

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

In re:

Chapter 11

JENNIFER CONVERTIBLES, INC.,¹

Case No. 10-13779 (ALG)

Debtors.

(Jointly Administered)

**FINAL APPLICATION FOR ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AND EXPENSES INCURRED BY TM CAPITAL CORP., FINANCIAL
ADVISORS FOR THE DEBTORS AND DEBTORS IN POSSESSION,
FOR THE PERIOD FROM JULY 18, 2010 THROUGH FEBRUARY 22, 2011**

Name of Applicant:	TM Capital Corp.
Authorized to provide professional services to:	The above-captioned debtors and debtors in possession
Date of retention:	August 10, 2010 <i>nunc pro tunc</i> to the Petition Date, July 18, 2010
Period for which compensation and reimbursement are sought:	July 18, 2010 to February 22, 2011
Fees sought for compensation period:	\$178,830.65 of Monthly Fees \$500,000 Transaction Fee
Expenses sought for compensation period:	\$10,307.30
Total compensation and expense reimbursement sought:	\$689,137.95
Total compensation and reimbursement previously paid:	\$108,431.56
Net Unpaid:	\$580,706.39

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).

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JENNIFER CONVERTIBLES, INC.,²

Debtors.

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**FINAL APPLICATION FOR ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AND EXPENSES INCURRED BY TM CAPITAL CORP., FINANCIAL
ADVISORS FOR THE DEBTORS AND DEBTORS IN POSSESSION,
FOR THE PERIOD FROM JULY 18, 2010 THROUGH FEBRUARY 22, 2011**

TM Capital Corp. (“TM Capital”), as financial advisor to Jennifer Convertibles, Inc. and its affiliated debtors (the “Debtors,” and, on and after the effective date of the Debtors’ plan of reorganization, the “Reorganized Debtors”), as debtors in possession, hereby submits its final application for allowance of compensation and reimbursement of expenses (the “Application”) pursuant to (i) Sections 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”); (ii) Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); (iii) Administrative Order M-389, Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the “Amended Guidelines”); (iv) the Court’s order pursuant to Bankruptcy Code sections 105(a) and 331 and Bankruptcy Rule 2016(a), establishing procedures for interim monthly compensation and reimbursement of expenses of professionals, dated August 10, 2010, (Docket No. 155) (the “Interim Compensation Order”); (v) the guidelines promulgated by the Office of the United States Trustee applicable to

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the Application for compensation and reimbursement of expenses (the “U.S. Trustee Guidelines”); (vi) the Court’s order dated August 10, 2010 Granting the Application of the Debtors for Authorization to Employ and Retain TM Capital Corp. as Financial Advisors *Nunc Pro Tunc* to the Petition Date (Docket No. 157) (the “Retention Order”); and (vii) Findings of Fact and Conclusions of Law and Order Signed on 2/8/2011 Confirming the Amended Joint Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and its Affiliated Debtors, dated February 9, 2011 (Docket No. 491) (the “Confirmation Order”), seeking entry of an Order granting allowance of fees for professional services rendered as financial advisor to the Debtors during the period of July 18, 2010 through and including February 22, 2011 (the “Compensation Period”).

JURISDICTION AND VENUE

1. The Court has jurisdiction over this Application under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2).

BACKGROUND

A. The Bankruptcy Cases

2. On July 18, 2010 (the “Petition Date”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors have continued in possession of their property and continue to operate and manage their businesses as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No request has been made for the appointment of a trustee or an examiner in these chapter 11 cases.

3. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986 and, as of the Petition Date, was the owner of (i) the largest group of sofaed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern seaboard, Midwest, West Coast and Southwest, and (ii) seven big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries, Inc.

B. The Retention of TM Capital

4. On July 19, 2010, the Debtors filed their Application to Employ TM Capital as Financial Advisors (Docket No. 18) (the “Retention Application”), attached hereto as Exhibit “A”, seeking authorization to retain TM Capital as the Debtors’ financial advisor. The Retention Application included a request for approval of a non-refundable monthly advisory fee in the amount of \$25,000 (the “Monthly Fee”) and a fixed transaction fee (the “Transaction Fee”) in the amount of \$500,000, which are stipulated as terms of the TM Capital engagement letter dated May 19, 2010 (the “Engagement Letter”), attached hereto as Exhibit “B”. Pursuant to the Engagement Letter, TM Capital is entitled to receive the Transaction Fee upon, among other things, “...the confirmation of a plan of reorganization for the Debtors pursuant to the federal bankruptcy code...” Under the terms of the Engagement Letter, the Monthly Fee payments are not creditable against the Transaction Fee. Further, the Engagement Letter provided for reimbursement of TM Capital’s out-of-pocket expenses incurred in connection with these cases.

5. Pursuant to the Retention Order, attached hereto as Exhibit “C”, the Court granted the Retention Application and approved the retention of TM Capital *nunc pro tunc* to July 18, 2010.

6. The Retention Order authorized TM Capital to provide various professional services, including but not limited to the following:

- Advise and assist management in organizing the Debtors' resources and activities so as to effectively and efficiently plan, coordinate and manage the chapter 11 process and communicate with customers, lenders, suppliers, employees, shareholders and other parties in interest;
- Assist management in designing and implementing programs to manage or divest assets, improve operations, reduce costs and restructure as necessary with the objective of rehabilitating the business;
- Advise the Debtors concerning interfacing with Official Committee of Unsecured Creditors (the "Creditors' Committee"), other constituencies and their professionals, including the preparation of financial and operating information required by such parties and/or the Bankruptcy Court;
- Advise and assist management in the development of a plan of reorganization and underlying business plan, including the related assumptions and rationale, along with other information to be included in the Disclosure Statement;
- Advise and assist the Debtors in forecasting, planning, controlling and other aspects of managing cash, and, if necessary, obtaining DIP financing;
- Advise the Debtors with respect to resolving disputes and otherwise managing the claims process;
- Advise and assist the Debtors in negotiating a plan of reorganization with the various creditors and other constituencies;
- As requested, render expert testimony concerning the feasibility of a plan of reorganization and other matters that may arise in the case; and
- Provide such other services as may be required by the Debtors.

7. Pursuant to the Retention Order, in consideration for services provided to the Debtors, the Debtors were authorized, subject to final approval of the Court, (i) to pay TM Capital a Monthly Fee in the amount of \$25,000 on the terms and conditions set forth in the Engagement Letter, (ii) to reimburse TM Capital for out-of-pocket expenses incurred in connection with these cases, and (iii) to pay TM Capital a \$500,000 Transaction Fee in cash at closing in connection with any of the events set forth in the Engagement Letter, including the confirmation of a plan of reorganization.

C. **The Debtors' Restructuring and Confirmation of the Amended Plan**

8. On November 19, 2010, the Debtors filed the Debtors Emergency Motion For Entry Of An Order Authorizing The Debtors To Enter Into A DIP Credit Agreement (Docket No. 335) (the "DIP Motion"), seeking authorization of the Bankruptcy Court to enter into a DIP financing arrangement (the "DIP Financing") with Mengnu. The Court approved the requested relief on an interim basis on December 1, 2010, and entered the Final Order Authorizing Debtors to Enter into a DIP Credit Agreement on December 21, 2010 (Docket No. 394).

9. Also on November 19, 2010, the Debtors filed the Joint Chapter 11 Plan Of Reorganization For Jennifer Convertibles, Inc. and Its Affiliated Debtors. Subsequently, on December 17, 2010, the Debtors filed the Amended Joint Chapter 11 Plan Of Reorganization For Jennifer Convertibles, Inc. and Its Affiliated Debtors (the "Amended Plan") and the Disclosure Statement Regarding the Amended Plan (the "Disclosure Statement").

10. On February 9, 2011, the Bankruptcy Court entered the Confirmation Order. Pursuant to Section 4.02(a)(4) of the Amended Plan and paragraph 29 of the Confirmation Order, all final requests for payment of Fee Claims (as defined therein), incurred during the period from the Petition Date through the Effective Date (as defined therein), are required to be filed with the Bankruptcy Court within sixty days after the Effective Date or such other date as may be fixed by the Bankruptcy Court and served on the Debtors, their counsel, the United States Trustee, and counsel to the Creditors Committee. *See* Amended Plan § 4.02(a)(4); Confirmation Order ¶ 29. The Amended Plan and the Confirmation Order further provide that, subject to written engagement agreements with the Reorganized Debtors, the amount of any reasonable fees and expenses incurred by any professional in connection with implementation of the Amended Plan shall be paid in cash by the Reorganized Debtors. *See* Amended Plan § 4.02(a)(4); Confirmation Order ¶ 30.

SERVICES RENDERED

11. Since July 18, 2010, TM Capital has rendered professional services to the Debtors as requested and as necessary and appropriate. During the Compensation Period, TM Capital provided a wide variety of investment banking, financial and restructuring advisory services for the Debtors, as noted below.

12. All services for which compensation is sought were performed for and on behalf of the Debtors. TM Capital has not entered into any agreement, express or implied, with any party in interest for the purpose of fixing or sharing fees or other compensation to be paid for professional services rendered in these cases.

13. Senior level professionals with extensive experience in the area of investment banking, financial and restructuring advisory services have directed TM Capital's team. The services described in this Application were performed primarily by Robert ("Rob") Grien, Managing Director; Paul Smolevitz, Managing Director; Spencer Mash, Associate; and Kevin Formica, Analyst; as well as other professionals and paraprofessionals, as needed. TM Capital's general staffing policy is to assign senior bankers and experienced junior bankers to each restructuring assignment. The senior banker, in this case Rob Grien, had overall responsibility for this case. He was primarily responsible for developing strategy with respect to the case, directing negotiations and interfacing with the other senior professionals involved with the case. The junior bankers assisted in the day-to-day coordination of the case and performed various, extensive financial analyses. Throughout the Compensation Period, TM Capital allocated significant resources to this case. Each TM Capital professional assigned to this engagement as well as other administrative personnel within TM Capital dedicated significant time to this assignment. Given that the senior bankers and junior bankers had different roles in the case but overlapping responsibilities, in many instances it was appropriate for multiple bankers to be

present at the same meeting or to devote significant time, effort, and expertise to the same task in order to most effectively serve the Debtors.

14. In connection with its work pursuant to the Engagement Letter, TM Capital performed various services at the request or direction of the Debtors and/or the Debtors' counsel, the legal professionals of Olshan Grundman Frome Rosenzweig & Wolosky LLP ("Olshan"). TM Capital has provided a broad range of necessary financial advisory services to the Debtors. Major areas of efforts can be summarized into the following general categories and sub-categories: (i) Amended Plan and Restructuring Term Sheet, (ii) Liquidation Analysis, (iii) Valuation Analysis, (iv) Other Financial Analysis and Modeling, (v) Document Preparation and Review, (vi) Debtor-in-Possession ("DIP") Financing and Exit Financing, (vii) Cash and Liquidity Management, (viii) Official Committee of Unsecured Creditors and its advisors (collectively, the "Creditors' Committee") – Calls, Meetings and Discussions, (ix) Haining Mengnu Group Co. and its advisors (collectively, "Mengnu") – Calls, Meetings and Discussions, (x) Ashley Furniture Industries and its advisors (collectively, "Ashley") – Calls, Meetings and Discussions, (xi) Other Parties – Calls, Meetings and Discussions, (xii) Financial and Operational Due Diligence, (xiii) General Presentation Preparation, (xiv) Internal Calls, Meetings and Discussions, (xv) Court Hearings / Filings / Testimony, and (xvi) Case Administration.

A. **AMENDED PLAN AND RESTRUCTURING TERM SHEET**

15. TM Capital worked extensively with the Debtors, Olshan, the Creditors' Committee, Mengnu, and various debtor constituencies and their respective advisors, to prepare and negotiate the Amended Plan. Since the Petition Date, due to the evolving circumstances of these chapter 11 cases, the Debtors, Mengnu and the Creditors' Committee engaged in arms-length negotiations to modify the terms contained in the prepetition plan support agreement. The

negotiations culminated in an agreement in principle with respect to the terms of the Amended Plan and the arms-length negotiations (the “Restructuring Term Sheet”). This delicate and complex process, which continued throughout the Compensation Period, culminated in the Court’s approval of the Amended Plan on February 9, 2011. The process of negotiating and structuring the Amended Plan took many months and went through a number of iterations before a final term sheet was agreed to by the parties in interest. TM Capital’s involvement in this process generally included: (i) advising the Debtors; (ii) facilitating discussions between and among the Debtors, Mengnu and the Creditors’ Committee; and (iii) analyzing the feasibility of the various proposals put forth and providing feedback to the various parties in interest.

16. Throughout the Compensation Period, TM Capital performed a variety of tasks and analyses which it believes were integral and necessary to the structuring and negotiation of the Amended Plan. Those tasks and analyses directly related to the Amended Plan are listed below.

1. Liquidation Analysis

17. During the Compensation Period, TM Capital worked with the Debtors and the Debtors’ counsel to prepare a liquidation analysis to estimate the range of liquidation values of the Debtors’ assets. TM Capital’s liquidation analysis assumed a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtors’ estates. In conjunction with the liquidation analysis, TM Capital performed and considered several supplementary analyses, including but not limited to an analysis of the Debtors’ obligations created by lease rejections in a liquidation scenario and an analysis of the value of the Debtors’ intellectual property in a liquidation scenario.

18. Mengnu and the Creditors’ Committee used the range of recoveries estimated in the liquidation analysis as a basis for negotiations. TM Capital attended meetings between

Mengnu and the Creditors' Committee to help facilitate these negotiations and to provide additional relevant information when necessary.

2. Valuation Analysis

19. During the Compensation Period, TM Capital prepared a valuation analysis of the Debtors to estimate the value of the Debtors' operations on a going concern basis (the "Enterprise Value"). TM Capital's valuation analysis was based on financial projections provided by the Debtors' management. In estimating the Debtors' Enterprise Value, TM Capital: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Debtors; (c) discussed the Debtors' operations and future prospects with the Debtors' senior management team; (d) reviewed certain publicly available financial data for, and considered the market value of, public companies that TM Capital deemed generally comparable to the operating business of the Debtors; (e) prepared a discounted cash flow analysis based on the Debtors' financial projections; (f) considered certain economic and industry information relevant to the operating business; and (g) conducted such other studies, analyses, inquiries and investigations as it deemed appropriate.

3. Other Financial Analysis / Modeling

20. Throughout the Compensation Period, TM Capital expended significant time and effort assisting the Debtors in preparing and analyzing various financial and operating information, including the Debtors' debt capacity, leverage, liquidity, capital structure, cash flow, operating margins, and other relevant issues, as the need for such analyses arose and as requested by the Debtors, their advisors and other parties in interest.

21. Specifically, TM Capital assisted the Debtors in creating an integrated financial model with projected income statements, balance sheets, and cash flow statements based on the

Debtors' historical financial information and management's go-forward estimates. This integrated financial model included monthly income statement, balance sheet, and cash flow statement projections designed to replicate the seasonality of the Debtors' business. Ultimately, the Debtors' financial projections were used to assess the financial feasibility of the Amended Plan.

4. Document Preparation / Review

22. Throughout the Compensation Period, TM Capital assisted in drafting and reviewing various documents as part of its services to the Debtors. Importantly, TM Capital expended significant effort assisting the Debtors in drafting, reviewing, and analyzing various sections of the Debtors' Amended Plan and the Debtors' Disclosure Statement, with a focus on the Debtors' financial projections and the various analyses mentioned above.

B. DIP FINANCING / EXIT FINANCING

23. TM Capital dedicated significant time and resources to advising and assisting the Debtors with respect to negotiating and structuring each of the DIP Financing and the Debtors' exit financing facilities (the "Exit Financing"). During the Compensation Period, TM Capital professionals coordinated and participated in numerous calls and meetings between the Debtors and Mengnu to discuss the proposed DIP Financing and the proposed Exit Financing. TM Capital played an integral role in negotiating the proposed structure and key terms of each of the DIP Financing and Exit Financing facilities, including the size of the tranches, maturity dates, interest rates, and cash flow sweep provisions. Additionally, TM Capital played an integral role in negotiating trade terms with Mengnu on behalf of the Debtors, both pre- and post-confirmation.

24. TM Capital regularly provided analyses and information to the parties in interest to assist them in analyzing and evaluating various proposed terms and structures of the DIP

Financing and the Exit Financing. Further, TM Capital analyzed and tested the feasibility of various proposed terms and structures in order to assess whether the Debtors would have sufficient cash necessary to successfully exit bankruptcy and to satisfy its obligations from internally generated cash flows. These efforts culminated with the Court approval of the DIP Credit Agreement on December 21, 2010.

25. Throughout the Compensation Period, TM Capital performed a variety of tasks and analyses which it believes were key to the structuring and negotiation of the DIP Financing and the Exit Financing. Those tasks and analyses that were directly related to the DIP Financing and the Exit Financing are listed below.

1. Cash and Liquidity Management

26. Throughout the Compensation Period, TM Capital assisted the Debtors in forecasting, planning, controlling, and other aspects of cash management. TM Capital assisted the Debtors in preparing weekly cash flow reports and periodically updated weekly cash flow projections based on input from the Debtors' management. These cash flow reports and projections were distributed to the Creditors' Committee and Mengnu and played an integral role in keeping various constituents updated on the Debtors' current financial situation. TM Capital expended significant time and effort preparing, analyzing, and responding to questions regarding these weekly cash flow reports.

27. Additionally, TM Capital assisted the Debtor's management in producing and formally submitting cash flow projections to the Court in the form of the Debtors' DIP Budget. The Debtors' DIP Budget played a vital role in guiding the purchasing activities of the Debtors' management.

C. **OTHER TASKS**

28. TM Capital believes that the tasks and analyses described below played an essential role in the successful negotiation of the DIP Financing and the Exit Financing and the successful completion of the Amended Plan.

1. Creditors' Committee – Calls / Meetings / Discussions

29. TM Capital spent a considerable amount of time meeting with the Creditors' Committee, coordinating and participating in both conference calls and in-person meetings with the Creditors' Committee and compiling review materials in order to provide the Creditors' Committee with the information it sought concerning the Debtors and these chapter 11 cases. TM Capital attended meetings of creditors on behalf of the Debtors and worked through Creditors' Committee-specific issues related to the Debtors' business plan. Specifically, TM Capital spent a substantial amount of time engaging in one-on-one discussions with the Creditors' Committee regarding a number of issues, including but not limited to (i) the Debtors' weekly financial results, (ii) the Debtors' cash flow projections, (iii) the Debtors' general business operations, and (iv) TM Capital's liquidation analysis. TM Capital often served as a liaison between the Debtors and the Creditors' Committee for discussion and negotiation of various matters. This arrangement ensured efficient correspondence among the various chapter 11 parties and constituencies.

2. Mengnu – Calls / Meetings / Discussions

30. TM Capital spent a considerable amount of time meeting with Mengnu, coordinating and participating in both conference calls and in-person meetings with Mengnu and compiling review materials in order to provide Mengnu with the information it sought concerning the Debtors and these chapter 11 cases. Specifically, TM Capital spent a substantial

amount of time engaging in one-on-one discussions with Mengnu regarding a number of issues, including but not limited to (i) the Debtors' weekly financial results, (ii) the Debtors' cash flow projections, (iii) the Debtors' general business operations, (iv) TM Capital's liquidation analysis, (v) the Debtors' trade terms with Mengnu, (vi) each of the Debtors' DIP and Exit Financing facilities, and (vii) the Debtors' integrated financial model and financial projections. TM Capital often served as a liaison between the Debtors and Mengnu for discussion and negotiation of various matters. This arrangement ensured efficient correspondence among the various chapter 11 parties and constituencies.

3. Ashley – Calls / Meetings / Discussions

31. TM Capital coordinated and participated in conference calls with Ashley, compiled review materials in order to provide Ashley with the information it sought concerning the Debtors and these chapter 11 cases, and prepared presentations intended to facilitate negotiations between Ashley, Mengnu and the Debtors. TM Capital often served as a liaison between the Debtors and Ashley for discussion and negotiation of various matters. This arrangement ensured efficient correspondence among the various chapter 11 parties and constituencies.

4. Other Parties – Calls / Meetings / Discussions

32. During the Compensation Period, TM Capital held numerous meetings, conference calls and email discussions regarding various financial, business, legal and other case-related issues with many constituencies in these cases. In addition to calls, meetings, and discussions with the Creditors' Committee, Mengnu and Ashley, TM Capital spent a significant amount of time meeting with several parties who expressed interest in purchasing some or all of the assets of the Debtors and their respective advisors (collectively, the "Interested Parties"), coordinating and participating in both conference calls and in-person meetings with the

Interested Parties and compiling review materials in order to provide the Interested Parties with the information they sought concerning the Debtors and these chapter 11 cases. TM Capital often served as a liaison between the Debtors and the Interested Parties for discussion and negotiation of various matters. This arrangement ensured efficient correspondence among the various chapter 11 parties and constituencies.

5. Financial and Operational Due Diligence

33. In order to understand and evaluate the Debtors' business, strategy, financial performance and projections, and assets, TM Capital performed significant due diligence with respect to the Debtors. TM Capital's due diligence involved numerous meetings and telephone calls with the Debtors' management throughout the Compensation Period. The subjects reviewed on these occasions include the reasonableness of the assumptions underlying the projections, the operating, financial reporting, legal and tax structure of the Debtors and their subsidiaries, the Debtors' financial results, the Debtors' assets, contractual obligations and general unsecured and other claims, and numerous other subjects. During the Compensation Period, TM Capital dedicated a significant amount of time and effort to evaluating and advising the Debtors with respect to the value inherent in their business and their alternatives as a going concern.

34. During the Compensation Period, TM Capital assisted the Debtors in coordinating the extensive diligence process for the Debtors' constituencies and other parties in interest. This process included sessions to review weekly cash flow projections, weekly financial results, the Debtors' financial model, sales and costs assumptions for each division, balance sheet and cash flow assumptions and sourcing assumptions. TM Capital professionals coordinated and attended numerous conference calls and meetings with the Debtors and other parties in interest. TM

Capital also coordinated and facilitated the Debtors responses to follow-on due diligence requests from other parties in interest.

6. General Presentation Preparation

35. During the Compensation Period, TM Capital expended a substantial amount of time and effort creating presentations and other descriptive materials designed to provide an overview of the Debtors' operations and general business model, pre-filing operating issues, current and recent restructuring initiatives, and general financial position in order to efficiently and effectively educate other parties of interest, including but not limited to the Creditors' Committee, Mengnu, Ashley, the Interested Parties, and potential new business parties, such as credit card and private label card processors, and their advisors.

7. Internal Calls / Meetings / Discussions

36. During the Compensation Period, TM Capital professionals held internal meetings, conference calls and email discussions regarding various business, financial, legal and administrative issues relating to the Debtors' cases. In general, given the complexity and nature of these reorganization proceedings, TM Capital professionals participated several times daily on such internal meetings and calls. These discussions were necessary throughout the course of these proceedings in order to synchronize efforts and determine the consensually agreed upon optimal course of action. Discussions included, among other things, the Debtors' overall reorganization strategy, appropriate steps and recommended timing of future actions, and general preparation in anticipation of meetings with other parties in interest. These meetings and calls provided a forum for TM Capital professionals to exchange ideas, discuss and analyze these issues and ultimately develop advice for the Debtors.

37. Further, TM Capital hosted numerous conference calls and conducted email correspondence with the Debtors' management and the Debtors' counsel to communicate

updates on time-sensitive issues such as ongoing discussions and negotiations with various parties in interest, and to provide advice with respect to a number of business and financial issues.

8. Court Hearings / Filings / Testimony

38. During the Compensation Period, TM Capital professionals spent a significant amount of time attending Court in its capacity as the Debtors' financial advisor. In preparation for the Court hearings, TM Capital expended considerable time and effort engaging in research, performing various analyses, and collecting salient documents, as well as preparing various proffers, affidavits, and expert testimonies during the Compensation Period, including testimonies as to (i) adequate assurance of future performance based on the Debtors' financial projections and (ii) feasibility of the Amended Plan, both in writing and in Court.

9. Case Administration

39. This category includes time spent preparing the Monthly Fee statements and ensuring that all expenses charged were incurred in conjunction with time spent by TM Capital professionals working on projects related to the Debtors.

TERMS OF TM CAPITAL'S COMPENSATION

40. Monthly Fees and Expenses. The Retention Order authorized the payment of TM Capital's monthly fees and reimbursement of TM Capital's expenses pursuant to the terms of the Engagement Letter. Pursuant to the Engagement Letter, in payment for the services provided by TM Capital to the Debtors, the Debtors agreed to pay TM Capital, subject to the final approval of the Bankruptcy Court, a monthly fee (the "Monthly Fee") of \$25,000 per month.

41. Pursuant to the Engagement Letter, TM Capital is also entitled to reimbursement for all reasonable out-of-pocket expenses (including legal fees) incurred by TM Capital in connection with the engagement.

42. Transaction Fee. The Retention Order also anticipated payment to TM Capital of a transaction fee (the “Transaction Fee”) in the amount of \$500,000, if the Transaction (as defined therein) was consummated through a bankruptcy reorganization, consensual arrangement with creditors, or otherwise. TM Capital now requests that the Debtors be authorized and directed to pay to it the entire \$500,000 Transaction Fee.

**REQUEST FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR
COMPENSATION PERIOD**

43. By this Application, TM Capital seeks entry of an order (i) granting, on a final basis, allowance and award of compensation for the professional services rendered by it as financial advisor to the Debtors during the Compensation Period, consisting of fees in the total amount of \$678,830.65 (of which \$500,000 is the Transaction Fee), plus reimbursement of actual and necessary expenses incurred by TM Capital during the Compensation Period in the amount of \$10,307.30; and (ii) authorizing and directing the Debtors to make payment in respect of all unpaid fees and expenses.

44. By this Application, and pursuant to the TM Capital Retention Order and the TM Capital Engagement Letter, TM Capital seeks payment of Monthly Fees in the amount of \$178,830.65.

45. By this Application, and pursuant to the TM Capital Retention Order and the TM Capital Engagement Letter, TM Capital seeks payment of a Transaction Fee in the amount of \$500,000. The TM Capital Engagement Letter provides that TM Capital shall be entitled to seek payment of the Transaction Fee in any of the following scenarios: (i) a restructuring, recapitalization or reorganization of the Debtors’ obligations and/or indebtedness, including any material modification of the principal amount or terms of any obligations or the conversion of obligations into alternative obligations or equity; (ii) the confirmation of a plan of reorganization

for the Debtors pursuant to the federal bankruptcy code; (iii) the arrangement of debt, equity or other financing; or (iv) the sale of the business, assets, or equity securities of the Company or a substantial portion thereof, or other similar transaction or combination thereof. Pursuant to the order dated February 8, 2011 confirming the Amended Plan (the “Confirmation Order”), the Debtors’ Amended Plan was confirmed pursuant to the federal bankruptcy code. As such, consistent with the terms and conditions set forth in the Engagement Letter and the Retention Order, TM Capital respectfully requests payment of the Transaction Fee.

46. Attached hereto as Exhibit “D” is a schedule of total compensation and reimbursement for which TM Capital is seeking payment, including the Transaction Fee, as well as the total compensation and reimbursement previously paid and the total compensation and reimbursement outstanding.

47. The fees charged by TM Capital during the Compensation Period have been billed in accordance with the Retention Order and the Engagement Letter. The fees that TM Capital is charging for services rendered by its professionals in these cases are comparable to the fees charged by TM Capital for professional services rendered in comparable, non-bankruptcy related matters. Such fees are reasonable based on the customary compensation charged by similarly skilled practitioners in comparable non-bankruptcy cases in the competitive national financial advisory market.

48. TM Capital does not bill its clients based on the number of hours expended by its professionals. It bills clients on a retainer basis (generally monthly), plus a transaction fee based upon successful completion. Accordingly, TM Capital’s professionals generally do not maintain time records for the work performed for its clients. Although the Retention Order did not require TM Capital to maintain time records, TM Capital kept a basic log of the time each of the primary

members of the transaction team, as listed above, dedicated to these cases, which is attached hereto as Exhibit “E”. TM Capital’s policy, for all engagements in or out of bankruptcy, is to dedicate the appropriate number of professionals to the assignment to complete the work as efficiently as possible.

49. Attached hereto as Exhibit “F” is a schedule specifying categories of expenses for which TM Capital is seeking reimbursement and the total amount of expenses requested in each such category. As set forth in Exhibit “F”, TM Capital has incurred a total of \$10,307.30 in expenses on behalf of the Debtors during the Compensation Period. These charges relate to operating costs incurred in conjunction with this engagement, which costs are not incorporated into TM Capital’s aggregate fees. TM Capital has made every reasonable effort to minimize its disbursements in these cases. The actual expenses incurred in providing professional services were necessary, reasonable and justified under the circumstances.

50. Attached hereto as Exhibit “G” is the certification of Robert C. Grien in support of this Application.

51. Attached hereto as Exhibit “H” is the proposed order granting the relief requested herein.

BASIS FOR REQUEST FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES

A. The Requested Compensation Should be Allowed

52. Section 330 of the Bankruptcy Code governs the compensation of professionals employed by the debtor or an approved committee and provides that “the court may award...reasonable compensation for actual, necessary services rendered by the...professional person...and reimbursement for actual, necessary expenses.” 11 U.S.C. § 330(a)(1). Section

330 also sets forth the following factors in determining the reasonableness of the compensation sought for the services provided:

- the time spent on such services;
- the rates charged for such services;
- whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

53. TM Capital submits that the services for which it seeks compensation in this Application were necessary and beneficial to the Debtors' estates. TM Capital submits that it played an integral role in assisting the Debtors in their cash management strategy, securing each of the DIP and Exit Financing, and negotiating and completing a successful plan of reorganization. Further, TM Capital respectfully submits that the services rendered to the Debtors were performed effectively, efficiently and economically and that the results obtained have benefitted all stakeholders in these cases, as evidenced by the willingness of the overwhelming majority of creditors to support the Amended Plan. TM Capital further submits that the compensation requested for services rendered by TM Capital to the Debtors during the Compensation Period is fully justified and reasonable based on the following: (a) the degree of activity during the Compensation Period and the high level of services rendered by TM Capital to the Debtors; (b) the complexity of the issues presented; (c) the skills necessary to perform the

financial advisory services properly; (d) the preclusion of other employment; (e) customary fees charged in non-bankruptcy situations for similar services rendered; (f) time constraints required by the exigencies of the cases; and (g) the experience, reputation and ability of the professionals rendering services.

B. Actual and Necessary Expenses of TM Capital

54. As set forth in Exhibit F hereto, the aggregate amount of TM Capital's out-of-pocket expense during the Compensation Period is \$10,307.30. These charges are intended to cover TM Capital's direct operating costs related to this engagement, which costs are not incorporated into TM Capital's aggregate fees.

55. The time constraints imposed by the circumstances of these cases have required TM Capital's professionals and other employees at times to devote time during the evenings and on weekends to the performance of financial advisory services on behalf of the Debtors. These extraordinary services were essential to meet deadlines, to respond in a timely fashion to daily inquiries from Mengnu, the Creditors' Committee, and other parties in interest, and to satisfy the demands of the Debtors. While TM Capital has not charged the Debtors for any overtime expenses, professionals and other employees of TM Capital who worked late into the evenings or on weekends were reimbursed for their reasonable meal costs and their cost for transportation from the office to home. TM Capital's regular practice is not to include these types of charges in overhead when establishing fees, and to instead charge its clients for these and all other out-of-pocket disbursements incurred during the regular course of the rendition of services to such clients.

TRANSACTION FEE

56. As discussed above, the Retention Order approved the terms of the Engagement Letter. See Final Retention Order at ¶¶ 3, 4, 7. Pursuant to the Engagement Letter," the

[Debtors] agree to pay TM Capital in cash at closing a fee (the "Transaction Fee") of \$500,000 . . . payable regardless of whether the Transaction is consummated through a bankruptcy reorganization, consensual arrangement with creditors, or otherwise." The Engagement Letter further provides that "[f]or purposes of this agreement, a Transaction shall not include a liquidation under Chapter 7 of the Federal Bankruptcy Code."

57. TM Capital respectfully submits that, in light of the time and exceptional effort that TM Capital expended in fulfilling its duties on behalf of the Debtors, as well as the high quality of the work it completed and the considerable success of such efforts, and the "market rate" for professionals of TM Capital's stature in the restructuring market generally, payment of the Transaction Fee in full would be just and reasonable, and would fairly compensate TM Capital for its services. TM Capital's request for a Transaction Fee in the amount of \$500,000 is fair and competitive in relation to standard industry practices and the fees paid to financial advisors in other chapter 11 proceedings. This Court has held that the "relevant factors to consider in assessing a financial advisor's transaction fee are (i) whether the financial advisor's services were necessary and beneficial to the estates at the time they were rendered, and (ii) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases outside bankruptcy." *In re XO Comm 'cns, Inc.*, 398 B.R. 106, 113 (Bankr. S.D.N.Y. 2008). Further, in determining whether a transaction or success fee is compensable, courts will consider "the nexus between the work done and the results achieved." *Id.* at 114.

58. In this case, as set forth in detail above, there is a clear nexus between the services provided by TM Capital and the results that were obtained. TM Capital's services directly and materially benefitted the Debtors' estates, as evidenced by the successful reorganization and

positive outlook for the Debtors' go-forward business. Moreover, the total requested compensation is reasonable in terms of customary compensation for financial advisors, both within and outside of the chapter 11 process.

59. In making a determination as to the reasonableness of a transaction fee, courts will also find the agreement between the parties particularly relevant, "especially if the evidence also suggests arms'-length bargaining, relatively equal bargaining positions, and other indicia that the agreement falls within the range that the market might generate in the absence of bankruptcy." *In re Intellogic Trace, Inc.*, 188 B.R. 557, 559 (Bankr. W.D. Tex. 1995). In this case, the terms of the Engagement Letter are clear and there is no question that the Engagement Letter was the product of arms'-length negotiations among sophisticated parties. TM Capital undertook its work for the Debtors in reliance on the terms of the Engagement Letter, and that the Transaction Fee would be payable upon the completion of the chapter 11 case.

CONCLUSION

60. In sum, the services TM Capital has rendered have been necessary and beneficial and were performed in a timely manner commensurate with the complexity, importance and nature of the issues involved. Accordingly, TM Capital respectfully requests for the Court to approve the compensation requested herein.

NOTICE

61. This Application, with exhibits, has been provided to (i) the Court; (ii) the Debtors; (iii) counsel to the Debtors; (iv) counsel to the Official Committee of Unsecured Creditors; (iv) counsel to the Haining Mengnu Group Co.; and (v) the Office of the United States Trustee. Notice of this Application has been provided to all parties that have filed a notice of appearance in the Debtors' case and all other parties entitled to notice. In light of the relief requested, TM Capital submits that no other or further notice is necessary.

WHEREFORE, TM Capital respectfully requests that the Court enter an Order (i) allowing and awarding the requested compensation of \$678,830.65 (including a \$500,000 Transaction Fee) and reimbursement of requested expenses in the amount of \$10,307.30 for the Compensation Period; and (ii) granting such other and further relief as is just and equitable, for all of which no other application has been made to this or any other Court.

Dated: New York, New York
March 28, 2011

TM CAPITAL CORP.

By: /s/ Robert C. Grien
ROBERT C. GRIEN
641 Lexington Avenue, 30th Floor
New York, New York 10022
Telephone: (212) 809-1431
Fax: (212) 809-1450

Exhibit A

Retention Application

**OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP**

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

Proposed Counsel to the Debtors

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Motion for Joint Administration Pending)

**APPLICATION OF THE DEBTORS PURSUANT TO SECTIONS 105, 327(a) AND 328(a)
OF THE BANKRUPTCY CODE FOR AUTHORIZATION TO EMPLOY AND RETAIN
TM CAPITAL CORP. AS FINANCIAL ADVISORS TO THE DEBTORS**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors in possession (together, the “Debtors”), hereby move this Court for entry of an order authorizing the employment of TM Capital Corp. (“TM Capital”) as financial advisors *nunc pro tunc* to the Petition Date (the “Application”). The facts and circumstances supporting this Application are set forth in the concurrently filed Declaration of Robert C. Grien (the “Grien Declaration”), a copy of which is attached hereto as Exhibit B. In support of this Application, the Debtors respectfully state as follows:

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).

Background

1. On July 18, 2010 (the “Petition Date”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or statutory creditors’ committee has been appointed in these chapter 11 cases.

2. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofabed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern seaboard, Midwest, West Coast and Southwest, and (ii) seven big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries, Inc.

3. In order to generate sales, the Debtors rely on aggressive pricing, the attractive image of its stores, extensive advertising and prompt delivery. Operations are classified into two operating segments organized by retail concept: Jennifer and Ashley. The Jennifer segment operates the sofabed specialty retail store concept. The Ashley segment is the big box, full line home furniture retail store concept. There are no inter-company sales between segments. The Ashley segment is highly profitable due to its unique sourcing model, whereby once most sales are executed, Ashley’s supplier manages the supply chain process. Under the Ashley sourcing model, the Debtors need for warehouse inventory is reduced, thereby limiting working capital needs and infrastructure requirements. The Debtors’ two operating segments enable the Debtors to more effectively offer diverse home furnishings and accessories and expand to a broader consumer base.

4. As of the Petition Date, the Debtors' stores include 130 stores operated by the Jennifer segment. During fiscal 2007, the Debtors opened their first Ashley Store. As of the Petition Date, the Debtors operate seven Ashley Stores.

5. As of the Petition Date, the Debtors employ 497 people. There are 336 employees in the Jennifer segment, 114 employees in the Ashley segment and 47 corporate employees. None of the employees are represented by a collective bargaining unit.

6. For the fiscal year ended August 29, 2009, the Debtors' consolidated financial statements showed revenues from continuing operations of approximately \$94,177,000, compared with \$120,131,000 for the fiscal year ended August 30, 2008, and \$132,683,000 for the fiscal year ended August 25, 2007. For the thirty-nine weeks ended May 29, 2010, revenues from continuing operations were approximately \$70,036,000, with \$56,144,000 coming from the Jennifer segment stores, and \$13,892,000 from the Ashley segment stores.

7. Net sales from continuing operations were \$88,845,000 and \$113,073,000 for the fiscal years ended August 29, 2009 and August 30, 2008, respectively. Net sales from continuing operations decreased by 21.4%, or \$24,228,000 for the fiscal year ended August 29, 2009 compared to the fiscal year ended August 30, 2008. The decrease in net sales is attributable to a decline in overall demand within the furniture industry sector due to a poor housing market and an overall weak U.S. economy. Consolidated same store sales from continuing operations (sales at those stores open for the entire current and prior comparable periods) decreased 19.6% for the thirteen weeks ended May 29, 2010, compared to the same period ended May 30, 2009.

8. Specifically, in the Ashley segment, net sales from continuing operations were \$5,106,000 and \$3,363,000 for the thirteen-week periods ended May 29, 2010 and May 30,

2009, respectively. Net sales from continuing operations increased by 51.8%, or \$1,743,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The increase is largely attributable to four new Ashley locations open during the thirteen-week period ended May 29, 2010, that were not open during the same thirteen week period last year, as well as positive results of increased promotional efforts.

9. In the Jennifer segment, net sales from continuing operations were \$16,375,000 and \$16,987,000 for the thirteen-week periods ended May 29, 2010 and May 30, 2009, respectively. Net sales from continuing operations decreased by 3.6%, or \$612,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The decrease is attributable to the decline in overall demand within the furniture industry sector due to the prevailing conditions of the U.S. economy, store closings, and delays in receipt of merchandise from our Chinese supplier, all as discussed in greater detail in the other first day motions, filed concurrently herewith.

10. The factual background relating to the Debtors' commencement of these chapter 11 cases is set forth in additional detail in the Declaration of Rami Abada in Support of First Day Motions (the "Abada Declaration") filed contemporaneously with this Motion and incorporated herein by reference.

Jurisdiction

11. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

12. The statutory predicates for the relief requested herein are sections 105, 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Relief Requested

13. By this Application, the Debtors seek approval to employ and retain TM Capital as their financial advisors in connection with the commencement of their chapter 11 cases, *nunc pro tunc* to the Petition Date, and pursuant to sections 105 and 327(a), and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014. The Debtors request that TM Capital be retained under the terms and conditions provided for in the engagement letter between TM Capital and the Debtors dated May 19, 2010 (the “Engagement Letter”), attached hereto as Exhibit A and incorporated herein by reference.

Basis For Relief

14. Before the Petition Date, the Debtors experienced, and continue to experience, financial difficulties that culminated in the filing of these chapter 11 cases. The Debtors have determined, in the exercise of their business judgment, that the size of their business operations, and the complexity of the financial difficulties attendant upon operations of such scope, require the services of experienced financial advisors to assist them in restructuring the business and developing, negotiating, and confirming plans of reorganization.

15. The Debtors operate a large, complex enterprise, principally engaged in the operation and management of retail furniture stores.

16. The Debtors wish to employ and retain TM Capital to perform the necessary services described hereinafter as financial advisors pursuant to sections 105, 327 and 328 of the Bankruptcy Code. TM Capital is prepared to provide immediate assistance to the Debtors. The Debtors have selected TM Capital because of TM Capital’s experience at a national level in matters of this character, and its exemplary qualifications to perform the services required in this case, and its knowledge of the Debtors’ business and operations based on the work it has

performed for the Debtors over the past twelve months. The retention and employment of TM Capital is in the best interests of creditors and the best interest of the estates.

17. TM Capital is well qualified to serve as financial advisors to the Debtors. TM Capital specializes in assisting and advising debtors, creditors, investors and court-appointed officials in bankruptcy proceedings. Its services have included assistance in developing/analyzing and evaluating, negotiating and confirming plans of reorganization, and testifying about debt restructuring, feasibility and other relevant issues. TM Capital has been retained in a number of nationally prominent bankruptcy proceedings. TM Capital's qualifications, including a description of its approach in providing services are more fully set out in the Grien Declaration.

18. Pursuant to an engagement letter dated March 6, 2009, TM Capital was retained by the Debtors to assist in reviewing strategic and financial alternatives. The March 6, 2009 engagement letter was superseded by a new engagement letter, dated May 19, 2010, pursuant to which the Debtors again engaged TM Capital to review the Debtors' financial and strategic alternatives, including (i) the potential restructuring of the Debtors' obligations and/or indebtedness, (ii) the arrangement of financing for the Debtors, and/or (iii) the potential sale of the Debtors. TM Capital has provided such services from the date of its engagement up to immediately prior to the Petition Date.

Scope of Services

19. TM Capital has agreed to provide assistance to the Debtors in accordance with the terms and conditions which are set forth in the Grien Declaration and in the Engagement Letter.

20. All the services that TM Capital will provide the Debtors will be (i) at the request of the Debtors, and (ii) appropriately directed by the Debtors so as to avoid duplicative efforts

among the professionals retained in the case. It is presently anticipated that TM Capital will provide the following services:

- (a) Advise and assist management in organizing the Debtors' resources and activities so as to effectively and efficiently plan, coordinate and manage the chapter 11 process and communicate with customers, lenders, suppliers, employees, shareholders and other parties in interest;
- (b) Assist management in designing and implementing programs to manage or divest assets, improve operations, reduce costs and restructure as necessary with the objective of rehabilitating the business;
- (c) Advise the Debtors concerning interfacing with Official Committees, other constituencies and their professionals, including the preparation of financial and operating information required by such parties and/or the Bankruptcy Court;
- (d) Advise and assist management in the development of a Plan of Reorganization and underlying Business Plan, including the related assumptions and rationale, along with other information to be included in the Disclosure Statement;
- (e) Advise and assist the Debtors in forecasting, planning, controlling and other aspects of managing cash, and, if necessary, obtaining DIP financing;
- (f) Advise the Debtors with respect to resolving disputes and otherwise managing the claims process;
- (g) Advise and assist the Debtors in negotiating a Plan of Reorganization with the various creditors and other constituencies;
- (h) As requested, render expert testimony concerning the feasibility of a Plan of Reorganization and other matters that may arise in the case; and
- (i) Provide such other services as may be required by the Debtors.

TM Capital's Disinterestedness

21. To the best of the Debtors' knowledge, information and belief, TM Capital is not related to or connected with and neither holds nor represents any interest adverse to the Debtors, their estates, creditors or any other party in interest herein, or its respective attorneys or the United States Trustee or anyone employed in the Office of the United States Trustee in the matter for which TM Capital is proposed to be retained, except that TM Capital is connected with the Debtors by virtue of this engagement, and TM Capital may represent or have

represented certain of the Debtors' creditors or other parties in interest herein, or interests adverse to such creditors or other parties in interest herein, in matters unrelated to these chapter 11 cases. Consequently, TM Capital is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code and as required by section 327(a) of the Bankruptcy Code. The Grien Declaration, executed on behalf of TM Capital in accordance with section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014, is attached hereto and incorporated herein by reference. The Debtors' knowledge, information, and belief regarding the matters set forth in this paragraph are based, and made in reliance, upon said declaration. TM Capital informed the Debtors that it has undertaken a detailed search of available information as set forth below, to determine and to disclose, whether it is performing or has performed services for any significant creditors, equity security holders, or insiders in such unrelated matters.

22. In connection with its proposed retention by the Debtors in this case, TM Capital conducted a thorough review of its client relationships to determine whether it had any relationships with any interested party.

23. It should be understood that TM Capital's current or former clients and their affiliates, officers, directors, principal shareholders and their respective affiliates may have had relationships with parties in interest in these bankruptcy cases of which TM Capital was not informed or, subsequent to the performance of TM Capital's services, may have developed relationships with such parties of which TM Capital is unaware.

24. To the best of TM Capital's knowledge and belief, except as set forth in the Grien Declaration, none of TM Capital's current or former clients (including their affiliates, officers, directors, principal shareholders and their respective affiliates) is connected to the entities listed below, other parties in interest herein or interests adverse to such parties:

- (a) the Debtors and their affiliates;
- (b) the Debtors' current and former officers and directors;
- (c) the 30 largest unsecured creditors of the Debtors;
- (d) members of the Debtors;
- (e) banks;
- (f) insurance carriers;
- (g) other professionals;
- (h) significant landlords of the Debtors;
- (i) Judges of the United States Bankruptcy Court for the Southern District of New York; and
- (j) Office of the United States Trustee.

25. TM Capital has indicated that it will promptly update the Grien Declaration, disclosing any material developments regarding the Debtors or any other pertinent relationships that require disclosure in the above-referenced case, if and when such developments or relationships come to TM Capital's attention.

Terms of Retention

26. In consideration of the services to be performed by TM Capital, the Debtors agreed to pay TM Capital non-refundable monthly fees of \$25,000 per month with the first installment due as of May 15, 2010 and each subsequent installment payable on the 15th day of each subsequent month. The Debtors further agreed to pay TM Capital an additional \$75,000 upon execution of the Engagement Letter as a deposit. TM Capital's decision to accept this engagement to advise and assist the Debtors is contingent upon its ability to be retained in accordance with its customary terms and conditions of employment and compensated for its services and reimbursed for the out-of-pocket expenses it incurs in accordance with its

customary billing practices, which are outlined in the attached Grien Declaration filed in support of this Application.

27. In addition, the Debtors will pay a fee of \$500,000 (the “Transaction Fee”) to TM Capital upon consummation of a successful restructuring of the Debtors’ business. The Transaction Fee will be payable regardless of whether the restructuring is consummated through a bankruptcy reorganization, consensual arrangement with creditors, or otherwise.

28. The Debtors and TM Capital believe that the overall compensation structure described above is consistent with normal and customary billing practices for cases of this size and complexity.

29. Section 328(a) of the Bankruptcy Code permits the court to approve the terms of TM Capital’s engagement as set forth in the Engagement Letter (as modified by the proposed order attached hereto). Section 328 of the Bankruptcy Code permits the compensation of professionals, including financial advisors, on more flexible terms that reflect the nature of their services and market conditions. As the United States Court of Appeals for the Fifth Circuit recognized in In re National Gypsum Company, 123 F.3d 861 (5th Cir. 1997):

Prior to 1978, the most able professionals were often unwilling to work for bankruptcy estates where their compensation would be subject to the uncertainties of what a judge thought the work was worth after it had been done. The uncertainty continues under the present § 330 of the Bankruptcy Code, which provided that the court award to professional consultants reasonable compensation based on relevant factors of time and comparable costs, etc. Under present § 328, the professionals may avoid that uncertainty by obtaining court approval of compensation agreed to with the trustee (or debtor or committee).

Id. at 862 (citations omitted).

30. Owing to this inherent uncertainty, courts have approved arrangements similar to the fee structure herein under section 328 of the bankruptcy Code, where such arrangements

constitute “reasonable” terms and conditions. The proposed fee structure appropriately reflects the nature and scope of services to be provided by TM Capital and TM Capital’s substantial experience with respect to financial advisory services, and is consistent with the fee structures typically utilized by TM Capital and other financial advisors.

Reservation of Rights

31. Nothing contained herein is intended or shall be construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors’ or any party in interest’s rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy or lease under section 365 of the Bankruptcy Code. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court’s Order is not intended and should not be construed as an admission to the validity of any claim or a waiver of the Debtors’ rights to dispute such claim subsequently. Finally, the relief requested herein shall not oblige the Debtors to accept any services, to accept the shipment of goods, or prevent the Debtors from returning or rejecting goods.

Notice

32. No trustee, examiner or statutory creditors’ committee has been appointed in these chapter 11 cases. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) those creditors holding the thirty (30) largest unsecured claims against the Debtors’ estate (on a consolidated basis); (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) the SEC; (v) the IRS; (vi) all taxing authorities in relevant jurisdictions; (vii) all attorneys general in relevant jurisdictions; and (viii) any other party directly affected by this Motion. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

33. No previous request for the relief sought herein has been made to this or any other Court.

WHEREFORE the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: July 19, 2010
New York, New York

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

*Proposed Attorneys for the Debtors and
Debtors in Possession*

Exhibit B

Engagement Letter



Investment & Merchant Bankers

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Tel: 404.995.6230
Fax: 404.995.6240

PERSONAL & CONFIDENTIAL

May 19, 2010

The Board of Directors
Jennifer Convertibles, Inc.
417 Crossways Park Drive
Woodbury, NY 11797

Gentlemen:

We are pleased to submit this letter which sets forth the terms and conditions whereunder TM Capital Corp. ("TM Capital") agrees to serve as exclusive financial advisor to Jennifer Convertibles, Inc. and its subsidiaries (collectively, the "Company") in reviewing the Company's financial and strategic alternatives, including (i) the potential restructuring of the Company's obligations and/or indebtedness, (ii) the arrangement of financing for the Company, and/or (iii) the potential sale of the Company. In its capacity as financial advisor, TM Capital will provide such services as the Company may request, which may include, among others, assistance in analyzing the Company's financial condition and business plan, preparing descriptive materials regarding the Company, analyzing financial restructuring alternatives, assistance in discussions with counterparties to the Company's existing obligations, contacting potential sources of financing, contacting prospective acquirors of the Company, assistance in conducting negotiations with third parties, and assistance in facilitating the consummation of potential transactions.

In consideration of the services to be performed by TM Capital hereunder, the Company agrees to pay TM Capital non-refundable cash retainer fees (the "Retainer Fees") of \$25,000 per month with the first installment due as of May 15, 2010 and each subsequent installment payable on the 15th day of each subsequent month. The Company also agrees to pay TM Capital an additional \$75,000 upon execution of this agreement as a deposit (the "Deposit"). The Deposit shall be credited against the Transaction Fee (as defined below). All amounts due TM Capital hereunder shall be paid by the Company promptly as due via wire transfer.

In the event that the Company completes a financing or strategic transaction (the "Transaction"), including (i) a restructuring, recapitalization or reorganization of the Company's obligations and/or indebtedness, including any material modification of the principal amount or terms of any obligations or the conversion of obligations into alternative obligations or equity; (ii) the confirmation of a plan of reorganization for the Company pursuant to the federal bankruptcy code; (iii) the arrangement of debt, equity or other financing; or (iv) the sale of the business, assets, or equity securities of the Company or a substantial portion thereof, or other similar transaction or combination thereof, the Company agrees to pay TM Capital in cash at closing a fee (the "Transaction Fee") of \$500,000. (The Transaction Fee shall be payable regardless of whether the Transaction is consummated through a bankruptcy reorganization, consensual arrangement with creditors, or otherwise. If a voluntary or involuntary filing (the "Filing") is made for protection of the Company from its creditors pursuant to the federal bankruptcy code, the Company agrees to file a motion pursuant to its first-day filings seeking an order (the "Order") to retain TM Capital pursuant to the terms of this agreement.

The Company will also reimburse TM Capital for all reasonable out-of-pocket expenses, including legal fees, incurred in connection with this agreement; such expenses not to exceed \$10,000 without prior notification. In addition, the Company agrees to pay TM Capital for preparation, deposition or appearance as a witness in any proceeding in connection with this agreement. Such payment will be at TM Capital's then effective rates per professional man-hour, plus reasonable out of pocket expenses, including reasonable legal fees.

per
ul | For purposes of this agreement, a Transaction shall not include
a liquidation under Chapter 7 of the federal bankruptcy code

This agreement may be terminated upon written notice by either party at any time without liability except for (i) any compensation earned or expenses incurred by TM Capital prior to termination of this agreement; and (ii) any reimbursement, indemnity or contribution liability of the Company pursuant to the following paragraph. The Deposit shall be refunded to the Company upon termination less any amounts due TM Capital; provided, however, that if the Company undertakes the Filing and does not promptly obtain the Order on terms substantially identical with those provided herein, TM Capital shall retain the Deposit. Notwithstanding anything contained in the preceding sentence, should a Transaction be completed within 12 months of such termination, the Company shall pay TM Capital its full Transaction Fee.

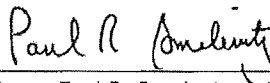
In the event that TM Capital becomes involved in any capacity in any action, proceeding or investigation in connection with any matter referred to in this agreement, the Company will reimburse TM Capital for its reasonable legal and other expenses (including the reasonable cost of any investigation and preparation) incurred in connection therewith. Such legal expenses will specifically include those incurred by TM Capital in any action between TM Capital and the Company relating to this agreement, provided that such action is not finally adjudicated in favor of the Company. The Company will also indemnify and hold TM Capital harmless against any losses, claims, damages or liabilities to which TM Capital may become subject in connection with any matter referred to in this agreement, except to the extent that any such loss, claim, damage or liability results from the gross negligence or willful misconduct of TM Capital in performing the services which are the subject of this agreement. If for any reason the foregoing indemnification is unavailable to TM Capital or insufficient to hold it harmless, then the Company shall contribute to the amount paid or payable by TM Capital as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and TM Capital on the other hand, but also the relative fault of the Company and TM Capital as well as any relevant equitable considerations. The reimbursement, indemnity and contribution obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to the employees and controlling persons of TM Capital and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, TM Capital and any such person. The foregoing provisions shall survive any termination of the authorization provided by this agreement.

This letter will supersede any previous agreements between TM Capital and the Company including the engagement letter dated March 6, 2009.

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us this letter, which shall thereupon constitute a binding agreement.

Sincerely yours,

TM CAPITAL CORP.

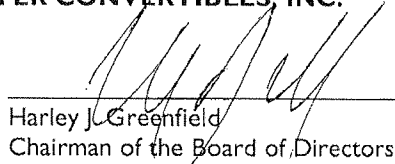


By: Paul R. Smolevitz
Managing Director

Confirmed:

JENNIFER CONVERTIBLES, INC.

By:



Harley J. Greenfield
Chairman of the Board of Directors

Date:

6.3.10

Exhibit C

Retention 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 GRANTING THE APPLICATION OF THE DEBTORS
PURSUANT TO SECTIONS 105, 327 AND 328 OF THE BANKRUPTCY CODE
FOR AUTHORIZATION TO EMPLOY AND RETAIN TM CAPITAL CORP
AS FINANCIAL ADVISORS *NUNC PRO TUNC* TO THE PETITION DATE**

Upon the application, dated July 19, 2010 (the “Application”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for an order authorizing the employment of TM Capital, all as more fully set forth in the Application; and upon consideration of the Declaration of Robert C. Grien and the Supplemental Declaration of Robert C. Grien filed on August 9, 2010 (the “Supplemental Declaration”); and consideration of the Application and the relief requested being a core proceeding under 28 U.S.C. § 157(b); and the Court having jurisdiction to consider the Application 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 Application having been provided to the parties listed therein, and it

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.

appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (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 Application establish just cause for the relief granted herein; and it appearing that the relief requested in the Application is in the best interests of the Debtors, their estates, creditors, and all 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 ORDERED THAT:

1. The Application is GRANTED, to the extent provided herein.
2. In accordance with sections 105, 327(a), 328(a) of the Bankruptcy Code, the Debtors are hereby authorized to employ and retain TM Capital as their financial advisors in connection with these cases and the Debtors’ businesses generally, *nunc pro tunc* to the Petition Date, in accordance with the terms and conditions set forth in the Application, the attached Grien Declaration, the Supplemental Declaration, and this Order.
3. Subject to the limitations set forth in paragraphS 4 and 7, of this Order, TM Capital shall be compensated and reimbursed in accordance with the terms of the Engagement Letter, as modified by this Order, and all compensation and reimbursement of expenses to be paid to TM Capital, including, without limitation, the monthly advisory fee and the Transaction Fee, shall be subject to section 328(a) of the Bankruptcy Code, except as set forth herein.
4. TM Capital shall not be entitled to the reimbursement of attorney’s fees and expenses other than in connection with indemnification and/or TM Capital's participation in preparing for, or responding to third-party actions, subpoenas or depositions.

5. TM Capital may participate in the procedures for compensation and reimbursement of expenses, as applicable, set forth in the order establishing procedures for interim monthly compensation and reimbursement of expenses of professionals, dated August 10, 2010 (the "Interim Compensation Order").

6. Notwithstanding anything to the contrary contained herein or in the Engagement Letter, TM Capital shall file fee applications with the Court for interim and final allowance of compensation and reimbursement of expenses pursuant to Bankruptcy Code sections 330 and 331, the Bankruptcy Rules, the Local Bankruptcy Rules, the Interim Compensation Order and any other applicable orders of the Court.

7. Notwithstanding any other provision hereof, all parties in interest retain ~~The United States Trustee~~ retains all rights to respond or object to TM Capital's interim and final applications for compensation and reimbursement of expenses pursuant to the reasonableness standard of section 330 of the Bankruptcy Code and ~~provided further, that in the event the United States Trustee objects,~~ the Court retains the right to review the interim and final applications pursuant to the reasonableness standard of section 330 of the Bankruptcy Code.

8. All requests by TM Capital for the payment of indemnification as set forth in the Engagement Letter shall be made by means of an application to the Court and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Engagement Letter and is reasonable under the circumstances of the litigation or settlement in respect of which indemnity is sought, provided however, that in no event shall TM Capital be indemnified in the case of its own bad-faith, self-dealing, breach of fiduciary duty (if any such duty is determined to exist), gross negligence or willful misconduct.

9. In no event shall TM Capital be indemnified if the Debtors assert a claim for, and a court determines by final order that such claim arose out of, TM Capital's own bad-faith, self-dealing, breach of fiduciary duty breach of fiduciary duty (if any such duty is determined to exist), gross negligence, or willful misconduct.

10. In the event that TM Capital seeks reimbursement for attorneys' fees pursuant to the terms of the Engagement Letter, with regard to indemnification and/or TM Capital's participation in preparing for, or responding to third-party actions, subpoenas or depositions, the invoices and supporting time records from such attorneys shall be included in TM Capital's own applications, both interim and final, and such invoices and time records shall be subject to the United States Trustee's Guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court pursuant to sections 330 and 331 of the Bankruptcy Code without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy Section 330(a)(3)(C) of the Bankruptcy Code.

11. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

12. As of the date hereof, the terms of the Engagement Letter as modified herein are "reasonable" as such term is used in section 328(a) of the Bankruptcy Code, and the Debtors shall be bound by the Engagement Letter as modified by this Order, subject to the provisions of section 328(a).

13. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

14. This Court shall retain jurisdiction with respect to all matters relating to the interpretation or implementation of this Order.

15. To the extent there is an inconsistency among this Order, the Engagement Letter or the Application, the terms of this Order shall govern.

Dated: August 10, 2010
New York, New York

/s/ Allan L. Gropper

UNITED STATES BANKRUPTCY JUDGE

Exhibit D

Schedule of Total Compensation and Reimbursement

Compensation and Reimbursement Requested

Billing Period (1)		Compensation and Reimbursement Due				
From	-	To	Monthly Fee	Transaction Fee	Expenses	Total
7/18/10	-	8/14/10	\$22,580.65 (2)	\$0.00	\$1,425.69	\$24,006.34
8/15/10	-	9/14/10	25,000.00	0.00	1,200.43	26,200.43
9/15/10	-	10/14/10	25,000.00	0.00	1,292.89	26,292.89
10/15/10	-	11/14/10	25,000.00	0.00	1,986.62	26,986.62
11/15/10	-	12/14/10	25,000.00	0.00	2,203.34	27,203.34
12/15/10	-	1/14/11	25,000.00	0.00	891.53	25,891.53
1/15/11	-	2/14/11	25,000.00	0.00	792.04	25,792.04
2/15/11	-	2/22/11	6,250.00 (3)	0.00	514.76	6,764.76
2/22/11	-	2/22/11	0.00	500,000.00 (4)	0.00	500,000.00
Total Compensation and Reimbursement Requested			\$178,830.65	\$500,000.00	\$10,307.30	\$689,137.95

Payments Made

Date Paid	Amount Paid
5/19/10 (5)	\$75,000.00
7/15/10 (2)	22,580.65
2/25/11	10,850.91
Total Payments Made	\$108,431.56
Total Amount Outstanding	\$580,706.39

NOTES:

- (1) Pursuant to the TM Capital Engagement Letter, each Monthly Fee payment and expense reimbursement is due on the 15th day of each month during the engagement.
- (2) The Debtors made a \$25,000 Monthly Fee payment for the period July 15, 2010 through August 14, 2010 prior to the Petition Date. Of this amount, \$22,580.65 has been allocated to the post-petition period. This represents 28 out of 31 days.
- (3) This represents a prorated Monthly Fee for the period February 15, 2011 to the Effective Date, February 22, 2011. This represents 7 out of 28 days.
- (4) A \$500,000 Transaction Fee is due in connection with any of the events set forth in the TM Capital Engagement Letter, including a successful plan of reorganization.
- (5) Pursuant to the TM Capital Engagement Letter, the Debtors made a \$75,000 deposit on May 19th. This deposit was applied to the period August 15, 2010 to November 14, 2010.

Exhibit E

TM Capital Time Log

TM Capital Time Log for Jennifer Convertibles, Inc.

Date	Cumulative Hours	Rob Grien <i>Managing Director</i>	Paul Smolevitz <i>Managing Director</i>	Mike Hoagberg <i>Associate</i>	Spencer Mash <i>Associate</i>	Kevin Formica <i>Analyst</i>
7/19/2010	9	3	2	4		0
7/20/2010	8	5	0	2		1
7/21/2010	20.5	8	6.5	4		2
7/22/2010	7	3	0	3		1
7/23/2010	8	3	0	3		2
7/24/2010	0	0	0	0		0
7/25/2010	0	0	0	0		0
7/26/2010	14.5	5	0	4		5.5
7/27/2010	9	3.5	0	4		1.5
7/28/2010	9	4	0	3		2
7/29/2010	8	3.5	1	2		1.5
7/30/2010	6	3	0			3
7/31/2010	0	0	0			0
8/1/2010	0	0	0			0
8/2/2010	8.5	6.5	0			2
8/3/2010	6	4.5	0			1.5
8/4/2010	15	6	0		4	5
8/5/2010	31.5	10	1.5		10	10
8/6/2010	20	4	1.5		6	8.5
8/7/2010	12	1	0		1	10
8/8/2010	7.5	2	0		1	4.5
8/9/2010	6.5	2	0		3	1.5
8/10/2010	19	12	0		5	2
8/11/2010	13	5.5	0		1	6.5
8/12/2010	7	1	0		3	3
8/13/2010	9.5	1.5	0		6	2
8/14/2010	0	0	0		0	0
8/15/2010	0	0	0		0	0
8/16/2010	11.5	0.5	0		3	8
8/17/2010	8.5	1	0		5	2.5
8/18/2010	16.5	4.5	0		8	4
8/19/2010	20.5	5.5	0		7	8
8/20/2010	11.5	2.5	0		6	3
8/21/2010	0	0	0		0	0
8/22/2010	0	0	0		0	0
8/23/2010	20.5	3.5	0		8.5	8.5
8/24/2010	21	4	0		8	9
8/25/2010	28	5.5	0		10	12.5
8/26/2010	13.5	4	0		5	4.5
8/27/2010	16.5	3	0		7.5	6
8/28/2010	0	0	0		0	0
8/29/2010	0	0	0		0	0
8/30/2010	7.5	1.5	0		4	2
8/31/2010	12	0.5	0		8	3.5
9/1/2010	6.5	0.5	0		5	1
9/2/2010	6.5	1	0		4	1.5
9/3/2010	9.5	0.5	0		7	2
9/4/2010	0	0	0		0	0
9/5/2010	0	0	0		0	0
9/6/2010	3	0	0		0.5	2.5
9/7/2010	11.5	3	0		4	4.5
9/8/2010	23.5	5.5	2		7.5	8.5
9/9/2010	1.5	0	0		0.5	1
9/10/2010	4.5	2.5	0		1	1
9/11/2010	0	0	0		0	0
9/12/2010	0	0	0		0	0
9/13/2010	1.5	1	0		0.5	0
9/14/2010	1	1	0		0	0
9/15/2010	10.5	4	0		4	2.5
9/16/2010	3	1.5	0		0.5	1
9/17/2010	6	0	0		4	2
9/18/2010	0	0	0		0	0
9/19/2010	0	0	0		0	0

9/20/2010	16	4.5	0	5.5	6
9/21/2010	16	7	0	4.5	4.5
9/22/2010	27.5	9	0	9	9.5
9/23/2010	9	4.5	0	3	1.5
9/24/2010	9	3	0	3	3
9/25/2010	0	0	0	0	0
9/26/2010	0	0	0	0	0
9/27/2010	6.5	1.5	0	2	3
9/28/2010	10	2.5	0	3.5	4
9/29/2010	11	3.5	0	4	3.5
9/30/2010	8.5	1.5	0	4	3
10/1/2010	8.5	2	0	2.5	4
10/2/2010	0	0	0	0	0
10/3/2010	0	0	0	0	0
10/4/2010	7	2	0	2	3
10/5/2010	23	6.5	0	6.5	10
10/6/2010	28	4.5	0	11.5	12
10/7/2010	21.5	5.5	0	8	8
10/8/2010	12.5	4.5	0	4	4
10/9/2010	7.5	1	0	2.5	4
10/10/2010	2.5	1.5	0	0	1
10/11/2010	13.5	4.5	0	4	5
10/12/2010	19	5.5	0	6.5	7
10/13/2010	15	3	0	6	6
10/14/2010	17.5	3	0	7.5	7
10/15/2010	7	3.5	0	0	3.5
10/16/2010	0	0	0	0	0
10/17/2010	0	0	0	0	0
10/18/2010	8.5	2.5	0	2	4
10/19/2010	7.5	2	0	1.5	4
10/20/2010	12.5	4	0	3.5	5
10/21/2010	6.5	4.5	0	2	0
10/22/2010	5	3	0	2	0
10/23/2010	0	0	0	0	0
10/24/2010	0	0	0	0	0
10/25/2010	13.5	3.5	0	4	6
10/26/2010	16	3.5	0	4.5	8
10/27/2010	28.5	8.5	0	8	12
10/28/2010	12	2	0	2	8
10/29/2010	19	2.5	0	7.5	9
10/30/2010	0	0	0	0	0
10/31/2010	0	0	0	0	0
11/1/2010	13.5	2.5	0	5	6
11/2/2010	20	5	0	7	8
11/3/2010	16.5	1	0	7.5	8
11/4/2010	13.5	2.5	0	5	6
11/5/2010	13	3	0	4	6
11/6/2010	0	0	0	0	0
11/7/2010	0	0	0	0	0
11/8/2010	25	5.5	0	9.5	10
11/9/2010	20.5	3.5	0	9	8
11/10/2010	18	4	0	5	9
11/11/2010	19.5	6	0	6.5	7
11/12/2010	21	4	0	8	9
11/13/2010	0	0	0	0	0
11/14/2010	0	0	0	0	0
11/15/2010	19	5	0	7	7
11/16/2010	26.5	7.5	0	9	10
11/17/2010	26	5	0	9	12
11/18/2010	48	12	0	18	18
11/19/2010	11.5	5	0	2.5	4
11/20/2010	0	0	0	0	0
11/21/2010	0	0	0	0	0
11/22/2010	8	2	0	1	5
11/23/2010	14	3.5	0	5.5	5
11/24/2010	9.5	1.5	0	4	4
11/25/2010	3	0	0	2.5	0.5
11/26/2010	2	1	0	1	0
11/27/2010	0	0	0	0	0

11/28/2010	0	0	0	0	0
11/29/2010	6.5	1.5	0	3	2
11/30/2010	13.5	5	0	7	1.5
12/1/2010	4	0.5	0	1.5	2
12/2/2010	5	0.5	0	2	2.5
12/3/2010	4	0	0	3	1
12/4/2010	0	0	0	0	0
12/5/2010	0	0	0	0	0
12/6/2010	3	1	0	1	1
12/7/2010	3	0.5	0	1.5	1
12/8/2010	4.5	0.5	0	2	2
12/9/2010	12.5	0.5	0	7.5	4.5
12/10/2010	9.5	3.5	0	3	3
12/11/2010	0	0	0	0	0
12/12/2010	0	0	0	0	0
12/13/2010	6.5	0.5	0	4	2
12/14/2010	6	0.5	0	3.5	2
12/15/2010	10	1.5	0	4.5	4
12/16/2010	12.5	1.5	0	5	6
12/17/2010	10.5	0.5	0	3	7
12/18/2010	0	0	0	0	0
12/19/2010	0	0	0	0	0
12/20/2010	16	3.5	0	5.5	7
12/21/2010	28	9	0	9	10
12/22/2010	2	1	0	1	0
12/23/2010	0.5	0.5	0	0	0
12/24/2010	0	0	0	0	0
12/25/2010	0	0	0	0	0
12/26/2010	0	0	0	0	0
12/27/2010	0	0	0	0	0
12/28/2010	1.5	1.5	0	0	0
12/29/2010	0	0	0	0	0
12/30/2010	0	0	0	0	0
12/31/2010	0	0	0	0	0
1/1/2011	0	0	0	0	0
1/2/2011	0	0	0	0	0
1/3/2011	7.5	1.5	0	3	3
1/4/2011	5.5	0.5	0	3	2
1/5/2011	2.5	0.5	0	0	2
1/6/2011	1.5	0.5	0	0	1
1/7/2011	2.5	0.5	0	0	2
1/8/2011	1	0	0	0	1
1/9/2011	2	0	0	0	2
1/10/2011	11	5	0	3	3
1/11/2011	4	0	0	2	2
1/12/2011	7	3	0	2	2
1/13/2011	10	3	0	3	4
1/14/2011	18	6	0	6	6
1/15/2011	0	0	0	0	0
1/16/2011	4	2.5	1.5	0	0
1/17/2011	0	0	0	0	0
1/18/2011	14	5	0	6	3
1/19/2011	8.5	4.5	0	4	0
1/20/2011	12	5	0	7	0
1/21/2011	11	6	0	2	3
1/22/2011	0	0	0	0	0
1/23/2011	0	0	0	0	0
1/24/2011	28	12	0	10	6
1/25/2011	33	11	0	11	11
1/26/2011	7.5	0.5	0	3	4
1/27/2011	2	0	0	1	1
1/28/2011	2	0	0	1	1
1/29/2011	0	0	0	0	0
1/30/2011	0	0	0	0	0
1/31/2011	2	0	0	1	1
2/1/2011	0	0	0	0	0
2/2/2011	2.5	0	0	1	1.5
2/3/2011	2	0	0	1.5	0.5

2/4/2011	5	1.5	0	1	2.5
2/5/2011	0	0	0	0	0
2/6/2011	0	0	0	0	0
2/7/2011	0.5	0.5	0	0	0
2/8/2011	1.5	0	0	1.5	0
2/9/2011	3	0	0	0	3
2/10/2011	1	0	0	1	0
2/11/2011	0	0	0	0	0
2/12/2011	0	0	0	0	0
2/13/2011	0	0	0	0	0
2/14/2011	0	0	0	0	0
2/15/2011	3	0	0	1	2
2/16/2011	0.5	0	0	0.5	0
2/17/2011	1	0	0	0	1
2/18/2011	2	0	0	0	2
2/19/2011	0	0	0	0	0
2/20/2011	0	0	0	0	0
2/21/2011	0	0	0	0	0
2/22/2011	4	0	0	1	3
Total	1685	455.5	16	29	564.5
					620

Representative List of Services Rendered:

1. Plan of Reorganization and Restructuring Term Sheet Structuring, Drafting and Negotiation
2. Preparation of Liquidation Analysis
3. Preparation of Valuation Analysis
4. Other Financial Analysis / Modeling, including Building an Integrated Financial Model and Assisting the Debtors in Preparing Financial Projections
5. Document Preparation / Review, including Plan of Reorganization and Disclosure Statement
6. DIP Financing and Exit Financing Structuring, Analysis and Negotiation
7. Cash and Liquidity Management
8. Creditors' Committee - Calls, Meetings and Discussions
9. Mengnu - Calls, Meetings and Discussions
10. Ashley - Calls and Discussions
11. Other Parties - Calls, Meetings and Discussions
12. Financial and Operational Due Diligence
13. General Presentation Preparation
14. Internal Calls, Meetings and Discussions
15. Court Hearings, Filings and Testimony
16. Case Administration

Exhibit F

Schedule of Expenses by Category

Breakdown of Expenses

Billing Period (1)		Expense Category				
From	To	Communications	Database	Printing Supplies	Postage	Travel and Meals
7/18/10	- 8/14/10	\$374.80	\$256.00	\$230.00	\$15.35	\$549.54
8/15/10	- 9/14/10	224.00	248.00	298.00	0.00	430.43
9/15/10	- 10/14/10	631.76	256.00	258.00	0.00	147.13
10/15/10	- 11/14/10	972.94	256.00	264.00	0.00	493.68
11/15/10	- 12/14/10	1,209.05	256.00	310.00	0.00	428.29
12/15/10	- 1/14/11	301.14	256.00	318.00	0.00	16.39
1/15/11	- 2/14/11	481.21	128.00	113.00	0.00	69.83
2/15/11	- 2/22/11	177.88	127.00	147.00	0.00	62.88
Total Expenses by Category		\$4,372.78	\$1,783.00	\$1,938.00	\$15.35	\$2,198.17
						\$10,307.30

NOTES:

(1) Pursuant to the TM Capital Engagement Letter, each Monthly Fee payment and expense reimbursement is due on the 15th day of each month during the engagement.

EXHIBIT G

Certification

**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)

CERTIFICATION

Robert C. Grien, under penalty of perjury, certifies and says:

1. I am a Managing Director of TM Capital Corp. (“TM Capital”), an investment banking firm with its principal office located at 641 Lexington Avenue, 30th Floor, New York, New York 10022. TM Capital has acted and continues to act as financial advisor to and rendered professional services on behalf of the Jennifer Convertibles, Inc. and its affiliated debtors (the “Debtors,” and, on and after the effective date of the Debtors’ plan of reorganization, the “Reorganized Debtors”), as debtors in possession in these chapter 11 cases.

2. This certification is submitted in support of TM Capital’s final application for allowance of compensation and reimbursement of expenses (the “Application”), pursuant to (i) Sections 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”); (ii) Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); (iii) Administrative Order M-389, Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the “Amended Guidelines”); (iv) the

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).

Court's order pursuant to Bankruptcy Code sections 105(a) and 331 and Bankruptcy Rule 2016(a), establishing procedures for interim monthly compensation and reimbursement of expenses of professionals, dated August 10, 2010, (Docket No. 155) (the "Interim Compensation Order"); (v) the guidelines promulgated by the Office of the United States Trustee applicable to the Application for compensation and reimbursement of expenses (the "U.S. Trustee Guidelines"); (vi) the Court's order dated August 10, 2010 Granting the Application of the Debtors for Authorization to Employ and Retain TM Capital Corp. as Financial Advisors *Nunc Pro Tunc* to the Petition Date (Docket No. 157) (the "Retention Order"); and (vii) Findings of Fact and Conclusions of Law and Order Signed on 2/8/2011 Confirming the Amended Joint Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and its Affiliated Debtors, dated February 9, 2011 (Docket No. 491) (the "Confirmation Order").

3. I hereby certify that:

- a. I have read the Application.
- b. To the best of my knowledge, information and belief formed after a reasonable inquiry, the fees and disbursements sought in the Application fall within the Amended Guidelines and the U.S. Trustee Guidelines, as modified by any orders of this Court, except as specifically noted in this Certification and in the Application.
- c. The fees and disbursements sought are billed at rates and in accordance with practices customarily employed by TM Capital and generally accepted by TM Capital's clients.
- d. In providing a reimbursable service, TM Capital does not make a profit on that service, whether the service is performed by TM Capital in-house or through a third party.

4. This Application is being served upon this Court, the Office of the United States Trustee, the Debtors and their counsel, and counsel for the Official Committee of Unsecured Creditors.

Dated: March 28, 2011
New York, New York

/s/ Robert C. Grien
ROBERT C. GRIEN
Managing Director, TM Capital Corp.

EXHIBIT H

Proposed Order

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

In re:

JENNIFER CONVERTIBLES, INC.,²

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER APPROVING FINAL APPLICATION FOR
ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND
EXPENSES INCURRED BY TM CAPITAL CORP., FINANCIAL ADVISORS
FOR THE DEBTORS AND DEBTORS IN POSSESSION, FOR THE PERIOD
FROM JULY 18, 2010 THROUGH FEBRUARY 22, 2011**

Upon the application (the “Final Fee Application”) of TM Capital Corp. (“TM Capital”) as financial advisor for the debtors in the above-captioned cases (collectively, the “Debtors”) for final allowance of compensation for services rendered and reimbursement of expenses incurred from July 18, 2010 through February 22, 2011; and pursuant to sections 330(a) and 331 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); and a hearing (the “Hearing”) having been held before this Court to consider the Final Fee Application; and it appearing that sufficient notice has been given, and no other notice being necessary; and upon the full record of the Hearing and all prior proceedings in these cases; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED, ADJUDGED AND DECREED that;

1. The Final Fee Application is granted to the extent set forth herein.

² 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 used but not defined herein shall have the same meaning ascribed to them in the Final Fee Application.

3. The fees and expenses of TM Capital requested for services rendered and expenses incurred during the Compensation Period are approved on a final basis, in the amounts and to the extent provided in Schedule A annexed hereto.

4. The Debtors are authorized and directed to pay as soon as practicable all fees and expenses approved by this Order that remain unpaid.

5. This Court shall retain jurisdiction over all matters arising from or related to the interpretation and implementation of this Order.

Dated: New York, New York
April __, 2011

HONORABLE ALLAN L. GROPPER
UNITED STATES BANKRUPTCY JUDGE

CASE NAME: Jennifer Convertibles, Inc., et al.
CASE NUMBER: 10-13779 (ALG) (Jointly Administered)

SCHEDULE A

FEES AND EXPENSES APPROVED ON AN FINAL BASIS

<u>Applicant</u>	<u>Capacity</u>	Final Compensation <u>Approved</u>	Final Reimbursement of Expenses <u>Approved</u>	Holdback Amount and Other Fees and Expenses To Be Paid ³
TM Capital Corp.	Financial Advisor to the Debtors	\$678,830.65	\$10,307.30	\$580,706.39

Date: _____, 2011

³ The amount listed in the Holdback category includes the following: (i) \$80,706.39 in fees and expenses for services rendered for the period July 18, 2010 through February 22, 2011 that have not yet been paid by the Debtors; and (ii) the \$500,000.00 Transaction Fee.