellation is mailed, or if this policy is a renewal of a policy issued by the Insurer, then this policy may be cancelled by the Insurer by mailing or delivering to the Insured, and to his authorized insurance agent or broker, written notice stating when not less than fifteen (15) days thereafter the cancellation shall be effective; however, such cancellation must be based on one or more of the following:

- (A) nonpayment of premium, provided, however, that a notice of cancellation on this ground shall inform the first Named Insured of the amount due;
- (B) conviction of a crime arising out of acts increasing the hazard insured against;
- (C) discovery of fraud or material misrepresentation in the obtaining of the policy or in the presentation of a claim thereunder;
- (D) after issuance of the policy or after the last renewal date, discovery of an act or omission, or a violation of any policy condition that substantially and materially increases the hazard insured against, and which occurs subsequent to inception of the current Policy Period;

NOTICE: THESE POLICIES ARE THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

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ENDORSEMENT# 3 (continued)

- (E) material change in the nature or extent of the risk, occurring after issuance or last annual renewal anniversary date of the policy, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time the policy was issued or last renewed;
- (F) required pursuant to a determination by the New York Superintendent of Insurance that continuation of the present premium volume of the Insurer would jeopardize the Insurer's solvency or be hazardous to the interests of Insureds of the Insurer, its creditors or the public;
- (G) a determination by the New York Superintendent of Insurance that the continuation of the policy would violate, or would place the Insurer in violation of, any provision of the New York Insurance Law;
- (H) revocation or suspension of an Insured's license to practice his profession; or
- (I) where the Insurer has reason to believe that there is a probable risk or danger that the Insured will destroy or permit the destruction of the insured property for the purpose of collecting the insurance proceeds, provided, however, that:
 - (1) a notice of cancellation on this ground shall inform the Insured in plain language that the Insured must act within ten days if review by the department of the ground for cancellation is desired pursuant to item (3) of this subparagraph (I);
 - (2) notice of cancellation on this ground shall be provided simultaneously by the Insurer to the department; and
 - (3) upon written request of the Insured made to the department within ten days from the Insured's receipt of notice of cancellation on this ground, the department shall undertake a review of the ground for cancellation to determine whether or not the Insurer has satisfied the criteria for cancellation specified in this subparagraph; if after such review the department finds no sufficient cause for cancellation on this ground, the notice of cancellation on this ground shall be deemed null and void.

Notice of cancellation by the Insurer shall specify the grounds for cancellation.

(iii)

- (A) The Insurer shall mail to the Insured, and to his authorized insurance agent or broker, written notice indicating the Insurer's intention:
 - (1) not to renew this policy;
 - (2) to condition its renewal upon change of limits, change in type of coverage, reduction of coverage, increased deductible or addition of exclusions or upon increased premiums in excess of ten percent; (exclusive of any premium increase generated as a result of increased exposure units or as a result of experience rating, loss rating, or audit);

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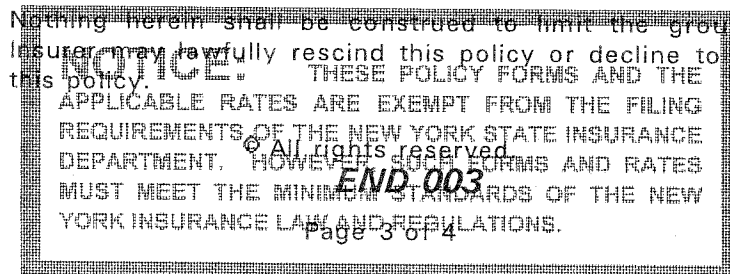
69898 (9/06)

END 003

Page 2 of 4

ENDORSEMENT# 3 (continued)

- (3) that the policy will not be renewed or will not be renewed upon the same terms, conditions or rates; such alternative renewal notice must be mailed or delivered on a timely basis and advise the Insured that a second notice shall be mailed at a later date indicating the Insurer's intention as specified in subparagraph (1) or (2) of this paragraph (A) and that coverage shall continue on the same terms, conditions and rates as expiring, until the later of the expiration date or sixty (60) days after the second notice is mailed or delivered; such alternative renewal notice also shall advise the insured of the availability of loss information and, upon written request, the request, the insurer shall furnish such loss information within ten (10) days to the insured.
- (B) A nonrenewal notice as specified in subparagraph (1), a conditional renewal notice as specified in subparagraph (2), and the second notice described in subparagraph (3) of paragraph (A) of this subsection (iii) shall contain the specific reason or reasons for nonrenewal or conditional renewal, and set forth the amount of any premium increase and nature of any other proposed changes.
- (C) The notice required by paragraph (A) of this subsection (iii) shall be mailed at least sixty (60) but not more than one hundred twenty (120) days in advance of the end of the Policy Period.
- (D)
- (1) If the Insurer employs an alternative renewal notice as authorized by subparagraph (3) of paragraph (A) of this subsection (iii), the Insurer shall provide coverage on the same terms, conditions, and rates as the expiring policy, until the later of the expiration date or sixty (60) days after the mailing of the second notice described in such subparagraph.
- (2) Prior to the expiration date of the policy, in the event that an incomplete or late conditional renewal notice or a late nonrenewal notice is provided by the Insurer, the Policy Period shall be extended, at the same terms and conditions as the expiring policy, except that the annual aggregate limit of the expiring policy shall be increased in proportion to the policy extension, and at the lower of the current rates or the prior period's rates, until sixty (60) days after such notice is mailed, unless the Insured elects to cancel sooner.
- (3) In the event that a late conditional renewal notice or a late nonrenewal notice is provided by the insurer on or after the expiration date of the policy, coverage shall remain in effect on the same terms and conditions of the expiring policy for another required policy period, and at the lower of the current rates or the prior period's rates unless the insured during the additional required policy period has replaced the coverage or elects to cancel, in which event such cancellation shall be on a pro rata premium basis.
- (iv) Nothing herein shall be construed to limit the grounds for which the insurer may lawfully rescind this policy or decline to pay a claim under this policy.



ENDORSEMENT# 3 (continued)

- (v) Notice required herein to be mailed to the Insured shall be mailed to the Insured at the address shown in Item 1 of the Declarations.

Notice required herein to be mailed by the Insurer shall be sent by registered, certified or other first class mail. Delivery of written notice shall be equivalent to mailing.

Proof of mailing of such notice as aforesaid shall be sufficient proof of notice. The Policy Period shall terminate at the effective date and hour of cancellation or nonrenewal specified in such notice.

- (vi) If this policy shall be cancelled by the Insured, the Insurer shall retain the customary short rate proportion of the premium hereon.

If this policy shall be cancelled by the Insurer, the Insurer shall retain the pro rata proportion of the premium hereon.

Payment or tender of any unearned premium by the Insurer shall not be a condition of cancellation, but such payment shall be made as soon as practicable.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dyl

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
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69898 (9/06)

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END 003

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ENDORSEMENT# 4

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

CAPTIVE INSURANCE COMPANY EXCLUSION

In consideration of the premium charged, it is hereby understood and agreed that the **Insurer** shall not be liable to make any payments for **Loss** in connection with any **Claim** made against any **Insured** alleging, arising out of, based upon, attributable to the ownership, management, maintenance, operation and/or control by the **Organization** of any captive insurance company or entity including but not limited to any **Claim** alleging the insolvency or bankruptcy of an **Organization** as a result of such ownership, operation, management and control.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John Z. Dylak

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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2-14047

83516 (11/03)

ENDORSEMENT# 5

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that the Insurer shall not be liable to make any payment for Loss in connection with any Claim made against any Insured:

- A. alleging, arising out of, based upon, attributable to, or in any way involving, directly or indirectly, the **Hazardous Properties of Nuclear Material**, including but not limited to:
- (1) **Nuclear Material** located at any **Nuclear Facility** owned by, or operated by or on behalf of, the **Organization**, or discharged or dispersed therefrom; or
 - (2) **Nuclear Material** contained in spent fuel or waste which was or is at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of the **Organization**; or
 - (3) the furnishing by an Insured or the **Organization** of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any **Nuclear Facility**; or
 - (4) **Claims** for damage or other injury to the **Organization** or its shareholders which allege, arise from, are based upon, are attributed to or in any way involve, directly or indirectly, the **Hazardous Properties of Nuclear Material**.
- B. (1) which is insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability underwriters, or Nuclear Insurance Association of Canada, or would be insured under any such policy but for its termination or exhaustion of its limit of liability; or,
- (2) with respect to which: (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the **Insured** is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

As used in this endorsement:

"**Hazardous Properties**" include radioactive, toxic or explosive properties.

"**Nuclear facility**" means:

- (a) any nuclear reactor;
- (b) any equipment or device designed or used for
- (1) separating the isotopes of uranium or plutonium

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

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ENDORSEMENT# 5 (continued)

- (2) processing or utilizing spent fuel, or
- (3) handling, processing or packaging wastes;
- (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235; and
- (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear Material" means source material, special nuclear material or byproduct material.

"Nuclear Reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

"Source Material," "Special Nuclear Material," and "Byproduct Material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

"Spent Fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor.

"Waste" means any waste material (1) containing by product material and (2) resulting from the operation by any person or organization of any **Nuclear Facility** included within the definition of nuclear facility under paragraph (a) or (b) thereof.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Doyle

AUTHORIZED REPRESENTATIVE

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83550 (11/03)

END-005

Page 2 of 2

ENDORSEMENT# 6

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

**"NO LIABILITY" PROVISION DELETED
(SECURITIES CLAIM RETENTION APPLIES TO ALL LOSS
ARISING OUT OF A SECURITIES CLAIM)**

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

- (1) The Definition of and all provisions referring to "**No Liability**" are hereby deleted in their entirety.
- (2) Clause 6 **RETENTION CLAUSE** is deleted in its entirety and replaced by the following:

6. RETENTION CLAUSE

For each **Claim**, the **Insurer** shall only be liable for the amount of **Loss** arising from a **Claim** which is in excess of the applicable Retention amounts stated in Items 4(a), 4(b) and 4(c) of the Declarations, such Retention amounts to be borne by an **Organization** and/or the **Insured Person** and remain uninsured, with regard to all **Loss** other than **Non-Indemnifiable Loss**. The Retention amount specified in:

- (i) Item 4(a) applies to **Loss** that arises out of a **Securities Claim**;
- (ii) Item 4(b) applies to **Loss** that arises out of an **Employment Practices Claim**; and
- (iii) Item 4(c) applies to **Loss** that arises out of any **Claim** other than a **Securities Claim** or an **Employment Practices Claim**.

A single Retention amount shall apply to **Loss** arising from all **Claims** alleging the same **Wrongful Act** or related **Wrongful Acts**.

In the event a **Claim** triggers more than one of the Retention amounts stated in Items 4(a), 4(b) and 4(c) of the Declarations, then, as to that **Claim**, the highest of such Retention amounts shall be deemed the Retention amount applicable to **Loss** (to which a Retention is applicable pursuant to the terms of this policy) arising from such **Claim**.

No Retention amount is applicable to **Crisis Loss** or **Non-Indemnifiable Loss**.

- (3) Item 4 of the Declarations is hereby deleted in its entirety and replaced by the following:

4	RETENTION: Not applicable to Non-Indemnifiable Loss		
4(a)	Securities Claims: \$250,000	4(b)	Employment \$150,000 Practices Claims:
4(c)	All other Claims: \$150,000		

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED

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Th. J. Doyle
AUTHORIZED REPRESENTATIVE

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89371 (5/05)

ENDORSEMENT# 7

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

**SPECIFIC ENTITY EXCLUSION
(CLAIMS BROUGHT BY)**

In consideration of the premium charged, it is hereby understood and agreed that the Insurer shall not be liable for any Loss in connection with any Claim(s) brought by or on behalf of any entities listed below and/or any past, present or future directors, officers, employees or partners thereof; or by any security holder of the Company whether directly or derivatively, unless such Claim(s) is instigated and continued totally independent of, or without the intervention of such entities and/or any past, present or future directors, officers, employees or partners thereof.

1. Hans J. Klaussner/Klaussner Furniture Industries Inc. (including any subsidiary or affiliate thereof)

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

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END 7

[Signature]
AUTHORIZED REPRESENTATIVE

Chartis Inc. All rights reserved.

2-14047

MNSCPT

ENDORSEMENT# 8

This endorsement, effective *12:01 am* *December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

INSURED PERSON - ADDITION TO THE DEFINITION

In consideration of the premium charged, it is hereby understood and agreed that the Definition of "**Insured Person**" is amended to include any individual(s) of the **Organization** listed below, but solely for **Wrongful Acts** committed in his or her respective capacity(ies) listed below.

INDIVIDUALS

CAPACITY

CONTINUITY DATE

Kenneth Grossman

Monitoring Committee Member

09/6/2005

Furthermore, provided that for the purpose of the applicability of the coverage provided by this endorsement, the **Organization** will be conclusively deemed to have indemnified the persons afforded coverage by this endorsement to the extent that the **Organization** is permitted or required to indemnify such persons pursuant to law (common or statutory), contract, or the charter or by-laws of the **Organization** (which are hereby deemed to adopt the broadest provision of the law which determines, or defines such rights of indemnity). The **Organization** hereby agrees to indemnify such persons to the fullest extent permitted by law, including the making in good faith of any required application for court approval and the passing of any required corporate resolution or the execution of any contract.

It is further understood and agreed that only as respects any additional coverage granted by virtue of this endorsement, the **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** made against an **Insured**:

- (1) alleging, arising out of, based upon or attributable to any pending or prior litigation as of each individual's respective Continuity Date listed above, or alleging or derived from the same or essentially the same facts as alleged in such pending or prior litigation; and
- (2) alleging any **Wrongful Act** occurring prior to each individual's respective Continuity Date if the **Insured** knew or could have reasonably foreseen that such **Wrongful Act** could lead to a **Claim** under this policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

NOTICE:

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YORK INSURANCE LAW AND REGULATIONS.

END 8

2-14047

MNSCPT

ENDORSEMENT# 9

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

EXCLUSION (m) AMENDED ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that notwithstanding any other provision of this policy (including any endorsement attached hereto whether such endorsement precedes or follows this endorsement in time or sequence), Clause 4. EXCLUSIONS, is hereby amended by deleting Exclusion (m) in its entirety and replacing it with the following:

- (m) for violation(s) of any of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Occupational Safety and Health Act, any rules or regulations of the foregoing promulgated thereunder, and amendments thereto or any similar federal, state, local or foreign statutory law or common law.

It is acknowledged that **Claims** for violation(s) of any of the responsibilities, obligations or duties imposed by "similar federal, state, local or foreign statutory law or common law," as such quoted language is used in the immediately-preceding paragraph, include, without limitation, any and all **Claims** which in whole or in part allege, arise out of, are based upon, are attributable to, or are in any way related to any of the circumstances described in any of the following:

- (1) the refusal, failure or inability of any **Insured(s)** to pay wages or overtime pay (or amounts representing such wages or overtime pay) for services rendered or time spent in connection with work related activities (as opposed to tort-based back pay or front pay damages for torts other than conversion);
- (2) improper deductions from pay taken by any **Insured(s)** from any **Employee(s)** or purported **Employee(s)**; or
- (3) failure to provide or enforce legally required meal or rest break periods;

Notwithstanding the foregoing, this exclusion (m) shall not apply to the extent that a **Claim** is for retaliation.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.


AUTHORIZED REPRESENTATIVE

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2-14047

90496 (3/08)

END 009

Page 1 of 1

ENDORSEMENT# 10

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

NEW YORK RETENTION/COINSURANCE ENDORSEMENT

Wherever used in this endorsement: 1) "Insurer" mean the insurance company which issued this policy; and 2) "Company", means the Named Corporation, Named Organization, Named Entity, Named Sponsor, Named Insured, First Named Insured, Insured's Representative, Insured or equivalent term stated in Item 1 of the Declarations Page.

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

I.

- (1) The Retention section of the Declarations and the Retention Clause of the policy are hereby amended to include the following additional Retention amounts in accordance with the New York Regulation 110. The additional Retention amounts are to be applicable solely to Non-Indemnifiable Loss.

ADDITIONAL RETENTION AMOUNTS

- (a) \$[see chart below] subject to the aggregate listed in item (b) below
(natural person Insured's retention)
- (b) \$[see chart below] for all Non-Indemnifiable Loss arising from
Claims
(aggregate retention) alleging the same Wrongful Act or related
Wrongful Acts.

Each natural person Insured's individual maximum retention amount and the total per Claim aggregate maximum retention amount shall be determined in accordance with the New York Regulation 110 Non-Indemnifiable Loss Retention Chart below on the basis of the total consolidated assets of the Company at the time the Claim was first made against the natural person Insured.

**NEW YORK REGULATION 110 NON-INDEMNIFIABLE LOSS
RETENTION CHART**

Corporation's Assets	Natural Person Insured's Retention	Aggregate Retention
Greater than \$20,000,000	\$5,000	\$50,000
Greater than \$10,000,000 to \$20,000,000	\$4,000	\$40,000
Greater than \$5,000,000 to \$10,000,000	\$3,000	\$30,000
\$5,000,000 or less	\$2,000	\$20,000
Not For Profit Entities	\$100	\$1,000

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2-14047

76812 (5/06)

ENDORSEMENT# 10 (continued)

- (2) In accordance with section I.(1) of this endorsement, the Insurer shall only be liable for the amount of Non-Indemnifiable Loss arising from a Claim which is in excess of the applicable Retention amount stated in the Retention Chart above, such Retention amount to be borne by the natural person Insureds and shall remain uninsured.
- (3) The Retention Clause contained in the policy is further amended by the addition of the following provisions:
- As respects the retention applicable to Non-Indemnifiable Loss, in cases where the maximum retention applies, the retention shall then be prorated among the Insureds in proportion to their respective Loss. Notwithstanding the forgoing, in no event shall the retention per natural person Insured for Non-Indemnifiable Loss be less than 75% of the retention amount listed above per natural person Insured in (a).

II.

The policy is amended to include the following COINSURANCE CLAUSE:

- Solely with regard to Non-Indemnifiable Loss, the Insurer shall be liable to pay the "Regulated Coinsurance Percentage" of the first \$1,000,000 of Non-Indemnifiable Loss, and 100% of Non-Indemnifiable Loss excess of the first \$1,000,000 of such Loss, (subject to the policies terms, conditions and exclusions) excess of any applicable retention amount, if any, described in the policy, and subject to the Limit of Liability described in the policy. The "Regulated Coinsurance Percentage" will be determined in accordance with the New York Regulation 110 Non-Indemnifiable Loss Coinsurance Chart below on the bases of the total consolidated assets of the Company at the time the Claim was first made against the natural person Insured.

**NEW YORK REGULATION 110 NON-INDEMNIFIABLE LOSS
COINSURANCE CHART**

Corporation's Assets	Regulated Coinsurance Percentage
Greater than \$20,000,000	99.5%
Greater than \$10,000,000 to \$20,000,000	99.6%
Greater than \$5,000,000 to \$10,000,000	99.7%
\$5,000,000 or less	99.8%
Not For Profit Entities	99.9%

III.

Solely for the purposes of this endorsement the term "Non-Indemnifiable Loss" means Loss for which the Company has not indemnified nor is permitted or required to indemnify a natural person Insured pursuant to law or contract or the charter, bylaws, operating agreement or similar document of a Company.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

NOTICE:

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AUTHORIZED REPRESENTATIVE

2-14047

76812 (5/06)

END 010

Page 2 of 2

ENDORSEMENT# 11

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

**NOTICE OF CLAIM
(REPORTING BY E-MAIL)**

In consideration of the premium charged, it is hereby understood and agreed as follows:

1. **Email Reporting of Claims:** In addition to the postal address set forth for any Notice of Claim Reporting under this policy, such notice may also be given in writing pursuant to the policy's other terms and conditions to the Insurer by email at the following email address:

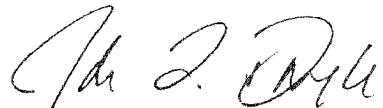
c-claim@chartisinsurance.com

Your email must reference the policy number for this policy. The date of the Insurer's receipt of the emailed notice shall constitute the date of notice.

In addition to Notice of Claim Reporting via email, notice may also be given to the Insurer by mailing such notice to: c-Claim for Financial Lines, Chartis Claims, Inc., 175 Water Street, 9th Floor, New York, New York 10038 or faxing such notice to (866) 227-1750.

2. **Definitions:** For this endorsement only, the following definitions shall apply:
 - (a) "Insurer" means the "Insurer," "Underwriter" or "Company" or other name specifically ascribed in this policy as the insurance company or underwriter for this policy.
 - (b) "Notice of Claim Reporting" means "notice of claim/circumstance," "notice of loss" or other reference in the policy designated for reporting of claims, loss or occurrences or situations that may give rise or result in loss under this policy.
 - (c) "Policy" means the policy, bond or other insurance product to which this endorsement is attached.
3. This endorsement does not apply to any Kidnap & Ransom/Extortion Coverage Section, if any, provided by this policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
MUST MEET THE MINIMUM STANDARDS OF THE NEW
YORK INSURANCE LAW AND REGULATIONS.

2-14047

99758 (8/08)

END 011

Page 1 of 1

ENDORSEMENT# 12

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COVERAGE TERRITORY ENDORSEMENT

Payment of loss under this policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

John J. Dyle

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

89644 (7/05)

ENDORSEMENT# 13

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

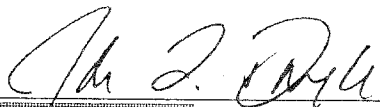
AUDIT COMMITTEE COVERAGE

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

Definition (k), **Executive**, is hereby amended to include the following:

- (4) **Executive** defined in (k)(1)-(3) above or any **Employee** of the **Organization** serving as a member of any internal committee established by and for the **Organization**, including but not limited to the **Organization's** "audit committee," as that committee is described in the Securities and Exchange Commission Release No. 34-42266- Audit Committee Disclosure Rule.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.


AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

83509 (11/03)

END 013

Page 1 of 1

ENDORSEMENT# 14

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

DOMESTIC PARTNER COVERAGE

In consideration of the premium charged, it is hereby understood and agreed that such coverage as is afforded by this policy pursuant to Clause 20. **SPOUSAL AND LEGAL REPRESENTATIVE EXTENSION** to the lawful spouse of an **Insured Person** under this policy shall also extend to any "**Domestic Partner**" of such **Insured Person**, whether or not such person would be deemed a "spouse" under the applicable law.

"**Domestic Partner**" means any individual person legally recognized as a domestic or civil union partner under: (1) the provisions of any applicable federal, state, or local law; or (2) the provisions of any formal program established by the **Named Entity** or any **Subsidiary**.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dwyer

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

91712 (6/07)

END 014

Page 1 of 1

ENDORSEMENT# 15

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC


by Illinois National Insurance Company

EXTRADITION COVERAGE
(2/2000 Version)

In consideration of the premium charged, it is understood and agreed that, where permitted by law:

1. **"Claim"** also means any:
 - (a) official request for **Extradition** of any **Insured Person**; or
 - (b) the execution of a warrant for the arrest of an **Insured Person** where such execution is an element of **Extradition**.
2. **"Defense Costs"** also means reasonable and necessary fees, costs and expenses incurred through legal counsel and consented to by the **Insurer** resulting from an **Insured Person** lawfully:
 - (a) opposing, challenging, resisting or defending against any request for or any effort to obtain the **Extradition** of that **Insured Person**; or
 - (b) appealing any order or other grant of **Extradition** of that **Insured Person**.
3. **"Extradition"** means any formal process by which an **Insured Person** located in any country is surrendered to any other country for trial or otherwise to answer any criminal accusation.
4. Clause 9 does not apply to **Defense Costs** solely relating to **Extradition** even if the underlying **Wrongful Acts** relate to a **Securities Claim**.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
MUST MEET THE MINIMUM STANDARDS OF THE NEW
YORK INSURANCE LAW AND REGULATIONS.

2-14047

91490 (8/06)

ENDORSEMENT# 16

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

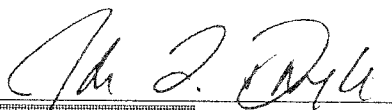
**OUTSIDE ENTITY EXECUTIVE
(No Written Request)**

In consideration of the premium charged, it is hereby understood and agreed that in Clause 2. **DEFINITIONS**, paragraph (V), **Outside Entity Executive**, is hereby deleted in its entirety and replaced with the following:

- (V) "**Outside Entity Executive**" means any: (1) **Executive** of an **Organization** who is or was acting at the specific request or direction of an **Organization** as an **Executive** of an **Outside Entity**; or (2) any other person listed as an **Outside Entity Executive** in an endorsement attached to this policy.

It is further understood and agreed that, in the event of a disagreement between the **Organization** and an **Outside Entity Executive** as to whether such **Insured** was acting "at the specific request or direction of the **Organization**," it is hereby understood and agreed that this policy shall abide by the determination of the **Organization** on this issue and such determination shall be made by written notice to the **Insurer** within ninety (90) days after the **Claim** against such **Outside Entity Executive** is made. In the event no determination is made within such period, this policy shall apply as if the **Organization** determined that such **Outside Entity Executive** was not acting at the **Organization's** specific request or direction.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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REQUIREMENTS OF THE NEW YORK STATE INSURANCE
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

83555 (11/03)

END 016

Page 1 of 1

ENDORSEMENT# 17

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

**PUNITIVE DAMAGES COVERAGE
(OTHER THAN EMPLOYMENT PRACTICES CLAIMS)**

In consideration of the premium charged, it is hereby understood and agreed that Definition of "**Loss**" is hereby amended by deleting the second paragraph thereof and replacing it with the following:

Notwithstanding the foregoing paragraph, **Loss** shall specifically include (subject to this policy's other terms, conditions and limitations, including but not limited to exclusions relating to profit or advantage, deliberate fraud or deliberate criminal acts): (1) civil penalties assessed against any **Insured Person** pursuant to Section 2(g)(2)(B) of the Foreign Corrupt Practices Act, 15 U.S.C. §78dd-2(g)(2)(B); and (2) with respect to **Claims** other than **Employment Practices Claims**, punitive, exemplary and multiplied damages imposed upon an **Insured**. Enforceability of this paragraph shall be governed by such applicable law that most favors coverage for such penalties and punitive, exemplary and multiplied damages.

It is further understood and agreed that solely in regard to the coverage provided by this endorsement the **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** made against an **Insured** arising out of, based upon or attributable to the committing in fact of a dishonest act or any willful violation of any statute, rule or law. For the purpose of determining the applicability of the foregoing exclusion the facts pertaining to and knowledge possessed by any **Insured Person** shall not be imputed to any other **Insured Person**.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Doyle

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
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DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

89378 (5/05)

END 017

Page 1 of 1

ENDORSEMENT# 18

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

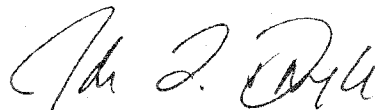
by Illinois National Insurance Company

**FAILURE TO EFFECT AND/OR MAINTAIN INSURANCE EXCLUSION - DEFENSE COST
EXCEPTION**

In consideration of the premium charged, it is hereby understood and agreed that Clause
4. EXCLUSIONS, is hereby amended by adding the following exclusion to the end thereof:

- (zz) alleging, arising out of, based upon or attributable to any failure or omission
on the part of the **Insureds** or an **Organization** to effect or maintain adequate
insurance; provided, however, solely with respect to **Executive(s)**, this
exclusion shall not apply to covered **Defense Costs** incurred in connection
with a **Claim** alleging a **Wrongful Act**.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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REQUIREMENTS OF THE NEW YORK STATE INSURANCE
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

86491 (8/04)

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END 018

Page 1 of 1

ENDORSEMENT# 19

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

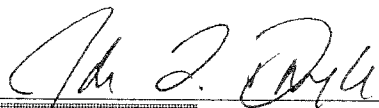
by Illinois National Insurance Company

COMMISSIONS EXCLUSION

In consideration of the premium charged, it is hereby understood and agreed that the **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** made against any **Insured** alleging, arising out of, based upon, or attributable to:

- (i) payments, commissions, gratuities, benefits or any other favors to or for the benefit of any full or part-time domestic or foreign government or armed services officials, agents, representatives, employees or any members of their family or any entity with which they are affiliated; or
- (ii) payments, commissions, gratuities, benefits or any other favors to or for the benefit of any full or part-time officials, directors, agents, partners, representatives, principal shareholders, or owners or employees, or "**Affiliates**" (as that term is defined in The Securities Exchange Act of 1934, including any officers, directors, agents, owners, partners, representatives, principal shareholders or employees of such **Affiliates**) of any customers of the **Organization** or any members of their family or any entity with which they are affiliated; or
- (iii) political contributions, whether domestic or foreign.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

83524 (11/03)

END 019

Page 1 of 1

ENDORSEMENT# 20

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

CRISISPLUS ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

I. CRISIFUNDSM AMENDED

- (1) Solely for the purposes of a **Financial Statement Crisis**, Appendix B is hereby amended as follows:

(i) Definition (a) **Crisis** shall also mean:

(3) a **Financial Statement Crisis**.

(ii) Clause III **PRE-APPROVED CRISIS FIRMS**, is hereby amended by adding the following at the end thereof:

(c) Solely for **Financial Statement Crisis**, "**Crisis Firm(s)**" means any **Panel Counsel Firm** (as defined in Clause 9) approved to handle **Securities Claims** and/or any public accounting firm.

(iii) Definition (d) **Crisis Services** is hereby deleted in its entirety and replaced by the following:

"**Crisis Services**" means any legal or accounting services performed by a **Crisis Firm(s)** in investigating and responding to a **Financial Statement Crisis**.

(iv) The following additional definitions are hereby added:

"**Financial Statement Crisis**" means the written public announcement by an **Organization** of the need or potential need for a restatement(s) of an **Organization's** previously publicly filed financial statements; provided however, that **Financial Statement Crisis** shall not include any announcements regarding restatement(s) resulting, in whole or in part, from a change in any rule, law or statute relating to financial reporting (including but not limited to any change in Generally Accepted Accounting Principles); further provided that payment of any **Crisis Loss** under this policy shall not waive any of the **Insurer's** rights under this policy or at law.

"**Financial Statement Crisis Loss**" means a **Crisis Loss** resulting solely from a **Financial Statement Crisis**.

(2) Definition (d) **CrisisFund** SM is hereby deleted in its entirety and replaced by the following:

(d) "**CrisisFund** SM" means:

NOTICE: In the case of all **Crisis Loss**, other than **Delisting Crisis Loss** and **Financial Statement Crisis Loss**, the dollar amount of the **Crisis Loss** shall be the lesser of the applicable rates are exempt from the filing requirements of the New York State Insurance Department. However, all forms and rates must meet the minimum standards of the New York Insurance Law and Regulations.

END 020
Page 1 of 2

2-14047

89353 (5/05)

ENDORSEMENT# 20 (continued)

- set forth in Item 7(a) of the Declarations; and
- (2) in the case of **Delisting Crisis Loss** the dollar amount set forth in Item 7(a) of the Declarations (less any **Crisis Loss** paid) plus the additional dollar amount set forth in Item 7(b) of the Declarations, combined.
- (3) in the case of **Financial Statement Crisis Loss** the dollar amount set forth in Item 7(a) of the Declarations (less any **Crisis Loss** paid) plus the additional dollar amount set forth in Item 7(c) of the Declarations.
- (3) Item 7 of the Declarations is hereby amended to include the following additional Item 7(c):

7(c)	Additional CRISISFUNDSM for Financial Statement Crisis Loss: \$0
------	--

II. DEFINITION OF EXECUTIVE AMENDED

Definition (j) **Executive** is hereby amended to include the following:

Executive as defined in (j)(1)-(3) above or any **Employee** of an **Organization** serving as a past, present or future member of any internal committee established by and for an **Organization**, including but not limited to an **Organization's** "audit committee," as that committee is described in the Securities and Exchange Commission Release No. 34-42266- Audit Committee Disclosure Rule

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dyl

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

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END 020
Page 2 of 2

2-14047

89353 (5/05)

ENDORSEMENT# 21

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

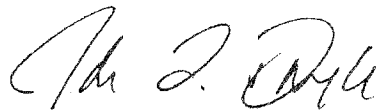
by Illinois National Insurance Company

**CONDUCT EXCLUSIONS
FINAL ADJUDICATION**

In consideration of the premium charged, it is hereby understood and agreed that in Clause 4. **EXCLUSIONS**, paragraphs (a), (b) and (c) are deleted in their entirety and replaced with the following:

- (a) arising out of, based upon or attributable to the gaining of any profit or advantage to which any final adjudication establishes the **Insured** was not legally entitled;
- (b) arising out of, based upon or attributable to payments to an **Insured** of any remuneration without the previous approval of the stockholders or members of an **Organization**, once any such unapproved payments shall be established by any final adjudication to have been illegal;
- (c) arising out of, based upon or attributable to the committing of any deliberate criminal or deliberate fraudulent act by the **Insured** if any final adjudication establishes that such deliberate criminal or deliberate fraudulent act was committed;

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

94189 (3/07)

END 021

Page 1 of 1

ENDORSEMENT# 22

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

**CANCELLATION CLAUSE AMENDED ENDORSEMENT
(CREDIT RATING TRIGGER)**

In consideration of the premium charged, it is hereby understood and agreed that Clause 11. **CANCELLATION CLAUSE** of this policy is amended by adding the following paragraph to the end thereof:

Notwithstanding the foregoing, in the event that a financial strength rating is issued (1) below A- by A.M. Best Co., or (2) below BBB by Standard & Poor's Ratings Services, for the **Insurer** (hereinafter "Credit Rating Downgrade"), this policy may be canceled by the **Named Entity** by mailing written prior notice to the **Insurer** or by surrender of this policy to the **Insurer** or its authorized agent. If this policy is canceled by the **Named Entity** within 30 days after such Credit Rating Downgrade, the **Insurer** shall retain the pro rata proportion of the premium herein.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dylak

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

99498 (6/08)

END 022

Page 1 of 1

ENDORSEMENT# 23

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

SECTION 11 OR 12 ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that Clause 2. **DEFINITIONS**, paragraph (p) "Loss," is amended by deleting subparagraph (6) thereof in its entirety and replacing it with the following:

- (6) matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed. Notwithstanding the foregoing subparagraph (6), the **Insurer** shall not assert that, in a **Securities Claim** alleging violations of Section 11 or 12 of the Securities Act of 1933, as amended, the portion of any amounts incurred by **Insureds** which is attributable to such violations constitutes uninsurable loss and shall treat that portion of all such settlements, judgments and **Defense Costs** as constituting **Loss** under this policy.

It is further understood and agreed that Clause 4. **EXCLUSIONS** is amended by adding the following at the end thereof:

Notwithstanding anything stated in Clause 4. **EXCLUSIONS** above, Exclusions (a) and (b) shall not apply, in a **Securities Claim** alleging violations of Section 11 or 12 of the Securities Act of 1933, as amended, to the portion of any **Loss** attributable to such violations.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dylak

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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2-14047

95282 (8/07)

END 023

Page 1 of 1

ENDORSEMENT# 24

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

**INSURED V. INSURED EXCLUSION AMENDED
(SARBANES- OXLEY WHISTLEBLOWER)**

In consideration of the premium charged, it is hereby understood and agreed that Clause 4. EXCLUSIONS is amended by adding the following subsection (6) to the end of Exclusion (i):

- (6) any **Securities Claim**, provided that such **Securities Claim** is instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of, any **Organization** or any **Executive** of an **Organization**; provided, however, solely with respect to this subsection (6):
- (a) an **Executive's** engaging in any protected activity specified in 18 U.S.C. 1514A(a) ("whistleblower" protection pursuant to the Sarbanes-Oxley Act of 2002) or any protected activity specified in any other "whistleblower" protection pursuant to any similar state, local or foreign securities laws; shall not be deemed to trigger this exclusion.

Notwithstanding the forgoing exception, this exclusion (i) shall apply where the actions of any **Executive** includes the filing of any proceeding or voluntarily testifying, voluntarily participating in or voluntarily assisting (other than de minimis assistance) in the filing or prosecution of any proceeding against an Insured relating to any violation of any rule or regulation of the Securities and Exchange Commission or any similar provision of any federal, state, local or foreign rule or law relating to fraud against shareholders, other than such actions in connection with a proceeding that is brought by the Securities and Exchange Commission, any similar state, local or foreign regulatory body that regulates securities, or any state, local or foreign law enforcement authority.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dwyer

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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2-14047

90639 (3/06)

END 024

Page 1 of 1

ENDORSEMENT# 25

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

INSURED V. INSURED EXCLUSION AMENDED - 3 YEARS

In consideration of the premium charged, it is hereby understood and agreed that Clause 4. **EXCLUSIONS**, Exclusion (i), shall be amended by deleting subparagraph (4) thereof and replacing it with the following:

- (4) any **Claim** brought by any past **Executive** of an **Organization** who has not served as a duly elected or appointed director, officer, trustee, governor, management committee member, member of the management board, General counsel or Risk Manager (or equivalent position) of or consultant for an **Organization** for at least three (3) years prior to such **Claim** being first made against the **Named Entity**; or

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Doyle

AUTHORIZED REPRESENTATIVE

NOTICE:

THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
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YORK INSURANCE LAW AND REGULATIONS.

2-14047

98916 (4/08)

END 025

Page 1 of 1

ENDORSEMENT# 26

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

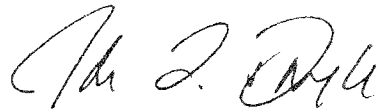
LIBERALIZATION CLAUSE

In consideration of the premium charged, it is hereby understood and agreed that the following clause shall be added to the policy:

Liberalization Clause

In the event that the Insurer shall begin selling on an admitted basis in the state indicated in Item 1 of the Declarations, either: (1) a new Public Company Executives and Organization Liability primary policy form sold as a replacement of or alternative to this "2/2000" form; or (2) an enhancement of coverage endorsement to this policy form, which is to be made available to all Insureds and for which no additional premium is required, then the Named Entity shall have the right to such new policy or such new coverage enhancement endorsement subject to all underwriting information or particulars as the Insurer may require for such new policy or enhanced coverage.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
APPLICABLE RATES ARE EXEMPT FROM THE FILING
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
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2-14047

98920 (4/08)

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END 026

Page 1 of 1

ENDORSEMENT# 27

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

**SEVERABILITY OF THE APPLICATION ENDORSEMENT
(FULL INDIVIDUAL SEVERABILITY; TOP 3 ORGANIZATION POSITIONS IMPUTED TO
ORGANIZATION; NON-RESCINDABLE)**

In consideration of the premium charged, it is hereby understood and agreed that the following Clause is added to the policy at the end thereof:

SEVERABILITY

In granting coverage under this policy, it is agreed that the **Insurer** has relied upon the statements, warranties and representations contained in the **Application** as being accurate and complete. All such statements, warranties and representations are the basis for this policy and are to be considered as incorporated into this policy.

With respect to any statements, warranties and representations contained in the **Application**, and solely with respect to the issue of whether coverage shall be afforded under this endorsement pursuant to subparagraphs (1), (2) and (3) below, no knowledge possessed by an **Insured Person** shall be imputed to any other **Insured Person**. However, in the event that any of the statements, warranties or representations is not accurately and completely disclosed in the **Application**, no coverage shall be afforded for any **Claim** alleging, arising out of, based upon, attributable to or in consequence of the subject matter of any incomplete or inaccurate statements, warranties or representations under:

- (1) Clause 1. Insuring Agreements, COVERAGE A, with respect to any **Insured Person** who knew of such inaccurate or incomplete statements, warranties or representations;
- (2) Clause 1, Insuring Agreements, Coverage B(ii), with respect to any **Organization** to the extent it indemnifies any **Insured Person** referenced in (i), above; and
- (3) Clause 1, Insuring Agreements, Coverage B(i), with respect to any **Organization** if any past or present chief executive officer, chief operating officer or chief financial officer of the **Named Entity** knew of such inaccurate or incomplete statements, warranties or representation,

whether or not such **Insured Person** knew that such facts were not accurately and completely disclosed in the **Application**.

The **Insurer** shall not be entitled under any circumstances to rescind coverage under the Policy with respect to any **Insured**, but such coverage will be subject to all other terms, conditions and exclusions of the policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

Am 2. 2014

END 027

Page 1 of 1

2-14047

94680 (6/07)

ENDORSEMENT# 28

This endorsement, effective 12:01 am December 13, 2009 forms a part of
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

by Illinois National Insurance Company

**CLAUSE 7(a)(2) AMENDATORY
(45 DAYS)**

In consideration of the premium charged, it is hereby understood and agreed that Clause 7(a)(2) is hereby deleted in its entirety and replaced with the following:

- (2) within 45 days after the end of the **Policy Period** or the **Discovery Period** (if applicable), as long as such **Claim** was first made against an **Insured** within the final 30 days of the **Policy Period** or the **Discovery Period** (if applicable).

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

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YORK INSURANCE LAW AND REGULATIONS.

2-14047

83522 (11/03)

ENDORSEMENT# 29

This endorsement, effective **12:01 am December 13, 2009** forms a part of
policy number **01-420-58-47**
issued to **JENNIFER CONVERTIBLES INC**

by **Illinois National Insurance Company**

SPECIFIC INVESTIGATION/CLAIM/LITIGATION/EVENT OR ACT EXCLUSION - SHORT FORM

In consideration of the premium charged, it is hereby understood and agreed that, without limiting the effectiveness of Clause 4. **EXCLUSIONS** (d) or (e) of the policy, the **Insurer** shall not be liable to make any payment for **Loss** in connection with: (i) any of the **Claim(s)**, notices, events, investigations or actions referred to in item (1) below; (hereinafter "**Events**"); (ii) the prosecution, adjudication, settlement, disposition, resolution or defense of: (a) any **Event(s)**; or (b) any **Claim(s)** arising from any **Event(s)**; or (iii) any **Claim** alleging, arising out of, based upon, attributable to or in any way related directly or indirectly, in part or in whole, to an **Interrelated Wrongful Act** (as that term is defined below), regardless of whether or not such **Claim** involved the same or different **Insureds**, the same or different legal causes of action or the same or different claimants or is brought in the same or different venue or resolved in the same or different forum.

EVENT(S)

1. Selig Zises and Jay Zises v Harley J Greenfield, et al
2. on behalf of Jennifer Convertibles, Inc. v. Harley J Greenfield, et al
3. Final Report of Counsel to the Independent Committee of the Board of Directors of Jennifer Convertibles, Inc. dated January 26, 1995 and Appendix
4. Response of Harley J Greenfield to the January 26, 1995 Final Report of Counsel to the Independent Committee of the Board of Directors of Jennifer Convertibles, Inc.
5. Morris Akerman v Jennifer Convertibles, Inc. 94 Cit 5633
6. Elanor Ecolono v Jennifer Convertibles, Inc., et al 94 Cov 5852
7. Vincent Manngard v Jennifer Convertibles, Inc., at al Civ 5600
8. Fred M Ross v Jennifer Convertibles, Inc et al 94 Civ. 5594
9. Henry C Cermansky vs. Harley J Greenfield and Jennifer Convertibles, Inc., 94 Civ 5587
10. Robert Cohen v. Jennifer Convertibles, Inc., et al 94 civ. 5585
11. Dr. Irwin Cogen vs Harley J Greenfield and Jennifer Convertibles, Inc., 94 Civ. 5626
12. Aaron Solomon vs. Al Ferrara, Harley J Greenfield and Jennifer Convertibles, Inc. 94 Civ. 5573
13. Kenneth Steiner vs. Jennifer Convertibles, Inc. et al 94 Civ 5573
14. Gerald M Topeil vs. Al Ferrar, Harley J Greenfield et al 94 Civ. 5844
15. Donald Spitzer vs Harley J Greenfield and Jennifer Convertibles, inc. 94 Civ. 5596

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END 29

ENDORSEMENT# 29 (Continued)

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

16. Meyer Okun and David Semel vs. Al Ferrar, et al (EDNY) 94 Civ 0080
17. Meyer Okun Defined Benefit Pension Plan vs. Harley J Greenfield, et al (NY Sup. Ct) Index no 95-110290
18. Meyer Okun Defined Benefit Pension Plan and David Semel vs. BDO Seidman & Co. and Jennifer Convertibles, Inc. 95 Civ. 1407
19. Philip E Orbanes vs. Harley J Greenfield, et al 94 Civ. 5694
20. Robert Massimi vs Harley J Greenfield et al (Del CH) Civil Action NO. 13936
21. Letter from BDO Seidman to Harley J Greenfield, dated May 2, 1995
22. Letter from Michael Colnes to Harley J Greenfield dated November 22, 1994
23. Response of Jerome I Silverman to the letter dated November 22, 1994 from Michael Colnes to Harley J Greenfield
24. Tentative Draft Unaudited Financial Statements for years ended August 27, 1994, August 31, 1993 and August 31, 1992 under from George J Nadel dated May 23, 1995.

For the purposes of this endorsement an " **Interrelated Wrongful Act** " means: (i) any fact, circumstance, act or omission alleged in any **Event(s)** and/or (ii) any **Wrongful Act** which is the same as, similar or related to or a repetition of any **Wrongful Act** alleged in any **Event(s)**.

ALL OTHER TERMS, CONDITIONS AND EXCLUSION REMAIN UNCHANGED.

NOTICE: THESE POLICY FORMS AND THE
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YORK INSURANCE LAW AND REGULATIONS.

[Signature]
AUTHORIZED REPRESENTATIVE

Chartis, Inc. All rights reserved.
END 29

2-14047

98919 (04/08)

ENDORSEMENT# 30

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

OUTSIDE ENTITY ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that each of the following entities shall be deemed an "Outside Entity":

OUTSIDE ENTITY

- 1) any not-for-profit organization

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

NOTICE: THESE POLICY FORMS AND THE
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YORK INSURANCE LAW AND REGULATIONS.

John J. Dyl
AUTHORIZED REPRESENTATIVE

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END 030
Page 1 of 1

2-14047

83553 (11/03)

ENDORSEMENT# 31

This endorsement, effective *12:01 am December 13, 2009* forms a part of
policy number *01-420-58-47*
issued to *JENNIFER CONVERTIBLES INC*

by *Illinois National Insurance Company*

**NEW YORK
TERRORISM EXCLUSION - CERTIFIED ACTS**

This insurance does not apply to loss, injury, damage, claim or suit, arising directly or indirectly as a result of an "act of terrorism", which is defined in the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (collectively, "TRIA") as follows:

- (1) ACT OF TERRORISM. -
 - (A) CERTIFICATION. - The term "act of terrorism" means any act that is certified by the Secretary [of the Treasury], in concurrence with the Secretary of State, and the Attorney General of the United States -
 - (i) to be an act of terrorism;
 - (ii) to be a violent act or an act that is dangerous to -
 - (I) human life;
 - (II) property; or
 - (III) infrastructure;
 - (iii) to have resulted in damage within the United States, or outside of the United States in the case of -
 - (I) an air carrier or vessel [described in TRIA]; or
 - (II) the premises of a United States mission; and
 - (iv) to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
 - (B) LIMITATION. - No act shall be certified by the Secretary as an act of terrorism if -
 - (i) the act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 - (ii) property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.
 - (C) DETERMINATIONS FINAL. - Any certification of, or determination not to certify, an act as an act of terrorism under this paragraph shall be final, and shall not be subject to judicial review.
 - (D) NONDELEGATION. - The Secretary may not delegate or designate to any other officer, employee, or person, any determination under this paragraph of whether, during the effective period of the Program, an act of terrorism has occurred.

The following applies solely to commercial property policies:

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YORK INSURANCE LAW AND REGULATIONS.

2-14047

97887 (4/08)

END 031

Page 1 of 2

ENDORSEMENT# 31 (continued)

If an act of terrorism results in fire, the Insurer will pay for the direct loss or damage to Covered Property located in New York or where required by state law, as this term is defined in the commercial property policy, caused by that fire.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

John J. Dylak

AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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2-14047

97887 (4/08)

ENDORSEMENT# 32

This endorsement, effective 12:01 am December 13, 2009
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

forms a part of

by Illinois National Insurance Company

FORMS INDEX ENDORSEMENT

The contents of the Policy is comprised of the following forms:

FORM NUMBER	EDITION DATE	FORM TITLE
75010	02/00	D00200 ADMITTED - DEC
81285	01/03	TRIA DEC DISCLOSURE FORM
75029	07/02	NEW YORK REG. 121 DEC. DISCLOSURE
75011	02/00	D00200 ADMITTED - POLICY
	06/08	SECURITIES CLAIM PANEL COUNSEL LIST
75013	02/00	APPENDIX B CRISISFUND
75027	03/00	NEW YORK CLAIMS MADE AMENDATORY
75030	07/02	NEW YORK DISCOVERY ENDORSEMENT
69898	09/06	NEW YORK AMENDATORY - CANCELLATION/NONRENEWAL
83516	11/03	CAPTIVE INSURANCE COMPANY EXCLUSION
83550	11/03	NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT
89371	05/05	"NO LIABILITY" PROVISION DELETED (SECURITIES CLAIM RETENTION APPLIES TO ALL LOSS ARISING OUT OF A SECURITIES CLAIM)
MNSCPT		SPECIFIC ENTITY EXCLUSION
MNSCPT		INSURED PERSON - ADDITION TO THE DEFINITION
90496	03/08	EXCLUSION (M) AMENDED (FLSA)
76812	05/06	NEW YORK REG. 110 RETENTION COINSURANCE ENDORSEMENT
99758	08/08	NOTICE OF CLAIM (REPORTING BY E-MAIL)
89644	07/05	COVERAGE TERRITORY ENDORSEMENT (OFAC)
83509	11/03	AUDIT COMMITTEE COVERAGE
91712	06/07	DOMESTIC PARTNER COVERAGE
91490	08/06	EXTRADITION COVERAGE
83555	11/03	OUTSIDE ENTITY EXECUTIVE (NO WRITTEN REQUEST)
89378	05/05	PUNITIVE DAMAGES OTHER THAN EMPLOYMENT PRACTICES CLAIMS

2-14047

78859 (10/01)

NOTICE:

THESE POLICY FORMS AND THE
REQUIREMENTS OF THE NEW YORK STATE INSURANCE
DEPARTMENT. HOWEVER, SUCH FORMS AND RATES
MUST MEET THE MINIMUM STANDARDS OF THE NEW
YORK INSURANCE LAW. END 032

ENDORSEMENT# 32

This endorsement, effective 12:01 am December 13, 2009
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

forms a part of

by Illinois National Insurance Company

FORMS INDEX ENDORSEMENT

The contents of the Policy is comprised of the following forms:

FORM NUMBER	EDITION DATE	FORM TITLE
86491	08/04	FAILURE TO EFFECT AND/OR MAINTAIN INSURANCE EXCLUSION - DEFENSE COSTS EXCEPTION
83524	11/03	COMMISSIONS EXCLUSION
89353	05/05	CRISISPLUS ENDORSEMENT
94189	03/07	CONDUCT EXCLUSION FINAL ADJUDICATION
99498	06/08	CANCELLATION CLAUSE AMENDED ENDORSEMENT (CREDIT RATING TRIGGER)
95282	08/07	SECTION 11 OR 12 ENDORSEMENT
90639	03/06	INSURED V. INSURED EXCLUSION AMENDED (SARBANES-OXLEY WHISTLEBLOWER)
98916	04/08	INSURED V. INSURED EXCLUSION AMENDED - 3 YEARS
98920	04/08	LIBERALIZATION CLAUSE
94680	06/07	SEVERABILITY OF THE APPLICATION ENDORSEMENT (FULL INDIVIDUAL SEVERABILITY; TOP 3 ORGANIZATION POSITIONS IMPUTED TO ORGANIZATION; NON-RESCINDABLE)
83522	11/03	CLAUSE 7(A)(2) AMENDATORY
98919	04/08	SPECIFIC INVESTIGATION/CLAIM/LITIGATION/EVENT OR ACT EXCLUSION - SHORT FORM
83553	11/03	OUTSIDE ENTITY ENDORSEMENT (STANDARD)
97887	04/08	TERRORISM EXCLUSION - CERTIFIED ACTS - NEW YORK
78859	10/01	FORMS INDEX ENDORSEMENT
75031	07/02	NEW YORK REG. 121 APPLICATION DISCLOSURE
97886	04/08	POLICYHOLDER NOTICE REGARDING E-DISCOVERY CONSULTANT SERVICES

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW ~~END~~ 032 TIONS.

2-14047

78859 (10/01)

ENDORSEMENT# 32

This endorsement, effective 12:01 am December 13, 2009
policy number 01-420-58-47
issued to JENNIFER CONVERTIBLES INC

forms a part of

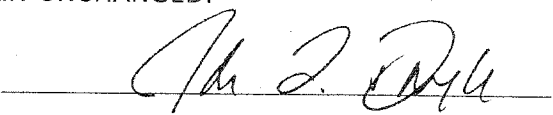
by Illinois National Insurance Company

FORMS INDEX ENDORSEMENT

The contents of the Policy is comprised of the following forms:

FORM NUMBER	EDITION DATE	FORM TITLE
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ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.


AUTHORIZED REPRESENTATIVE

NOTICE: THESE POLICY FORMS AND THE
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YORK INSURANCE LAW **END 032** TATIONS.

2-14047

78859 (10/01)

**NEW YORK REGULATION 121
APPLICATION DISCLOSURE SUPPLEMENT**

Solely for the purposes of this supplement, "Claims-made relationship" means that period of time between the effective date of the first claims made policy between us (the Insured) and you (the policy holder) and the cancellation or nonrenewal of the last consecutive claims-made policy between such parties, where there has been no gap in coverage, but does not include any period covered by tail coverage.

Retroactive Date/Prior Acts Exclusion Date/"Nose" Coverage

Coverage for events that occurred prior to the beginning of the policy period is referred to in this supplement as "nose" coverage. If the policy has a retroactive date feature or an exclusion or other wording deleting coverage for events that occurred before a certain date (a prior acts exclusion), then nose coverage is limited (or non existent) and **THERE WILL BE NO COVERAGE FOR CLAIMS ARISING OUT OF SUCH EVENTS THAT OCCURRED PRIOR TO THAT DATE.**

Extended Reporting Period/Discovery Period/"Tail" Coverage

The Extended Reporting Period, or Discovery Period as it may be called, will increase the time within which a claim may be eligible for the policy's coverage. This is referred to in this supplement as "tail" coverage. Tail coverage helps to prevent the situation of a claim going uncovered because of cancellation or nonrenewal of the policy or other termination of coverage. Tail coverage provides for a period of time after termination of coverage during which claims first made against you and reported to us in writing, events that occurred before the termination of coverage and otherwise covered by the policy, will be covered. Generally, this optional tail coverage can be purchased if coverage is terminated either by us or by you. If such optional tail coverage is not purchased, an automatic tail coverage goes into effect upon termination of coverage, however, this automatic tail coverage lasts for only 60 days, (90 days if the policyholder is a public entity as defined in section 107(a)(51) of the New York Insurance Law). After the expiration of the tail coverage, you will have a gap in your insurance coverage, unless you have obtained appropriate coverage to fill the gap. **UPON TERMINATION OF COVERAGE IT IS VERY IMPORTANT THAT YOU CONSULT WITH YOUR INSURANCE AGENT, BROKER OR OTHER PROFESSIONAL INSURANCE ADVISER.**

The length of the optional tail offered in the policy is one (1) year generally, but, this option will not be available in some circumstances. It will not be available if coverage is terminated by us because of non-payment of premium or fraud and at the effective date of such termination of coverage a claims-made relationship has continued for less than one year.

Future Premium Increases As Claims-Made Relationship Matures

During the first several years of being covered on a claims-made basis, claims-made rates are generally comparatively lower than rates on other types of policies generally known as occurrence policies, especially if there is no nose coverage initially, and you can expect substantial annual premium increases, independent of overall rate level increases, until the claims-made relationship reaches maturity.

Length of Optional Tail and Premium Charged For it

The length of the optional tail offered in this policy and the premium charged for it is as follows (please see the policy form and endorsements for complete details):

APPLICABLE RATES ARE EXEMPT FROM THE FILING
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Length Of Optional Tail

Premium Charge For Optional Tail

One Year

200 %

THIS DISCLOSURE SUPPLEMENT GENERALLY DISCUSSES CERTAIN IMPORTANT FEATURES OF THE POLICY. PLEASE READ THE ENTIRE POLICY CAREFULLY AND DISCUSS IT WITH YOUR INSURANCE AGENT OR BROKER OR OTHER PROFESSIONAL INSURANCE ADVISER. THE PROVISIONS OF THE POLICY FORM AND ENDORSEMENTS THERETO ARE CONTROLLING.

2-14047

75031 (7/02)

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

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