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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 NOS. 352 AND 353**

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 and Allowing Claim Nos. 352 and 353 (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 Ohio Department of Taxation (the "Claimant", and together with the Debtors, the "Parties") filed claim number 352 on November 15, 2010, asserting a priority claim in the amount of \$2,619.35 and a general unsecured claim in the amount of \$341.59, for a total claim of \$2,960.94 ("Claim 352"); and

WHEREAS, the Claimant filed claim number 353 on November 15, 2010, asserting a priority claim in the amount of \$5,754.83 and a general unsecured claim in the amount of \$654.36, for a total claim of \$6,409.19 ("Claim 353"); 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 352 and Claim 353; and

WHEREAS, on May 10, 2011, the Claimant filed the *Response to Debtors' Third Omnibus Objection to Certain Proofs of Claim* (docket no. 570), which stated that the Debtors had failed to produce sufficient evidence to negate the *prima facie* validity of the Claimant's proofs of claim; 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 field audit that was the basis of the Claimant's proofs of claim had never been conducted, and therefore the Claimant has no claim against the Debtors' estates; and

WHEREAS, after an exchange of information, the Claimant and the Reorganized Debtors have agreed to modify and allow Claim 352 and Claim 353.

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

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 352 shall be modified to assert a priority claim in the amount of \$1,250.00 and allowed in such amount. Also on the Effective Date, Claim 353 shall be modified to assert a priority claim in the amount of \$1,250.00 and allowed in such amount.

3. Claim 352 and Claim 353, as modified, shall be the sole claims the Claimant has against the 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 352 and Claim 353.

4. The Reorganized Debtors shall make payment on Claim 352 and Claim 353 in the amount as agreed upon herein no later than thirty (30) days following the Effective Date.

5. The Claimant on the one hand, and the Debtors on the other, in respect of the mutual promises and other consideration recited in this Stipulation, hereby release each other and their respective predecessors in interest, successors in interest, agents, and assigns of any and all obligations, claims, and demands of any kind whatsoever, at law or in equity, direct or

indirect, known or unknown, discovered or undiscovered, arising out of, by reason of, or relating in any way whatsoever to this Stipulation except that the obligations arising out of this Stipulation are not released.

6. 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 352 and Claim 353, as described herein, on the official claims register maintained in these cases.

7. The Claimant will not object to the classification or treatment of Claim 352 and Claim 353 as described herein.

8. 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.

9. This Stipulation constitutes the entire agreement between the Parties regarding Claim 352 and Claim 353, and 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.

10. 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.

11. This Stipulation shall be deemed to have been jointly drafted by the Parties, and in construing and interpreting this Stipulation, no provision shall be construed and interpreted for or against any of the Parties because such provision or any other provision of the Stipulation as a whole is purportedly prepared or requested by such party.

12. The Parties acknowledge and agree that this Stipulation is being entered into, and the consideration is being provided, in full compromise and settlement of disputed claims for the purpose of avoiding further dispute, trouble, litigation, and expense by each party. The Parties further acknowledge and agree that neither the fact of the compromise and settlement, nor the payment of any consideration thereunder, nor the execution of this Stipulation shall be taken in any way as an admission of any liability by either party. The Parties further understand and agree that no fact pertaining to be the making or consummation of this Stipulation, nor the Stipulation itself, shall be admissible in any proceeding or cause of action (except an action to enforce this Stipulation) as an admission of any liability or responsibility by any party. Indeed, all such liability or wrongdoing is expressly denied.

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

Dated: New York, New York
November 1, 2011

Dated: Cincinnati, Ohio
November 1, 2011

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

OHIO DEPARTMENT OF TAXATION

By:

By:

/s/ Jayme Bethel

/s/ Victoria Garry

JAYME M. BETHEL

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*Counsel for the Debtors and
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Counsel for the Ohio Department of Taxation

SO ORDERED:

Date: November 14, 2011

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE