

**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)

**FINAL JUDGMENT AND ORDER AUTHORIZING AND
APPROVING SETTLEMENT OF CIVIL ACTIONS**

Upon the Motion, dated December 30, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), for entry of an order pursuant to Rules 7023, 9014 and 9019 of the Federal Rules of Bankruptcy Procedure and sections 105(a) and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing and approving the Settlement of the Combs Cases; and upon the Declaration of Alan Harris in support of entry of the Final Judgment and Order; and upon the Preliminary Approval Order entered on January 28, 2011 [Docket No. 478]; 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

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.

Motion and the Final Hearing 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 on a final basis; and the appearances of all interested parties having been noted in the record of the Final 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 Settlement proposed in the Settlement Agreement has been negotiated at arms'-length and is fair, reasonable and adequate for settlement purposes; 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 ORDERED THAT:

1. The relief requested in the Motion be, and hereby is, GRANTED.
2. The Settlement Agreement, annexed to the Motion as Exhibit A, is approved.
3. The Debtors may take such actions as are necessary to consummate the Settlement of the Combs Cases as provided in the Settlement Agreement.
4. The Class Notice was provided to all persons entitled to notice of the Settlement of the Combs Cases and in accordance with the Preliminary Approval Order, fully complies with the requirements of applicable law and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the Settlement of the Combs Cases. There were no objections to the Settlement, and the Court finds it proper for final approval upon the terms and conditions set forth in the Settlement Agreement.
5. Each Class Member that has not effectively excluded itself from the Settlement in accordance with the provisions of the Class Notice and the Preliminary Approval Order shall be bound by the Settlement Agreement, including, without limitation, the release provisions thereof.

6. Each Collective Action Member that has included itself in the Settlement in accordance with the provisions of the Class Notice and the Preliminary Approval Order shall be bound by the Settlement Agreement, including, without limitation, the release provisions thereof.

7. Within five (5) business days of the Effective Date of the Settlement Agreement, Class Counsel shall take such actions as are necessary to dismiss the Combs I Case on the merits and with prejudice.

8. To the extent not previously released and discharged pursuant to Section 10(a) of the Settlement Agreement or the Preliminary Approval Order, immediately upon the Effective Date, the General Release shall be fully enforceable, and the Released Parties shall be entitled to the benefits of the General Release. The General Release shall apply, without limitation, to any and all claims of the Releasing Parties that would be barred by the doctrines of res judicata and collateral estoppel had the issues in the Combs Cases been litigated to a final judgment on the merits, and to any and all past, present and future claims administrative or otherwise (including any and all claims of the LWDA), actions, causes of action, rights or liabilities, known or unknown, based on, arising out of, or in any way relating or pertaining to, the facts, events or transactions at issue in the Combs Cases. Without limiting the foregoing, the Released Claims specifically extend to and include claims that the Releasing Parties do not know or suspect to exist in their favor at the time that the Settlement Agreement is executed, which, if known, might have affected their decision to enter into the Settlement Agreement. The Releasing Parties are hereby deemed to have intentionally and knowingly waived any and all provisions, right and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity, which governs or limits a person's release of unknown claims.

9. Upon entry of this Final Order and Judgment, the Combs Claim shall be deemed withdrawn and the Amended Combs Claim shall be deemed filed and allowed as a general unsecured claim against Jennifer Convertibles in the reduced amount of \$450,000. All distributions on account of such Allowed Combs Claim shall be made in accordance with the Debtors' confirmed chapter 11 plan. Any distributions made on account of the Allowed Combs Claim shall be made to the Settlement Administrator and subsequently disbursed by the Settlement Administrator in accordance with the terms of Section 4(a) of the Settlement Agreement.

10. Upon the Effective Date of the Settlement Agreement, the H&R Claim and the North Bay Claim shall be withdrawn and deemed disallowed, with prejudice.

11. The Settlement Administrator shall be solely responsible for making any and all distributions under the Settlement Agreement, including payment of the Settlement Administrator's fees in the amount of \$20,000 and Class Counsel's fees and costs in an amount equal to 40% of the Allowed Combs Claim, and distribution of the remaining distributions made by the Debtors on account of the Allowed Combs Claim to Combs Class Members in accordance with the Settlement Agreement and the Preliminary Approval Order, which amounts shall be paid solely from the distributions made on account of the Allowed Combs Claim.

12. Nothing in this Order shall prejudice or be deemed a waiver of (a) the rights of the Debtors or any other party, including without limitation the Debtors' directors and officers, to seek recovery of any fees, expenses or other costs from any insurance policy to which the Debtors or any other party, including without limitation the Debtors' directors and officers, are a party or a beneficiary or under which the Debtors or any other party, including without limitation Debtors' directors and officers, may have any rights of recovery, or (b) the right of any party to

seek disgorgement of any amounts paid hereunder (or any defenses to any such right of recovery).

13. In the event of a conflict between the provisions of this Order and the provisions of the Settlement Agreement, the provisions of this Order shall control.

14. This Court shall retain jurisdiction to interpret and enforce this Order and the Settlement Agreement.

Dated: May 27, 2011
New York, New York

/s/ Allan L. Gropper

HONORABLE ALLAN L. GROPPER
UNITED STATES BANKRUPTCY JUDGE