

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., <sup>1</sup>	)	Case No. 10-13779 (ALG)
		)
Reorganized Debtor.	)	(Jointly Administered)
		)
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**EIGHTH POST-CONFIRMATION STATUS REPORT OF THE TRUST  
ADMINISTRATOR FOR THE JENNIFER CONVERTIBLES LITIGATION TRUST**

This *Eighth Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust* 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”);<sup>2</sup> (ii) Article IX of the

<sup>1</sup> On July 7, 2011, the Court entered an order leaving open the chapter 11 case of Jennifer Convertibles, Inc. (the “Lead Debtor”) and closing the cases of the following eleven affiliated debtors whose bankruptcy cases were previously jointly administered (collectively with the Lead Debtor, the “Reorganized Debtors”): (i) Jennifer Convertibles Boylston MA, Inc.; (ii) Jennifer Chicago Ltd.; (iii) Elegant Living Management, Ltd.; (iv) Hartsdale Convertibles, Inc.; (v) Jennifer Management III Corp.; (vi) Jennifer Purchasing Corp.; (vii) Jennifer Management II Corp.; (viii) Jennifer Management V Ltd.; (ix) Jennifer Convertibles Natick, Inc.; (x) Nicole Convertibles, Inc.; and (xi) Washington Heights Convertibles, Inc. [Docket Entry No. 601.]

<sup>2</sup> Docket Entry No. 491.

*Amended Joint Chapter 11 Plan of Reorganization for Jennifer Convertibles, Inc. and its Affiliated Debtors*, dated December 21, 2010 (the “Plan”);<sup>3</sup> (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 30<sup>th</sup>, April 30<sup>th</sup>, July 30<sup>th</sup> and October 30<sup>th</sup> and until the Trust is terminated, quarterly updates showing any and all disbursements made by the Trust during the preceding quarter will be filed with the Court and served upon the U.S. Trustee.<sup>4</sup>

The following post-confirmation status reports have previously been filed in accordance with the Confirmation Order:

- *First Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on October 29, 2012,<sup>5</sup> detailing the disbursements made by the Trust from its inception through the third calendar quarter of 2012;
- *Second Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on January 31, 2013,<sup>6</sup> detailing the disbursements made by the Trust during the fourth calendar quarter of 2012;
- *Third Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on April 30, 2013,<sup>7</sup> detailing the disbursements made by the Trust during the first

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

<sup>4</sup> Confirmation Order, at ¶ 18.

<sup>5</sup> Docket Entry No. 826.

<sup>6</sup> Docket Entry No. 835.

<sup>7</sup> Docket Entry No. 837.

calendar quarter of 2013;

- *Fourth Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on July 30, 2013,<sup>8</sup> detailing the disbursements made by the Trust during the second calendar quarter of 2013;
- *Fifth Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on October 29, 2013,<sup>9</sup> detailing the disbursements made by the Trust during the third calendar quarter of 2013;
- *Sixth Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on February 4, 2014,<sup>10</sup> detailing the disbursements made by the Trust during the fourth calendar quarter of 2013; and
- *Seventh Post-Confirmation Status Report of the Trust Administrator for the Jennifer Convertibles Litigation Trust*, filed with this Court on April 30, 2014,<sup>11</sup> detailing the disbursements made by the Trust during the first calendar quarter of 2014.

Pursuant to the Plan and the Trust Agreement, the Trust has undertaken the following activities, among others, during the second calendar quarter of 2014, *i.e.*, between April 1, 2014 and June 30, 2014 (the “Reporting Period”):

- In anticipation of the Reorganized Debtors’ scheduled June 2, 2014 payment of principal under the Tranche C Note,<sup>12</sup> the Trust Administrator continued to collect tax identification information from Trust beneficiaries and made preparations for final distributions to creditors;

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<sup>8</sup> Docket Entry No. 840.

<sup>9</sup> Docket Entry No. 844.

<sup>10</sup> Docket Entry No. 846.

<sup>11</sup> Docket Entry No. 847.

<sup>12</sup> The consideration provided to general unsecured creditors under the Plan principally consisted of: (i) a one-year \$1.4 million senior secured Tranche A Note maturing on February 22, 2012, bearing an interest rate of 3% per annum; and (ii) a \$950,000 three-year senior secured Tranche C Note maturing on February 22, 2014, bearing an interest rate of 5% per annum. The Reorganized Debtors timely paid the Tranche A Note on February 22, 2012. Prior to the original maturity date of the Tranche C Note, the Reorganized Debtors requested from the Trust an extension of time to make the final payment contemplated by the Plan. Those discussions resulted in the parties’ entry into a Forbearance Agreement dated February 21, 2014 (the “Forbearance Agreement”) under which, among other things, the Trust agreed to forbear from exercising its rights and remedies under the Tranche C Note and related agreements until June 2, 2014.

- Upon the Reorganized Debtors’ failure to repay the Tranche C Note as required on June 2, the Trust Administrator issued a written notice of default. Thereafter, the Trust Administrator analyzed and began preparing to exercise its rights and remedies under the Tranche C Note and key related agreements, including the Security Agreement and the Forbearance Agreement;
- The Trust Administrator objected to the *Reorganized Debtors’ Motion For Final Decree Closing Case Of The Reorganized Debtors* (the “Final Decree Motion”),<sup>13</sup> arguing that the Lead Debtor’s case cannot be closed while the Tranche C Note remains in default. The Final Decree Motion currently is scheduled to be heard on August 5, 2014, together with the Trust’s objection<sup>14</sup> and a separate objection by the United States Trustee;<sup>15</sup> and
- The Trust Administrator continued to handle creditor inquiries.

The following activity has occurred with respect to Trust assets during the

Reporting Period (all amounts reflect Cash values):

Opening balance (April 1, 2014)	\$	537,886
Additions <sup>16</sup>	\$	36,973
Plan disbursements <sup>17</sup>	\$	0
Operating costs <sup>18</sup>	\$	<u>(50,062)</u>
Ending balance (June 30, 2014)	\$	<u><u>524,797</u></u>

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<sup>13</sup> Docket Entry No. 850.

<sup>14</sup> Docket Entry No. 854.

<sup>15</sup> Docket Entry No. 853.

<sup>16</sup> Additions consist of: (i) bank interest income of \$14; and (ii) a post-default payment of \$36,959 from the Reorganized Debtors purportedly representing unpaid interest under the Tranche C Note, as to which the Trust and the Trust Administrator reserve all rights.

<sup>17</sup> No payments were issued to Holders of Allowed General Unsecured Claims during the second calendar quarter of 2014. In light of the Reorganized Debtors’ ongoing default under the Tranche C Note, the Trust Administrator currently is uncertain when the second and final distribution to creditors will take place.

<sup>18</sup> Operating costs consist of Trust Administrator fees and professional expenses.

Dated: New York, New York  
July 29, 2014

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

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