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6

7 Bankruptcy Counsel for eStyle, Inc.,  
Debtor and Debtor in Possession  
8

9 **UNITED STATES BANKRUPTCY COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**  
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12 In re  
13 ESTYLE, INC. a Delaware corporation,  
dba babystyle, Cadeau, and Cadeau  
14 Designs,

15 Debtor.  
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17 Tax Id # 95-4712564  
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Case No. 2:08-bk-13518-SB

Chapter 11

**MOTION FOR ORDER APPROVING  
STIPULATION BETWEEN DEBTOR,  
OFFICIAL UNSECURED CREDITORS'  
COMMITTEE, AND "BRIDGE LENDERS",  
OAK INVESTMENT PARTNERS IX, OAK IX  
AFFILIATES FUND, OAK IX AFFILIATES  
FUND-A, GRP II, L.P., GRP II PARTNERS,  
L.P., AND GRP INVESTORS II, L.P.,  
REGARDING (1) APPOINTMENT OF  
RESPONSIBLE OFFICER, (2)  
EMPLOYMENT OF ACCOUNTANT FOR  
THE DEBTOR, AND (3) ANCILLARY  
ISSUES THERETO; DECLARATION OF  
DAVID S. KUPETZ; DECLARATION OF  
JAMES K. BAER**

DATE: September 23, 2008

TIME: 11:00 a.m.

PLACE: U.S. Bankruptcy Court  
Courtroom 1575  
255 East Temple Street  
Los Angeles, CA 90012

1 eStyle, Inc. (the "Debtor"), respectfully represents as follows:

2 1. The Debtor commenced the above-captioned case by filing a  
3 voluntary chapter 11 petition on March 19, 2008.

4 2. The Debtor continues to administer its chapter 11 estate as a debtor  
5 in possession.

6 3. The Office of the United States Trustee appointed an official  
7 Committee of Creditors Holding Unsecured Claims (the "Committee") in this case on  
8 April 10, 2008.

9 4. Pursuant to an Order of the Court entered on July 16, 2008, the  
10 Debtor has sold (the "Sale") its business and substantially all of its assets (excluding  
11 cash, accounts receivable, deposits with merchant credit card processors, and certain  
12 other claims and limited assets) to TRS Acquisition Subsidiary, Inc. (the "Purchaser"), a  
13 portfolio company of Hancock Park Capital II, L.P. The Sale to the Purchaser closed on  
14 July 21, 2008.

15 5. Also on July 21, 2008, in accordance with authorization of the Court,  
16 the Debtor's senior secured lender, Wachovia Capital Finance Corporation (Western)  
17 ("Wachovia"), was paid in full from the Sale proceeds.

18 6. Oak Investment Partners, IX, Limited Partnership, a Delaware  
19 Limited Partnership, Oak IX Affiliates Fund, Limited Partnership, a Delaware Limited  
20 Partnership, and Oak IX Affiliates Fund – A Limited Partnership, a Delaware Limited  
21 Partnership (collectively, the "Oak Entities"), GRP II, L.P., a Delaware Limited  
22 Partnership, GRP II Partners, L.P., a Delaware Limited Partnership, and GRP II  
23 Investors, L.P., a Delaware Limited Partnership (collective, the "GRP Entities") are  
24 creditors of the Debtor asserting secured claims against the Debtor that were  
25 subordinated to the claims of Wachovia prior to the satisfaction of Wachovia's claim from  
26 the Sale Proceeds. The Oak Entities and the GRP Entities are sometimes collectively  
27 referred to herein as the "Bridge Lenders".

28

1           7.     In accordance with a stipulation between the Bridge Lenders, the  
2 Debtor, and the Committee approved by an Order of the Court entered on May 9, 2008,  
3 the Bridge Lenders have subordinated their secured claims to certain administrative  
4 expenses incurred by the Debtor and the Committee in this case.

5           8.     The former management and employees of the Debtor have been  
6 hired by the Purchaser.

7           9.     The Debtor, the Bridge Lenders, and the Committee agree that the  
8 Debtor should move forward with the administration of this case and the presentation of a  
9 liquidating chapter 11 plan (the "Plan").

10          10.    Baer & Troff, LLP ("B&T"), has served as special corporate counsel  
11 to the Debtor in this case pursuant to an Order of the Court entered on April 24, 2008.  
12 James K. Baer ("Jim Baer") is a partner in B&T.

13          11.    Because the Debtor's management personnel has been hired by the  
14 Purchaser, it is necessary that management be replaced and that the party replacing  
15 prior management work with counsel for the Debtor, the Committee, and the Bridge  
16 Lenders to advance the administration of this case.

17          12.    The Debtor, the Committee, and the Bridge Lenders have stipulated  
18 (the "Stipulation") to the appointment of Jim Baer as the "Responsible Officer" for the  
19 Debtor to replace the Debtor's prior management and to fulfill the role of management of  
20 the debtor in possession in this case. A true and correct copy of the Stipulation is  
21 attached hereto as Exhibit 1 and is incorporated herein by this reference. Moreover, the  
22 Debtor's Board of Directors has appointed Jim Baer as an officer of the Debtor to replace  
23 the Debtor's prior management and officers who are now employed by the Purchaser.

24          13.    The primary terms of the Stipulation include the following:

25                A.     Retention of James K. Baer as Responsible Officer. Subject  
26 to approval of the Court, Jim Baer shall be retained as "Responsible Officer"  
27 for the Debtor to replace the Debtor's prior management and to fulfill the  
28 role of management of the debtor in possession in this case. The

1 appointment of Jim Baer as responsible officer shall be made effective as of  
2 August 1, 2008, B&T shall no longer represent the Debtor as special  
3 corporate counsel as of that date.

4 B. Retention of Accountant. Subject to Court approval, the  
5 Debtor shall retain the accounting firm of Grobstein, Horwath & Company,  
6 LLP ("GH&C"), to work with the Responsible Officer and provide accounting  
7 services to the extent required by the Debtor.

8 C. Terms of Compensation of Responsible Officer. The  
9 Responsible Officer shall be compensated on a monthly basis in the sum of  
10 \$12,500 per month. Expenses incurred by the Responsible Officer shall be  
11 reimbursed at actual cost. The Bridge Lenders have agreed that the  
12 compensation and expenses of the Responsible Officer shall be carved out  
13 of their collateral. The Responsible Officer's role and compensation in this  
14 case shall cease and terminate on the effective date of the Plan.

15 D. Terms of Compensation of GH&C. GH&C shall be  
16 compensated as a professional employed by the Debtor through the  
17 effective date of Plan, subject to Court approval. Fees and expenses  
18 incurred by GH&C shall be paid and reimbursed, respectively, under  
19 properly noticed fee and costs applications in similar fashion to all other  
20 professionals in the Case. The Bridge Lenders have previously agreed that  
21 their secured claims are subordinate to the compensation and expenses of  
22 the Debtor's professionals (which, subject to Court approval of its  
23 employment, shall include GH&C). Following the effective date of the Plan,  
24 GH&C shall be employed as provided for in the Plan to be proposed by the  
25 Debtor.

26 E. Post-Petition Payments to Counsel for Committee and  
27 Debtor's Bankruptcy Counsel. Continuing the provision of postpetition  
28 payments to the Committee that was in place under the cash collateral

1 orders prior to Wachovia being paid off, the Committee's counsel will be  
2 wired \$7,500 per week commencing on September 1, 2008, through the  
3 effective date of the Plan. Further, the Debtor's bankruptcy counsel shall  
4 be wired \$10,000 per week for the same time period.

5 14. The Debtor's Board of Directors (the "Board") continues in place and  
6 continues to fulfill its duties and obligations as a board of directors for a debtor in  
7 possession. Generally, under such circumstances, where there is a need to replace  
8 former officers of a debtor, the debtor's board of directors may act on its own without the  
9 involvement of the Court. In this case, the Board and the Debtor believe that it is in the  
10 best interest of the estate and the Debtor to appoint Jim Baer as the Responsible Officer  
11 and since Mr. Baer's law firm has acted as corporate counsel to the Debtor it has been  
12 deemed by the Debtor to be proper and appropriate to bring this matter before the Court.  
13 Moreover, representatives of the primary remaining (subsequent to the satisfaction of the  
14 claim of Wachovia) constituencies in this case, the Committee (on behalf of the  
15 unsecured creditors) and the Bridge Lenders (the remaining secured creditors), have  
16 stipulated (as set forth in Exhibit 1 hereto) to the appointment of Jim Baer as Responsible  
17 Officer in accordance with the terms of the Stipulation.

18 15. Courts have appointed a responsible officer to act on behalf of the  
19 debtor in possession where appropriate. For example, in In re Communication Options,  
20 Inc., 299 B.R. 481 (S.D. Ohio 2003), the Court ordered "the appointment of a responsible  
21 person to act on behalf of the debtor in possession" after recognizing its equitable  
22 "obligation to protect the reorganization process and the rights of parties in interest," and  
23 noting that the appointment of trustee would "merely delay the process and incur  
24 expense that this estate cannot afford." Id. at 482. Similarly, in In re Gaslight Club, Inc.,  
25 782 F.2d 767, 770 (7<sup>th</sup> cir. 1986), the Seventh Circuit upheld the Court's authority to  
26 appoint a responsible officer to act for the debtor in possession. In Gaslight, the  
27 creditors' committee and the debtor entered into a consent order pursuant to which the  
28 Court appointed a third party to exercise the powers of the debtor in possession. When

1 that individual later fired the president, the president filed a motion to appoint a trustee or  
2 to vacate the prior consent order, arguing (*inter alia*) that the bankruptcy court had lacked  
3 authority to issue the consent order. The Seventh Circuit disagreed, citing 11 U.S.C. §§  
4 105(a) and 1107(a), and reiterating, “[T]he court has considerable authority to interfere  
5 with the management of a debtor corporation in order to protect the creditors’ interest.” *Id.*  
6 at 770.

7           16. In recognizing the Bankruptcy Court’s power to designate a person  
8 to replace debtor’s management and to assume the rights and obligations of a debtor in  
9 possession, the Seventh Circuit relied on the Ninth Circuit’s decision in *In re Boileau*, 736  
10 F.2d 503 (9<sup>th</sup> Cir. 1984), as “implicitly approv[ing]” such designation. *Gaslight*, 782 F.2d  
11 at 771. In *Boileau*, the Court removed the debtor “from any substantial participation in  
12 the management,” left it as debtor in possession in name only, and transferred the  
13 “functions of [the] debtor in possession under the terms of 11 U.S.C. § 1107” to an  
14 “examiner with expanded powers.” *Id.*, at 505-06. Later, over the debtor’s objection, the  
15 examiner waived the debtor’s attorney-client privilege. While the direct issue on appeal  
16 was the examiner’s power to waive the privilege, in affirming that waiver power, the Ninth  
17 Circuit necessarily affirmed the bankruptcy court’s power to have appointed the third  
18 party in the first place. *See also, In re FSC Corp.*, 38 B.R. 346, 350 (Bankr. W.D. PA  
19 1983) (Court had the power under sections 105 and 1107(a) of the Bankruptcy Code to  
20 designate a third party individual with “full and exclusive authority” to exercise debtor in  
21 possession powers); *In re United Press International, Inc.*, 60 B.R. 265 (Bankr. D. D.C.  
22 1986) (Bankruptcy Court’s consent order abolishing board of directors and authorizing  
23 debtor’s management to file reorganization plan in debtor’s name was valid under  
24 Bankruptcy Code).

25           17. In the instant case, the proposed appointment of the responsible  
26 officer is not to replace the Debtor’s Board of Directors and is limited to the replacement  
27 of the Debtor’s former officers and management. As stated above, Court approval would  
28 not generally be necessary with respect to the Board appointing an officer for the Debtor

1 to replace prior management, but should be requested when the proposed Responsible  
2 Officer is a former professional that had been retained (through his law firm) by the  
3 Debtor.

4           18. As set forth in the Stipulation, the Debtor, the Committee, and the  
5 Bridge Lenders request that the Court appoint Jim Baer as the Responsible Officer for  
6 the Debtor in this case pursuant to the terms of the Stipulation. B&T has served as the  
7 Debtor's special corporate counsel in this case pursuant to an order of the Court entered  
8 on April 24, 2008. A resume for Jim Baer is attached hereto as Exhibit 2.

9           19. Jim Baer has the appropriate and necessary experience and  
10 expertise to serve as the Responsible Officer for the Debtor in this case. Such services  
11 are likely to primarily involve: (1) directing and working with counsel in connection with  
12 the preparation and presentation of a liquidating chapter 11 plan and disclosure  
13 statement; (2) review and analysis and directing and working with counsel and the  
14 Debtor's proposed accountant in connection with claims and administrative expenses  
15 submitted in the chapter 11 case and the filing and resolution of objections to claims,  
16 including administrative claims (postpetition business obligations, section 503(b)(9)  
17 reclamation claims, professional fees, postpetition taxes, and any other administrative  
18 obligations), other priority claims (e.g., priority wage claims and tax claims), and general  
19 unsecured claims; (3) communications with the unsecured creditors' committee (along  
20 with counsel) regarding administration of the case and related issues; (4) recovery of  
21 deposits with merchant credit card processors; (5) directing and working with counsel  
22 regarding resolution of any remaining post-closing issues with the Purchaser, including  
23 any open issues relating to prorations and access to system/data needed to administer  
24 chapter 11 case; (6) preparing, with the assistance of the proposed accountant (if  
25 needed), monthly operating reports to be submitted to the office of the United States  
26 Trustee; (7) communicating with the Debtor's Board; and (8) directing and working with  
27 counsel and the Debtor's contemplated accountant, as appropriate, on all of the above  
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1 and any other matters necessary to advance the administration of the case, including  
2 reviewing and executing declarations to be filed with the Court.

3           20. The Debtor, the Bridge Lenders, and the Committee believe that it is  
4 in the best interests of the Debtor, the Debtor's estate, and creditors that Jim Baer be  
5 appointed as the Responsible Officer for the Debtor in this case and that such  
6 appointment at this time will allow the estate to avoid the expense and delay that would  
7 otherwise likely result.

8           **WHEREFORE**, the Debtor respectfully requests that the Court approve the  
9 Stipulation regarding the appointment of Jim Baer as Responsible Officer for the Debtor  
10 to replace the Debtor's prior management and regarding other ancillary relief. The  
11 Debtor's retention of GH&C referenced in the Stipulation will be subject to a separate  
12 application to be filed with the Court.

13  
14 DATED: August 28, 2008    Respectfully submitted,

15           **SulmeyerKupetz**  
16           A Professional Corporation

17           By:   
18           David S. Kupetz  
19           Attorneys for eStyle, Inc.,  
20           Debtor and Debtor in Possession

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**DECLARATION OF DAVID S. KUPETZ**

I, David S. Kupetz, declare:

1. I am an attorney duly admitted and qualified to practice law before the above-entitled court. I am a member of the law firm SulmeyerKupetz ("SK"), a professional corporation. I joined SK in 1986. I have specialized in bankruptcy, business reorganization and insolvency matters since that time.

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

3. SK is bankruptcy counsel to eStyle, Inc. (the "Debtor"), debtor and debtor in possession in the above-captioned chapter 11 case.

4. The Debtor commenced the above-captioned case by filing a voluntary chapter 11 petition on March 19, 2008.

5. The Debtor continues to administer its chapter 11 estate as a debtor in possession.

6. The Office of the United States Trustee appointed an official Committee of Creditors Holding Unsecured Claims (the "Committee") in this case on April 10, 2008.

7. Pursuant to an Order of the Court entered on July 16, 2008, the Debtor has sold (the "Sale") its business and substantially all of its assets (excluding cash, accounts receivable, deposits with merchant credit card processors, and certain other claims and limited assets) to TRS Acquisition Subsidiary, Inc. (the "Purchaser"), a portfolio company of Hancock Park Capital II, L.P. The Sale to the Purchaser closed on July 21, 2008.

8. Also on July 21, 2008, in accordance with authorization of the Court, the Debtor's senior secured lender, Wachovia Capital Finance Corporation (Western) ("Wachovia"), was paid in full from the Sale proceeds.

9. Oak Investment Partners, IX, Limited Partnership, a Delaware Limited Partnership, Oak IX Affiliates Fund, Limited Partnership, a Delaware Limited

1 Partnership, and Oak IX Affiliates Fund – A Limited Partnership, a Delaware Limited  
2 Partnership (collectively, the “Oak Entities”), GRP II, L.P., a Delaware Limited  
3 Partnership, GRP II Partners, L.P., a Delaware Limited Partnership, and GRP II  
4 Investors, L.P., a Delaware Limited Partnership (collective, the “GRP Entities”) are  
5 creditors of the Debtor asserting secured claims against the Debtor that were  
6 subordinated to the claims of Wachovia prior to the satisfaction of Wachovia’s claim from  
7 the Sale Proceeds. The Oak Entities and the GRP Entities are sometimes collectively  
8 referred to herein as the “Bridge Lenders”.

9           10. In accordance with a stipulation between the Bridge Lenders, the  
10 Debtor, and the Committee approved by an Order of the Court entered on May 9, 2008,  
11 the Bridge Lenders have subordinated their secured claims to certain administrative  
12 expenses incurred by the Debtor and the Committee in this case.

13           11. The former management and employees of the Debtor have been  
14 hired by the Purchaser.

15           12. The Debtor, the Bridge Lenders, and the Committee agree that the  
16 Debtor should move forward with the administration of this case and the presentation of a  
17 liquidating chapter 11 plan (the “Plan”).

18           13. Baer & Troff, LLP (“B&T”) has served as special corporate counsel to  
19 the Debtor in this case pursuant to an Order of the Court entered on April 24, 2008.  
20 James K. Baer (“Jim Baer”) is a partner in B&T.

21           14. Because the Debtor’s management personnel has been hired by the  
22 Purchaser, it is necessary that management be replaced and that the person replacing  
23 prior management work with counsel for the Debtor, the Committee, and the Bridge  
24 Lenders to advance the administration of this case.

25           15. The Debtor, the Committee, and the Bridge Lenders have stipulated  
26 (the “Stipulation”) to the appointment of Jim Baer as the “Responsible Officer” for the  
27 Debtor to replace the Debtor’s prior management and to fulfill the role of management of  
28 the debtor in possession in this case. A true and correct copy of the Stipulation is

1 attached hereto as Exhibit 1 and is incorporated herein by this reference. Moreover, the  
2 Debtor's Board of Directors (the "Board") has appointed Jim Baer as an officer of the  
3 Debtor to replace the Debtor's prior management and officers who are now employed by  
4 the Purchaser.

5           17. The Board continues in place and continues to fulfill its duties and  
6 obligations as a board of directors for a debtor in possession. Generally, under such  
7 circumstances, where there is a need to replace former officers of the debtor, a board of  
8 directors may act on its own without the involvement of the Court. In this case, the Board  
9 and the Debtor believe that it is in the best interest of the estate and the Debtor to appoint  
10 Jim Baer as the Responsible Officer and since Mr. Baer's law firm has acted as corporate  
11 counsel to the Debtor it has been deemed by the Debtor to be proper and appropriate to  
12 bring this matter before the Court. Moreover, representatives of the primary remaining  
13 (subsequent to the satisfaction of the claim of Wachovia) constituencies in this case, the  
14 Committee (on behalf of the unsecured creditors) and the Bridge Lenders (the remaining  
15 secured creditors), have stipulated (see Exhibit 1 hereto) to the appointment of Jim Baer  
16 as Responsible Officer in accordance with the terms of the Stipulation.

17           18. The Debtor believes that Jim Baer has the appropriate and  
18 necessary experience and expertise to serve as the Responsible Officer for the Debtor in  
19 this case. Such services are likely to primarily involve: (1) directing and working with  
20 counsel in connection with the preparation and presentation of a liquidating chapter 11  
21 plan and disclosure statement; (2) review and analysis and directing and working with  
22 counsel and the Debtor's proposed accountant in connection with claims and  
23 administrative expenses submitted in the chapter 11 case and the filing and resolution of  
24 objections to claims, including administrative claims (postpetition business obligations,  
25 section 503(b)(9) reclamation claims, professional fees, postpetition taxes, and any other  
26 administrative obligations), other priority claims (e.g., priority wage claims and tax  
27 claims), and general unsecured claims; (3) communications with the unsecured creditors'  
28 committee (along with counsel) regarding administration of the case and related issues;

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1 (4) recovery of deposits with merchant credit card processors; (5) directing and working  
2 with counsel regarding resolution of any remaining post-closing issues with the  
3 Purchaser, including any open issues relating to prorations and access to system/data  
4 needed to administer chapter 11 case; (6) preparing, with the assistance of the  
5 accountant (if needed), monthly operating reports to be submitted to the office of the  
6 United States Trustee; (7) communicating with the Debtor's Board; and (8) directing and  
7 working with counsel and the Debtor's proposed accountant, as appropriate, on all of the  
8 above and any other matters necessary to advance the administration of the case,  
9 including reviewing and executing declarations to be filed with the Court.

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

11 EXECUTED THIS 28<sup>th</sup> DAY OF AUGUST, 2008, AT LOS ANGELES,  
12 CALIFORNIA.

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15 DAVID S. KUPETZ

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# EXHIBIT 1

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2 Mark S. Horoupian (CA Bar No. 175373)  
Email: mhoroupian@sulmeyerlaw.com  
3 **SulmeyerKupetz**  
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5 Telephone: 213.626.2311  
Facsimile: 213.629.4520  
6  
7 Bankruptcy Counsel for eStyle, Inc.,  
Debtor and Debtor in Possession

8  
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  
14 Designs,

15 Debtor.

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18 Tax Id # 95-4712564  
19

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

Chapter 11

**STIPULATION BETWEEN DEBTOR IN  
POSSESSION, OFFICIAL UNSECURED  
CREDITORS' COMMITTEE, AND  
"BRIDGE LENDERS", OAK INVESTMENT  
PARTNERS, IX, OAK IX AFFILIATES  
FUND, OAK IX AFFILIATES FUND-A, GRP  
II, L.P., GRP II PARTNERS, L.P., AND GRP  
II INVESTORS, L.P. REGARDING (1)  
APPOINTMENT OF RESPONSIBLE  
OFFICER FOR THE DEBTOR; (2)  
EMPLOYMENT OF ACCOUNTANT FOR  
THE DEBTOR; AND (3) ANCILLIARY  
ISSUES THERETO**

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1 E. Also on July 21, 2008, in accordance with authorization of the Court, the  
2 Debtor's senior secured lender, Wachovia Capital Finance Corporation (Western), was  
3 paid in full from the Sale proceeds.<sup>1</sup>

4 F. Oak Investment Partners, IX, Limited Partnership, a Delaware Limited  
5 Partnership, Oak IX Affiliates Fund, Limited Partnership, a Delaware Limited Partnership,  
6 and Oak IX Affiliates Fund – A Limited Partnership, a Delaware Limited Partnership  
7 (collectively, the "Oak Entities"), GRP II, L.P., a Delaware Limited Partnership, GRP II  
8 Partners, L.P., a Delaware Limited Partnership, and GRP II Investors, L.P., a Delaware  
9 Limited Partnership (collective, the "GRP Entities") are alleged creditors of the Debtor  
10 asserting secured claims against the Debtor that were subordinated to the claims of  
11 Wachovia prior to the satisfaction of Wachovia's claim from the Sale Proceeds. The Oak  
12 Entities and the GRP Entities are sometimes collectively referred to herein as the "Bridge  
13 Lenders".

14 G. The Committee continues to assess the validity of the Bridge Lenders'  
15 alleged claims, and the Committee has preserved any and all rights and claims against  
16 the Bridge Lenders alleged claims.

17 H. In accordance with a stipulation between the Bridge Lenders, the Debtor,  
18 and the Committee approved by an Order of the Court entered on May 9, 2008, the  
19 Bridge Lenders have subordinated their secured claims to certain administrative  
20 expenses incurred by the Debtor and the Committee in this case.

21 I. The management and employees of the Debtor have been hired by the  
22 Purchaser.

23 J. The Debtor, the Committee, and the Bridge Lenders agree that the Debtor  
24 should move forward with the administration of this case and the presentation of a  
25 liquidating chapter 11 plan.

26  
27 <sup>1</sup> The Committee, the Debtor, and Wachovia agreed that the Committee's rights and  
28 claims to object to, and seek disgorgement of, Wachovia's attorneys' fees and costs were reserved.

1 K. Baer & Troff, LLP ("B&T"), has served as special corporate counsel to the  
2 Debtor in this case pursuant to an Order of the Court entered on April 24, 2008. James  
3 K. Baer ("Jim Baer") is a partner in B&T.

4 L. Because the Debtor's management personnel has been hired by the  
5 Purchaser, it is necessary that management be replaced and that the party replacing  
6 prior management work with counsel for the Debtor, the Committee, and the Bridge  
7 Lenders to advance the administration of this case.

8 M. The Debtor, the Bridge Lenders, and the Committee agree that Jim Baer  
9 should be appointed as Responsible Officer to replace the Debtor's prior management in  
10 accordance with the terms of this Stipulation.

11 N. The Debtor, the Bridge Lenders, and the Committee further agree that  
12 Grobstein Horwath & Company, LLC ("GH&C") shall be employed by the Debtor as its  
13 accountants, subject to Court approval of a properly noticed employment application.  
14 GH&C shall replace the Debtor's financial advisors to assist with accounting, tax, and/or  
15 reporting matters associated with a liquidating plan, including any and all other financial  
16 matters through the conclusion of confirmation of the liquidating plan. GH&C shall further  
17 assist the Committee with any and all financial, accounting, tax, and/or reporting needs,  
18 including but not limited to assisting with the financial and accounting aspects attendant  
19 to avoidance claims, if necessary. The liquidating plan to be proposed by the Debtor  
20 shall provide for GH&C's role in the case post-confirmation.

21 II.

22 STIPULATION

23 NOW, THEREFORE, in consideration of the foregoing recitals and the  
24 mutual promises hereinafter contained, the Debtor, the Committee, and the Bridge  
25 Lenders hereby stipulate and agree as follows:

26 1. Incorporation of Recitals. The foregoing recitals in Paragraphs A  
27 through N, inclusive, are incorporated herein in full as part of this Stipulation. The parties  
28 to this Stipulation agree that the matters set forth therein are true and correct.

1                   2. Retention of James K. Baer as Responsible Officer. Subject to approval  
2 of the Court, Jim Baer shall be retained as "Responsible Officer" for the Debtor to replace  
3 the Debtor's prior management and to fulfill the role of management of the debtor in  
4 possession in this case. As of the date of entry of the order of the Court approving this  
5 Stipulation, B&T shall no longer represent the Debtor as special corporate counsel.

6                   3. Retention of Accountant. Subject to Court approval, the Debtor shall  
7 retain the accounting firm of Grobstein, Horwath & Company, LLP, to work with the  
8 Responsible Officer and provide accounting services to the extent required by the Debtor.  
9 GH&C shall further assist the Committee with any and all financial, accounting, tax,  
10 and/or reporting needs, including but not limited to assisting with the financial and  
11 accounting aspects attendant to avoidance claims, if necessary. The liquidating plan to  
12 be proposed by the Debtor shall provide for GH&C's role in the case post-confirmation.

13                   4. Terms of Compensation of Responsible Officer. The Responsible  
14 Officer shall be compensated on a monthly basis in the sum of \$12,500 per month.  
15 Expenses incurred by the Responsible Officer shall be reimbursed at actual cost. The  
16 Bridge Lenders have agreed that the compensation and expenses of the Responsible  
17 Officer shall be carved out of their collateral. The Responsible Officer's role and  
18 compensation in this Case shall cease and terminate on the effective date of the  
19 liquidating plan.

20                   5. Terms of Compensation of GH&C. GH&C shall be compensated as a  
21 professional employed by the debtor through the effective date of the liquidating plan,  
22 subject to Court approval. Fees and expenses incurred by GH&C shall be paid and  
23 reimbursed, respectively, under properly noticed fee and costs applications in similar  
24 fashion to all other professionals in the Case. The Bridge Lenders have previously  
25 agreed that their secured claims are subordinate to the compensation and expenses of  
26 the Debtor's professionals (which subject to Court approval shall include GH&C). Post-  
27 confirmation GH&C shall be employed as provided for in the liquidating plan to be  
28 proposed by the debtor.

1                   6. The Committee shall be wired \$7,500.00 per week commencing on  
2 September 1, 2008 through the Effective Date of the liquidating plan to be applied towards  
3 fees and costs incurred by the Committee. Additionally, Debtor's counsel,  
4 SulmeyerKupetz, shall be wired \$10,000 per week, commencing on September 1, 2008  
5 through the Effective Date of the liquidating plan to be applied towards fees and costs  
6 incurred by SulmeyerKupetz, in the course of representing the Debtor.

7                   7. Headings. The headings set forth herein are inserted for convenience of  
8 the parties only, and shall not be used to interpret, construe, or in any way affect the  
9 meaning of the terms and provisions of this Stipulation.

10                  8. Neutral Construction. This Stipulation is the product of negotiation  
11 among the parties hereto and represents the jointly conceived, bargained-for, and  
12 agreed-upon language mutually determined by the parties to express their intentions of  
13 entering into this Stipulation. Any ambiguity or uncertainty in this Stipulation shall be  
14 deemed to be caused by, or attributable to all parties hereto collectively. In any action to  
15 enforce or interpret this Stipulation, the Stipulation shall be construed in a neutral  
16 manner, and no term or provision of this Stipulation or this Stipulation as a whole shall be  
17 construed more or less favorably to any one party, group, or groups of parties, to this  
18 Stipulation.

19                  9. Integration. Except as expressly provided for in this Stipulation, this  
20 Stipulation is the final written expression and complete and exclusive statement of all the  
21 agreements, conditions, promises, and covenants among the parties with respect to the  
22 subject matter hereof, and supersedes all prior or contemporaneous agreements,  
23 negotiations, representations, understandings, and discussions among the parties and/or  
24 their respective counsel with respect to the subject matter conveyed hereby.

25                  10. Counterpart Signatures. This Stipulation may be signed in counterpart  
26 and also via facsimile.

27  
28

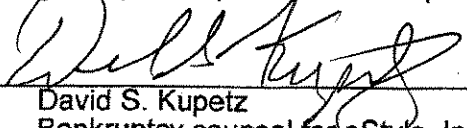
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333 SOUTH HOPE STREET, THIRTY-FIFTH FLOOR  
LOS ANGELES, CALIFORNIA 90071-1406  
TEL. 213.626.2311 • FAX 213.629.4520

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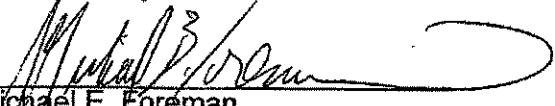
11. Bankruptcy Court Order. Debtor shall take all steps necessary to obtain Bankruptcy Court approval of this Stipulation.

**IN WITNESS WHEREOF**, the parties, either directly or through their respective attorneys of record, execute this Stipulation as of the date set forth opposite their respective signatures.


**SulmeyerKupetz**, a professional corporation

By:   
David S. Kupetz  
Bankruptcy counsel for eStyle, Inc., debtor in possession

**Dorsey & Whitney LLP**

By:   
Michael E. Foreman  
Attorneys for OAK INVESTMENT PARTNERS IX,  
LIMITED PARTNERSHIP, a Delaware Limited Partnership  
OAK IX AFFILIATES FUND, LIMITED PARTNERSHIP,  
A Delaware Limited Partnership  
OAK IX AFFILIATES FUND-A, LIMITED PARTNERSHIP,  
A Delaware Limited Partnership  
GRP II, L.P., a Delaware Limited Partnership  
GRP II PARTNERS, L.P., a Delaware Limited Partnership  
GRP II INVESTORS, L.P., a Delaware Limited Partnership

**Landsberg Margulies, LLP**

By:   
Craig G. Margulies  
Attorneys for Official Unsecured Creditors' Committee

# EXHIBIT 2

James K. Baer  
848 Leonard Road  
Los Angeles, California 90049  
Telephone: 310.802.4200  
Fax: 310.471.6971

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Jim Baer is a principal and founding partner of Baer and Troff, LLP. His legal practice experience includes serving as outside general counsel and business advisor to numerous companies and individuals, venture capital financings for both venture capital firms and portfolio companies, and advising business entities, boards of directors and individuals on general corporate matters, loan transactions, mergers and acquisitions, restructuring transactions and corporate securities issues. He was admitted to the State Bar of California in 1983.

In addition to his legal practice, Jim Baer has served as an executive officer and a business advisor for various companies in a variety of industries.

Mr. Baer also has expertise as a mediator in a wide variety of matters.

Mr. Baer was head of the Corporate Department in the Los Angeles office of Katten, Muchin & Zavis, a Chicago-based firm with approximately 375 attorneys in six offices. Previous to that, he practiced with Gibson, Dunn & Crutcher, LLP, a Los Angeles-based firm with approximately 600 lawyers in 10 domestic and 5 foreign offices.

Jim Baer received his law degree from Loyola Law School in Los Angeles in 1983, where he was ranked in the top five percent of his class for both calendar years 1981 and 1982. He graduated in 1980 from University of California at Santa Barbara with a B.A. in business economics.

A member of the American Bar Association and the Los Angeles County Bar Association, Mr. Baer is also a past member of the Corporations Committee for the Business Law Section of the State Bar of California.

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1 PROOF OF SERVICE

2 STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

3 At the time of service, I was over 18 years of age and **not a party to this action.** I  
4 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.

5 On August 28, 2008, I served the following document(s) described as **MOTION FOR ORDER**  
6 **APPROVING STIPULATION BETWEEN DEBTOR, OFFICIAL UNSECURED CREDITORS' COMMITTEE,**  
7 **AND "BRIDGE LENDERS", OAK INVESTMENT PARTNERS IX, OAK IX AFFILIATES FUND, OAK IX**  
8 **AFFILIATES FUND-A, GRP II, L.P., GRP II PARTNERS, L.P., AND GRP INVESTORS II, L.P.,**  
9 **REGARDING (1) APPOINTMENT OF RESPONSIBLE OFFICER, (2) EMPLOYMENT OF ACCOUNTANT**  
10 **FOR THE DEBTOR, AND (3) ANCILLARY ISSUES THERETO; DECLARATION OF DAVID S. KUPETZ;**  
11 **DECLARATION OF JAMES K. BAER** on the interested parties in this action as follows:

12 **BY MAIL:** I enclosed the document(s) in a sealed envelope or package addressed to the  
13 persons at the addresses listed in the Service List and placed the envelope for collection  
14 and mailing, following our ordinary business practices. I am readily familiar with  
15 SulmeyerKupetz's practice for collecting and processing correspondence for mailing. On  
16 the same day that the correspondence is placed for collection and mailing, it is deposited  
17 in the ordinary course of business with the United States Postal Service, in a sealed  
18 envelope with postage fully prepaid.

13 Carolyn Lievers, Esq.  
14 First Assistant Attorney General Bus & Licensing  
15 1525 Sherman St., 7<sup>th</sup> Floor  
16 Denver, CO 80203

State of Washington  
Department of Revenue and Employment Security  
c/o Zachary Mosner, Asst. Attorney General  
Bankruptcy & Collections Unit  
800 Fifth Ave, Ste 2000  
Seattle, WA 98104-3188

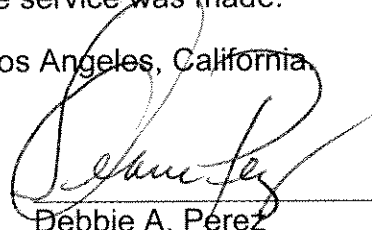
15 SwaddleDesigns, LLC - Charles C. Robinson  
16 Garvey Schubert Barer  
17 1191 Second Ave., 18<sup>th</sup> Fl.  
18 Seattle, WA 98101-2939

Tax Collector County of Santa Clara  
County Govt Center 6<sup>th</sup> Fl East Wing  
70 West Hedding St  
San Jose, CA 95110

19  
20 **BY E-MAIL OR ELECTRONIC TRANSMISSION:** I caused the document(s) to be sent  
21 from the e-mail address dperez@sulmeyerlaw.com to the persons at the e-mail  
22 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. **SEE ATTACHED EMAIL SERVICE LIST**

23 I declare under penalty of perjury under the laws of the United States of America  
24 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.

25 Executed on August 28, 2008, at Los Angeles, California.

26  
27   
28 \_\_\_\_\_  
Debbie A. Perez

1 SERVICE LIST

2  
3 **OFFICE OF THE UNITED STATES TRUSTEE**

4 Office of the United States Trustee  
5 Attn: Bruce Schildkraut, Esq.  
6 Ernst & Young Plaza  
7 725 South Figueroa St., 26th Floor  
8 Los Angeles, CA 90017  
9 Bruce.Schildkraut@usdoj.gov

10 **ATTORNEY FOR COMMITTEE OF UNSECURED CREDITORS**

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12 Ian S. Landsberg, Esq.  
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18 **PARTIES REQUESTING SPECIAL NOTICE**

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26 Comptroller of Public Accounts of  
27 the State of Texas  
28 c/o Jay W. Hurst, Asst. Attorney General  
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10 Oak IX Affiliates Fund, L.P.; & Oak IX Affiliates Fund – A, L.P.  
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(Successor-In-Interest from the Manufacturers Life Insurance Company)

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