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Proposed Counsel to the Debtors

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Motion for Joint Administration Pending)

**APPLICATION OF THE DEBTORS PURSUANT TO SECTIONS 327(A) AND 328(A)
OF THE BANKRUPTCY CODE FOR AUTHORIZATION TO EMPLOY AND RETAIN
KPMG CF REALTY LLC AS SPECIAL REAL ESTATE ADVISOR FOR THE
DEBTORS *NUNC PRO TUNC* TO THE PETITION DATE**

Jennifer Convertibles, Inc. (“Jennifer Convertibles”) and its affiliated debtors, as debtors in possession (together, the “Debtors”), hereby move this Court for entry of an order authorizing the employment of KPMG CF Realty LLC (“KPMGCF”) as special real estate advisors for the Debtors *nunc pro tunc* to the Petition Date (the “Application”). In support of this Application, the Debtors respectfully state as follows:

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 Acquisition Corp. (9587); (vii) Jennifer Management III Corp. (3552); (viii) Jennifer Media Corp. (3593); (ix) Jennifer Purchasing Corp. (7319); (x) Jennifer Convertibles Licensing Corp. (8920); (xi) Jennifer Management II Corp. (9177); (xii) Jennifer Management V Ltd. (9876); (xiii) Jennifer Convertibles Natick, Inc. (2227); (xiv) Nicole Convertibles, Inc. (5985); (xv) Washington Heights Convertibles, Inc. (0783).

Background

1. On July 18, 2010 (the “Petition Date”), each of the Debtors commenced with the Bankruptcy Court a voluntary case pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or statutory creditors’ committee has been appointed in these chapter 11 cases.

2. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofabed specialty retail stores and leather specialty retail stores in the United States, with stores located throughout the Eastern seaboard, Midwest, West Coast and Southwest, and (ii) seven big box, full-line furniture stores operated under the Ashley Furniture HomeStore brand (the “Ashley Stores”) under a license from Ashley Furniture Industries, Inc.

3. In order to generate sales, the Debtors rely on aggressive pricing, the attractive image of its stores, extensive advertising and prompt delivery. Operations are classified into two operating segments organized by retail concept: Jennifer and Ashley. The Jennifer segment operates the sofabed specialty retail store concept. The Ashley segment is the big box, full line home furniture retail store concept. There are no inter-company sales between segments. The Ashley segment is highly profitable due to its unique sourcing model, whereby once most sales are executed, Ashley’s supplier manages the supply chain process. Under the Ashley sourcing model, the Debtors need for warehouse inventory is reduced, thereby limiting working capital needs and infrastructure requirements. The Debtors’ two operating segments enable the Debtors to more effectively offer diverse home furnishings and accessories and expand to a broader consumer base.

4. As of the Petition Date, the Debtors' stores include 130 stores operated by the Jennifer segment. During fiscal 2007, the Debtors opened their first Ashley Store. As of the Petition Date, the Debtors operate seven Ashley Stores.

5. As of the Petition Date, the Debtors employ 497 people. There are 336 employees in the Jennifer segment, 114 employees in the Ashley segment and 47 corporate employees. None of the employees are represented by a collective bargaining unit.

6. For the fiscal year ended August 29, 2009, the Debtors' consolidated financial statements showed revenues from continuing operations of approximately \$94,177,000, compared with \$120,131,000 for the fiscal year ended August 30, 2008, and \$132,683,000 for the fiscal year ended August 25, 2007. For the thirty-nine weeks ended May 29, 2010, revenues from continuing operations were approximately \$70,036,000, with \$56,144,000 coming from the Jennifer segment stores, and \$13,892,000 from the Ashley segment stores.

7. Net sales from continuing operations were \$88,845,000 and \$113,073,000 for the fiscal years ended August 29, 2009 and August 30, 2008, respectively. Net sales from continuing operations decreased by 21.4%, or \$24,228,000 for the fiscal year ended August 29, 2009 compared to the fiscal year ended August 30, 2008. The decrease in net sales is attributable to a decline in overall demand within the furniture industry sector due to a poor housing market and an overall weak U.S. economy. Consolidated same store sales from continuing operations (sales at those stores open for the entire current and prior comparable periods) decreased 19.6% for the thirteen weeks ended May 29, 2010, compared to the same period ended May 30, 2009.

8. Specifically, in the Ashley segment, net sales from continuing operations were \$5,106,000 and \$3,363,000 for the thirteen-week periods ended May 29, 2010 and May 30,

2009, respectively. Net sales from continuing operations increased by 51.8%, or \$1,743,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The increase is largely attributable to four new Ashley locations open during the thirteen-week period ended May 29, 2010, that were not open during the same thirteen week period last year.

9. In the Jennifer segment, net sales from continuing operations were \$16,375,000 and \$16,987,000 for the thirteen-week periods ended May 29, 2010 and May 30, 2009, respectively. Net sales from continuing operations decreased by 3.6%, or \$612,000 for the thirteen-week period ended May 29, 2010 compared to the thirteen-week period ended May 30, 2009. The decrease is attributable to the decline in overall demand within the furniture industry sector due to the prevailing conditions of the U.S. economy, store closings, the current housing market, and delays in receipt of merchandise from the Debtors' Chinese supplier, all as discussed in greater detail in the other first day motions, filed concurrently herewith.

10. The factual background relating to the Debtors' commencement of these chapter 11 cases is set forth in additional detail in the Declaration of Rami Abada in Support of First Day Motions (the "Abada Declaration") filed contemporaneously with this Motion and incorporated herein by reference.

Jurisdiction

11. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

12. The statutory predicates for the relief requested herein are sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Relief Requested

13. By this Application, the Debtors seek approval, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, to employ and retain KPMGCF as their special real estate advisor.

Basis For Relief

14. The Debtors seek to employ KPMGCF as their special real estate advisor with respect to their negotiation of lease modification agreements for properties (“Renegotiation Properties”) that the Debtors wish to use in their ongoing business operations as follows.

The scope of KPMGCF’s services would be:

- a. KPMGCF will organize the lease information for each Renegotiation Property in a manner that clearly displays the store and lease economics. KPMGCF and Company will jointly establish negotiating goals and parameters, such as rent reductions, lease term modifications, and other leasehold concessions.
- b. KPMGCF will contact the landlord for each Renegotiation Property and will seek to negotiate with the landlord for modifications in accordance with the parameters established by Company.
- c. KPMGCF will work with the landlords, the Company, and the Company’s counsel to document all lease modification proposals.

Compensation

15. The following describes the Debtors’ proposed agreement with KPMGCF regarding compensation:

- a) KPMGCF will be paid an earned, non-refundable engagement fee of \$25,000, payable immediately upon entry of the Order approving this retention.
- b) On the Lease Modification Agreement Date,² KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, the greater of \$5,000 (the “Minimum Fee”) or 4% of “Savings”. Savings shall be

² Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the engagement letter between KPMGCF and the Debtors, a copy of which is attached as Exhibit C to this Motion.

calculated as the difference between (a) the Remaining Leasehold Liability payable by Company prior to the execution of the applicable Modification Agreement, and (b) the Remaining Leasehold Liability payable by Company following the execution of the applicable Modification Agreement.

- c) For Renegotiation Properties where annual rent is under \$85,000, the \$5,000 Minimum Fee referenced above shall be reduced to \$3,500.
- d) For certain Renegotiation Properties, the Company has outstanding balances of money due to the landlords upon the date of filing. KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, 5% of the savings. The calculation of savings for this specific provision shall be the difference between what Company owes as set forth on Schedule A to the Engagement Letter and what Company and landlord agree Company shall pay to cure the outstanding balance(s). If the agreement does not provide for any reduction in the balance due but rather provides for an alternate payment schedule that is mutually agreed upon by landlord and Company, then in this situation alone, KPMGCF shall have earned and shall be paid, on a Renegotiation Property basis a flat fee of \$2,500 per agreement.
- e) For Transactions where there is only a non-monetary revision to a lease, KPMGCF shall have earned and shall be paid, a flat fee of \$2,500.
- f) With regards to negotiations and transactions where both a savings are achieved under sections 2.5 or 2.6 above and a non-monetary change to the lease has been agreed upon as per section 2.8 above, in this case KPMGCF shall earn only one fee under either section 2.5 or 2.6 above and shall not also earn the fee set forth in section 2.8 above.
- g) Should KPMGCF earn a fee of at least \$5,000 or greater on a particular property under section 2.7 above ("Transactional Fees Re: Balances Due Landlords"), then in this situation should KPMGCF also be entitled to a fee under section 2.5 or 2.6 above, the fee earned under 2.5 or 2.6 shall be no greater than 33% of the savings achieved for Company.
- h) When Savings are being calculated, they shall be present valued at a 6% discount rate per annum.
- i) KPMGCF fees are due and immediately upon the mutual execution of a Modification Agreement and payable within 3 days of such execution.

Notice

16. No trustee, examiner or statutory creditors' committee has been appointed in these chapter 11 cases. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) those creditors holding the thirty (30) largest unsecured claims against the Debtors' estate (on a consolidated basis); (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) the SEC; (v) the IRS; (vi) all taxing authorities in relevant jurisdictions; (vii) all attorneys general in relevant jurisdictions; and (viii) any other party directly affected by this Motion. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

17. No previous request for the relief sought herein has been made to this or any other Court.

WHEREFORE the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: July 22, 2010
New York, New York

By: /s Michael S. Fox
Michael S. Fox
Andrea Fischer
Jordanna L. Nadritch
Jayme M. Bethel
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

*Proposed Attorneys for the Debtors and
Debtors in Possession*

Exhibit A

Bordwin Declaration

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

-----X	
In re:	: Chapter 11
	: :
JENNIFER CONVERTIBLES INC., et al.,	: Case No. 10-_____ ()
	: :
Debtors.	: Joint Administration Pending
	: :
-----X	

**DECLARATION OF MATTHEW BORDWIN IN SUPPORT OF THE DEBTORS'
APPLICATION TO RETAIN AND EMPLOY KPMG CF REALTY LLC
AS SPECIAL REAL ESTATE ADVISOR *NUNC PRO TUNC* TO THE PETITION DATE**

MATTHEW BORDWIN, being duly sworn, deposes and says as follows:

1. I am a Manager of KPMG CF Realty LLC ("KPMGCF"), a wholly owned subsidiary of KPMG Corporate Finance LLC, with offices located at 1305 Walt Whitman Road, Melville, New York. I am authorized to execute this declaration on behalf of KPMGCF. KPMG Corporate Finance is a wholly owned subsidiary of KPMG LLP, a Delaware limited liability partnership that is the United States member firm of KPMG International, a Swiss cooperative of member firms, each a separate legal entity, located worldwide.
2. I submit this Declaration in support of the Application for Order Authorizing Employment and Retention of KPMG CF Realty LLC as Special Real Estate Advisor to the Debtors (the "Application").¹ Except as otherwise noted, I have personal knowledge of the matters set forth herein. The Debtor and certain of its affiliates seek to employ KPMGCF as a special real estate advisor to provide services as more fully described in the Agreement attached as **Exhibit A** to the Application.

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Application.

A. Disinterestedness and Eligibility

3. Based upon information supplied by Debtors' counsel, KPMG LLP, at the request of KPMGCF, searched its client database from May 2, 2005 and forward to identify any connection or relationship with the parties listed in **Exhibit 1** attached hereto and incorporated herein, which lists the following categories (i) Affiliates, (ii) Officers and Directors, (iii) Equity Holders, (iv) Top 20 Creditors and, (v) Lessors. As described in more detail below, this client database includes information regarding the business relationships of KPMGCF, KPMG Corporate Finance, KPMG LLP, and certain other member firms of KPMG International.

4. KPMG LLP's review consisted of queries of an internal computer database containing names of individuals and entities that are present or recent and former clients of KPMG LLP in order to identify potential relationships². This database includes engagement activity or potential engagement activity from May 2, 2005 forward. A summary of those current potential relationships that KPMG LLP was able to identify using its reasonable efforts is reflected in **Exhibit 2** attached hereto³. On an ongoing basis, KPMGCF will conduct further reviews of its professional contacts as and when the Debtors and/or its counsel advises KPMG LLP of the existence of new parties in interest, as is stated below. KPMGCF neither holds nor represents an interest adverse to the Debtors' estate that would impair KPMGCF's ability to

² As set forth in paragraph 10, KPMGCF is a wholly-owned subsidiary of KPMG Corporate Finance LLC, which is in turn a wholly owned subsidiary of KPMG LLP, the United States member firm of KPMG International, a Swiss cooperative of independent member firms. While KPMGCF, KPMG Corporate Finance, and KPMG LLP are separate and distinct legal entities from all other member firms of KPMG International, in an attempt to identify conflicts among or between KPMG International member firms, KPMG International has a global conflict internal computer database related to the engagement activity or potential engagement activity of a majority of such member firms since May 2, 2005. This database allows KPMG International member firms to identify potential conflicts between other KPMG International member firms. Financial information pertaining to engagement activity is the proprietary and confidential information of each individual member firm and KPMG LLP, KPMG Corporate Finance, and KPMGCF do not have any legal right to access, or if accessed, disclose, such information relating to other KPMG International member firms.

³ Exhibit 2 contains a list of the relationships or potential relationships of all KPMG International member firms (as opposed to solely KPMGCF) and one or more of the parties set forth on the conflicts checklist

perform professional services for the Debtors, in accordance with section 327 of the Bankruptcy Code.

5. To the best of my knowledge, KPMGCF is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, in that, KPMGCF:

- a) is not a creditor, an equity security holder, or an insider of the Debtors;
- b) is not and was not, within two years before the date of filing of these chapter 11 cases, a director, officer, or employee of the Debtors; and
- c) does not have an interest materially adverse to the interest of the Debtors' estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors or for any other reason.

6. As of the date the Debtors filed for bankruptcy protection, KPMGCF was not a "creditor" of the Debtors within the meaning of section 101(10) of the Bankruptcy Code.

7. To the best of my knowledge, except as set forth herein and in **Exhibit 2** attached hereto and incorporated herein by reference, (a) KPMGCF has no connections with the creditors, any other party-in-interest, or their respective attorneys and accountants; and (b) the KPMGCF professionals working on this matter are not relatives of and have no known connection with the United States Trustee of the Southern District of New York or of any known employee in the office thereof, or any United States Bankruptcy Judge of the Southern District of New York. Harold Bordwin, a professional with KPMGCF, has a social relationship with Judge Robert Drain. I do not believe that this relationship creates a conflict in connection with KPMGCF's retention by the Debtors.

8. KPMGCF has in the past been retained by, and presently provides and likely in the future will provide services for, certain creditors of the Debtors, other parties-in-interest and their respective attorneys and accountants in matters unrelated to such parties' claims against the

Debtors or interests in these chapter 11 cases. KPMGCF currently performs, has previously performed or may have performed such services for the entities listed in **Exhibit 2**, however, except as disclosed herein, such services, to the extent performed by KPMGCF, are unrelated to the Debtors or their chapter 11 cases.

9. KPMGCF has not provided, and will not provide, any professional services to any of the creditors, other parties-in-interest, or their respective attorneys and accountants with regard to any matter related to the Debtors or the Debtors chapter 11 cases.

10. As indicated above, KPMGCF is a wholly-owned subsidiary of KPMG Corporate Finance LLC, which is in turn a wholly-owned subsidiary of KPMG LLP. KPMG LLP is the United States member firm of KPMG International, a Swiss cooperative of member firms, each a separate legal entity, located worldwide. Only KPMGCF is being retained in this matter. KPMGCF cannot assure that an engagement will not be accepted by a foreign member firm of KPMG International for another party that may bear upon KPMGCF's engagement by the Debtors. However, to the extent KPMGCF is aware of such engagement and believes such engagement may bear upon KPMGCF's engagement by the Debtors, KPMGCF will file a supplemental declaration with the Bankruptcy Court.

11. As part of its practice, KPMGCF appears in many cases, proceedings, and transactions involving many different law firms, financial consultants, and investment bankers in matters unrelated to this bankruptcy case. KPMGCF has not identified any material relationships or connections with any law firm, financial consultant or investment banker involved in these chapter 11 cases that would cause it to be adverse to the Debtors, the Debtors' estates, any creditor or any other party-in-interest. If and when additional information becomes available with respect to any other relationships which may exist between KPMGCF, foreign member

firms of KPMG International, or their partners and professionals and the Debtor, creditors, or any other parties in interest which may affect this case, supplemental declarations describing such information shall be filed with this Court.

B. Compensation

12. As set forth in the Application, the Debtors request approval for KPMGCF to be compensated pursuant to the Agreement as follows:

- a. **Advisory Fee:** Company agrees to pay KPMGCF an earned, non-refundable engagement fee of \$25,000, payable immediately upon entry of the Order. Such fee shall not be subject to set-off.
- b. **Transactional Fees:** On the Lease Modification Agreement Date, KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, the greater of \$5,000 (the "Minimum Fee") or 4% of "Savings". Savings shall be calculated as the difference between (a) the Remaining Leasehold Liability payable by Company prior to the execution of the applicable Modification Agreement, and (b) the Remaining Leasehold Liability payable by Company following the execution of the applicable Modification Agreement.
- c. For Renegotiation Properties where annual rent is under \$85,000, the \$5,000 Minimum Fee referenced above in section 2.5, shall be reduced to \$3,500.
- d. **Transactional Fees Re: Balances Due Landlords:** For certain Renegotiation Properties, Company has outstanding balances of money due to the landlords upon the date of filing. Those balances shall be included in the attached Schedule A. KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, 4% of the savings. The calculation of savings for this specific provision shall be the difference between what Company owes as set forth on Schedule A and what Company and landlord agree Company shall pay to cure the outstanding balance(s). If the agreement does not provide for any reduction in the balance due but rather provides for an alternate payment schedule that is mutually agreed upon by landlord and Company, then in this situation alone, KPMGCF shall have earned and shall be paid, on a Renegotiation Property basis a flat fee of \$2,500 per agreement.
- e. Should Company accept and execute a Modification Agreement whereby there is a non-monetary change to the lease only, such as (but not limited to) the insertion of a termination or kick-out provision, then in this case alone KPMGCF shall have earned and shall be paid, on a Renegotiation Property basis, a flat fee of \$2,500 per agreement.
- f. With regards to negotiations and transactions where both a savings are achieved under sections 2.5 or 2.6 above and a non-monetary change to the lease has been agreed upon as per section 2.8 above, in this case KPMGCF shall earn only one

fee under either section 2.5 or 2.6 above and shall not also earn the fee set forth in section 2.8 above.

- g. Should KPMGCF earn a fee of at least \$5,000 or greater on a particular property under section 2.7 above ("Transactional Fees Re: Balances Due Landlords"), then in this situation should KPMGCF also be entitled to a fee under section 2.5 or 2.6 above, the fee earned under 2.5 or 2.6 shall be no greater than 33% of the savings achieved for Company.
- h. When Savings are being calculated, they shall be present valued at a 6% discount rate per annum.
- i. KPMGCF fees are due and immediately upon the mutual execution of a Modification Agreement and payable within 3 days of such execution.
- j. The Company agrees to advance to KPMGCF any out-of-pocket expenses approved by Company that exceed or are anticipated to exceed \$1,000 and to reimburse KPMGCF promptly upon request from time to time for all reasonable, out-of-pocket expenses not covered by an advance (including, without limitation, travel, communication and document production expenses, and the fees and expenses of counsel) incurred by KPMGCF pursuant to its engagement hereunder, whether or not a Transaction is consummated
- k. If Company arranges with a landlord for the modification of a Renegotiation Property's lease and Company begins to receive the benefits of that leasehold modification within twelve (12) months of the expiration of this Agreement, or Company executes a Modification Agreement within twelve (12) months of the expiration of this Agreement, then KPMGCF shall be entitled to a fee in accordance with the terms of this Agreement. Within ten (10) days following the expiration of this Agreement, KPMGCF will provide Company with a list indicating the status of pending landlord negotiations. .

13. Due to the transactional fee structure of the engagement, requiring KPMGCF to file periodic fee applications pursuant to sections 330 and 331 of the Bankruptcy Code and in compliance with Bankruptcy Rule 2016 and Local Rule 2016-1 is unnecessary. KPMGCF will not be compensated based upon time and effort expended, but instead, on either a fixed amount or percentage of the savings to the leased properties. Given the transactional nature of KPMGCF's engagement, I submit that recording and submission of detailed time entries for

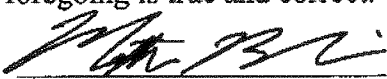
services rendered in these cases is unnecessary and would be unduly burdensome to KPMGCF. Accordingly, I request that the requirements of Local Rule 2016-1 be waived.

14. Under the circumstances, it is appropriate and reasonable for KPMGCF to be compensated pursuant to the terms of the Agreement without being required to file interim fee applications as contemplated by sections 330 and 331 of the Bankruptcy Code. KPMGCF will, however, file a summary final fee application that sets forth a summary of the Fees and expenses earned in connection thereof.

15. Furthermore, to the best of my knowledge, (a) no commitments have been made or received by KPMGCF with respect to compensation or payment in connection with these cases other than in accordance with the provisions of the Bankruptcy Code and (b) KPMGCF has no agreement with any other entity to share with such entity any compensation received by KPMGCF in connection with these chapter 11 cases.

I state under penalty that the foregoing is true and correct.

Dated: July 22, 2010



Matthew Bordwin
Manager
KPMG CF Realty LLC

Exhibit 1
Interested Parties

Affiliates

Jennifer Convertibles Boylston MA, Inc.
Jennifer Chicago Ltd.
Elegant Living Management, Ltd.
Hartsdale Convertibles, Inc.
Jennifer Acquisition Corp.
Jennifer Management III Corp.
Jennifer Media Corp.
Jennifer Purchasing Corp.
Jennifer Convertibles Licensing Corp.
Jennifer Management II Corp.
Jennifer Management V Ltd.
Jennifer Convertibles Natick, Inc.
Nicole Convertibles, Inc.
Nicholson Lane Convertibles, Inc.
Stewart Street Convertibles, Inc.
Valley Stream Convertibles, Inc.
Washington Heights Convertibles, Inc.

Officers and Directors

Harley Greenfield
Ed Seidner
Edward G. Bohn
Kevin J. Coyle
Leslie Falchhook
Rami Abada
Kevin Mattler
Mark Berman

Equity Holders

Harley Greenfield
Ed Seidner
Estate of Fred Love (or Jane Love)
Jara Enterprises, Inc.
David A. Belford
Edward G. Bohn
Kevin J. Coyle
Leslie Falchhook
Rami Abada
Kevin Mattler
Mark Berman
Kenneth Grossman
M. Shanken Communications, Inc.

Exhibit 1
Interested Parties

Aboodi, Nisssam
Wellington Trust Company, NA
Wellington Management Company
Strategic Turnaround Equity Partners, LP
Bruce Galloway
Gary Herman
Galloway Capital Management, LLC
Hans J. Klaussner and Klaussner Furniture Industries

Top 20 Creditors

Haining Mengnu Group
Klaussner Furniture Industries, Inc.
Ashley Furniture Industries
Boston Globe Advertising
Creative Television Marketing
Daily News, L.P.
Edward E. Finch and Company, Inc.
Newsday, Inc.
PIC TV Incorporated
PS Promotion
The Star Ledger
301 E 66th St. Assoc. Ltd. Ptnshp.
376 Boylston St. Realty Trust
Brent Associates, Inc.
Dobbin Corner, LLC
Hannington LP
Nam Won Paek or Soon M. Paek
Robert J. Sabbagh, or George A.
South 17 Assoc.
Woodbury Office Seven

Lessors

111 Realty Company
181st Washington Heights
1839 South Road, LLC
26 West 23rd Street LLC
280 Metro Limited Partnership
301 E 66th St Assoc Ltd Ptnshp
376 Boylston St. Realty Trust
4400 University Drive Ltd
8150 Leesburg Pike LLC
8812 Queens Boulevard, LLC
905 WPR, LLC

Exhibit 1
Interested Parties

Abill Realty Corp
AEK Associates
AMB-SGP CIF-1 LLC
Annapolis Harbour Center Assoc., LLLP
Athen's Land Company, L.L.C.
Ayelet Managment LLC
Bay Plaza West, LLC
Beller and Beller
BG Monmouth, LLC
Boca Pier Associates Ltd
BP-SP Associates
Brent Associates, Inc.
B.T.M.I. Ltd.
CBL-TRS Joint Venture II, LLC
Centro Watt Property Owner II, LLC
The Chavin Family Partnership
Cipriano Square Plaza Corp.
City Centre Philadelphia, PA
City of San Marcos
CJ Realty LP
Cohen Market Ventures, LLC
Corner Properties 2, LLC
Crosspointe Plaza, LLC
CW Waldorf Retail LP
D'Angelo Inc.
DDRTC Village Crossing LLC
IA Duluth Venture, L.L.C.
Diversey/Halsted Ltd Ptnship
Dobbin Corner, LLC
East Gate Center I Ltd. Ptshp.
El Cerrito Plaza
Equity Mgmt, LLC
Fata Equities, LLC
Federal Realty Investment Trust
Freemont Retail Partners LP
Funhouse Plaza, LLC
Glenn Herrigel & M Herrigel
GMM Consulting, Inc
Green Acres Metro Ltd Ptnshp
Green Acres Mall. LLC
Hannington LP
Herman Goldszlager, Sam & Sara Goldszlager
H.K. Bashi

Exhibit 1
Interested Parties

Holmdel Towne Center LLC
I & D Sherry
Inland American Retail Management, LLC
Inland Commercial Property
Investments Limited
Jacob Pearlstein, LLC
JBG/Montgomery Village, L.L.C.
Jerome H.Meyer & Co.
JGL Trustees Services
J.W. Mays, Inc.
Kimco Realty Corp
Kingsway Plaza Associates
Kir Cary, L.P.
Kir Torrance, L.P.
KSKIM Porter Equity Partners, LLC
LE Barasch of Toms River LLC
Lee Properties Inc.
Leesburg Pike Center LLC
Macomb Mall, LLC
Main Street At Exton, L.P.
M. Barry Schultz & Co
McKinley Corona
Mico Archibald Partners, LLC.
Middletown 1 Resources L.P.
Midland Pacific LLC
Midwood Management Corporation
Miramar Empire Plaza, LLC
MJD Investment Co.
Nam Won Paek or Soon M Paek
Narinder Garg
New England Expedition Manchester, LLC
Norcor Cicero Associates, LLC
NTH 255W, LLC
Oakland Square LLC
Ostrich, Inc.
Pembroke Place Property, LLC
Penn Jensen Beach Property, LLC
Penn Mar Associates, L.L.C.
PFF Main Street Chicago, LLC
Pine Top Associates
Plaza K Shopping Center
Pond Road Associates, LLC
Preit-Rubin, Inc.

Exhibit 1
Interested Parties

Ramco/West Oaks 11-Spring Meadows, LLC

Regency Centers, L.P.

Restful Furniture Corp

RJB-II Limited Partnership

Robert Gwynn

Robert J. Sabbagh, George A.

Rosenberg Family Partnership

Samuel Lotstein Realty Co LLC

SCI Cobb Place Fund, LLC

Seekonk Equities LLC

Shelby Corners, LLC

Sherwood 110 Corp.

Shiff Realty Trust

Shops on the Curve, LLC

Sivan Properties Corp.

South 17 Assoc

SSSG Realty Trust

Stratis Corporation

TMCC, Inc.

Todd Garrett LLC

Tommy Kennedy

Toys R Us - Delaware Inc.

Urban Retail Properties Co.

Urstadt Biddle Properties Inc.

Valencia Marketplace I LLC

Vicenti Asset LLC

VNN Group LLC

Walnut Associates, LP

Warm Springs Promenade, LLC

Weingarten Nostat Inc.

Westport Retail, LLC

The Winfield Group

Woodbury Office Seven

Zifkin Realty Management, LLC

Exhibit 2

KPMG's Relationships

Affiliates

Jennifer Convertibles Boylston MA, Inc.
Jennifer Chicago Ltd.
Elegant Living Management, Ltd.
Hartsdale Convertibles, Inc.
Jennifer Acquisition Corp.
Jennifer Management III Corp.
Jennifer Media Corp.
Jennifer Purchasing Corp.
Jennifer Convertibles Licensing Corp.
Jennifer Management II Corp.
Jennifer Management V Ltd.
Jennifer Convertibles Natick, Inc.
Nicole Convertibles, Inc.
Nicholson Lane Convertibles, Inc.
Stewart Street Convertibles, Inc.
Valley Stream Convertibles, Inc.
Washington Heights Convertibles, Inc.

Officers and Directors

Edward G. Bohn
Kevin J. Coyle

Equity Holders

Edward G. Bohn
Kevin J. Coyle
Kenneth Grossman
Wellington Trust Company, NA
Wellington Management Company
Strategic Turnaround Equity Partners, LP
Bruce Galloway
Gary Herman
Galloway Capital Management, LLC
Hans J. Klaussner and Klaussner Furniture Industries

Top 20 Creditors

Klaussner Furniture Industries, Inc.
Ashley Furniture Industries
Newsday, Inc.

Lessors

905 WPR, LLC
Abill Realty Corp

Exhibit 2
KPMG's Relationships

B.T.M.I. Ltd.
City of San Marcos
IA Duluth Venture, L.L.C.
Federal Realty Investment Trust
Freemont Retail Partners LP
Green Acres Mall. LLC
Inland American Retail Management, LLC
Inland Commercial Property
Kimco Realty Corp
New England Expedition Manchester, LLC
Pembroke Place Property, LLC
Preit-Rubin, Inc.
Regency Centers, L.P.
Tommy Kennedy
Toys R Us - Delaware Inc.
Urban Retail Properties Co.

Exhibit B

Proposed Order

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

-----X
In re:

JENNIFER CONVERTIBLES INC., *et al.*,

Debtors.
-----X

:

:

: Chapter 11

:

: Case No. 10-_____ ()

:

: Jointly Administered

:

:

:-----X

**ORDER AUTHORIZING EMPLOYMENT
AND RETENTION OF KPMG CF REALTY LLC, AS SPECIAL
REAL ESTATE ADVISOR FOR THE DEBTORS AS OF THE PETITION DATE**

Upon consideration of the Application (the “Application”) of Jennifer Convertibles Inc., and certain of its affiliates and related entities, as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order pursuant to Sections 327(a), 328(a) and 506(c) of the United States Bankruptcy Code (the “Bankruptcy Code”), Rules 2014, 2016 and 5002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2014-1 and 2016-1 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”), authorizing the employment and retention of KPMG CF Realty LLC (“KPMGCF”) as special real estate advisor for the Debtors, on the terms and conditions set forth in the agreement between certain of the Debtors and KPMGCF (the “Engagement Letter”),² attached as Exhibit B to the Motion; and it appearing that the Court has jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and it appearing that this matter is core pursuant to 28 U.S.C. § 157(b)(2)(A), (B) and (O); and it appearing that venue is proper in this District pursuant to 28 U.S.C. § 1408; and the Court having determined that the relief sought in the Application is in the

best interests of the Debtors, their estates and all parties in interest; KPMGCF is “disinterested” and eligible for retention pursuant to Sections 101(14) and 327(a) of the Bankruptcy Code, the terms of the Engagement Letter, the terms of the Engagement Letter are reasonable and appropriate; and upon the *Declaration of Matthew Bordwin in Support of the Debtors’ Application to Retain and Employ KPMG CF Realty LLC as Special Real Estate Advisor Nunc Pro Tunc to the Petition Date*; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that the Application is granted as set forth herein; and it is further

ORDERED that in accordance with Sections 327(a) and 328 of the Bankruptcy Code, Bankruptcy Rules 2014 and 2016, and Local Rules 2014-1 and 2016-1, the Debtors are authorized to employ and retain KPMGCF in accordance with the terms and conditions set forth in the Engagement Letter as of the Petition Date; and it is further

ORDERED that notwithstanding the foregoing paragraph, KPMGCF shall be entitled to payment according to its fee structure pursuant to section 328(a) of the Bankruptcy Code and not any other standard, including section 330 of the Bankruptcy Code; and it is further

ORDERED that KPMGCF is authorized to perform the services set forth in the Engagement Letter, including:

- a. organize the lease information for each Renegotiation Property in a manner that clearly displays the store and lease economics. KPMGCF and Company will jointly establish negotiating goals and parameters, such as rent reductions, lease term modifications, and other leasehold concessions.
- b. contact the landlord for each Renegotiation Property and will seek to negotiate with the landlord for modifications in accordance with the parameters established by Company.

- c. work with the landlords, the Company, and the Company's counsel to document all lease modification proposals

ORDERED that the Debtors are authorized to compensate KPMGCF in accordance with the terms of the Engagement Letter; and it is further

ORDERED that KPMGCF will not be required to file interim fee applications pursuant to Sections 330 and 331 of the Bankruptcy Code or keep time records in connection with its services performed under the Engagement Letter; and it is further

ORDERED that KPMGCF's fees and expenses provided for in the Engagement Letter shall be treated as administrative expense claims and shall be entitled to a carve out for payment pursuant to Section 506(c) of the Bankruptcy Code; and it is further

ORDERED that KPMGCF's fees provided for in the Engagement Letter (including the Fee) are reasonable and shall not constitute a "bonus" under applicable law; and it is further

ORDERED that all requests of KPMGCF for payment of indemnity pursuant to the Engagement Letter shall be made by means of an application (interim or final as the case may be) and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Engagement Letter and is reasonable based on the circumstances of the litigation or settlement in respect of which indemnity is sought, provided, however, that in no event shall KPMGCF be indemnified in the case of its own bad-faith, self dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct; and it is further

ORDERED that in no event shall KPMGCF be indemnified if the Debtors or a representative of the estate, asserts a claim for, and a court determines by final order that such claim arose out of, KPMGCF's own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct; and it is further

ORDERED that in the event KPMGCF seeks reimbursement for attorneys' fees from the Debtors pursuant to the indemnity provisions in the Engagement Letter, the invoices and supporting time records from such attorneys shall be included in KPMGCF's own applications for approval of indemnity payments (both interim and final) and such invoices and time records shall be subject to the United States Trustee's guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court under the standards of Sections 330 and 331 of the Bankruptcy Code without regard to whether such attorney has been retained under Section 327 of the Bankruptcy Code and without regard to whether such attorney's services satisfy Section 330(a)(3)(C) of the Bankruptcy Code; and it is further

ORDERED that the Debtors are authorized, empowered and directed to take all actions necessary to implement the relief granted pursuant to this Order; and it is further

ORDERED that during the pendency of these cases, this Court shall retain jurisdiction with respect to all matters arising from or relating to the implementation of this Order and neither the Debtors nor KPMGCF shall be required to seek authorization from any other jurisdiction with respect to the relief granted by this Order.

Dated: New York, New

York

UNITED STATES BANKRUPTCY JUDGE

_____, 2010

Exhibit C

Engagement Letter

July 22, 2010

Jennifer Convertibles, Inc.
419 Crossways Park Drive
Woodbury, NY 11797
Attention: Rami Abada

Dear Mr. Abada:

By this agreement (this "Agreement"), KPMG CF Realty LLC ("KPMGCF") agrees to act as a Special Real Estate Advisor to Jennifer Convertibles, Inc., Debtor in Possession ("Company"), and Company hereby retains KPMGCF, upon the terms and conditions set forth below, as its Special Real Estate Advisor with respect to the restructuring and renegotiation of Company's real estate leases.

1. **Definitions**

The following terms as used herein have the following meanings.

- a. "Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York.
- b. "Code" means the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.*
- c. "Member Firm" means a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
- d. "Order" shall mean any applicable Order issued by the Bankruptcy Court approving this Agreement.

2. **Services and Fees**

1. Authority. KPMGCF shall have the sole and exclusive authority to represent Company in the negotiation of lease modification agreements with respect to those Properties listed on Exhibit "A" attached hereto and incorporated herein (the "Renegotiation Properties"). All communications and inquiries from landlords regarding the negotiation of rental adjustments and other lease modifications regarding a Renegotiation Property, whether directed to Company (including but not limited to its officers, agents and employees), or Company's counsel, accountants or other professionals, shall be re-directed to KPMGCF. Company shall retain the complete discretion to accept or reject any proposal regarding a Renegotiation Property.
2. During the term of this Agreement, KPMGCF shall provide the following services with respect to all Renegotiation Properties:
 - a. KPMGCF will organize the lease information for each Renegotiation Property in a manner that clearly displays the store and lease economics. KPMGCF and Company will jointly establish negotiating goals and parameters, such as rent reductions, lease term modifications, and other leasehold concessions.

- b. KPMGCF will contact the landlord for each Renegotiation Property and will seek to negotiate with the landlord for modifications in accordance with the parameters established by Company.
 - c. KPMGCF will work with the landlords, the Company, and the Company's counsel to document all lease modification proposals.
3. Definitions Related to Transactional Fees:
- a. Modification Agreement: The term "Modification Agreement" shall refer to a fully executed agreement between Company and a landlord, which agreement results in the modification of the terms of a Renegotiation Property lease by, among other things, a rent reduction, modification of the remaining term of the lease, a reduction in the size of the premises or a lease termination.
 - b. Lease Modification Agreement Date: The term "Lease Modification Agreement Date" shall be the date of full and complete execution of a Modification Agreement.
 - c. Remaining Leasehold Liability: The parties hereto shall together calculate the total remaining occupancy costs for each Renegotiation Property pursuant to the applicable lease. The parties agree that such calculation shall subsequently be adjusted (A) so as to be calculated as of the "Lease Modification Agreement Date" (as defined above), and (B) so as to take into account any updated or corrected data. This calculation of total remaining occupancy costs shall include all base rent and additional charges projected to be paid directly to the landlord for the remaining term of the applicable lease (excluding any options to renew or extend the term of the lease, unless the terms of the renewal option provisions are a subject of the lease modification, in which event the calculation of Remaining Leasehold Liability shall extend into such renewal option term), including but not limited to percentage rent, unamortized construction allowances, common area maintenance, real estate taxes, insurance and other related expenses, to be determined at the rate in effect at execution of the applicable Modification Agreement, taking into account any future increases set forth in the lease (but without taking into account inflation). The aggregate remaining occupancy costs, on a lease by lease basis, shall be referred to as the "Remaining Leasehold Liability".
4. Advisory Fee. Upon the mutual execution of this Agreement Company agrees to immediately pay KPMGCF an engagement fee of \$25,000. This engagement fee becomes earned, and non-refundable upon entry of the Order. Such fee shall not be subject to set-off.
5. Transactional Fees: On the Lease Modification Agreement Date, KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, the greater of \$5,000 (the "Minimum Fee") or 4% of "Savings". Savings shall be calculated as the difference between (a) the Remaining Leasehold Liability payable by Company prior to the execution of the applicable Modification Agreement, and (b) the Remaining

Leasehold Liability payable by Company following the execution of the applicable Modification Agreement.

6. For Renegotiation Properties where annual rent is under \$85,000, the \$5,000 Minimum Fee referenced above in section 2.5, shall be reduced to \$3,500.
7. Transactional Fees Re: Balances Due Landlords: For certain Renegotiation Properties, Company has outstanding balances of money due to the landlords upon the date of filing. Those balances shall be included in the attached Schedule A. KPMGCF shall have earned and shall be paid, on a per Renegotiation Property basis, 4% of the savings. The calculation of savings for this specific provision shall be the difference between what Company owes as set forth on Schedule A and what Company and landlord agree Company shall pay to cure the outstanding balance(s). If the agreement does not provide for any reduction in the balance due but rather provides for an alternate payment schedule that is mutually agreed upon by landlord and Company, then in this situation alone, KPMGCF shall have earned and shall be paid, on a Renegotiation Property basis a flat fee of \$2,500 per agreement.
8. Should Company accept and execute a Modification Agreement whereby there is a non-monetary change to the lease only, such as (but not limited to) the insertion of a termination or kick-out provision, then in this case alone KPMGCF shall have earned and shall be paid, on a Renegotiation Property basis, a flat fee of \$2,500 per agreement.
9. With regards to negotiations and transactions where both a savings are achieved under sections 2.5 or 2.6 above and a non-monetary change to the lease has been agreed upon as per section 2.8 above, in this case KPMGCF shall earn only one fee under either section 2.5 or 2.6 above and shall not also earn the fee set forth in section 2.8 above.
10. Should KPMGCF earn a fee of at least \$5,000 or greater on a particular property under section 2.7 above ("Transactional Fees Re: Balances Due Landlords"), then in this situation should KPMGCF also be entitled to a fee under section 2.5 or 2.6 above, the fee earned under 2.5 or 2.6 shall be no greater than 33% of the savings achieved for Company.
11. When Savings are being calculated, they shall be present valued at a 6% discount rate per annum.
12. KPMGCF fees are due and immediately upon the mutual execution of a Modification Agreement and payable within 3 days of such execution.

3. Expenses

The Company agrees to advance to KPMGCF any out-of-pocket expenses approved by Company that exceed or are anticipated to exceed \$1,000 and to reimburse KPMGCF promptly upon request from time to time for all reasonable, out-of-pocket expenses not covered by an advance (including, without limitation, travel, communication and document production expenses, and the fees and expenses of counsel) incurred by KPMGCF pursuant to its engagement hereunder, whether or not a Transaction is consummated.

4. Survival

If Company arranges with a landlord for the modification of a Renegotiation Property's lease and Company begins to receive the benefits of that leasehold modification within twelve (12) months of the expiration of this Agreement, or Company executes a Modification Agreement within twelve (12) months of the expiration of this Agreement, then KPMGCF shall be entitled to a fee in accordance with the terms of this Agreement. Within ten (10) days following the expiration of this Agreement, KPMGCF will provide Company with a list indicating the status of pending landlord negotiations.

5. Indemnity, Contribution, Reimbursement, and Limitation of Liability

The Company agrees to the limitation of liability and contribution provisions and to indemnify KPMGCF and certain other entities and persons as set forth in Schedule I attached hereto and incorporated herein.

6. Company Responsibilities and Information to be Supplied

- a. Company shall, within two (2) business days of the execution of this Agreement by all parties hereto, seek an Order authorizing the employment of KPMGCF as of the date of this Agreement pursuant to the terms of this Agreement, as professional persons pursuant to Section 327 of the Code (with compensation subject to the standard of review of Section 328(a) of the Code and not any other standard, including that provided in Section 330 of the Code). The employment application and the Order authorizing employment of KPMGCF shall be provided to KPMGCF sufficiently in advance of their filing, and must be acceptable to KPMGCF in its sole discretion.
 - i. An acceptable Order shall include, without limitation, the following terms and conditions: (A) a finding that none of the fees payable to KPMGCF hereunder shall constitute a "bonus" under applicable law; (B) a finding that KPMGCF is exempt from the requirement to keep time records for its work hereunder (unless KPMGCF services are being billed by the hour); (C) a finding that that all of KPMGCF's fees and expenses shall be treated as administrative expense claims in the Company's bankruptcy case; (D) a finding that all of KPMGCF's fees and expenses shall be entitled to a carve-out for payment pursuant to Section 506(c) of the Bankruptcy Code; and (E) a finding that the terms and conditions of this Agreement are "reasonable." If the Order authorizing the employment of KPMGCF is obtained, the Company shall pay all fees and expenses as promptly as possible in accordance with the terms of this Agreement and the Order.
 - ii. If the Company obtains an order of the Bankruptcy Court authorizing financing or cash collateral use and such order requires the submission of a budget by the

Company delineating its post-petition expenditures, such budget shall expressly include all amounts projected to be paid to KPMGCF pursuant to the terms of this Agreement. In addition, any stipulation or order for financing or cash collateral use shall include all amounts to be paid to KPMGCF pursuant to the terms of this Agreement among any carve-out to be provided professionals in the Company's bankruptcy case.

- iii. This Agreement shall be binding upon the Company and KPMGCF only upon approval of the Bankruptcy Court. The terms of this Section 6.a are solely for the benefit and protection of KPMGCF and may be waived, in whole or in part, only by KPMGCF.
- b. Company shall deal with KPMGCF fairly and in good faith so as to allow KPMGCF to perform its duties and earn the benefits of this Agreement and shall not interfere, prevent or prohibit KPMGCF, in any manner, from carrying out its duties and obligations under the Agreement.
- c. The Company shall make available to KPMGCF all financial and other information requested by it for the purpose of its performance hereunder, including but not limited to the information requested on Exhibit "B" attached hereto and incorporated by reference. . All information provided by Company shall be materially accurate and complete at the time it is furnished and Company shall, as soon as it becomes aware of any inaccuracy or incompleteness in any information then or later provided to KPMGCF, promptly advise KPMGCF in writing of such inaccuracy or incompleteness and correct the same. KPMGCF shall under all circumstances have the right to rely, without independent verification, on the accuracy and completeness of all such information supplied to KPMGCF in connection with KPMGCF's engagement hereunder and shall not be responsible for the inaccuracy or incompleteness of any information provided to it.

7. Announcement

When the engagement is completed, KPMGCF may include the nature of the engagement in proposals or otherwise publicize the engagement and KPMGCF's role in it (which may include the reproduction of the Company's logo) on KPMGCF's internet web site and in such newspapers and periodicals as it may choose.

8. Term of Agreement and Termination

Subject to the approval of the Bankruptcy Court, the term of KPMGCF's retention shall be from the date of Company's execution of this Agreement through the closing of the last Property Transaction approved by the Bankruptcy Court or for a period of nine (9) months, whichever comes first, which term can be extended pursuant to the same terms and conditions and by the mutual consent of the parties without the need for further application to the Court.

9. Multiple Clients

From time to time, KPMGCF, or a Member Firm, may and shall have the right to advise or provide services to several industry participants, some of which may be competitors or landlords of the Company. The Company, its directors and shareholders, waive any right to commence any action, suit or proceeding

or make any demand, complaint or claim against KPMGCF and Member Firms, and its and their subsidiaries or affiliates, or their partners, principals, directors, members, officers, employees or other personnel, that arises out of KPMGCF's, or a Member Firm's, right to advise or provide services to industry competitors or landlords of the Company.

10. Dispute Resolution

The Bankruptcy Court has and shall retain jurisdiction to hear and determine all matters arising from the implementation or execution of this Agreement, and neither the Company nor KPMGCF shall be required to seek authorization from any other jurisdiction with respect to the relief granted by the Order approving this Agreement. Any and all issues, disputes, claims or causes of action which relate or pertain to, or result or arise from, this Agreement or KPMGCF's services hereunder, shall be settled by the Bankruptcy Court, with venue vesting in that district in which the Company's proceeding is being heard. The Bankruptcy Court shall be limited to awarding compensatory damages and the parties hereto hereby waive their right to seek punitive, consequential, exemplary or similar types of special damages. The parties hereto expressly waive all rights to a trial by jury in any action arising out of or relating to this Agreement

11. Miscellaneous

- a. The services to be provided by KPMGCF pursuant to this Agreement are transactional in nature. KPMGCF will not be billing Company by the hour nor keeping a record of its time spent on behalf of Company.
- b. KPMGCF may communicate with Company by electronic mail or otherwise transmit documents in electronic form during the course of this engagement. Company accepts the inherent risks of these forms of communication (including the security risks of interception of or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices) and agrees that it may rely only upon a final hardcopy version of a document or other communication that KPMGCF transmits to Company.
- c. Any correspondence or required notice shall be addressed as follows and shall be sent by Certified Mail, Return Receipt Requested, or by overnight courier, either of which notices shall be supplemented by facsimile and/or email transmission, and shall be effective as of the date of actual receipt of the Certified Mail or overnight courier. Such notice shall be addressed as follows:

If to KPMGCF, to: Harold Bordwin
KPMG Corporate Finance LLC
757 Third Ave, 16th Fl.
New York, NY 10017
(212) 872-3085
hbordwin@kpmg.com

- and -

Matthew Bordwin
KPMG Corporate Finance LLC
1305 Walt Whitman Road, Suite 200
Melville, NY 11747

(631)-421-8282
mbordwin@kpmg.com

If to Company: Jennifer Convertibles, Inc
419 Crossways Park Drive
Woodbury, NY 11797
ATTN: Rami Abada
(516) 496-1900
Email: _____

With a copy to:

- d. Upon the commencement of this Agreement, it shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns. This Agreement contains the entire agreement between the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, entered into prior to the execution of this Agreement will alter the covenants, agreements and undertakings herein set forth. This Agreement shall not be modified in any manner, except by an instrument in writing executed by the parties.
- e. In the event the proceeding is converted from the Chapter 11 to Chapter 7, this Agreement shall remain in full force and effect.
- f. This Agreement shall be construed fairly as to all parties and there shall be no presumption against the party who drafted this Agreement in the interpretation of this Agreement.
- g. By executing or otherwise accepting this Agreement, Company and KPMGCF acknowledge and represent that they are represented by and have consulted with legal counsel with respect to the terms and conditions contained herein.
- h. Any advice rendered by KPMGCF pursuant to this Agreement, written or oral, will be solely for the information of the Company and may not be disclosed publicly in any manner without KPMGCF's prior written approval and will be treated by the Company as confidential.
- i. The Company's obligations hereunder shall survive any change in control or ownership of the Company.
- j. KPMGCF may, in its discretion, request that employees of Member Firms assist KPMGCF in its performance under this Agreement. KPMGCF will remain responsible to Company for the conduct of any such Member Firms in connection with the performance of this Agreement. Company acknowledges that Member Firms are not parties to this Agreement and the obligations set out in this Agreement are intended to be enforceable by Company only against KPMGCF.
- k. KPMGCF shall have no liability for delays, failure in performance, or damages due to fire, explosion, lighting, power surges or failures, strikes or labor disputes, water, acts of god, the elements, war, civil disturbances, acts of civil or military authorities, telecommunications

failure, fuel or energy shortages, acts or omissions of communications carriers, or other causes beyond KPMGCF's control whether or not similar to the foregoing.


- l. KPMGCF shall retain ownership of the copyright and all other intellectual property rights in the product of KPMGCF's services performed hereunder, whether oral or tangible, and ownership of KPMGCF's work papers. Company shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMGCF's fees and full reimbursement of expenses. For the purposes of delivering services to Company and other KPMGCF clients, KPMGCF and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder.
- m. Company shall not sell, assign, or otherwise transfer its rights, interests, or obligations hereunder without prior written approval of KPMGCF.
- n. Any term or provision of this Agreement that is held invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provisions in any other situation or in any other jurisdiction.
- o. For engagements where services will be provided by KPMGCF through offices located in California, Company acknowledges that certain of KPMGCF's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.
- p. Where KPMGCF is reimbursed for expenses, it is KPMGCF's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMGCF subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMGCF does not credit such payment to Client. Instead, KPMGCF applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMGCF's standard billing rates and certain transaction charges that may be charged to clients.

If the foregoing correctly sets forth the agreement between the Company and KPMGCF, please sign and return the enclosed copy of this Agreement, whereupon it shall become our binding agreement to be governed by the internal laws of the State of New York, without regard to its conflict of law principles.

This Agreement may be executed in two or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Facsimile and electronic transmission (including the email delivery of documents in Adobe PDF format) of any signed original counterpart or retransmission of any signed facsimile transmission shall be deemed the same as the delivery of the original.

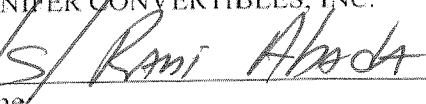
Very truly yours,

KPMG CF REALTY LLC

By: 
Name: Matthew Bolden
Title: Manager

Accepted as of the date first written above:

JENNIFER CONVERTIBLES, INC.

By: 
Name: _____
Title: _____

SCHEDULE I

1. Indemnification

The Company shall defend, indemnify and hold harmless KPMGCF, its affiliates, and their respective directors, officers, partners, principals, members, employees, agents, representatives and controlling persons (KPMGCF and each such entity or person being an "Indemnified Party") from and against any and all losses, claims, damages, expenses and liabilities (collectively, "Losses"), as incurred, to which such Indemnified Party may become subject, related to or arising out of activities performed by or on behalf of an Indemnified Party pursuant to this Agreement, any transactions contemplated hereby, or the Indemnified Party's role in connection therewith. The Company shall have no obligation to indemnify and hold harmless an Indemnified Party for any Losses found in a final judgment by a Court of competent jurisdiction to have resulted primarily from actions taken or omitted to be taken by the Indemnified Party in bad faith or from the Indemnified Party's gross negligence or willful misconduct in performing the services described.

Promptly after receipt by an Indemnified Party of notice of any claim or the commencement of any action, suit or proceeding with respect to which an Indemnified Party may be entitled to indemnity hereunder, the Indemnified Party will notify the Company in writing of such claim or of the commencement of such action or proceeding, provided that the failure to notify the Company shall not relieve it from any liability under this Agreement except to the extent it has been materially prejudiced by such failure. The Company may, upon written notice to the Indemnified Party, assume the defense of such claim, action, suit or proceeding, will employ counsel satisfactory to the Indemnified Party to represent the Indemnified Party, and will pay the fees and disbursements of such counsel, as incurred. Each Indemnified Party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the Company shall not have the right to assume the defense of such claim, action, suit or proceeding and shall pay or reimburse as incurred the fees and expenses of not more than one separate law firm per relevant jurisdiction (including local counsel) representing such Indemnified Party if (a) the Company shall have failed to timely assume the defense of such claim, action, suit, or proceeding, or (b) the named parties to any such claim, action, suit, or proceeding (including any impleaded parties) include one or more Indemnified Parties and the Company and the Indemnified Party shall have reasonably concluded that a conflict may arise between the positions of the Indemnified Party and the Company or that there may be legal defenses available to it that are different from or additional to those available to the Company.

The Company shall not be liable for any settlement of any claim, action, suit, or proceeding without its consent (which consent shall not be unreasonably withheld), but, if settled with its consent or if there be final judgment for a plaintiff in any claim, suit, action, or proceeding, the Company shall defend, indemnify, and hold harmless each Indemnified Party from and against any and all Losses by reason of such settlement or judgment to the extent provided in this Agreement. Notwithstanding the immediately preceding sentence, if at any time an Indemnified Party shall have requested the Company to reimburse such Indemnified Party for legal or other expenses in connection with investigating, responding to, or defending any claim, action, suit, or proceeding as contemplated by this Agreement, the Company shall be liable for any settlement of any such claim, action, suit, or proceeding without its consent if (a) such settlement is entered into more than 30 days after receipt by the Company of such request for reimbursement and (b) the Company shall not have reimbursed such Indemnified Party in accordance with such request prior to the date of such settlement. The Company shall not, without the Indemnified Party's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under this

Agreement (whether or not any Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding and does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any Indemnified Party.

In the event any Indemnified Party is requested or required to appear as a witness in any action, suit or proceeding brought by or on behalf of or against the Company or any affiliate or any participant in a Transaction covered hereby in which such Indemnified Party is not named as a party, the Company agrees to reimburse the Indemnified Party for all reasonable expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as a witness, including, without limitation, the fees and disbursements of its legal counsel, and to compensate KPMGCF at its then-prevailing hourly rates.

2. Contribution

If for any reason the indemnification provided in this Agreement is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless, the Company shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received or proposed to be received by the Company on one hand and the Indemnified Party on the other hand in connection with services provided by KPMGCF under this Agreement. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, the Company shall contribute to such amount paid or payable by any Indemnified Party to reflect not only the relative benefits but also the relative fault of the Company on the one hand and the Indemnified Parties on the other hand in connection with any actions or omissions or any other matters that result in any such Losses as well as any other relevant equitable considerations. Relative benefits to the Company, on the one hand, and to an Indemnified Party, on the other hand, shall be deemed to be in the same proportion as (a) the total transaction value of the transaction(s) or proposed transaction(s) bears to (b) all fees actually received by KPMGCF under the Agreement. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to all Losses shall not exceed the amount of fees actually received by KPMGCF under this Agreement.

3. Reimbursement of Litigation Expenses

The Company also agrees to reimburse KPMGCF, its affiliates, and their respective directors, officers, partners, principals, members, employees, agents, representatives and controlling persons for all expenses (including counsel fees and disbursements) as they are incurred by such entity or person in connection with the investigation of, preparation for, or defense of any pending or threatened claim, or any action, investigation, suit or proceeding related to or arising out of activities performed by or on behalf of such entity or person pursuant to this Agreement, any transactions contemplated hereby, or its or his role in connection therewith, whether or not such entity or person is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Company.

4. Limitation of Liability

The Company also agrees that KPMGCF, its affiliates, and their respective directors, officers, partners, principals, members, employees, agents, representatives and controlling persons shall not be liable (whether directly or indirectly, in contract or tort or otherwise) to the Company or its security holders or creditors, for any matter, cause or thing related to or arising out of the engagement of KPMGCF pursuant

to, or the performance by KPMGCF of the services contemplated by, this Agreement, except to the extent that KPMGCF is found in a final judgment by a Court of competent jurisdiction to have acted or failed to act in bad faith or with gross negligence or willful misconduct in performing the services described in this Agreement.

The provisions of Schedule I shall be in addition to any liability that the Company may otherwise have and shall be binding upon and inure to the benefit of any successors, assigns, heirs, and personal representatives of the Company. These provisions shall be operative in full force and effect regardless of any termination or expiration of this Agreement.

EXHIBIT A

[INSERT PROPERTIES]

EXHIBIT B

With respect to each leased Property, please provide us with the following data:

1. An Excel spreadsheet identifying
 - a. store number
 - b. store name
 - c. store street address
 - d. city
 - e. state
 - f. tenant name,
 - g. landlord name, contact person, address, telephone and facsimile numbers,
 - h. lease commencement date,
 - i. lease termination date,
 - j. lease renewal options,
 - k. square footage of premises,
 - l. base rent per square foot,
 - m. current total annual base rent,
 - n. current total annual additional charges,
 - o. itemization of additional charges,
 - p. rent escalations,
 - q. option rent,
 - r. use clause,
 - s. assignment and subletting clause,
 - t. percent rent,
 - u. annual sales per square foot for each of the past 3 years,
 - v. four wall contribution for each of the past 3 years,
 - w. continuous operating clause (y/n),
 - x. recapture clause (y/n),
 - y. kick-out clause (y/n),
 - z. current on rent and additional occupancy costs (y/n),
 - aa. [amount of pre-petition defaults],
 - bb. [amount of post-petition defaults],
 - cc. third party guarantee of lease (y/n),
 - dd. security deposit (y/n),
 - ee. unused construction allowance (y/n),
 - ff. FF&E owned free and clear (y/n)
2. Lease Abstracts or summaries for each lease
3. Store plans;

Store	Store Address
ALW	2300 Broadway, New York NY 10024
BAR	8515 4th Avenue, Brooklyn NY 11209
BP	1770 Boston Post Road, Milford CT 06460
CR	1000 East Imperial Highway, Ste A3, Brea CA 92821
CCB	33 Colma Boulevard, Colma CA 94014
CCC	5905 Sepulveda Boulevard, Culver City CA 90230
CD	6698 Amador Plaza Road, Dublin CA 94568
CEL	4060 El Cerrito Plaza, El Cerrito CA 94530
CFH	39005 Fremont Hub, Fremont CA 94538
CG	114 N Brand Boulevard, Glendale CA 91203
CHB	16672 Beach Boulevard, Suite C, Huntington Beach CA 92647
CLH	24315 Avenida De La Carlotta, Laguna Hills CA 92653
CLT	18477 Ventura Boulevard, Tarzana CA 91356
CMC	9177 R Central Avenue, Montclair CA 91763
CP(JLG)	168D Glen Cove Road, Carle Place NY 11514
CPA	80 North Lake Avenue, Pasadena CA 91101
CRP	5673 Redwood Drive, Rohnert Park CA 94928
CS	3550 Stevens Creek Boulevard, Ste 130, San Jose CA 95117
CSA	729 Fourth Street, San Rafael CA 94901
CSJ	944 Blossom Hill Road, San Jose CA 95123
CSM	1745 S. El Camino Real, San Mateo CA 94402
CT	19510 Hawthorne Boulevard, Torrance CA 90503
CTO	125 N. Moorpark Road, Thousand Oaks CA 91360
CTU	2836 El Camino Real, Ste. 2836, Tustin CA 92780
CU	383 University Avenue, Palo Alto CA 94301
CVN	1900 Van Ness Avenue, San Francisco CA 94109
CWH	8751 Beverly Boulevard, West Hollywood CA 90048
DAN	15 Backus Avenue, Danbury Square, Danbury CT 06813
EB	285-291 Route 18 South, East Brunswick NJ 08816
FCL	1711 Broad Hollow Road, Farmingdale NY 11735
FF	1001 & 1681A Broad Hollow Road & Sherwood Ave, Farmingdale NY 11735
FR	4345 Highway 9, Freehold NJ 07728
GEO	1634 Wisconsin Avenue NW, Washington DC 20007
HC	365 Central Park Avenue, Scarsdale NY 10583
HNJ	2101 Highway 35, Holmdel Towne Center, Holmdel NJ 07733
HNY	74 West 125th Street, Harlem NY 10027
HR	1145 High Ridge Road, Stamford CT 06905
JGC	2400 Grand Concourse, Bronx NY 10458
JLE	88-12 Queens Boulevard, Elmhurst NY 11373
JLF	1681 Broad Hollow Road, Farmingdale NY 11735
JLG	168A Glen Cove Road, Carle Place NY 11514
JLK / KHC	2078 Coney Island Avenue, Brooklyn NY 11223
JLV	300 Sunrise Highway, Valley Stream NY 11581
JLY	2373 Central Avenue, Yonkers NY 10710
JML	270 Consumer Square, Mays Landing NJ 08330
JP	East 255 Route 4, Paramus NJ 07652
JSH	688 Morris Turnpike, Short Hills NJ 07078
JSO	936 US Highway 22 East, Somerville NJ 08876
JUC	2550 Hwy 22 East, Union NJ 07083
JWC	171 US Highway 1 South, Metuchen NJ 08840
KP	2417 Flatbush Avenue, Brooklyn NY 11234
LBC	310 Highway 36, West Long Branch NJ 07764
LNJ	180 Mercer Mall - 3375 Route 1, Lawrenceville NJ 08648
LVV	8150 Leesburg Pike, Vienna VA 22182
MCO	6478 Dobbin Center Way, Suite 300, Columbia MD 21045
MFO	3230 Donnell Drive, Forestville MD 20747
MGC	8849-51 Greenbelt Road, Greenbelt MD 20770
MNJ	105b Nixon Drive-East Gate Square, Mt. Laurel NJ 08054
MNY	470 Route 211 East - Suite 20, Middletown NY 10940
MP	9616 Reisters Towne Road, Owings Mills MD 21117
MR	11520A Rockville Pike, Rockville MD 20852
MW	8153 D Honeygo Boulevard, White Marsh MD 21236
MWA	3018 Festival Way, Waldorf MD 20601
PRS	185 Route 17 South, Paramus NJ 07652
PSL	418-420 5th Avenue, Park Slope NY 11215
REF(JLE)	8812-8820 Queens Boulevard, Elmhurst NY 11373
RF	Hudson Mall, Route 440, Jersey City NJ 07304
RF5	205 Route 46 West, Totowa NJ 07052
RS	1807 Post Road East, Westport CT 06880
RT	31-21 Route 10, Denville NJ 07834
SAB	1905 A Story Avenue, Bronx NY 10473
SH(JSH)	688-700 Morris Turnpike, Short Hills NJ 07078
SI	2823 Richmond Avenue, Staten Island NY 10314
SIP	229 Independence Plaza, Selden NY 11784
TAC	111 3rd Avenue, New York NY 10003
TNJ	165-169 Rt 37 E @ Hooper Avenue, Toms River NJ 08753
TTS	26 West 23rd Street, New York NY 10010
UAY	2092 Bartow Avenue, Bronx NY 10475
UEH	375 County Road # 39, Southampton NY 11968
UFS	965 Third Avenue, New York NY 10022
UHB	160-10 Crossway Boulevard, Howard Beach NY 11414
UJB	1696 Sunrise Highway, Bayshore NY 11706

Store	Store Address
UJC	85 East Route 59 , Nanuet NY 10954
UJN	190-10 Northern Boulevard , Flushing NY 11358
ULC	229 Livingston Street , Brooklyn NY 11201
UMA	2572 Solomons Island Road , Annapolis MD 21401
UPA	325 North Broadway , Jericho NY 11753
UPG	499-53 West Sunrise Highway , Patchogue NY 11772
UPK	3087 East Main Street , Mohegan Lake NY 10547
USC	30-52 Steinway Street , Astoria NY 11103
UTS	902 Broadway , NY NY 10010
VBC	3501-B South Jefferson St. - Leesburg Pike Plaza , Baileys Crossroads VA 22041
WGA	2530-A Lindsay Private , Ontario CA 91761
WFN	1839 South Road , Wappingers Falls NY 12590
WNJ	1 Industrial Road, #141 , Dayton NJ 27344
WSF	
JLS	1274 Second Avenue , New York NY 10065