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

In re:

JENNIFER CONVERTIBLES, INC., *et al.*,¹
Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER SHORTENING TIME OF NOTICE
WITH RESPECT TO THE MOTION PURSUANT TO SECTIONS 105(a), 363 OF THE
BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 FOR ENTRY OF AN ORDER
AUTHORIZING THE DEBTORS TO ENTER INTO AN INTERIM SETTLEMENT
WITH THEIR CREDIT CARD PROCESSOR**

Jennifer Convertibles, Inc. ("Jennifer Convertibles") and its affiliated debtors, as debtors in possession (together, the "Debtors"), hereby move this Court (the "Motion") for entry of an order shortening time of notice with respect to the motion for entry of an order pursuant to sections 105(a) and 363 of title 11 of the United States Code (the "Bankruptcy Code") and Federal Rule of Bankruptcy Procedure (the "Bankruptcy Rules") 9019 authorizing the Debtors to

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: (i) Jennifer Convertibles, Inc. (4646); (ii) Jennifer Convertibles Boylston MA, Inc. (7904); (iii) Jennifer Chicago Ltd. (0505); (iv) Elegant Living Management, Ltd. (5049); (v) Hartsdale Convertibles, Inc. (1681); (vi) Jennifer Management III Corp. (3552); (vii) Jennifer Purchasing Corp. (7319); (viii) Jennifer Management II Corp. (9177); (ix) Jennifer Management V Ltd. (9876); (x) Jennifer Convertibles Natick, Inc. (2227); (xi) Nicole Convertibles, Inc. (5985); (xii) Washington Heights Convertibles, Inc. (0783).

enter into an interim settlement with their credit card processor. In support of this Motion, the Debtors respectfully state as follows:

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. An Official Committee of Unsecured Creditors was appointed in these chapter 11 cases on July 23, 2010.

2. Jennifer Convertibles, Inc. was organized as a Delaware corporation in 1986, and is currently the owner of (i) the largest group of sofaed 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 sofaed 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, the current housing market, store closings, 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.

Relief Requested

12. On or about July 27, 2010, the Debtors will file their Motion for entry of an order pursuant to Bankruptcy Code sections 105(a) and 363 Bankruptcy Rule 9019 (the "Credit Card Processor Motion").

13. Pursuant to Bankruptcy Rule 9006(c)(1) and Local Rule 9006-1(b),² the Debtors hereby request a shortening of the notice period with respect to the relief sought in the Motion so that the Debtors may seek entry of an order approving the Motion at the hearing scheduled for August 4, 2010. The Debtors propose that any objections to the Credit Card Processor Motion be filed and served so that they are actually received no later than August 3, 2010 at 10:00 a.m. (Eastern Time)..

Basis For Relief: Grounds Exist to Shorten and Limit Notice

14. Bankruptcy Rule 9006(c)(1) provides that "when an act is required or allowed to be done at or within a specified time by these rules or by a notice given thereunder or by order of court, the court for cause shown may in its discretion with or without motion or notice order the period reduced." Fed. R. Bankr. P. 9006(c)(1).

15. This Motion seeks to shorten the notice period so that the Court may approve the Stipulation with the Credit Card Processor. Accordingly, the Debtors respectfully request that the Court waive the required notice period and allow the Debtors to seek entry of the Order at the hearing on August 4, 2010.

16. The Debtors believe that shortened notice and an expedited hearing is warranted under the circumstances, and that due process is not hindered as a result of the proposed shortening of the applicable notice periods. The Debtors further submit that granting the relief

² To the extent the notice period imposed by Bankruptcy Rule 2002(a)(2) is applicable, the Debtors seek relief, even though the Debtors do not believe this provision is applicable to the request for approval of the Bidding Procedures.

requested herein permits the Debtors to get use of critical cash and stop the 25% Withholding practice currently in place.

17. Under such circumstances, the Debtors submit that shortening the notice period for the relief as proposed herein is appropriate and will not prejudice the interests of any party in interest in these cases.

Notice

18. Notice of this Motion has been provided to: (i) Office of the United States Trustee for the Southern District of New York; (ii) counsel to the Official Committee of Unsecured Creditors; (iii) counsel to Haining Mengnu Group Co. Ltd.; (iv) counsel to Merrick Bank Corporation (v) counsel to Renaissance Associates; and (vi) any other party who has filed a notice of appearance in these cases. The Debtors submit that such notice is sufficient under the circumstances.

No Previous Request

19. 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: New York, New York
July 28, 2010

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

By: /s/ Michael S. Fox
Michael S. Fox
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Jordanna L. Nadritch
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*Proposed Attorneys for the Debtors and
Debtors in Possession*

EXHIBIT A

Supplemental Declaration

**OLSHAN GRUNDMAN FROME
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Proposed Counsel to the Debtors and Debtors in Possession

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

In re:

JENNIFER CONVERTIBLES, INC., *et al.*,¹
Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**DECLARATION OF MICHAEL S. FOX IN SUPPORT OF THE MOTION OF THE
DEBTORS FOR ENTRY OF AN ORDER SHORTENING TIME OF NOTICE WITH
RESPECT TO THE MOTION PURSUANT TO SECTIONS 105(a), 363 OF THE
BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 FOR ENTRY OF AN ORDER
AUTHORIZING THE DEBTORS TO ENTER INTO AN INTERIM SETTLEMENT
WITH THEIR CREDIT CARD PROCESSOR**

Michael S. Fox makes this declaration under 28 U.S.C. § 1746, and states:

1. I am a member of the firm of Olshan Grundman Frome Rosenzweig & Wolosky LLP (“Olshan”), a law firm with principal offices at 65 East 55th Street, New York, New York 10022.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if applicable, are: (i) Jennifer Convertibles, Inc. (4646); (ii) Jennifer Convertibles Boylston MA, Inc. (7904); (iii) Jennifer Chicago Ltd. (0505); (iv) Elegant Living Management, Ltd. (5049); (v) Hartsdale Convertibles, Inc. (1681); (vi) Jennifer Management III Corp. (3552); (vii) Jennifer Purchasing Corp. (7319); (viii) Jennifer Management II Corp. (9177); (ix) Jennifer Management V Ltd. (9876); (x) Jennifer Convertibles Natick, Inc. (2227); (xi) Nicole Convertibles, Inc. (5985); (xii) Washington Heights Convertibles, Inc. (0783).

2. I submit this declaration in support of the Motion of the Debtors for an order shortening time of notice with respect to the motion for approval of the interim settlement agreement with their credit card processor.

3. I declare that all statements made herein are made based on my own knowledge.

4. The facts as described in the Motion are incorporated herein.

5. The Debtors believe that shortened notice of the Order and an expedited hearing is warranted under the circumstances. As more fully described in the Motion, the Debtors are seeking authorization to enter into an interim settlement with their credit card processor.

6. The Debtors respectfully submit that due process is not hindered as a result of the proposed shortening of the applicable notice periods. The Debtors further submit that granting the relief requested herein permits the Debtors to get use of critical cash and stop the 25% Withholding practice currently in place, leaving the Debtors access to critical cash.

7. Under such circumstances, the Debtors submit that shortening the notice period for the relief as proposed herein is appropriate and will not prejudice the interests of any party in interest in these cases.

8. Accordingly, the Debtors submit that they should be permitted to seek entry of the Order at the August 4, 2010 hearing.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 28, 2010

/s/ Michael S. Fox
Michael S. Fox

EXHIBIT B

Proposed Order

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

In re:

JENNIFER CONVERTIBLES, INC.,¹

Debtors.

Chapter 11

Case No. 10-13779 (ALG)

(Jointly Administered)

**ORDER SHORTENING TIME OF NOTICE WITH RESPECT TO A HEARING ON
THE MOTION PURSUANT TO SECTIONS 105(a), 363 OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 9019 FOR ENTRY OF AN ORDER AUTHORIZING THE
DEBTORS TO ENTER INTO AN INTERIM SETTLEMENT WITH THEIR CREDIT
CARD**

Upon the motion, dated July 27, 2010 (the “Motion”)² of Jennifer Convertibles, Inc. and its affiliated debtors, as debtors in possession (collectively, the “Debtors”), for entry of an order shortening time of notice with respect to the Motion for entry of an order pursuant to sections 105(a) and 363 of title 11 of the United States Code (the “Bankruptcy Code”) and Federal Rule of Bankruptcy Procedure (the “Bankruptcy Rules”) 9019 authorizing the Debtors to enter into an interim settlement with their credit card processor, and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein,

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² All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

and it appearing that no other or further notice need be provided; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. Pursuant to Bankruptcy Rule 9006(c)(1) and Local Rule 9006-1(b), the notice and objection periods for the relief requested are shortened and set forth herein.
3. A hearing to consider the relief sought in the Credit Card Processor Motion and is set for August 4, 2010 at 11:00 a.m. (Eastern Time).
4. Any objections to the relief sought must be filed, served and received no later than August 3, 2010 at 10:00 a.m. (Eastern Time).
5. This Court shall retain jurisdiction to resolve all matters relating to implementation of this Order.

Dated: July __, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE