

KELLEY DRYE & WARREN LLP
James S. Carr
Jason R. Adams
101 Park Avenue
New York, New York 10178
Tel: 212-808-7800
Fax: 212-808-7897

Counsel to The Trust Administrator For
The Jennifer Convertibles Litigation Trust

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

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In re:) Chapter 11
)
JENNIFER CONVERTIBLES, INC., <i>et al.</i> ¹) Case No. 10-13779 (ALG)
)
Reorganized Debtors.) (Jointly Administered)
)
)
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**FIRST POST-CONFIRMATION STATUS REPORT OF THE TRUST
ADMINISTRATOR FOR THE JENNIFER CONVERTIBLES LITIGATION TRUST**

This *First Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust* (the "First Report") is filed in accordance with:

- (i) Paragraph 18 of the *Findings of Fact, Conclusions of Law, and Order Confirming the Amended Joint Chapter 11 Plan of Reorganization of Jennifer Convertibles, Inc. and its Affiliated Debtors* entered in the above-captioned cases on February 9, 2011 (the "Confirmation Order")²; (ii) Article IX of the *Amended Joint Chapter 11 Plan of Reorganization for Jennifer*

¹ The debtors in these chapter 11 cases are: (i) Jennifer Convertibles, Inc.; (ii) Jennifer Convertibles Boylston MA, Inc.; (iii) Jennifer Chicago Ltd.; (iv) Elegant Living Management, Ltd.; (v) Hartsdale Convertibles, Inc.; (vi) Jennifer Management III Corp.; (vii) Jennifer Purchasing Corp.; (viii) Jennifer Management II Corp.; (ix) Jennifer Management V Ltd.; (x) Jennifer Convertibles Natick, Inc.; (xi) Nicole Convertibles, Inc.; and (xii) Washington Heights Convertibles, Inc. (collectively, the "Debtors").

² Docket Entry No. 491.

Convertibles, Inc. and its Affiliated Debtors, dated December 21, 2010 (the “Plan”);³ (iii) Section 3.10 of the *Litigation Trust Agreement and Declaration of Trust* dated February 22, 2012 (the “Trust Agreement”); and (iv) Rule 3021-1 of the *Local Bankruptcy Rules for the Southern District of New York* (the “Local Rules”).

The Plan became effective on February 22, 2011 (the “Effective Date”). On the Effective Date, the Jennifer Convertibles Litigation Trust (the “Trust”) was established. The Confirmation Order contemplates that, notwithstanding the applicable provisions of the Trust Agreement and Local Rule 3021-1, every January 30th, April 30th, July 30th and October 30th and until the Trust is terminated, quarterly updates showing any and all disbursements made by the Litigation Trust during the preceding quarter will be filed with the Court and served upon the U.S. Trustee.⁴

There were no material disbursements made by the Trust from its inception through the second calendar quarter of 2012. Accordingly, in an effort to conserve the resources of the Trust for the benefit of general unsecured creditors, the Trust Administrator has filed this First Report commensurate with the first interim distribution made in the third quarter of 2012 to holders of general unsecured claims classified in Class 3 under the Plan. Pursuant to the Plan and the Trust Agreement, the Trust has undertaken the following activities, among others, between the Effective Date of the Plan and September 30, 2012:

- Filed 42 adversary proceedings against various defendants seeking the return of preferential and/or fraudulent transfers pursuant to Chapter 5 of the Bankruptcy Code (“Avoidance Actions”);
- Filed 4 omnibus objections addressing 170 proofs of claim, all of which have been resolved such that the general unsecured claims resolution process is fully complete;

³ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

⁴ Confirmation Order, at ¶ 18.

- Continued prosecution of certain causes of action against the Debtors' directors and officers; and
- Made a first interim distribution of 6% to eligible holders of allowed Class 3 general unsecured claims.

The following activity has occurred with respect to Trust assets between the Effective Date of the Plan and September 30, 2012 (all amounts reflect Cash values):⁵

Opening balance ⁶	\$	100,000
Additions ⁷	\$	1,674,567
Plan disbursements ⁸	\$	(821,271)
Operating costs ⁹	\$	<u>(405,760)</u>
Ending balance (September 30, 2012)	\$	<u><u>547,537</u></u>

Dated: New York, New York
October 29, 2012

KELLEY DRYE & WARREN LLP

By: /s/ James S. Carr

James S. Carr
Jason R. Adams

101 Park Avenue
New York, New York 10178
Tel: (212) 808-7800
Fax: (212) 808-7897

Counsel to the Trust Administrator for the Jennifer
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⁵ A quarter-by-quarter breakdown between the Effective Date of the Plan and September 30, 2012 of all amounts listed in this paragraph is attached hereto as Exhibit A.

⁶ This amount represents the Litigation Trust Cash transferred to the Trust by the Reorganized Debtors as contemplated by Sections 1.01(67) and 9.03 of the Plan.

⁷ Additions primarily include proceeds of the Tranche A Note (as defined in the Plan) issued to the Trust by the Reorganized Debtors, Avoidance Actions and interest income.

⁸ This amount reflects all checks issued to allowed general unsecured claimants, some of which remain uncashed/outstanding as of September 30, 2012.

⁹ Operating costs primarily consist of Trust Administrator fees, professional expenses, expenses associated with the first interim distribution, and the costs of tax preparation and advisory services.

EXHIBIT A

**Jennifer Convertibles Litigation Trust
Activity for the Period: 02/22/11-09/30/12**

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Cumulative
Opening Balance	\$ 100,000	\$ 90,000	\$ 64,341	\$ 38,158	\$ 41,186	\$ 1,419,583	\$ 1,351,258	\$ 100,000
Additions Plan	\$ 0	\$ 2	\$ 44,384	\$ 75,512	\$ 1,466,026	\$ 22,254	\$ 66,389	\$ 1,674,567
Distributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (821,271)	\$ (821,271)
Operating Costs	\$ (10,000)	\$ (25,661)	\$ (70,567)	\$ (72,484)	\$ (87,629)	\$ (90,579)	\$ (48,839)	\$ (405,760)
Ending Balance	\$ 90,000	\$ 64,341	\$ 38,158	\$ 41,186	\$ 1,419,583	\$ 1,351,258	\$ 547,537	\$ 547,537