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

In re:

JENNIFER CONVERTIBLES, INC.,<sup>1</sup>  
  
Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**FIRST POST-CONFIRMATION STATUS REPORT**

The above-captioned reorganized debtors (collectively, the “Company” or the “Reorganized Debtors”), by and through their undersigned counsel, hereby submit this First Post-Confirmation Status Report in accordance with the Court’s Post-Confirmation Order and Notice dated May 9, 2011 [Docket No. 567].

1. On February 9, 2011, the United States Bankruptcy Court for the Southern District of New York entered an order (the “Confirmation Order”) [Docket No. 491], confirming the Amended Joint Chapter 11 Plan of Reorganization for Jennifer Convertibles, Inc. and Its Affiliated Debtors, dated January 24, 2011 (as confirmed, the “Plan”) [Docket No. 399].

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<sup>1</sup> 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

2. On February 22, 2011, the “Effective Date” (as defined in the Plan) occurred with respect to the Plan.

3. On the Effective Date, the Senior Secured and Super-Priority Debtor-In-Possession Credit Agreement (the “DIP Agreement”), dated as of November 19, 2010, among the Company and its principal creditor and supplier, Haining Mengnu Group Co., Ltd. (“Mengnu”), was refinanced by a secured exit credit agreement among the Company and Mengnu pursuant to which Mengnu agreed to provide exit financing for the benefit of the Company (the “Secured Exit Credit Agreement”). The Secured Exit Credit Facility is comprised of (i) a letter of credit backstopped by Mengnu funded by a bank for the benefit of the Company’s credit card processor in an amount of \$3,000,000, which amount may be increased to an amount not to exceed \$5,000,000 at the request of the Company and with Mengnu’s consent; and (ii) the relending of amounts owed by the Company to Mengnu under the DIP Agreement, which was \$2,762,000 as of February 22, 2011, less \$62,000, which was repaid by the Company to Mengnu on the Effective Date (the “Cash Facility”). In respect of the Cash Facility, on the Effective Date, the Company issued the Secured Tranche E Promissory Notes to Mengnu in the principal amount of \$2,700,000.

4. The Plan provides that each holder of an allowed general unsecured claim (except to the extent such holder agrees to different treatment) is to receive, in full and complete satisfaction, settlement and release of and in exchange for such holder’s allowed general unsecured claim, its pro rata share of (i) the proceeds of a \$1,400,000 one-year secured note, at 3% interest per annum; (ii) the proceeds of a \$950,000, three-year secured note, at 5% interest per annum; (iii) 9.9% of the New Common Stock (as defined in the Plan); and (iv) 70% of the

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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).

proceeds from the Jennifer Convertibles Litigation Trust (the “Litigation Trust”).

5. In accordance with the foregoing, on the Effective Date, the Company issued (i) the Senior Secured Tranche A Promissory Note in the principal amount of \$1,400,000 to the Litigation Trust (the “Tranche A Note”); and (ii) the Senior Secured Tranche C Promissory Note in the principal amount of \$950,000 to the Litigation Trust (the “Tranche C Note”), each for the sole benefit of holders of allowed general unsecured claims.

6. The Plan also provides that Mengnu, in full and complete satisfaction, settlement and release of and in exchange for its unsecured claim, is to receive (i) 90.1% of the New Common Stock; (ii) a \$1,879,000, four-year unsecured note, at 6% interest per annum; and (iii) 30% of the proceeds from the Litigation Trust. In addition, the Plan provides that Mengnu, in full and complete satisfaction, settlement and release of its claim for the value of certain goods received by the Company within 20 days before the date of commencement of these cases, is to receive a \$2,638,000, two-year secured note, at 4% interest per annum.

7. In accordance with the foregoing, on the Effective Date, the Company issued (i) the Secured Tranche B Promissory Note in the principal amount of \$2,638,000 to Mengnu; and (ii) the Unsecured Tranche D Promissory Note in the principal amount of \$1,879,000 to Mengnu.

8. On the Effective Date, the Company entered into the Litigation Trust Agreement and Declaration of Trust (the “Litigation Trust Agreement”) with KDW Restructuring & Liquidation Services LLC, as litigation trustee (the “Litigation Trustee”), pursuant to which the Litigation Trust was established for the benefit of the holders of general unsecured claims and Mengnu in respect of its unsecured claim (the “Trust Beneficiaries”).

9. In addition, pursuant to the Plan, on the Effective Date, the Company issued Mengnu 901,000 shares of new common stock and issued to the Litigation Trust 99,000 shares

of new common stock, par value of \$0.01 per share.

10. On May 27, 2011, the Court entered an order [Docket No. 586] authorizing and approving the settlement of the Combs civil actions on a final basis.

11. The Litigation Trustee is in the process of analyzing the causes of action transferred by the Reorganized Debtors to the Litigation Trust under the Plan, administering the Tranche A and Tranche C Note as described in and authorized by the Plan and the Litigation Trust Agreement, and will make timely and appropriate distributions to the Trust Beneficiaries and otherwise carry out the provisions of the Litigation Trust Agreement.

12. To date, the Reorganized Debtors have filed and have received Court approval relating to three (3) omnibus objections to proofs of claim filed in these cases.

13. The Reorganized Debtors have substantially completed the claims reconciliation process and, at this time, only a handful of claims filed in these cases remain disputed and unresolved (the “Unresolved Claims”). The Unresolved Claims are asserted against only one of the twelve Reorganized Debtors — Jennifer Convertibles, Inc. Furthermore, the Reorganized Debtors have made distributions as required with respect to all claims that have been allowed thus far. Accordingly, each of the Reorganized Debtor’s cases (with the exception of Jennifer Convertibles, Inc.) has been fully administered and, on June 24, 2011, the Reorganized Debtors filed a motion for a final decree closing the cases of each of the Debtors except Jennifer Convertibles, Inc.

14. The Reorganized Debtors will file quarterly status reports detailing the actions taken post-Plan confirmation and the progress made toward final administration of these estates.

Dated: New York, New York  
July 5, 2011

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