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6
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Debtor and Debtor in Possession

8
9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

11
12 In re
13 ESTYLE, INC., a Delaware corporation,
dba babystyle, Cadeau, and Cadeau
14 Designs

15 Debtor.

16
17
18
19
20 Tax Id # 95-4712564

Case No. 2:08-bk-13518-SB

Chapter 11

**DEBTOR'S EMERGENCY MOTION FOR
ORDER AUTHORIZING PAYMENT
AND/OR HONORING OF PREPETITION
EMPLOYEE COMPENSATION, BENEFITS,
REIMBURSEMENTS, WITHHOLDING
TAXES, ACCRUED VACATION, AND
RELATED EMPLOYEE CLAIMS**

DATE: March 21, 2008
TIME: 10:00 a.m.
PLACE: U.S. Bankruptcy Court
Courtroom 1575
255 East Temple Street
Los Angeles, CA 90012

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I.

SUMMARY OF RELIEF REQUESTED

eStyle, Inc. (the "Debtor" or "eStyle"), debtor and debtor in possession in the above-captioned chapter 11 case, respectfully requests that the Court authorize (but not direct) payment and/or honoring of prepetition employee compensation, employee benefits, employee reimbursements, withholding and payroll taxes, accrued vacation time, and related employee claims. The Debtor also requests that the Court authorize and direct the Debtor's bank to honor prepetition checks based on such employee claims. This Motion is made in accordance with 11 U.S.C. §§ 363 and 105 and Local Bankruptcy Rule 2081-1(b)(2)(F). Creditors will not be prejudiced if the Debtor receives the requested authorization. Approval of this Motion is necessary in order to maintain employee stability, morale and loyalty and in order to sustain the Debtor's employees' work ethic and effort. Moreover, if the Debtor is not authorized to pay and honor its employee-related obligations as requested herein, the Debtor's business operations, reorganization and efforts to maximize creditor recovery could be immediately and severely disrupted and irreparably harmed. The relief sought by and the grounds and reasons supporting this Motion are more fully discussed below and in the Omnibus Declaration of Robert S. Kelleher in Support of Debtor's Emergency "First-Day" Motions (the "Kelleher Declaration").

II.

COMMENCEMENT OF CHAPTER 11 CASE

The Debtor commenced this case by filing a voluntary chapter 11 petition on March 19, 2008 (the "Petition Date"). The Debtor continues to manage and operate its business as a debtor in possession. As a consequence of the filing of its chapter 11 petition, the Debtor is precluded from paying and/or honoring unsecured claims that arose prior to the commencement of the case without Court authorization. The prohibition applies to amounts owed to the Debtor's employees that relate to the pay period that had not concluded at the time of the commencement of the case.

1 III.

2 **DEBTOR'S BUSINESS**

3 The Debtor is a multichannel retailer of maternity, baby and kids apparel,
4 and toys, gear and related products. As of the Petition Date, the Debtor sells its products
5 at its 23 retail stores (21 babystyle and 2 Cadeau retail stores), through its babystyle.com
6 website, and through a direct mail program. The Debtor sells product under the
7 babystyle and Cadeau labels, and under leading brand labels. The Debtor also sells the
8 Cadeau brand product to wholesale accounts.

9 The Debtor has approximately 307 employees.¹ Of the Debtor's total
10 number of employees, approximately 50 work in the Debtor's corporate office, 254 work
11 at the Debtor's retail stores,² and 3 work at field locations. Approximately 73% of the
12 Debtor's employees at its retail stores are part-time employees.

13 IV.

14 **INFORMATION REQUIRED BY LOCAL BANKRUPTCY RULE 2081-1(b)(2)(F)**

15 The following information³ is provided pursuant to Local Bankruptcy Rule
16 2018-1(b)(2)(F) of the United States Bankruptcy Court for the Central District of
17 California:

18 (i) The Employees are Still Employed: Each of the employees for
19 whom the Debtor requests the relief in this Motion (the "Motion") is currently employed
20 with the Debtor. The Debtor will not pay pre-petition wages or claims to employees who
21 are no longer employed by the Debtor, or to those employees that have provided notice
22 to the Debtor that they will be leaving.

23 (ii) The Necessity of Payment: See discussion in Section V infra.

24
25 ¹ During February, 2008, the Debtor terminated the employment of 13 of its
26 employees.

27 ² The Debtor currently has four store employees on leave of absence.

28 ³ The facts stated in this Motion are set forth in the Kelleher Declaration.

1 (iii) The Benefit of the Procedures: See discussion in Section V infra.
2 (iv) The Prospect of Reorganization: The general terms of the Debtor's
3 plan for improving its operating results and moving its chapter 11 case forward are
4 outlined in the Kelleher Declaration. The Debtor believes that paying and/or honoring
5 employee claims and benefits will allow the Debtor to retain necessary employees,
6 maximize the value of the Debtor's business and assets, and leave the Debtor in a
7 position where it can move forward with its business operations on a viable basis.
8 Subject to Court approval of use of cash collateral (the Debtor's Motion for use of cash
9 collateral was filed contemporaneously with this Motion), the Debtor has access to
10 adequate funds to continue Debtor's ongoing operations and all obligations connected
11 with the reorganization of the Debtor. As set forth in its cash collateral motion, the Debtor
12 believes that its senior secured lender (Wachovia) is adequately protected by a
13 substantial equity cushion in its collateral and the Debtor's subordinate secured lenders
14 (the Bridge Lenders) have consented to the Debtor's use of cash collateral. The Debtor
15 is in the process of reducing overhead costs and intends to close, at a minimum, 6
16 unprofitable stores. The Debtor anticipates developing a restructuring plan. At the same
17 time, the Debtor is exploring whether a sale of its business is a viable alternative for
18 resolving this case. The Debtor has a reasonable prospect for a successful
19 reorganization in this case.

20 (v) Whether the Employees are Insiders: Except for Robert S. Kelleher
21 (Chief Executive Officer), Emilia Fabricant (President and Chief Merchandising Officer),
22 and Yvonne Besvold (Chief Financial Officer), the employees covered by the Motion are
23 not insiders of the Debtor.

24 (vi) Whether the Employees Claims Are Within the Limits Established by
25 11 U.S.C. §507(a): Section 507(a)(3) and (4), as amended by Section 1401 of the
26 Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the "BAPCPA"),
27 provides that employees of the Debtor will have a priority claim to the extent of \$10,000
28 per employee for wages, salaries or commissions earned within 180 days of the filing of

1 the Petition, or the cessation of the Debtor's business, whichever is earlier. Further,
2 employees are provided with a priority claim arising from services rendered within 180
3 days before the filing date of the petition or the cessation of the Debtor's business,
4 whichever is earlier, for contributions to an employee benefit plan, for each plan, to the
5 extent (1) the number of employees covered by the plan multiplied by \$10,000; less (2)
6 the aggregate amount paid to such employees under paragraph (4) of the subsection,
7 plus the aggregate amount paid by the estate on behalf of such employees to any other
8 employee benefit plan. The amount of the Debtor's full time salaried and hourly
9 employees for wages (estimated for hourly employees) for each two-weeks pay period
10 and the amount of accrued vacation pay for each fulltime employee are set forth in the
11 chart attached hereto as Exhibit 1. In addition, the Debtor's weekly obligation for wages
12 of its part time hourly employees averages approximately \$45,000 - \$55,000 per week.
13 The Debtor is not seeking to pay out the vacation pay to the employees, but only honor
14 accrued vacation days in the ordinary course of its business, the Debtor submits that it is
15 appropriate to honor such claims, provided, however, that the vacation pay is not actually
16 paid out. Moreover, the Debtor will not pay any employee any amount for prepetition
17 claims in excess of the \$10,000 priority limit. Further, as discussed below, prior to the
18 commencement of the Debtor's case, ADP (it is ADP who makes payment to the Debtor's
19 Employees) had already withdrawn the funds from the Debtor to make the payroll due on
20 March 21, 2008. See Section VI.A. below.

21 (vii) The Payment Will Not Render the Estate Administratively Insolvent:

22 As of the Petition Date, the Debtor estimates that it has approximately
23 \$541,000 in cash on hand (this amount could be greater or lesser depending on whether
24 prepetition checks outstanding prior to the Petition Date cleared the bank prior to the
25 Chapter 11 filing – the Debtor will determine this amount with specificity, as soon as
26 feasible following the chapter 11 filing). As of March 22, 2008, the Debtor estimates that
27 cash on hand will be \$794,000. Subject to court authorization to use cash collateral (the
28 Debtor has filed a motion for authorization to use cash collateral contemporaneously with

1 the filing of this Motion), the Debtor has sufficient funds to make the payments pursuant
2 to this Motion. As set forth in the Debtor's cash collateral motion, the Debtor believes
3 that its senior secured creditor (Wachovia) is adequately protected by a substantial equity
4 cushion and the Debtor's subordinated secured creditors (the Bridge Lenders) have
5 consented to the Debtor's use of cash collateral. Moreover, the Debtor's projections (see
6 Exhibit 1 to the Kelleher Declaration) reflect that the Debtor has the ability to continue to
7 operate its business without threatening the administrative solvency of the estate.
8 Further, based on the timing of the Debtor's chapter 11 filing and the payment of the
9 Debtor's payroll through ADP, the outstanding prepetition payroll obligations of the
10 Debtor for salaried employees has already been met.

11 V.

12 **PAYMENT OF PREPETITION EMPLOYEE-RELATED EXPENSES AND BENEFITS IS**
13 **ESSENTIAL AND IN THE BEST INTEREST OF THE DEBTOR AND THE ESTATE**

14 As a result of the commencement of the Debtor's chapter 11 case, unless
15 authorized by the Court, the Debtor will be restricted from paying and/or honoring
16 accrued and unpaid wages, salaries, vacation and other compensation and benefits
17 attributable to the prepetition period. In large part, the Debtor's ongoing operations, the
18 viability of the Debtor's reorganization, and the Debtor's ability to meet its obligations is
19 dependent upon a stable and productive work force. In order to maintain employee
20 stability, morale, and loyalty and to sustain the work effort and ethic being demonstrated
21 by its employees, the Debtor believes that it is imperative that payment to all employees
22 and honoring of all employee benefits remains current. The vast majority of the Debtor's
23 employees simply cannot afford to miss a pay period or be deprived of benefits they
24 receive in the ordinary course of their employment.

25 The stability of the Debtor's employee pool is tenuous. The labor pool is
26 mobile. As a result of the relatively low level of unemployment, it may not be difficult for
27 the Debtor's employees to shift to a work environment where there is perceived to be less
28 risk to wage and employment stability. At the same time, it would be extremely difficult

1 for the Debtor to find qualified replacement employees in a competitive employment
2 environment with the unfavorable publicity of disrupted pay or benefits. Even if
3 replacements could be hired, it could take significant time before they could be fully
4 trained and qualified for the jobs, resulting in further disruption and harm to the Debtor's
5 business operations and the pending reorganization process. Any interruption in the
6 Debtor's business or downturn in productivity could undermine the reorganization
7 process and detrimentally impact the value of the estate to the detriment of all creditors of
8 the Debtor.

9 With respect to the Debtor's hourly employees, the market for such
10 employees with similar skills and experience may be favorable to the employees. If the
11 prepetition wage obligations owed to these employees are not paid in the ordinary course
12 of business, these employees may not have difficulty in obtaining comparable
13 employment with other employers seeking similar services. Finding and training qualified
14 replacement workers would be difficult and disruptive to the Debtor's ongoing business
15 operations and the pending reorganization process. As a result, it is critical that the
16 Debtor's employees be compensated for their prepetition wage obligations and also be
17 allowed to receive customary benefits in order to minimize disruption of the Debtor's
18 business as a going concern.

19 If prepetition compensation, reimbursement amounts and customary
20 benefits are not received and honored in the ordinary course, some of the employees will
21 suffer extreme personal hardship and in many cases may be unable to pay basic living
22 expenses. Such a result would obviously devastate employee morale. At this time, any
23 serious deterioration in employee morale would substantially and adversely impact the
24 Debtor and its ability to successfully complete its reorganization in a manner that
25 maximizes the value of the estate. The Debtor submits that the total amount to be paid to
26 or for the benefit of its employees if the requested relief is granted is *de minimis*
27 compared with the importance and necessity of the employees and the magnitude of loss
28 of business value the Debtor would suffer if those amounts are not paid.

1 Debtor's hourly employees for the period from March 16, 2008 through the Petition Date
2 (see footnote 4 in this Motion) and is estimated to amount to approximately \$52,000.

3 Funds used for payroll are withdrawn from the Debtor's payroll account by
4 ADP. The payroll account is funded through the Debtor's Disbursement Account
5 (Wachovia Bank account no. 2000035271967). In the ordinary course of business, prior
6 to the commencement of the its chapter 11 case, the Debtor would draw from its line of
7 credit with Wachovia Capital Finance (account no. 5000000030321) to fund the
8 Disbursement Account in advance of the ADP withdrawal required for payment of the
9 Debtor's payroll. ADP issues payroll checks to the Debtor's employees from ADP's own
10 account and handles the employee direct deposits and pays the payroll taxes. The
11 Debtor only writes payroll checks directly from its own account when a check is needed
12 off the payroll cycle for employees leaving the company, vacation pay, corrections, and
13 the like. Such checks are processed like all other checks written by the Debtor. They are
14 drawn on the Debtor's Accounts Payable Account (Wachovia Bank account no.
15 0079900560608). If an employee of the Debtor does not cash the ADP payroll check
16 within six months, under the Debtor's arrangement with ADP, ADP returns the funds to
17 the Debtor.

18 **B. Employee Benefits.**

19 Similar to other companies within its industry, the Debtor offers its
20 employees various benefits consistent with industry standards, including medical and
21 dental coverage, workers' compensation coverage, retirement savings plans, paid
22 vacations, and compliance with garnishment orders. Wage garnishments are exclusively
23 the product of the employees' wages. Other benefits involve employer contributions or
24 matching funds. As with the payment of wages, it is important that benefits continue to
25 be provided on an uninterrupted basis. By the Motion, the Debtor requests that it be
26 authorized to continue the following employee benefit plans identified below.

27 The Debtor has established and maintained its own benefit plans for its
28 employees. The general benefit plans that were available to eStyle's employees include:

- 1 1. Medical and Vision coverage;
- 2 2. Dental Insurance;
- 3 3. Short term disability coverage;
- 4 4. Long term disability insurance;
- 5 5. Life insurance (includes an option for voluntary additional life
- 6 insurance coverage to be paid by the electing employee);
- 7 6. 401(k) plan;
- 8 7. Paid Vacation and company holidays;
- 9 8. Employee Discount/Parking Reimbursement.

10 A more detailed summary of the Debtor's employee benefit programs is
11 attached hereto as Exhibit 2 and is incorporated herein by this reference.

12 **C. Reimbursement.**

13 The Debtor customarily reimburses employees who incur business
14 expenses in the ordinary course of the Debtor's business. These expenses involve
15 primarily travel and travel related expenses. The Debtor's employees submit
16 reimbursement requests following the date on which the expenses are incurred. The
17 submissions for reimbursement received each week are reviewed by eStyle's accounts
18 payable department for approval and, generally, are paid weekly within one or two weeks
19 following the week the reimbursement request is submitted. It is estimated that some of
20 eStyle's employees will not have timely submitted receipts and/or other documentation for
21 a minimal amount of reimbursement of business expenses as of the Petition Date.
22 Further, some checks that were issued prior to the Petition Date will likely not have been
23 cashed before the bankruptcy was filed. The Debtor estimates that the total of both the
24 unpaid expenses and outstanding checks for expenses already paid will total less than
25 \$30,000. The Debtor requests that the Court authorize the Debtor to pay any outstanding
26 expense reimbursements as of the Petition Date, and direct the Debtor's bank
27 (Wachovia) to honor any outstanding checks issued to employees for reimbursement of
28 expenses.

1 (ii) the aggregate amount to be paid
2 to such employees under paragraph (3)
3 of this subsection, plus the aggregate
4 amount paid by the estate on behalf
5 such employees to any other employee
6 benefit plan.

7 11 U.S.C. §§ 507(a)(4) and (5).

8 Payroll taxes are also entitled to priority treatment. The third priority
9 includes the so-called "trust fund taxes," that is, withheld income taxes and the
10 employee's share of social security taxes. See 4 Collier on Bankruptcy, ¶ 507.10[3][c], p.
11 507-72 (15 Ed. Rev. 2001).

12 With respect to wages earned before the petition but
13 actually paid by the trustee [Debtor in possession]
14 after the title 11 case commenced, taxes required to
15 be withheld receives the same priority as the wages
16 themselves. Thus, the employees' share of taxes
17 on third priority wages also receives third priority.

18 S. Rep. No. 95-989, 95th Cong., 2d Sess., 71-72 (1982).

19 Trust fund taxes are given fourth priority if the underlying wages receive
20 fourth priority. They are part of the wage claims and, therefore, are entitled to a fourth
21 priority, although the government is paid rather than the employee. No express provision
22 is contained in section 507 to that effect, because it is unnecessary. Section 346(f)
23 requires that a Debtor in possession withhold from any payment of claims for wages in
24 the amount required to be withheld or collected under applicable state or local tax law
25 and pay it to the appropriate governmental unit, with the same priority as the claim from
26 which such amount was withheld. The employer's portion of the employment tax and the
27 employer's portion of the social security tax on fourth priority compensation are included
28 in the eighth priority category for taxes.

Bankruptcy courts have granted the relief sought in this matter in many
other cases. Moreover, such relief is generally granted on a routine "first day" basis in
many cases. See, e.g., In re Gulf Air, Inc., 112 B.R. 152 (Bankr. W.D. La. 1989); In re
Ionosphere Clubs, Inc., 98 B.R. 174 (Bankr. S.D.N.Y. 1989). Allowing relief for the
payment of the employee-related expenses sought herein is based on the recognition

1 that the Debtor's employees are indispensably necessary to the continued operation of
2 the Debtor's business and the success of this chapter 11 case. Accordingly, such
3 payment will ultimately benefit all creditors. As stated by the court in In re CEI Roofing,
4 Inc., 315 B.R. 50 (Bankr. N.D.Tex. 2004):

5 [T]here has evolved a rule for the payment of prepetition wages and
6 benefits which is based on both common sense and the express provisions
7 of the Bankruptcy Code. If employees are not paid, they will leave. If they
8 leave the Debtor's business, the bankruptcy case fails shortly after the filing.
9 No one will benefit from the process. The Code gives employees a statutory
10 priority that elevates the claims above the general unsecured claims, and,
11 in fact, most claims in the bankruptcy case. To the extent that the existing
12 holders of claims of higher priority than the wage claims consent or do not
13 timely object, such priority claims may be made during the pendency of the
14 bankruptcy case. The treatment and payment of such claims before
15 confirmation does no violence to the Code or existing case law... in fact,
16 such orders are usually "necessary" and "appropriate" to implement a
17 debtor's reorganization under Chapter 11.

18 Id., at 60.

19 The "necessity of payment" doctrine "recognizes the existence of the
20 judicial power to authorize a debtor in a reorganization case to pay prepetition claims
21 where such payment is essential to the continued operation of the debtor." In re
22 Ionosphere Clubs, Inc., 98 B.R. at 176. The Third Circuit, in In re Lehigh & New England
23 Railway Co., 657 F.2d 570, 581 (3rd Cir. 1981), described the doctrine as follows:

24 [T]he 'necessity of payment' doctrine... [permits]
25 immediate payment of claims of creditors where those
26 creditors will not supply services or materials
27 essential to the conduct of the business until their pre-
28 reorganization claims shall have been paid.

29 In re Lehigh & New England Railway Co., 657 F.2d at 581 (quoting In re Penn Central
30 Transp. Co., 467 F.2d 100, 102, n.1 (3rd Cir. 1972)). While the "necessity of payment"
31 doctrine originally developed in the context of railroad reorganizations under the
32 Bankruptcy Act, it has been applied in nonrailroad bankruptcies. See In re Gulf Air, Inc.,
33 112 B.R. at 153; In re Eagle-Picher Indus., Inc., 124 B.R. 1021, 1023 (Bankr. S.D. Ohio
34 1991) ("[T]o justify payment of a pre-petition unsecured creditor, a debtor must show that
35 the payment is necessary to avert a serious threat to the Chapter 11 process."); In re
36 Ionosphere Clubs, Inc., 98 B.R. at 176 ("The rationale for the 'necessity of payment' rule,

1 *i.e.*, facilitating the continued operation and rehabilitation of the debtor in railroad
2 reorganization cases, is also a paramount goal of Chapter 11."). In Dudley v. Mealey,
3 147 F.2d 268 (2nd Cir. 1945), cert. denied, 325 U.S. 873, 65 S. Ct. 1415, 80 L. Ed 1991
4 (1945), a reorganization case involving a hotel, Judge Learned Hand, in applying the
5 necessity of payment doctrine, stated:

6 Let it [a hotel] once be shut down, and it will lose
7 much of its value.... Some priority [the tradesmen
8 supplying the hotel prepetition] may be essential to
9 preservation of the business during that period as it is
10 later.

11 Id., at 271.

12 The Court has the power to authorize the payment and honoring of the
13 requested employee-related prepetition claims, under the circumstances, pursuant to the
14 "necessity of payment" doctrine under 11 U.S.C. § 363 and 11 U.S.C. § 105(a). See In
15 re Eagle-Picher Indus., Inc., 124 B.R. 1021 (Bankr. S.D. Ohio 1991); In re Gulf Air, Inc.,
16 112 B.R. 152 (Bankr. W.D. La. 1989); and In re Ionosphere Clubs, Inc., 98 B.R. 174
17 (Bankr. S.D.N.Y. 1989). Approval of the Motion is essential in order to maximize
18 creditors' recovery and preserve jobs for the Debtor's non-management level employees
19 -- paramount policies underlying and goal of this chapter 11 case. See NLRB v. Bildisco
20 & Bildisco, 465 U.S. 513, 527-28, 1045, Ct. 1188, 1197, 79 L.Ed. 2d (1984).

21 Courts have recognized that the need to pay employee priority wage claims
22 "in an ordinary course of business time frame is simple common sense." In re Equalnet
23 Communications Corp., 258 B.R. 368, 370 (Bankr. S.D. Tex. 2001) ("Employees are
24 more likely to stay in place and to refrain from actions that could be detrimental to the
25 case and/or the estate if their pay and benefits remain intact and uninterrupted.") These
26 priority wage claims are typically "payable out of necessity as well as by virtue of their
27 priority." In re CoServ L.L.C., 273 B.R. 487, 493 n.10 (Bankr. N.D. Tex. 2002).
28 Moreover, the analysis regarding payment of prepetition general unsecured claims in a
chapter 11 case prior to confirmation of a plan of reorganization is not the same for
priority claims. One court explained this distinction, stating:

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While certain conditions must be present for the court to approve the payment of prepetition general unsecured claims, the analysis is not the same for priority claims.... [T]he payment of prepetition wage claims of employees that qualify as priority claims under § 507(a)(3) does not trigger the same concerns (i.e., upsetting priorities under the Code and unfair discrimination among general unsecured claims).... [T]he Court... has the authority pursuant to § 105 and § 507(a)(3) and (4) to authorize the payment of priority wage claims and employee benefits prior to the confirmation of a plan.

In re CEI Roofing, Inc., 315 B.R. at 60.

There will be no prejudice to unsecured creditors resulting from the Court's authorization for the Debtor to honor prepetition employee-related obligations as requested herein. Authorization to make such payments is necessary so that the Debtor's continued operations and the pending reorganization process designed to maximize creditor recovery are not jeopardized.

VIII.

CONCLUSION

In order to ensure the continuity and quality of the Debtor's business operations and to avoid jeopardizing the Debtor's reorganization, the Court should authorize the Debtor to pay and/or honor the above-discussed prepetition employee-related obligations and, thus, enable the Debtor to successfully proceed, without unnecessary disruption, with the administration of this chapter 11 case. Such authorization will not prejudice creditors, but rather will protect their interests. A form of the proposed order granting this Motion is attached hereto as Exhibit 4.

WHEREFORE, the Debtor respectfully requests that the Court authorize it to pay and honor prepetition obligations owing to or for the benefit of employees and

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authorize and direct the Debtor's bank to honor prepetition checks in payment of such obligations and that the Court grant such other and further relief as is just.

DATED: 3/19/, 2008

Respectfully submitted,

SulmeyerKupetz
A Professional Corporation

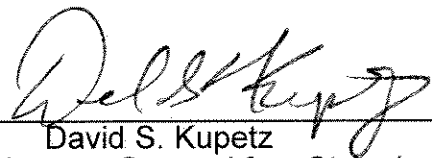
By: 
David S. Kupetz
Bankruptcy Counsel for eStyle, Inc.,
Debtor and Debtor in Possession

EXHIBIT 1

(Hire/Promo)

Employee Name		Dept	Department Name	Eligible Date	Bi-Weekly	Daily	PAYABLE VAC DAYS	Vac Due	Salaried/ Hourly
Last	First	#						\$512.24	Hourly
Acosta	Amber	450-17	Scottsdale FS	10/09/07	1,348.00	134.80	3.8	\$1,055.60	Hourly
Agama	Julio	450-12	Newport Beach	12/10/06	1,160.00	116.00	9.1	\$0.00	Hourly
Alonso	Karen	450-12	Newport Beach	10/14/07	1,120.00	112.00	0.0	\$669.60	Hourly
Anderson	Nancy (Elizabet	450-32	Bellevue Square	07/15/07	1,080.00	108.00	6.2	\$2,280.00	Hourly
Annicette	Valerie	450-29	Roosevelt Field	05/07/06	1,520.00	152.00	15.0	\$1,776.61	Hourly
Augeri	Urszula	450-21	Westfarms	08/22/05	1,505.60	150.56	11.8	\$294.40	Hourly
Beltran	Margarita	450-12	Newport Beach	11/03/07	920.00	92.00	3.2	\$416.00	Hourly
Bergeron	Alexandra	450-18	Kierland	08/29/07	1,040.00	104.00	4.0	\$556.80	Hourly
Bovil	Melissa	450-31	Short Hills	07/31/07	960.00	96.00	5.8	\$1,142.40	Hourly
Chamberlain	Mandy	450-32	Bellevue Square	02/18/07	1,120.00	112.00	10.2	\$930.00	Hourly
Charles	Dahlia	450-34	Cadeau - LA	05/29/07	1,240.00	124.00	7.5	\$417.60	Hourly
Codd	Heather	450-35	Cherry Creek	10/16/07	1,160.00	116.00	3.6	\$1,036.80	Hourly
Day	Tiffany	450-19	Barton Creek	05/06/07	1,280.00	128.00	8.1	\$420.00	Hourly
Dotson	Alesha	450-11	Manhattan Beach	10/21/07	1,200.00	120.00	3.5	\$882.38	Hourly
Dudley	Cady	450-30	North Park	07/16/07	1,423.20	142.32	6.2	\$1,626.40	Hourly
Dworak	Channa	450-18	Scottsdale FS	06/26/06	1,520.00	152.00	10.7	\$2,310.00	Hourly
Erga	Cassie	450-32	Bellevue Square	07/19/06	1,540.00	154.00	15.0	\$2,008.69	Hourly
Evans	Rochanda	420	Customer Care	09/22/03	994.40	99.44	20.2	\$2,184.53	Hourly
Faust	Lauren	450-31	Short Hills	09/25/06	1,538.40	153.84	14.2	\$1,274.40	Hourly
Fleischauer	Crystal	450-26	Willow Bend	05/21/06	1,080.00	108.00	11.8	\$360.00	Hourly
Gallardo	Marisol	450-24	Glendale	10/18/07	1,000.00	100.00	3.6	\$270.40	Hourly
Gillett	Lindiene	450-11	Manhattan Beach	11/25/07	1,040.00	104.00	2.6	\$720.00	Hourly
Gonzales	Yvonne	450-23	Valley Fair	04/04/07	800.00	80.00	9.0	\$415.58	Hourly
Gray	Jennifer	450-35	Cherry Creek	11/18/07	1,539.20	153.92	2.7	\$2,097.16	Hourly
Grey	Lilian	130	Finance	04/19/04	1,924.00	192.40	10.9	\$232.00	Hourly
Hicks	Kimberly	450-35	Cherry Creek	11/11/07	800.00	80.00	2.9	\$672.34	Hourly
Horne	Melissa	450-20	Westchester	09/10/07	1,461.60	146.16	4.6	\$368.00	Hourly
Humbach	Jillian	450-12	Newport Beach	12/03/07	1,600.00	160.00	2.3	\$297.60	Hourly
Jackson	Sonja	450-26	Willow Bend	11/05/07	960.00	96.00	3.1	\$446.14	Hourly
Lane	Tasha	450-35	Cherry Creek	11/12/07	1,538.40	153.84	2.9	\$461.52	Hourly
Livingston	Patricia	450-13	Santa Monica	11/08/07	1,538.40	153.84	3.0	\$607.60	Hourly
Luchsinger	Nicole	450-32	Bellevue Square	08/30/07	1,240.00	124.00	4.9	\$4,517.91	Hourly
Melendez	Janet	320	Merchandising	10/15/03	1,771.73	177.17	25.5	\$301.60	Hourly
Minchenkova	Lidiya	450-35	Cherry Creek	11/11/07	1,040.00	104.00	2.9	\$324.00	Hourly
Neil	Lacey	450-31	Short Hills	03/06/07	1,800.00	180.00	1.8	\$692.28	Hourly
Newhall	Ashley	450-22	Atrium	03/18/07	1,538.40	153.84	4.5	\$793.95	Hourly
Pappagallo	Lisa	450-31	Short Hills	09/24/07	1,846.40	184.64	4.3	\$156.40	Hourly
Peterson	Jacqueline	450-13	Santa Monica	12/05/07	680.00	68.00	2.3	\$665.60	Hourly
Ramirez	Renee	450-15	Mission Viejo	08/19/07	1,280.00	128.00	5.2	\$976.80	Hourly
Reveles	Ana	420	Customer Care	06/12/06	880.00	88.00	11.1	\$3,339.60	Hourly
Rosalia	Bibiana	320	Merchandising	07/01/02	1,320.00	132.00	25.3	\$2,430.00	Hourly
Ruiz	Erica	450-16	Sherman Oaks	10/17/04	1,080.00	108.00	22.5	\$1,409.88	Hourly
Sanchez	Gladys	420	Customer Care	10/17/05	909.60	90.96	15.5	\$2,935.80	Hourly
Sanchez	Reyna	450-24	Glendale	07/25/05	1,304.80	130.48	22.5	\$1,101.60	Hourly
Sandoval	Gabriel	340	Product Development	05/07/07	1,360.00	136.00	8.1	\$1,241.00	Hourly
Santoyo	Claudia	450-26	Willow Bend	04/22/07	1,460.00	146.00	8.5	\$278.40	Hourly
Sarran	Shamwattie	450-21	Westfarms	11/11/07	960.00	96.00	2.9	\$780.00	Hourly
Tomas Sebastian	Maria	340	Product Development	05/07/07	1,280.00	128.00	6.1	\$504.00	Hourly
Valencia	Marcela	450-12	Newport Beach	09/16/07	1,120.00	112.00	4.5	\$2,752.00	Hourly
Walters	Melissa	450-19	Barton Creek	10/16/05	1,280.00	128.00	21.5	\$290.40	Hourly
Widlund	Ashley	450-11	Manhattan Beach	04/23/07	880.00	88.00	3.3	\$665.60	Hourly
Williams	Ashley	450-16	Sherman Oaks	07/08/07	1,040.00	104.00	6.4	\$1,223.60	Hourly
Wilson	Amanda (Amy	450-14	Burlingame	03/18/07	1,288.00	128.80	9.5	\$668.80	Hourly
Word	Vanessa	450-12	Newport Beach	09/16/07	1,520.00	152.00	4.4	\$1,081.28	Hourly
Zukatis	Sabrina	450-25	Burlington	11/01/06	1,744.00	174.40	6.2	\$57,874.09	Hourly
Total Hourly					\$69,574.13			447.2	\$57,874.09

(Hire/Promo)

Employee Name		Dept #	Department Name	Eligible Date	Bi-Weekly	Daily	PAYABLE VAC DAYS	Vac Due	Salaried/ Hourly
Last	First								
Adams	Cynthia	420	Customer Care	03/14/00	2,469.81	246.98	25.2	\$6,223.92	Salaried
Baca	Alicia	450	Retail Operations	09/19/07	1,923.08	192.31	4.4	\$846.15	Salaried
Bader	Diane	450	Retail Operations	03/08/04	3,569.54	356.95	22.5	\$8,031.46	Salaried
Baime	Stacey	320	Merchandising	07/02/07	2,884.62	288.46	2.6	\$750.00	Salaried
Baker	Ashley	330	Planning	06/21/06	1,538.46	153.85	6.9	\$1,061.54	Salaried
Bender	Stacie	450-31	Short Hills	10/10/06	2,824.81	282.48	5.8	\$1,638.39	Salaried
Besvold	Yvonne	110	Executive	04/19/04	9,134.62	913.46	22.5	\$20,552.88	Salaried
Bisht	Chandan	550	Technology Infrastructure	11/10/03	4,230.77	423.08	21.0	\$8,884.62	Salaried
Bolduc	Diane	320	Merchandising	04/02/07	5,000.00	500.00	4.0	\$2,000.00	Salaried
Cabacungan	Cris	520	Network	06/02/03	3,875.96	387.60	30.0	\$11,627.88	Salaried
Caceres	Edwin	150	Human Resources	08/16/07	1,923.08	192.31	5.3	\$1,019.23	Salaried
Carlson	Michael	540	Production	01/03/00	3,230.77	323.08	30.0	\$9,692.31	Salaried
Chow	Alan	520	Network	03/12/07	2,500.00	250.00	1.6	\$400.00	Salaried
Christensen	Susan	450-35	Cherry Creek	11/05/07	1,923.08	192.31	3.1	\$596.15	Salaried
Cochet-Benitez	Shelley	450-24	Glendale	09/24/07	2,134.62	213.46	4.3	\$917.88	Salaried
Creutzburg	Ingrid	150	Human Resources	04/03/00	3,923.08	392.31	30.0	\$11,769.23	Salaried
Daughtery	Julie	450-18	Kierland	05/16/06	2,692.31	269.23	0.8	\$215.38	Salaried
De la Mora	Ernestina (Tia)	450-11	Manhattan Beach	01/04/08	2,230.77	223.08	1.5	\$334.62	Salaried
D'Itri	Jesyka	340	Product Development	07/10/06	1,846.15	184.62	12.3	\$2,270.77	Salaried
Emmons	Kathy	210	Marketing	10/30/02	3,115.39	311.54	30.0	\$9,346.17	Salaried
Fabricant	Emilia	110	Executive	03/12/07	15,384.62	1,538.46	6.5	\$10,000.00	Salaried
Fernandes	Katrine	410	Operations	12/02/06	4,038.46	403.85	1.4	\$565.38	Salaried
French	Tara	450-19	Barton Creek	02/27/05	1,653.85	165.38	13.0	\$2,150.00	Salaried
Fujimori	Brian	720	Graphics	05/08/00	2,961.54	296.15	30.0	\$8,884.62	Salaried
Gallo	Aimee	320	Merchandising	05/23/05	4,038.46	403.85	14.0	\$5,653.85	Salaried
Garrison	Dahlisa	450-30	North Park	11/12/07	2,115.38	211.54	2.9	\$613.46	Salaried
Gillard	Hui-Ching (Ka)	450	Retail Operations	10/04/04	2,031.92	203.19	6.0	\$1,219.15	Salaried
Giust	Debbie	130	Finance	11/30/99	6,153.85	615.38	30.0	\$18,461.54	Salaried
Gordziel	Jennifer	330	Planning	10/09/06	3,384.62	338.46	9.8	\$3,316.92	Salaried
Guevara	Jose	130	Finance	05/29/00	4,115.38	411.54	30.0	\$12,346.15	Salaried
Hanko	Carmen	450-17	Scottsdale FS	08/02/07	1,653.85	165.38	5.7	\$942.69	Salaried
Haro	Alicia	340	Product Development	10/18/06	2,846.15	284.62	1.6	\$455.38	Salaried
Kelieher	Bob	110	Executive	03/21/05	12,500.00	1,250.00	22.5	\$28,125.00	Salaried
Lagoudes	Vicky	360	Wholesale	04/06/07	1,692.31	169.23	2.9	\$490.77	Salaried
Lai		720	Graphics	10/16/00	2,192.31	219.23	30.0	\$6,576.92	Salaried

Vacation 02-28-2008
2/28/2008 3:21 PM
1 of 2

Employee Name		Dept	Department Name	(Hire/Promo) Eligible Date	Bi-Weekly	Daily	PAYABLE VAC DAYS	Vac Due	Salaried/ Hourly
Last	First	#							
Lapham	Jane	720	Graphics	10/16/07	1,346.15	134.62	3.6	\$484.62	Salaried
Mall	Laura	450-29	Roosevelt Field	08/27/07	2,423.08	242.31	5.0	\$1,211.54	Salaried
Medeiros	Maria Goretti	340	Product Development	06/19/06	4,153.85	415.38	0.0	\$0.00	Salaried
Medina	Janett	130	Finance	12/20/05	1,673.08	167.31	7.8	\$1,305.00	Salaried
Men	Crystal	450-23	Valley Fair	10/17/05	1,692.31	169.23	9.5	\$1,607.69	Salaried
Muñoz	Carmen	340	Product Development	11/06/06	3,384.62	338.46	9.1	\$3,080.00	Salaried
Natarajan	Patricia	450-26	Willow Bend	04/01/07	1,846.15	184.62	5.1	\$941.54	Salaried
Neagu	Silvia	210	Marketing	10/29/07	2,500.00	250.00	3.3	\$825.00	Salaried
Nelson	Angela	450-22	Atrium	11/14/05	2,203.20	220.32	17.3	\$3,811.54	Salaried
Nichols (Gilmer)	Carrie	210	Marketing	04/30/07	3,360.00	336.00	8.3	\$2,788.80	Salaried
Paget	Christian	320	Merchandising	07/25/07	1,250.00	125.00	5.9	\$737.50	Salaried
Patson	Leslie	320	Merchandising	12/08/03	2,970.27	297.03	29.5	\$8,762.29	Salaried
Phillips	Lisa Marie	450-32	Bellevue Square	07/17/06	2,230.77	223.08	14.1	\$3,145.38	Salaried
Plummer	Kelley	450-11	Manhattan Beach	10/24/07	2,269.23	226.92	3.4	\$771.54	Salaried
Ramirez	Aura Christina	450-16	Sherman Oaks	11/10/03	2,230.77	223.08	30.0	\$6,692.31	Salaried
Rankin	Laine	450-18	Kierland	10/01/06	1,923.08	192.31	9.1	\$1,750.00	Salaried
Reyes	Alan	330	Planning	04/27/06	4,807.69	480.77	8.4	\$4,038.46	Salaried
Ricardo	Jennifer	450-25	Burlington	02/05/08	2,192.31	219.23	0.6	\$131.54	Salaried
Roberts	Robin	340	Product Development	02/07/07	2,769.23	276.92	4.5	\$1,246.15	Salaried
Rodgers	John	140	Business Development	04/10/00	4,230.77	423.08	30.0	\$12,692.31	Salaried
Rolie	Kacie	450-14	Burlingame	06/29/04	2,346.15	234.62	20.0	\$4,692.31	Salaried
Rudzka	Anna	04-360	Wholesale	04/06/07	2,538.46	253.85	0.0	\$0.00	Salaried
Ruiz (Trujillo)	Veronica	450-13	Santa Monica	06/06/07	1,730.77	173.08	6.3	\$1,090.38	Salaried
Sedlar	Teresa	340	Product Development	08/30/06	6,538.46	653.85	17.4	\$11,376.92	Salaried
Shoptaw de Chavez	Christine	340	Product Development	07/17/06	3,269.23	326.92	11.1	\$3,628.85	Salaried
Smith	Kathryn	450-33	Cadeau - NY	04/06/07	7,307.69	730.77	8.9	\$6,503.85	Salaried
Stepp	Jenna	610	Content	09/17/07	1,346.15	134.62	4.4	\$592.31	Salaried
Taormina	Desiree	320	Merchandising	09/24/07	1,538.46	153.85	4.3	\$661.54	Salaried
Thompson	Celia	450-33	Cadeau - NY	04/06/07	2,692.31	269.23	11.4	\$3,069.23	Salaried
Toste	Sarah	450-15	Mission Viejo	04/10/07	2,153.85	215.38	8.8	\$1,895.38	Salaried
Tranovich	Carolyn	450-21	Westfarms	07/18/05	2,307.69	230.77	12.2	\$2,815.38	Salaried
Winfrey	Marissa	210	Marketing	08/02/04	3,089.62	308.96	12.6	\$3,892.92	Salaried
Wong	Andy	720	Graphics	10/09/06	3,269.23	326.92	1.8	\$588.46	Salaried
Wood	Desiree	450-20	Westchester	10/23/07	2,307.69	230.77	3.5	\$807.69	Salaried
Woods	Jeremy	550	Technology Infrastructure	08/11/03	4,730.77	473.08	30.0	\$14,192.31	Salaried
Zeitz	Tiffanie	450-12	Newport Beach	08/27/07	2,500.00	250.00	5.0	\$1,250.00	Salaried
Total Salaried					<u>230,856.67</u>		<u>832.3</u>	<u>\$311,061.18</u>	
Grand Total					<u>\$300,430.80</u>		<u>1,279.5</u>	<u>\$368,935.27</u>	

EXHIBIT 2

Employee Benefit Programs

February 19, 2008

Executive benefits (CEO, President and CFO)

- Executive life insurance (either company policy or reimbursement for cost of personal policy)
- Executive disability (either company policy or reimbursement for cost of personal policy)
- Company paid premiums for health, dental and vision plans

Limited access benefit

- Company paid parking (10 spaces included in lease)
 - \$190/Monthly (All day & weekend): 10 employees
 - \$45/After hours & weekend: 4 employees

General benefits

- Employee discount policy 30%
- Company contribution to parking cost or use of mass transit
 - \$90 (open lot): 45 employees
 - \$100 (closed lot): 4 employees
- Medical, Dental and Vision Benefits (Fulltime Employees)
 - Elected healthcare benefits Effective on the 1st of the month following start date.
 - Domestic Partnership coverage available.
 - MEDICAL Insurance
 - *HMO (CA Only)*
 - Aetna HMO Plan (HMO High Plan)
 - babystyle covers 100% of the premium “Employee Only” coverage
 - Employees contribute full cost for “Dependent/Family” elected coverage
 - *PPO*
 - AETNA PPO Plan (Open Access Managed Choice POS)
 - babystyle covers a portion of the cost for “Employee Only” coverage
 - Employee contributes \$125/month for “Employee Only” coverage
 - Employees contribute full cost for “Dependent/Family” elected coverage
 - DENTAL Insurance
 - *DMO (CA Only)*
 - Delta Dental (DMO) – PMI Network
 - babystyle covers 100% of the premium “Employee Only” coverage
 - Employees contribute full cost for “Dependent/Family” elected coverage
 - *DPO*
 - Delta Dental (DPO) – Delta Preferred Option
 - babystyle covers a portion of the cost for “Employee Only” coverage

- Employee contributes \$5.20/month for “Employee Only” coverage
- Employees contribute full cost for “Dependent/Family” elected coverage
- VISION Insurance
 - Vision Service Plan (VSP)
 - (1 Exam, prescription glasses/contact lenses per year. Laser vision surgery discounts available)
 - babystyle covers 100% of the premium “Employee Only” coverage
 - Employees contribute full cost for “Dependent/Family” elected coverage
- Medical, Dental and Vision Benefits (Part-Time Employees)
 - Starbridge Select Sickness and Accident Plan (Mini-Med)
 - 100% paid by part-time employee.
 - Part-Time Employees become eligible the 1st of the month following hire date.
 - Offers limited benefit coverage for the most common every day illnesses and accidents at an affordable price
 - Two levels of Medical Coverage available
 - Doctor Visits, Injury Coverage, Illness Coverage, Prescriptions, Care24
 - Supplemental Coverage: Dental & Vision Plan
 - Dependant Coverage Available
- Premium Only Tax Savings Plan (POP)
 - ALL Employees electing to participate in eligible level of Healthcare Coverage
 - Pre-Tax Savings on Employee Contribution for Health Coverage
- Short-Term Disability (STD)
 - Non-SDI States Fulltime employees eligible for the STD benefit, Company paid.
 - 11/1/07: AZ, CO, CT, MA, TX and WA
 - Before 11/1/07: NJ, NY and AZ, CT, MA, TX, WA, CO
 - Benefit: 14-Day Waiting Period; 55% of the 1st \$1,527 of your Predisability Earnings, reduced by Deductible Income
- Long-Term Disability (LTD)
 - Company paid; Fulltime employees automatically enrolled in this benefit.
 - Benefit: 90-Day Waiting Period; 66 2/3% of the 1st \$15,000 of your Predisability Earnings, reduced by Deductible Income.
- Life & AD&D
 - Employees hired before 11/1/07 will be grandfathered with the current life benefit (1x Annual Salary).
 - Employees hired on or after 11/1/07:
 - Directors and Above – 1x Annual Salary
 - All Others – Flat \$25,000
 - Company paid; Fulltime employees automatically enrolled in this benefit.
- 401(k) program (no company matching contribution)
 - ALL babystyle employees are eligible. Eligible at next open enrollment after completion of 3 months of employment in which employee was paid for at least 250 hours; at least age 21. Not Company matched.
- Employee stock option plan

EXHIBIT 3

SulmeyerKupetz, A Professional Corporation
333 SOUTH HOPE STREET, THIRTY-FIFTH FLOOR
LOS ANGELES, CALIFORNIA 90071-1406
TEL. 213.626.2311 • FAX 213.629.4520

1 David S. Kupetz (CA Bar No. 125062)
Email: dkupetz@sulmeyrlaw.com
2 Mark S. Horoupian (CA Bar No. 175373)
Email: mhoroupian@sulmeyerlaw.com
3 **SulmeyerKupetz**
A Professional Corporation
4 333 South Hope Street, Thirty-Fifth Floor
Los Angeles, California 90071-1406
5 Telephone: 213.626.2311
Facsimile: 213.629.4520

6
7 Bankruptcy Counsel for eStyle, Inc.,
Debtor and Debtor in Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

10
11 In re
12 ESTYLE, INC., a Delaware corporation,
dba babystyle and Cadeau Maternity,

13
14 Debtor.

15
16
17
18
19
20 Tax Id # 95-4712564

Case No. 2:08-bk-13518-SB

Chapter 11

**ORDER GRANTING DEBTOR'S
EMERGENCY MOTION AND
AUTHORIZING PAYMENT AND/OR
HONORING OF PREPETITION EMPLOYEE
COMPENSATION, BENEFITS,
REIMBURSEMENTS, WITHHOLDING
TAXES, ACCRUED VACATION, AND
RELATED EMPLOYEE CLAIMS**

DATE: March 21, 2008
TIME: 10:00 a.m.
PLACE: U.S. Bankruptcy Court
Courtroom 1575
255 East Temple Street
Los Angeles, CA 90012

21
22 eStyle, Inc. (the "Debtor"), debtor and debtor in possession in the above-
23 captioned chapter 11 case, filed the "Debtor's Emergency Motion for Order Authorizing
24 Payment and/or Honoring of Prepetition Employee Compensation, Benefits,
25 Reimbursements, Withholding Taxes, Accrued Vacation, and Related Employee Claims"
26 (the "Motion"). The Motion came on for hearing before the Court on _____,
27 2008.
28

1 Having considered the Motion, the declaration filed in support thereof, any
2 and all responses to the Motion, the representations made at the hearing, the facts and
3 circumstances of this matter, and good cause appearing therefor,

4 **IT IS ORDERED** as follows:

- 5 1. The Motion is granted;
- 6 2. The Debtor is authorized to pay and/or honor prepetition employee
7 compensation, employee benefits, employee reimbursements, withholding taxes, accrued
8 vacation, and related claims (the "Employee Claims") as described in the Motion. In no
9 event shall the Debtor actually pay to any employee, on account of any such claims, an
10 amount that exceeds \$10,000. Further, the Debtor is not authorized to pay any
11 Employee Claims for an employee who is not currently employed by the Debtor, or who
12 has provided notice to the Debtor that he/she intends to leave; and
- 13 3. The Debtor's bank, Wachovia Bank, is directed to honor prepetition
14 checks issued by the Debtor in payment of such Employee Claims.

15
16 DATED: _____

HON. SAMUEL L. BUFFORD
UNITED STATES BANKRUPTCY JUDGE

17
18
19 Presented By:

20 **SULMEYERKUPETZ**
21 a Professional Corporation

22
23 By: _____
24 David S. Kupetz
25 Bankruptcy Counsel for eStyle, Inc.,
26 Debtor and Debtor in Possession
27
28