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(Successors to the Debtors and Debtors in Possession)*

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

In re:

JENNIFER CONVERTIBLES, INC. et al¹

Debtor.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**STIPULATION AND AGREED ORDER
MODIFYING AND ALLOWING CLAIM NUMBER 358**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors and debtors in possession (together, the “Debtors”, now known as the “Reorganized Debtors”) respectfully submit this Stipulation and Agreed Order Modifying Allowing Claim Number 358 (the “Stipulation”) and agree and state:

WHEREAS, on July 18, 2010 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”); and

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).

WHEREAS, on February 8, 2011, the Court confirmed the Second Amended Joint Chapter 11 Plan of Reorganization for Jennifer Convertibles, Inc. and its Affiliated Debtors (the "Plan"); and

WHEREAS, the Georgia Department of Revenue (the "Claimant") filed claim number 358 on December 14, 2010, asserting a priority claim in the amount of \$1,932.52 and a general unsecured claim in the amount of \$1,472.93, for a total claim of \$3,405.45 ("Claim 358"); and

WHEREAS, on April 20, 2011, the Reorganized Debtors filed the *Third Motion for Omnibus Objection to Claim(s)* (docket no. 552) (the "Third Omnibus Objection"), by which the Reorganized Debtors sought to expunge Claim 358; and

WHEREAS, on May 10, 2011, the Claimant filed the *Georgia Department of Revenue's Response to Debtors' Third Omnibus Objection to Certain Proofs of Claim* (docket no. 569), which stated that Claim 358 was based on the Debtors' late filing of withholding returns to the GDR from 2006-2010; and

WHEREAS, on May 13, 2011, the Reorganized Debtors filed the *Debtors Omnibus Reply To Responses To The Debtors Third Omnibus Objection To Certain Proofs Of Claim* (docket no. 571), asserting that the Debtors had always paid their withholding returns on a timely basis, and had never been subject to late fees by the GDR in the past; and

WHEREAS, on May 17, 2011, this Court entered the Order Approving the Third Omnibus Objection, which did not include resolution of the dispute with respect to Claim 358; and

WHEREAS, after an exchange of information, the Claimant and the Reorganized Debtors have agreed to modify and allow Claim 358.

NOW, THEREFORE, in consideration of the foregoing, the Reorganized Debtors and the Claimant stipulate and agree:

1. This Stipulation shall become effective upon the date it is “So Ordered” by the Court (the “Effective Date”). This Stipulation shall be null and void if it is not approved by the Bankruptcy Court.

2. On the Effective Date, Claim 358 shall be modified to assert a priority claim in the amount of \$2,400.00 and allowed in such amount.

3. Claim 358 shall be the sole claim the Claimant has against the Reorganized Debtors in these chapter 11 cases. Unless otherwise agreed to by the Claimant and the Debtors, the Claimant shall have no other or further claims against the Debtors or the Reorganized Debtors with respect to the subject property other than Claim 358

4. The Reorganized Debtors shall make payment on Claim 358 in the amount as agreed upon herein no later than the five (5) days following the Effective Date. In addition, the Reorganized Debtors shall provide the GDR with the sales tax return for June 2006 within five (5) days of the Effective Date.

5. On and after the Effective Date, BMC Group Inc., the claims agent appointed in these chapter 11 cases (the “Claims Agent”), is authorized to reflect the treatment of Claim 358, as described herein, on the official claims register maintained in these cases.

6. The Claimant will not object to the classification or treatment of Claim 358 as described herein.

7. This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original, including any facsimile or “PDF” counterparts, and which together shall constitute one and the same agreement.

8. This Stipulation constitutes the entire agreement between the parties regarding Claim 358, and it may not be amended or modified in any manner except by a writing signed by each of the parties or their counsel and approved by the Court.

9. Each party and signatory to this Stipulation represents and warrants to each other party hereto that such party or signatory has full power, authority and legal right and has obtained all approvals and consents necessary to execute, deliver and perform all actions required under this Stipulation.

10. The Court shall retain jurisdiction to hear any matters or disputes arising from or relating to this Stipulation.

Dated: New York, New York
July 22, 2011

OLSHAN GRUNDMAN FROME
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By:

/s/ Jayme M. Bethel

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*Counsel for the Debtors and
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Dated: New York, New York
July 22, 2011

GEORGIA DEPARTMENT OF LAW

By:

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*Counsel for the Georgia Department of
Revenue*

SO ORDERED:

Date: _____, 2011

UNITED STATES BANKRUPTCY JUDGE