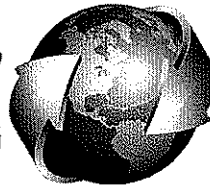


EXHIBIT A

IN RE: JENNIFER CONVERTIBLES, INC.

RAMI ABADA
January 19, 2011

Ellen Grauer
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 2 at the end of that line. The sentence reads,
 3 "The Ashley segment is highly profitable due to
 4 its unique sourcing model, whereby once most
 5 sales are executed, Ashley supplier manages the
 6 supply chain process."
 7 Do you see that sentence?
 8 A. Yes.
 9 Q. In that sentence you refer to the
 10 Ashley segment as highly profitable. Correct?
 11 A. In the context of this declaration,
 12 that's correct.
 13 Q. What do you mean the context of this
 14 declaration? Is it not highly profitable in
 15 some other context?
 16 A. As I said a moment ago, if you're
 17 comparing it to IBM or apple, you know, it's
 18 all relative.
 19 Q. What were you comparing it to in
 20 this sentence right here?
 21 A. Our company.
 22 Q. So for your company, the Ashley
 23 segment is highly profitable?
 24 A. That would be correct.
 25 Q. How do you know the Ashley segment

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1 ABADA
 2 is highly profitable to your company?
 3 A. We have very, very good reports, as
 4 I mentioned before, that are able to show the
 5 flow of money where -- to and from, and we have
 6 very, very good reporting, four-wall, which
 7 represents significant costs in the entity, and
 8 that would be payroll, rent, advertising, so we
 9 have the ability to see what is going on.
 10 The one area of difficulty which we
 11 touched on before is in the allocation of
 12 corporate overhead, and even that, we discussed
 13 was it impossible. You know, it's impossible
 14 to nail it down to the penny or to the dollar,
 15 but we are able to make certain assumptions and
 16 be fairly accurate.
 17 Q. So I want to be clear. So you have
 18 made certain assumptions and have allocated
 19 corporate overhead to HCI?
 20 A. No, I'm saying we are capable of.
 21 Q. But you haven't done that?
 22 A. Up to this point, no.
 23 Q. So any financial statements that
 24 have been prepared to up this point for HCI
 25 have not included an allocation of corporate

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1 ABADA
 2 overhead; is that right?
 3 A. Or nominal.
 4 Q. Is it your belief that the Ashley
 5 segment is highly profitable for the debtors
 6 even if you did an allocation of corporate
 7 overhead?
 8 A. Yes.
 9 Q. What do you base that belief upon?
 10 A. Just general understanding of the
 11 numbers.
 12 Q. Is the Jennifer segment profitable
 13 if you did an accounting of the corporate
 14 overhead? Strike that.
 15 Is it your belief that the Jennifer
 16 segment would be profitable if you did an
 17 allocation of the corporate overhead?
 18 A. It has been in the past. In the
 19 most recent future, no.
 20 Q. I'm not sure what you mean by the
 21 most recent future.
 22 A. The last several years.
 23 Q. How about currently?
 24 A. Currently, I would say no.
 25 MR. FLEMING: We are going to mark

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1 ABADA
 2 as Ashley number 5, schedule of assets and
 3 liabilities of Hartsdale Convertibles,
 4 Inc. filed in these Chapter 11
 5 proceedings.
 6 (Whereupon a schedule of assets and
 7 liabilities of Hartsdale Convertibles,
 8 Inc. was marked as Ashley Exhibit 5 for
 9 identification, as of this date.)
 10 Q. Mr. Abada, I ask you to take a
 11 minute to take a look at this document.
 12 (Witness reviewing document.)
 13 Q. Mr. Abada, you had a chance to
 14 review what we marked as Ashley Exhibit 5, the
 15 schedules of assets and liabilities for
 16 Hartsdale Convertibles, Inc.?
 17 A. Correct, yes.
 18 Q. And you're familiar with that
 19 document?
 20 A. Yes.
 21 Q. You've seen this document that we
 22 marked Ashley Exhibit 5 before?
 23 A. Yes.
 24 Q. In fact, you signed -- your
 25 authorization for signature appears on a number

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1 ABADA
 2 of the pages that comprise Ashley Exhibit
 3 number 5, correct?
 4 A. Correct, yes.
 5 Q. And you believe the statements made
 6 in Ashley Exhibit number 5 to be true and
 7 correct?
 8 A. Yes.
 9 Q. Are you aware of any statements made
 10 in Ashley Exhibit number 5 that are not true
 11 and correct?
 12 A. No.
 13 Q. I would like to turn your attention
 14 to that part of Ashley Exhibit number 5, and
 15 I -- that is marked, "Schedule B, personal
 16 property." It follows, "Schedule A, real
 17 property." It follows --
 18 A. Is this it?
 19 Q. Yes. So you have that page in front
 20 of you?
 21 A. Yes.
 22 Q. I direct your attention to line 1 of
 23 Schedule B, personal property, that refers to
 24 cash on hand. Do you see that line?
 25 A. Which one? I'm sorry.

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1 ABADA
 2 A. I believe that to be the case.
 3 Q. Help me understand why that is the
 4 case, Mr. Abada. You testified that the Ashley
 5 segment is profitable, correct?
 6 A. Yes.
 7 Q. And you believe that the Ashley
 8 segment is profitable even if you did an
 9 accounting for overhead allocation, correct?
 10 A. Yes.
 11 Q. Does that not mean that the Ashley
 12 segment is generating surplus cash from its
 13 operations?
 14 A. Yes.
 15 Q. Would it be fair to say that that
 16 surplus cash has all been transferred from the
 17 Ashley concentration account to the Jennifer
 18 concentration account?
 19 A. Yes.
 20 Q. So if surplus cash has been
 21 transferred to the Jennifer concentration
 22 account, why would that not show up as a
 23 receivable from HCI, a receivable in favor of
 24 HCI from Jennifer Convertibles?
 25 A. I'm not certain.

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1 ABADA
 2 Q. Line 1, cash on hand. This is the
 3 first page of Schedule B, personal property,
 4 under, "Type of Property."
 5 Do you see that line?
 6 A. Yes.
 7 Q. Do you see that the schedule is
 8 marked, "None"?
 9 A. Yes.
 10 Q. Did HCI not have any cash on the
 11 petition date in the Ashley concentration
 12 account?
 13 A. I believe at the time that was the
 14 case.
 15 Q. If you go down again, same page to
 16 line 16, accounts receivable, do you see that
 17 line?

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1 ABADA
 2 Q. You're not certain --
 3 A. I'm not sure.
 4 Q. Why it wouldn't show up or not
 5 certain that, in fact, it should show up?
 6 A. I'm not sure of exactly -- I'm not
 7 certain at this point in time when we filed
 8 these papers what the status was.
 9 Q. The status of what was?
 10 A. The balance sheet of what Hartsdale
 11 to and from was.
 12 Q. Mr. Abada, would you agree with me
 13 that since the Ashley segment is profitable,
 14 even after an allocation of corporate overhead,
 15 that there should be in the HCI books and
 16 records a receivable in favor of HCI from

18 A. Yes.
 19 Q. You see also that that line is
 20 marked, "None." Do you see that reference?
 21 A. Yes.
 22 Q. So as of the petition date, was HCI
 23 not owed any money from Jennifer on account of
 24 transfers made from the Ashley concentration
 25 account to the Jennifer concentration account?

17 Jennifer Convertibles?
 18 A. Probably, yes.
 19 Q. Why do you say, "Probably"?
 20 A. I'm uncertain if there is anything
 21 that I'm missing in the moment.
 22 Q. Mr. Abada, if you would turn still
 23 in Ashley Exhibit number 5 to the list of
 24 creditors holding twenty largest unsecured
 25 creditors, if you start at the front of the

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1 ABADA
2 advertising requirements set forth in
3 paragraph 23B?
4 A. Yes.
5 Q. Paragraph 24, also on page 7 -- we
6 are still on Ashley Exhibit number 7 -- deals
7 with reports. Take a minute and read that.
8 A. Okay.
9 (Witness reading document.)
10 Okay.
11 Q. Does Hartsdale intend to comply with
12 the reporting obligations set forth in
13 paragraph 24 on page 7?
14 A. Yes.
15 Q. If you would turn to page 11 of
16 Ashley Exhibit number 7, paragraph 37, the
17 "Confidentiality" section, if you want to take
18 a minute to read that.
19 A. Sure.
20 (Witness reading document.) Okay.
21 Q. Does Hartsdale intend to comply with
22 the confidentiality obligations as set forth in
23 paragraph 37 of the TUA's?
24 A. Yes.
25 Q. How will Hartsdale make sure that

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1 ABADA
2 information. Do you see that? Do you see the
3 reference to confidential information,
4 Mr. Abada?
5 A. F. Yes, I see it. I'm reading it.
6 Q. I just need you to say you're
7 reading.
8 A. Yes, I see it.
9 Q. Okay. Take a minute to read it.
10 (Witness reading document.)
11 A. Okay, I read it.
12 Q. With that definition of confidential
13 information in mind, how does Hartsdale intend
14 to ensure that that -- that the information
15 that fits within that definition of
16 confidential information will not be shared
17 with -- for shorthand I'll reference Mengnu?
18 MR. FLEMING: Note my objection to
19 form.
20 A. We are going to emerge as a new
21 entity, and I'm not a hundred percent sure how
22 to answer this question.
23 As an example, there are -- as you
24 saw on the disclosures last week, there are
25 several members of Mengnu, which is

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1 ABADA
2 confidential information is not provided --
3 A. I'm sorry. Did you finish your
4 question?
5 Q. No, not yet. We will strike that.
6 How will Hartsdale ensure that
7 confidential information is not provided to
8 Hining Mengnu Group Company, LTD? I'm sure I
9 mispronounced that. It is H-I-N-I-N-G,
10 M-E-N-G-N-U, Group Co., period, LTD, period.
11 A. Well, as the future owner or
12 91 percent owner of the emerging entity and
13 having some involvement in the company, they
14 are going to have access, of course, to all of
15 the four-wall information, whatever is required
16 by Ashley. They are going to have access to
17 that financial information. As owners of the
18 company, they'll have some access to.
19 Q. If you would turn to page 1 of the
20 Ashley Exhibit number 7, paragraph -- page 1,
21 so it's the third page of the document, but
22 it's page 1 of the Ashley HomeStore, LTD
23 trademark usage agreement, and it says page 1
24 at the bottom.
25 Paragraph F defines confidential

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1 ABADA
2 M-E-N-G-N-U, certain executives of Mengnu that
3 are going to sit on our board of directors, so
4 there is certain basic information that they
5 are going to have to sign off on as directors
6 of a public entity. So I'm not sure.
7 MR. FLEMING: That's fine. If you
8 don't know, you don't know.
9 MR. GOLDSTEIN: Yes, that's fine.
10 Q. Has --
11 A. Am I putting this document away?
12 Q. Yes, you can put that document away
13 for now.
14 Mr. Abada, in your view has the
15 general economy fully recovered from the
16 recession?
17 A. I want to make sure I say the same
18 things I said on "Squawk Box" the other day.
19 It appears that in certain segments of the
20 economy there seems to be a pickup. I wouldn't
21 necessarily say in the home furnishings
22 industry.
23 Q. What is your understanding as to
24 whether Hartsdale will be liable on any of the
25 notes issued under the planned reorganization?

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1 ABADA
 2 A. As I understand, Jennifer
 3 Convertibles, Inc. is responsible for paying
 4 the notes, not Hartsdale.
 5 Q. Do you know if the secured exit
 6 credit agreement that the debtors have filed as
 7 part of its plan documents is intended to make
 8 Hartsdale liable for obligations under that
 9 debtor agreement?
 10 A. Not that I'm aware of.
 11 Q. So it's not the debtors' intention
 12 then to make Hartsdale liable for the
 13 obligations under that secured exit credit
 14 agreement?
 15 A. No.
 16 Q. No?
 17 A. No.
 18 Q. Are any of Hartsdale's assets being
 19 pledged to secure any of the notes issued under
 20 the plan?
 21 A. I'm unclear as to where we stand
 22 with that. I know that that was a topic that
 23 came up in court last Friday, Friday.
 24 Q. The plan is -- do you know if the
 25 plan as presently drafted, do the plan notes

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1 ABADA
 2 contemplate that they will be secured by any of
 3 the Hartsdale assets?
 4 A. I believe the answer to that is yes.
 5 Q. Is one of Hartsdale assets the
 6 TUA's?
 7 A. I'm not sure what the answer is to
 8 that.
 9 Q. Is it the debtors' intention to put
 10 a lien or otherwise encumber Hartsdale's rights
 11 under the TUA's as part of the security for the
 12 notes?
 13 A. Say the question again. I'm sorry.
 14 Q. Do you know if it's the debtors'
 15 intention to encumber Hartsdale's interests in
 16 the TUA's as part of the security for the notes
 17 to be issued under the plan?
 18 A. As currently constituted, leading up
 19 to Friday, I know that the intention was for
 20 the inventory to be collateralized. I don't
 21 recall if the TUA's are being collateralized.
 22 Q. Do you recall if the E note is
 23 secured by a blanket lien on assets or just a
 24 lien on inventory?
 25 A. I want to take a look to refresh my

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1 ABADA
 2 memory.
 3 Q. What is the basis for the
 4 projections in the disclosure statement
 5 projecting a revenue increase of 8.6 percent in
 6 2011 for Jennifer?
 7 A. There are a variety of factors all
 8 described in our disclosure statement,
 9 described in our disclosure statement as well
 10 as I believe described in a vendor presentation
 11 made and sent to Ashley.
 12 I don't recall how long ago it was
 13 provided by TM Capital. They are our financial
 14 advisors.
 15 Q. What are those factors?
 16 A. Well, I'll attempt to list some
 17 them. I'm not sure cold I can remember every
 18 factor, and again, I'm not going to list them
 19 necessarily in order of importance, but I'm
 20 going to list them.
 21 As described or discussed earlier,
 22 we are very much looking forward to bringing
 23 back into the fold the private-label card
 24 program that has been absent since fourth
 25 quarter of 2009. That will help -- we are

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1 ABADA
 2 talking about the Jennifer segment now,
 3 correct?
 4 Q. Yes.
 5 A. That will help the company twofold.
 6 One is in the -- one of them is in the top
 7 line. I expect to also be able to help the
 8 company in its gross margin as well, although I
 9 guess I'm veering off course, because you're
 10 asking about the revenue, so I'll apologize for
 11 that. So the private-label card is a
 12 significant factor.
 13 We believe that having proper
 14 inventory levels going forward is going to have
 15 a very positive effect on the company.
 16 Calendar year 2010 was exceptionally rocky in
 17 terms of the inventory situation. Part of
 18 it -- part of it due to challenges coming
 19 overseas, part of it associated with the
 20 bankruptcy and goods not shipping once we got
 21 into that. So in 2011, having proper
 22 inventory, calendar year 2011 and going forward
 23 having proper inventory levels would play a big
 24 role.
 25 We believe that the further we get

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1 ABADA
 2 away from the bankruptcy proceedings itself,
 3 the better things will be on multiple levels.
 4 One is on the consumer level. The further you
 5 get away from it, it starts to become an
 6 afterthought.
 7 I believe that management, present
 8 company included, has had a serious amount of
 9 time invested in this bankruptcy process and
 10 the time leading up to it, no better case in
 11 point than what we are doing here today, so we
 12 expect to get a significant yield out of that.
 13 Not spending time focusing on things such as
 14 how is our credit card processor going to react
 15 to what is going on because of the comfort they
 16 have been presented with the -- provided with
 17 the letter of credit.
 18 The ability to drill down and focus
 19 on a much smaller landscape in the emerging
 20 Jennifer segment. We are going from, at our
 21 height, I believe, having a presence in over
 22 twenty states to simplifying the company into
 23 essentially New York, New Jersey, Connecticut,
 24 the Baltimore, Maryland/Washington area and Los
 25 Angeles and San Francisco, so that is going to

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1 ABADA
 2 a very helpful and significant opportunity in
 3 driving the top line, clearly the day we exit
 4 it will take a short period of time to actually
 5 implement the private label card program, and
 6 then from there is it going to be a learning
 7 curve again for management and how to best
 8 deploy the different programs that are made
 9 available to us? And then take those programs
 10 and start to train, you know, the personnel on
 11 how to get the best yield out of it. So that
 12 would be the a very good example of what I'm
 13 talking about.
 14 Q. What accounts for the further
 15 increases in sales from 2012 to 2013?
 16 A. I think a lot of what I just said.
 17 Q. Still hitting your stride in 2013?
 18 A. I think we will hopefully become
 19 fully ensconced in our program. Some of it is
 20 connected to just general inflation, which we
 21 haven't seen in our industry in quite some
 22 time, but is clearly happening as your client
 23 sent out various e-mails in the last thirty
 24 days talking about how there is a need for
 25 price increases.

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1 ABADA
 2 make it a lot simpler company to manage, which
 3 should translate into greater sales, because we
 4 are able to focus on the staff and do better
 5 sales training in terms of that nature.
 6 Having two warehouses to keep
 7 inventory in stock is significantly easier than
 8 having three. We shut down one of our
 9 distribution centers. The ability to focus on
 10 a significantly smaller amount of newspapers
 11 will give us a chance to drill down, negotiate
 12 better CPM's and, in general, manage the
 13 advertising arena a lot better.
 14 I'm sure there is some other stuff.
 15 Q. What accounts for the sales increase
 16 from 2011 and 2012 in the Jennifer segment?
 17 A. I think we are going to continue.
 18 We really believe that we are going to continue
 19 to build. When you first emerge from
 20 bankruptcy, it takes some time to hit your
 21 stride again, and by the time we get into 2012,
 22 we will have had a significant amount of time
 23 to implement a lot of what I just described.
 24 Just a minor example would be while
 25 we expect the private-label card program to be

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1 ABADA
 2 In some ways -- I don't know how to
 3 say this -- in some ways it may almost be a
 4 welcome relief to see the average ticket
 5 increase or go up due to some inflationary
 6 pressure, because our industry has been
 7 certainly going in the other direction for the
 8 last decade.
 9 Q. What percentage increase in pricing
 10 are you attributing to inflation?
 11 A. I don't have a specific number, but
 12 it's -- it will be a contributing factor.
 13 Q. How about what is going to propel
 14 the growth from 2013 to 2014?
 15 A. I think it's just more of the same.
 16 There isn't any -- there isn't anything
 17 specific. I would like to think that at some
 18 point in time it becomes a tremendous advantage
 19 to, number 1, being owned by a very
 20 significant, you know, manufacturer overseas
 21 and that the synergies of working together with
 22 them should bring some pretty exciting
 23 opportunities to the company and values to our
 24 consumer.
 25 There is something to be said and

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1 ABADA
 2 exciting about a vertical-type operation in the
 3 Jennifer segment. I would think there is
 4 probably -- I would imagine Ashley probably
 5 could have an appreciation for that, more so
 6 than many others in the industry, because they
 7 have the same vertical type of model in some
 8 ways.
 9 Q. Is there any risk over your
 10 five-year projection period for sales not
 11 increasing?
 12 A. Well, you know, nobody is
 13 clairvoyant or can completely predict the
 14 future, so it would be foolish to say that
 15 there is absolutely no chance in the world that
 16 projections can be off at all.
 17 It's conceivable that we are sitting
 18 here on top of top line. It's also conceivable
 19 that top line has modest growth, but the bottom
 20 line performs better for some other reason.
 21 So, you know, it's impossible to say
 22 for sure, but I feel very comfortable saying
 23 that we put a lot of time and effort into
 24 taking various snapshots of what the new
 25 emerging company will look like and try to do

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1 ABADA
 2 been working on it for a while, and we have
 3 gone through all the vetting and vice versa,
 4 and we will just have to actually sign a
 5 contract and move forward and the -- as soon as
 6 we exit, it's our expectation level that we
 7 will have that deal penned.
 8 Q. Has the contract been fully
 9 negotiated?
 10 A. The contract is essentially done,
 11 not signed, but essentially done.
 12 Q. What percentage increase is assumed
 13 for fixed cost increases in the projections?
 14 A. I don't recall off of the top of my
 15 head, but I do know that we spent, you know, a
 16 significant time putting the projections
 17 together and making sure that we accounted for
 18 it to the best of our ability in the
 19 projections, but I don't recall off the top of
 20 my head.
 21 Q. The notes to the projections don't
 22 state it. It just said that fixed costs have
 23 increased modestly year over year.
 24 Do you have an understanding what
 25 the reference to modest means?

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1 ABADA
 2 our best in terms of projecting what the future
 3 can look like or will look like.
 4 Q. Why would the bottom line or the
 5 expenses be better than projected?
 6 A. I was just using that as an example.
 7 For instance, not that one would root for this,
 8 but will the top line modestly improve, but the
 9 economy has a double dip and as a result, real
 10 estate expense will shrink dramatically or will
 11 advertising expense shrink dramatically because
 12 of recessionary pressures and other segments of
 13 the economy.
 14 I'm not saying that is what is going
 15 to happen. I'm just --
 16 Q. So you think a double dip would be
 17 good for the debtors?
 18 A. I didn't say that.
 19 Q. I didn't think so.
 20 A. I'll go on record saying that it's
 21 probably good for the people in the bankruptcy
 22 law.
 23 Q. Do the debtors have a new
 24 private-label card relationship in place?
 25 A. Essentially we have a -- we have

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1 ABADA
 2 A. Well, our significant cost, some of
 3 them are connected to percentage of sales such
 4 as commission, payroll, so that is fairly easy
 5 to project.
 6 Rent is a very significant part of
 7 our cost, and the word "modest" applies because
 8 we are -- you know, just recently wrapped up
 9 all the go-forward leases, so we have a very
 10 good understanding of what we project those
 11 future costs to be, and we've tried to allow
 12 for certain increases in insurances and general
 13 expenses, so I think we've captured it
 14 correctly.
 15 Q. The proposed E note under the plan
 16 has an excess consolidated cash flow payment
 17 requirement. Do you recall that?
 18 A. Really, I don't.
 19 MR. FLEMING: I'm sorry. Has a
 20 what?
 21 MR. GOLDSTEIN: An excess
 22 consolidated cash flow payment
 23 requirement.
 24 Q. Were you involved in negotiating
 25 that provision?