

1 David S. Kupetz (CA Bar No. 125062)
Email: dkupetz@sulmeyerlaw.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

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

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

Case No. 2:08-bk-13518-SB
Chapter 11

**DECLARATION OF EMILIA FABRICANT IN
SUPPORT OF DEBTOR'S REPLY TO
WACHOVIA CAPITAL FINANCE
CORPORATION'S OBJECTIONS TO
DEBTOR'S REPLY TO OBJECTION OF
WACHOVIA CAPITAL FINANCE
CORPORATION (WESTERN) TO
DEBTOR'S THIRD MOTION FOR INTERIM
AND FINAL ORDERS AUTHORIZING
DEBTOR (a) TO CONDUCT STORE
CLOSING SALES, (b) TO DISCONTINUE
OPERATIONS AT CERTAIN STORES AND
(c) GRANTING ANCILLARY AND OTHER
RELIEF**

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19 Tax Id # 95-4712564

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21 DATE: May 27, 2008
TIME: 11:00 a.m.
22 PLACE: U.S. Bankruptcy Court
23 Courtroom 1575
24 255 East Temple Street
Los Angeles, CA 90012

25 I, Emilia Fabricant, declare:

26 1. I am the President and Chief Merchandising Officer of eStyle, Inc.
27 (the "Debtor").
28

1 2. I have personal knowledge of the facts stated herein. I can testify
2 that said facts are true and correct.

3 3. The Debtor commenced the above-captioned case by filing a
4 voluntary chapter 11 petition on March 19, 2008. The Debtor remains in possession of its
5 assets and continues to operate its business as the debtor in possession.

6 4. This Declaration is submitted in support of the Debtor's reply (the
7 "Reply") to the objection (the "Objection") of Wachovia Capital Finance Corporation
8 ("Wachovia"), received on May 22, 2008, to the Debtor's third store closing motion (the
9 "Motion") filed in the Debtor's chapter 11 case. I have reviewed the Objection.

10 5. In the Objection, Wachovia incorrectly asserts that there has been a
11 fundamental shift in the Debtor's business plan that raises questions as to the viability of
12 a reorganization in this case. What has happened is that the Debtor has continued to
13 evaluate its overall operations and the performance of its retail stores (and has engaged
14 in discussions with potential purchasers of the Debtor's business and/or assets and
15 potential funders of a reorganization plan) and has determined that the most viable
16 approach for moving forward that could serve as the basis for viable reorganization or
17 sale of the Debtor's business involves the continued operation of a core group of the
18 Debtor's best stores in conjunction with the Debtor's online (DTC – direct to consumer)
19 business. Moreover, as set forth in the Declaration of Alexander B. Kasdan submitted
20 with the Reply, multiple potential purchasers are in discussions with the Debtor with
21 regard to a potential going concern acquisition of the Debtor's business assets that would
22 involve a core group of the Debtor's best retail stores. At this time, based upon an
23 evaluation of the Debtor's business I have participated in, the development of a business
24 plan for the Debtor centered around the continued operation of a limited, core group of
25 the Debtor's best retail stores and the Debtor's on-line DTC business, and discussions I
26 have engaged in with potential purchasers of the Debtor's business as a going concern, I
27 believe that the Debtor has a reasonable prospect of achieving a successful sale or
28 reorganization of its business as a going concern within a reasonable period of time.

1 6. Wachovia is correct that the Debtor's net cash receipts have been
2 less than projected (although Wachovia overstates the amount, net cash receipts have
3 been approximately 15.4% below projections). However, cash disbursements by the
4 Debtor have also been significantly below what was projected (\$956,262 under budget,
5 or 13.4% below budget).

6 7. In the Objection, Wachovia fails to acknowledge that since the date
7 of the commencement of the Debtor's chapter 11 case, \$660,184.69 of the Debtor's
8 funds have been paid to Wachovia.

9 8. The Objection contains various misleading contentions. For
10 example, Wachovia asserts that the Debtor increased its inventory by more than \$46,000
11 in a certain week and exceeded the inventory budget for a certain 2-week period.
12 However, this was simply a timing issue where certain inventory was received at the dock
13 earlier than had been anticipated (of course, inventory is part of Wachovia's collateral).
14 Similarly, Wachovia asserts that less sales tax than had been projected has been paid.
15 Part of the reason for this is that the projections included the payment of sales tax for the
16 full month of March and only payment has been required at this time for the post-petition
17 period of that month and there was some delay in making the payments simply related to
18 the need to calculate the proper post-petition amounts. Such calculations have been
19 made and payment has been made to the State of California and has been or will be
20 made to the other applicable states by the end of this week. Wachovia asserts that the
21 Debtor's CEO, Robert Kelleher, resigned. This is correct. Mr. Kelleher resigned for
22 health reasons. I have significant experience running retail business operations, having
23 been employed by Barney's of New York for 10 years, including as a senior vice
24 president and, thereafter, having founded and run a retail business for 6 years prior to
25 that business having been acquired by the Debtor. While the Debtor did terminate its
26 CFO, the Debtor's finance department now headed by Debbie Giust and Joey Guevara,
27 is functioning efficiently and effectively and, among other things, is properly and timely
28

1 providing reports to Wachovia in connection with the cash collateral order each Tuesday,
2 Wednesday, and Thursday of each week.

3 9. Contrary to assertions of Wachovia in the Objection, to date, during
4 the post-petition period, the Debtor is \$956,262 below budget with regard to expense
5 disbursements (13.4% below budget) and is also below budget with respect to payment
6 for salary and wages.

7 10. As set forth in the Declaration of Richard Alston submitted with the
8 Reply, the liquidation value of inventory as a result of store closing sales has exceeded
9 what was projected. However, cannibalization as a result of online discounted sales and
10 store closing sales at certain locations has negatively impacted sales at the Debtor's
11 ongoing stores. Such sales were also significantly negatively impacted as a result of
12 business disruption that occurred in connection with and following the Debtor's chapter
13 11 filing. I believe that Debtor has now navigated through this period of business
14 disruption and sales at ongoing stores will likely improve as a result.

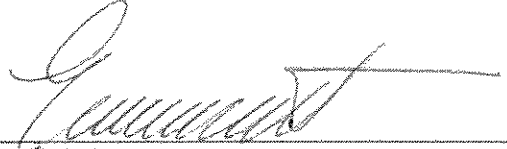
15 11. In the Objection, Wachovia asserts that the Debtor should move
16 immediately to a complete liquidation of its retail stores through store closing sales. If the
17 Debtor were to agree that such an approach was appropriate at this time and was not
18 premature in light of pending sale discussions and ongoing discussions and evaluations
19 that are in process with regard to alternatives for reorganization, the most effective
20 means of liquidating the Debtor's inventory would be through store closing sales.
21 Accordingly, even if Wachovia's arguments were found to be correct (and the Debtor and
22 I believe that they are incorrect), the Debtor's pending Motion requesting authorization to
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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 commence store closing sales at the beginning of June had as many as 7 of the Debtor's
2 retail stores should be granted

3 I declare under penalty of perjury that the foregoing is true and correct.

4 EXECUTED THIS 23 DAY OF MAY, 2008, AT LOS ANGELES,
5 CALIFORNIA.



Emilia Fabricant

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LOS ANGELES, CALIFORNIA 90071-1406
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PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

At the time of service, I was over 18 years of age and **not a party to this action**. I am employed in the County of Los Angeles, State of California. My business address is 333 South Hope Street, Thirty-Fifth Floor, Los Angeles, California 90071-1406.

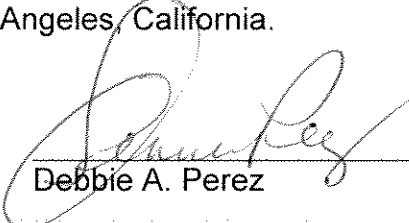
On May 23, 2008, I served the following document(s) described as **DECLARATION OF EMILIA FABRICANT IN SUPPORT OF DEBTOR'S REPLY TO WACHOVIA CAPITAL FINANCE CORPORATION'S OBJECTIONS TO DEBTOR'S REPLY TO OBJECTION OF WACHOVIA CAPITAL FINANCE CORPORATION (WESTERN) TO DEBTOR'S THIRD MOTION FOR INTERIM AND FINAL ORDERS AUTHORIZING DEBTOR (a) TO CONDUCT STORE CLOSING SALES, (b) TO DISCONTINUE OPERATIONS AT CERTAIN STORES AND (c) GRANTING ANCILLARY AND OTHER RELIEF** on the interested parties in this action as follows:

SEE ATTACHED SERVICE LIST

BY E-MAIL OR ELECTRONIC TRANSMISSION: I caused the document(s) to be sent from the e-mail address dperez@sulmeyerlaw.com to the persons at the e-mail addresses listed in the Service List, I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on May 23, 2008, at Los Angeles, California.



Debbie A. Perez

SERVICE LIST

- 1
- 2
- 3 **OFFICE OF THE UNITED STATES TRUSTEE**
- 4 Office of the United States Trustee
Attn: Bruce Schildkraut, Esq.
- 5 Ernst & Young Plaza
725 South Figueroa Street
- 6 26th Floor
Los Angeles, CA 90017
- 7 Bruce.Schildkraut@usdoj.gov
- 8 **ATTORNEY FOR COMMITTEE OF UNSECURED CREDITORS**
Craig Margulies, Esq.
- 9 Landsberg Margulies LLP
16030 Ventura Blvd., Ste. 470
- 10 Encino, CA 91436-2731
cmargulies@lm-lawyers.com
- 11 American Express Travel Related Svcs Co
Inc Corp Card
c/o Becket and Lee LLP
- 13 POB 3001
Malvern, PA 19355-0701
- 14 notices@becket-lee.com
- 15 Bellevue Square Managers, Inc.
c/o John S. Kaplan, Esq.
- 16 Perkins Coie LLP
1201 Third Avenue, 40th Floor
- 17 Seattle, WA 98101-3099
JKaplan@perkinscoie.com
- 18 Dream International USA, Inc.
c/o Samuel S. Oh, Esq.
- 19 Lim, Ruger & Kim, LLP
1055 West Seventh St., Ste. 2800
Los Angeles, CA 90017
- 21 sam.oh@lrklawyers.com
- 22 General Growth Management, Inc., as Agent
Attn: Kristen N. Pate, Assistant Gen. Counsel
- 23 110 N. Wacker
Chicago, IL 60606
- 24 Tel: (312) 960-2940
Fax: (312) 442-6374
- 25 ggpbk@ggp.com
- 26 GRP II Investors, L.P.; GRP II Partners, L.P.;
GRP II, L.P.; Oak Investment Partners IX;
- 27 Oak IX Affiliates Fund, L.P.; & Oak IX Affiliates Fund – A, L.P.
c/o Michael Foreman, Esq.
- 28 c/o Michelle Kreidler Dove, Esq.

- 1 DORSEY & WHITNEY LLP
250 Park Avenue
- 2 New York, NY 10177
Tel: (212) 415-9200
- 3 Fax: (212) 953-7201
foreman.michael@dorsey.com
- 4 dove.michelle@dorsey.com

- 5 Gust Rosenfeld PLC
Attn: Madeleine C. Wanslee
- 6 201 E Washington, Ste 800
Phoenix, AZ 85004-2327
- 7 mwanslee@gustlaw.com

- 8 Kashwere LLC
19749 Bahama Street
- 9 Northridge, CA 91324
patty@kashwere.com

- 10 New Breed, Inc.
11 c/o Franklin C. Adams, Esq.
c/o William J. Wall, Esq.
- 12 Best Best & Krieger LLP
3750 University Avenue, Suite 400
- 13 PO Box 1028
Riverside, CA 92502
- 14 franklin.adams@bbklaw.com
william.wall@bbklaw.com

- 15 NorthPark Partners, LP
16 c/o James H. Billingsley, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
- 17 1717 Main Street, Suite 2800
Dallas, TX 75201
- 18 Tel: (214) 939-5500
Fax: (214) 939-5849
- 19 james.billingsley@klgates.com

- 20 Shaw Valenza LLP
520 Capitol Mall, Suite 630
- 21 Sacramento, CA 95814
gvalenza@shawvalenza.com

- 22 Simon Property Group, Inc.
23 Attn: Ronald M. Tucker, Esq.
225 W. Washington St.
- 24 Indianapolis, IN 46204
Tel: (317) 263-2346
- 25 rtucker@simon.com

- 26 Taubman Landlords
(West Farms Mall LLC;
- 27 Willow Bend Shopping Center LP, et al.)
c/o Taubman Realty Group Limited
- 28 The Taubman Company

- 1 Attn: Andrew S. Conway
200 E. Long Lake Road, Ste. 300
- 2 Bloomfield Hills, MI 48303-0200
Tel: (248) 258-7427
- 3 aconway@taubman.com

- 4 Texas Comptroller of Public Accounts
Attn Jay W Hurst, Asst Atty Gen
- 5 Bankr & Coll Div
PO Box 12548
- 6 Austin, TX 12548
jay.hurst@oag.state.tx.us

- 7 The Donovan Offices
- 8 Attn: James M. Donovan
Attn: Michael J. Glenn
- 9 Attn: John Monte
915 Wilshire Blvd., Ste. 950
- 10 Los Angeles, CA 90017
jmdonovan@thedonovanoffices.com
- 11 mglenn@thedonovanoffices.com
montelaw@earthlink.net

- 12 The Irvine Company, LLC
- 13 c/o Ernie Zachary Park, Esq.
BEWLEY, LASSLEBEN & MILLER, LLP
- 14 13215 E. Penn St., Ste. 510
Whittier, CA 90602-1797
- 15 ernie.park@bewleylaw.com

- 16 Wachovia Capital Finance Corporation (Western)
Attn: Robin Van Meter, Vice President
- 17 251 South Lake Avenue, Suite 900
Pasadena, CA 91101
- 18 robin.vanmeter@wachovia.com

- 19 Wachovia Capital Finance Corporation (Western)
c/o William H. Kiekhofer III, Esq.
- 20 c/o Anthony J. Napolitano, Esq.
MAYER BROWN LLP
- 21 350 South Grand Ave., 25th Floor
Los Angeles, CA 90071
- 22 wkiekhofer@mayerbrown.com
anapolitano@mayerbrown.com

- 23 Wachovia Capital Finance Corporation (Western)
- 24 c/o Leo D. Plotkin, Esq.
815 Moraga Drive
- 25 Los Angeles, CA 90049
lplotkin@lsl-la.com

- 26 Westfield, LLC and
- 27 The Macerich Company
c/o Thomas J. Leanse, Esq.
- 28 c/o Brian D. Huben, Esq.

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 c/o Dustin P. Branch, Esq.
KATTEN MUCHIN ROSENMAN LLP
2 2029 Century Park East, Suite 2600
Los Angeles, CA 90067-3012
3 brian.huben@kattenlaw.com
4
5
6
7
8
9
10
11
12
13
14
15
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