

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

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

Upon consideration of the Motion, (the “Motion”)² of the Former Directors and Officers of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order pursuant to sections 105(a), 362, and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing payment of defense costs and expenses to those offices and directors of the Debtors serving as of the petition date (collectively, the “Directors and Officers”) and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and 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).

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

appearances of all interested parties having been noted in the record of the Hearing; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, and parties in interest; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY:

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

Dated: April 27, 2011
New York, New York

/s/ Allan L. Gropper

Honorable Alan Gropper
UNITED STATES BANKRUPTCY JUDGE