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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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19 Tax Id # 95-4712564
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Case No. 2:08-bk-13518-SB

Chapter 11

DEBTOR'S MOTION PURSUANT TO SECTION 363(c) OF THE BANKRUPTCY CODE AND RULE 4001(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR ORDER APPROVING STIPULATION REGARDING USE OF CASH COLLATERAL BETWEEN DEBTOR AND SECOND PRIORITY "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.; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ROBERT KELLEHER

DATE: April 29, 2008
TIME: 11:00 a.m.
PLACE: U.S. Bankruptcy Court
Courtroom 1575
255 East Temple Street
Los Angeles, CA 90012

1 TO THE HONORABLE SAMUEL L. BUFFORD, UNITED STATES BANKRUPTCY
2 JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, SECURED CREDITORS
3 OF RECORD, THE TWENTY LARGEST UNSECURED PARTIES, AND INTERESTED
4 PARTIES:

5 Through this Motion (the "Motion"), eStyle, Inc., a Delaware corporation,
6 dba babystyle, Cadeau, and Cadeau Designs (the "Debtor"), the debtor and debtor in
7 possession in the above-captioned case, seeks the entry of an order approving the
8 Stipulation (the "Stipulation") between the Debtor, on the one hand, and Oak Investment
9 Partners, IX, Limited Partnership, a Delaware limited Partnership, Oak IX Affiliates Fund,
10 Limited Partnership, a Delaware limited partnership, and Oak IX Affiliates Fund-A,
11 Limited Partnership, a Delaware limited partnership (collectively, the "Oak Entities"), GRP
12 II, L.P., a Delaware limited partnership, GRP II Partners, L.P., a Delaware limited
13 partnership, and GRP II Investors, L.P, a Delaware limited partnership (collectively the
14 "GRP Entities"), on the other hand. The Oak Entities and GRP Entities are sometimes
15 collectively referred to herein as the "Bridge Lenders". A true and correct copy of the
16 Stipulation is attached hereto as Exhibit 1, and incorporated herein by this reference.

17 The Bridge Lenders are equity holders in the Debtor, and one
18 representative of the Oak Entities and one of the GRP Entities serve on the Debtor's
19 board of directors. In November, 2007, in order to fund operating shortfalls, the Bridge
20 Lenders collectively lent the Debtor \$2 million. In exchange for the loan, the Bridge
21 Lenders were provided with a security interest in all of the Debtor's assets, subordinate to
22 the security interest held by Wachovia Capital Finance Corporation ("Wachovia"). After
23 the Debtor filed its chapter 11 petition, the Bridge Lenders consented to the use of cash
24 collateral, and executed the Stipulation. In general, the Stipulation provides: (a) the
25 Bridge Lenders' consent to the use of cash collateral; (b) the granting to the Bridge
26 Lenders of replacement liens on post-petition collateral to extent, priority and validity of
27 their pre-petition liens; (c) a carve-out from their collateral for the fees and costs incurred
28 by the Debtor's professional; and (d) for termination of the Bridge Lenders' consent to use

1 cash collateral upon the occurrence of certain events. The Stipulation does not purport to
2 (a) give the Bridge Lenders a priming lien ahead of, or of equal priority to Wachovia's
3 lien; (b) provide releases to the Bridge Lenders of any kind; or (c) provide validation of
4 the Bridge Lenders security interest and claims. The Stipulation is in the best interest of
5 the bankruptcy estate (the "Estate") as it allows the Debtor, subject to Wachovia's
6 consent or other order of this Court, to use its cash collateral to pay for necessary
7 operating expenses and costs of its reorganization case.


8 This motion is based upon 11 U.S.C. § 363(c)(2)(A) and Rule 4001(b)(1) of
9 the Federal Rules of Bankruptcy Procedure. This Motion is made and based upon the
10 moving papers, the attached Memorandum of Points and Authorities and Declaration of
11 Robert S. Kelleher, the arguments and representations of counsel and any oral or
12 documentary evidence presented at the time of the hearing.

13 **WHEREFORE** the Debtor respectfully requests that the Court enter an
14 order:

- 15 (1) granting this Motion;
- 16 (2) Approving the Stipulation; and
- 17 (3) granting such other and further relief as this Court deems just and
18 proper under the circumstances.

19 DATED: April 4, 2008

SulmeyerKupetz
A Professional Corporation

21
22 By: 

23 David S. Kupetz
24 Mark S. Heroupian
25 Bankruptcy Counsel for eStyle, Inc., a
26 Delaware corporation, dba babystyle, Cadeau
27 and Cadeau Designs, Debtor and Debtor in
28 Possession

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 I.

3 **JURISDICTION AND SUMMARY OF RELIEF REQUESTED**

4 This Court has jurisdiction to consider the Motion under 28 U.S.C. §§ 157
5 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (M)
6 and (O). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. By
7 this Motion, the Debtor seeks the approval of the Stipulation, which provides for the
8 consent of the Debtor's second priority secured creditors to the Debtor's use of cash
9 collateral. The statutory predicates for the relief requested herein are 11 U.S.C. §§
10 363(c)(2)(A).

11 II.

12 **PRELIMINARY STATEMENT**

13 eStyle, Inc., a Delaware corporation, dba babystyle, Cadeau and Cadeau
14 Designs (the "Debtor" or "eStyle"), commenced this case by filing a voluntary chapter 11
15 petition on March 19, 2008 (the "Petition Date"). The Debtor continues to manage and
16 operate its business as a debtor in possession. Pursuant to the Debtor's "First Day
17 Motions", the Court authorized the Debtor to use cash collateral on an interim basis
18 pending final hearing on April 17, 2008. In its emergency motion for use of cash
19 collateral, the Debtor indicated that while its first priority lender, Wachovia did not consent
20 to use of cash collateral, its second priority lenders did. By this Motion, the Debtor
21 hereby presents and seeks approval of the Court of the Stipulation which sets out the
22 terms under which the Bridge Lenders consent to the use of cash collateral.

23 III.

24 **BACKGROUND**

25 A. **Description of Business**

26 eStyle, is a multichannel retailer that sells maternity, baby and kids apparel,
27 and toys, gear and related products direct to the consumer. As of the Petition Date,
28 eStyle sold its product at its 23 retail stores (21 babystyle and 2 Cadeau stores), as well

1 as through its babystyle.com website, and a direct mail program. eStyle sells product
2 under the babystyle and Cadeau private labels, and under leading brands. eStyle also
3 sells its Cadeau brand product to wholesale accounts.

4 eStyle, with headquarters located in downtown Los Angeles, operates
5 babystyle.com. The babystyle.com website was launched in October 1999. eStyle
6 opened its first retail store in November 2002. As of the Petition Date, eStyle operated
7 retail stores located in California, Arizona, Texas, New York, Connecticut,
8 Massachusetts, New Jersey, Washington, and Colorado.

9 Pursuant to the Debtor's "First Day Motions", the Court authorized the
10 Debtor to conduct store closing sales at 6 of its locations. The Debtor has filed a motion
11 (set to be heard concurrently herewith) to reject the leases associated with those six
12 stores.

13 **B. Recent Financial Results**

14 eStyle generated total revenues of approximately \$49.2 million for the year
15 ended January 26, 2008, and \$48.2 million for the year ended January 27, 2007. The
16 Debtor, however, has historically incurred substantial losses and negative cash flows
17 from operations as its growth strategies have evolved. For the year ended January 26,
18 2008, eStyle incurred a net loss available to common shareholders of approximately
19 \$10.4 million and negative cash flows from operations of \$11.4 million. For the year
20 ended January 27, 2007, eStyle incurred a net loss available to common shareholders of
21 approximately \$9.8 million and negative cash flows from operations of \$6.7 million.

22 **C. Debt Structure**

23 **1. Senior Secured Revolving Credit Facility (Wachovia)**

24 On December 22, 2006, eStyle entered into a Loan and Security
25 Agreement ("Senior Secured Loan Agreement") with Wachovia Capital Finance
26 Corporation (Western) ("Wachovia") for a secured revolving credit facility of up to
27 \$5 million to be used for ongoing working capital needs. The initial term of the credit
28 facility is 3 years from the date of closing. The lending formulas used to calculate the

1 facility availability are based on a portion of inventory and accounts receivable balances.
2 The interest rate is one-half of 1% per annum above the prime rate as announced by the
3 lender. As of the Petition Date, the outstanding balance on the facility was approximately
4 \$2,486,000.

5 **2. Subordinated Secured Loan**

6 In November 2007, the Bridge Lenders, consisting of Oak Investment
7 Partners, IX, Limited Partnership, a Delaware limited Partnership, Oak IX Affiliates Fund,
8 Limited Partnership, a Delaware limited partnership, and Oak IX Affiliates Fund-A,
9 Limited Partnership, a Delaware limited partnership (collectively, the "Oak Entities"), GRP
10 II, L.P., a Delaware limited partnership, GRP II Partners, L.P., a Delaware limited
11 partnership, and GRP II Investors, L.P, a Delaware limited partnership (collectively the
12 "GRP Entities"), gave the Debtor a \$2 million bridge loan (the "Bridge Loan") at an
13 interest rate (0.5% per annum in excess of the Wachovia Prime Rate) that was
14 comparable to what was being charged by Wachovia. A representative of the Oak
15 Entities, and a representative of the GRP Entities serve as members of the Debtor's
16 board of directors. This Bridge Loan is secured but, pursuant to a subordination
17 agreement, is subordinated to Wachovia and convertible into the next equity round of
18 eStyle at the investors' option and due and payable the later of March 1, 2008, or the
19 payoff in full of the Senior Secured Loan. Copies of the Bridge Loan and related
20 documents are voluminous, and as such are not attached hereto but copies will be
21 provided upon request to counsel for the Debtor.

22 **3. Unsecured Debt**

23 As of the Petition Date, the Debtor has unsecured debt in the amount of
24 approximately \$7,600,000 owed to trade vendors, suppliers, landlords, customers, and
25 other service providers. During the year prior to the Petition Date, payments made in the
26 ordinary course of business resulted in the amount of the balance outstanding to
27 unsecured creditors of the Debtor remaining relatively consistent.

28

1 IV.

2 **AGREEMENT REGARDING USE OF CASH COLLATERAL WITH THE BRIDGE**
3 **LENDERS**

4 While the continued use of cash collateral remains the subject of a
5 continued hearing before this Court on April 17, 2008, because Wachovia and the Debtor
6 have been unable to reach an agreement in this regard, the Bridge Lenders have
7 consented to the use of cash collateral since the Petition Date. The Debtor advised the
8 Court in its Emergency Cash Collateral Motion that such an agreement existed, and
9 stated that it would separately seek approval of the same, and that it would include it in a
10 motion to approve a stipulation with Wachovia if one was reached. As of the date of this
11 Motion, however, there is no agreement with Wachovia, and as such, the Debtor has
12 elected to separately seek approval of the Stipulation with the Bridge Lenders.

13 The Stipulation is basic in its terms. The Bridge Lenders consent to the
14 Debtor's use of cash collateral to pay its normal and customary operating expenses. It
15 provides the Bridge Lenders with replacement liens in post-petition collateral, but only to
16 the extent, validity and priority of its pre-petition liens. It provides for a "carve-out" of its
17 collateral for the reasonable fees and expenses incurred by the Debtor's bankruptcy
18 counsel, accountants, financial advisors, and other professionals retained by the Debtor
19 pursuant to section 327 of the Bankruptcy Code. Finally, it provides that the Debtor's
20 right to use cash collateral shall terminate on the earlier of (a) the appointment of a
21 chapter 11 trustee; (b) the conversion of the case to chapter 7 of the Bankruptcy Code;
22 (c) the appointment of an examiner with enlarged powers (powers beyond those set forth
23 in Sections 1106(a)(3) and (4) of the Bankruptcy Code); (d) the filing by the Debtor or any
24 other interested party of any objection to the validity, amount, allowability, unavailability,
25 perfection or priority of any of the Bridge Lenders' pre-petition claims or security interests;
26 (e) the date any party obtains relief from the automatic stay under section 362 of the
27 Bankruptcy Code to exercise its rights as a lienholder or secured party against any
28 portion of the Bridge Lenders' pre-petition collateral; or (f) forty-five (45) days after written

1 notification to the Debtor by the Bridge Lenders that its consent to the Debtor's use of
2 cash collateral hereunder has been withdrawn.

3 The Stipulation does not purport to validate the liens and claims of the
4 Bridge Lenders, set deadlines to file objections thereto, nor does it purport to give the
5 Bridge Lenders a lien which is superior or equal to the first priority lien asserted by
6 Wachovia. Instead, the Bridge Lenders replacement liens will be to the same priority as
7 its pre-petition liens, which are expressly subordinate to the lien asserted by Wachovia.

8 In compliance with Local Bankruptcy Rule 4001-2, the Debtor has attached
9 hereto, as Exhibit 2, its "Statement Pursuant to Local Bankruptcy Rule 4001-2".

10 V.

11 **ARGUMENTS AND AUTHORITIES**

12 **A. The Relief Requested is Authorized by 11 U.S.C. § 363**

13 Section 363 of the Bankruptcy Code governs the Debtor's use of property of
14 its estate. Section 363(c)(1) provides in pertinent part that:

15 If the business of the debtor is authorized to be operated
16 under section . . . 1108 . . . and unless the court orders
17 otherwise, the trustee may enter into transactions, including
18 the sale or lease of property of the estate, in the ordinary
19 course of business, without notice or a hearing, and may use
20 property of the estate in the ordinary course of business
21 without notice or a hearing.

22 11 U.S.C. § 363(c)(1).

23 A debtor in possession has all the rights and powers of a trustee with
24 respect to property of the estate, including the right to use property of the estate in
25 compliance with Section 363 of the Code. 11 U.S.C. § 1107(a). Section 363(c)(2)
26 establishes a special requirement with respect to "cash collateral", by providing that the
27 trustee or debtor in possession may not use, sell or lease "cash collateral" under
28 subsection (c)(1) unless (A) such entity that has an interest in such collateral consents or
(B) the court, after notice and a hearing, authorizes such use, sale or lease.

"Cash collateral" is defined by the Code as follows:

1 [C]ash, negotiable instruments, documents of title, securities,
2 deposit accounts, or other cash equivalents whenever
3 acquired in which the estate and an entity other than the
4 estate have an interest and includes the proceeds, products,
5 offspring, rents, or profits of property subject to a security
6 interest as provided in section 552(b) of this title, whether
7 existing before or after the commencement of a case under
8 this title.

9 11 U.S.C. § 363(a).

10 The definition of "cash collateral" set forth in Section 363(a) refers to
11 Section 552(b) of the Code, which provides:

12 Except as provided in sections 363, 506(c), 522, 544, 545,
13 547 and 548 of this title, if the debtor and an entity entered
14 into a security agreement before the commencement of the
15 case and if the security interest created by such security
16 agreement extends to property of the debtor acquired before
17 the commencement of the case and to proceeds, products,
18 offspring, rents, or profits of such property, then such security
19 interest extends to such proceeds, products, offspring, rents
20 or profits acquired by the estate after the commencement of
21 the case to the extent provided by such security agreement
22 and by applicable non-bankruptcy law, except to the extent
23 that the court, after notice and a hearing and based on the
24 equities of the case, orders otherwise.

25 11 U.S.C. § 552(b)(1).

26 It is universally acknowledged that the debtor's cash "is the life blood of the
27 business" and the bankruptcy court must assure that such life's blood "is available for use
28 even if to a limited extent". In re Mickler, 9 B.R. 121, 123 (Bankr. M.D. Fla. 1981).
Courts typically authorize a debtor to use cash collateral to continue its operations so
long as the interests asserted by affected creditors in such cash are adequately
protected.

In this case, the Bridge Lenders have consented to the use of cash
collateral pursuant to the Stipulation. This motion simply seeks approval of the
Stipulation, the terms of which are fair and reasonable, are not burdensome, and do not
cede any valuable rights of the Estate. As such, the Debtor respectfully requests that the
Court approve the Stipulation in its entirety.

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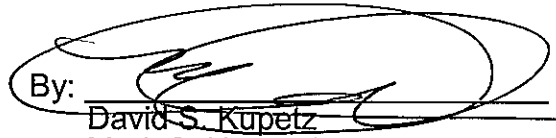
VI.

CONCLUSION

Based on the foregoing, the Debtor respectfully requests that the Motion be granted in all respects, and for such other and further relief as the Court deems just and proper.

DATED: April 3, 2008

SulmeyerKupetz
A Professional Corporation

By: 
David S. Kupetz
Mark S. Horoupian
Bankruptcy Counsel for eStyle, Inc. a Delaware corporation

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DECLARATION OF ROBERT S. KELLEHER

I, Robert S. Kelleher, declare:

1. I am the Chief Executive Officer of eStyle, Inc. (the "Debtor").

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

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

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

5. Pursuant to the Debtor's "First Day Motions", the Court authorized the Debtor to conduct store closing sales at 6 of its locations. The Debtor has filed a motion (set to be heard concurrently herewith) to reject the leases associated with those six stores.

6. eStyle generated total revenues of approximately \$49.2 million for the year ended January 26, 2008, and \$48.2 million for the year ended January 27, 2007. The Debtor, however, has historically incurred substantial losses and negative cash flows from operations as its growth strategies have evolved. For the year ended January 26, 2008, eStyle incurred a net loss available to common shareholders of approximately \$10.4 million and negative cash flows from operations of \$11.4 million. For the year

1 ended January 27, 2007, eStyle incurred a net loss available to common shareholders of
2 approximately \$9.8 million and negative cash flows from operations of \$6.7 million.

3 7. On December 22, 2006, eStyle entered into a Loan and Security
4 Agreement ("Senior Secured Loan Agreement") with Wachovia Capital Finance
5 Corporation (Western) ("Wachovia") for a secured revolving credit facility of up to
6 \$5 million to be used for ongoing working capital needs. The initial term of the credit
7 facility is 3 years from the date of closing. The lending formulas used to calculate the
8 facility availability are based on a portion of inventory and accounts receivable balances.
9 The interest rate is one-half of 1% per annum above the prime rate as announced by the
10 lender. As of the Petition Date, the outstanding balance on the facility was approximately
11 \$2,486,000.

12 8. In November 2007, the Bridge Lenders, consisting of Oak
13 Investment Partners, IX, Limited Partnership, a Delaware limited Partnership, Oak IX
14 Affiliates Fund, Limited Partnership, a Delaware limited partnership, and Oak IX Affiliates
15 Fund-A, Limited Partnership, a Delaware limited partnership (collectively, the "Oak
16 Entities"), GRP II, L.P., a Delaware limited partnership, GRP II Partners, L.P., a Delaware
17 limited partnership, and GRP II Investors, L.P, a Delaware limited partnership (collectively
18 the "GRP Entities"), gave the Debtor a \$2 million bridge loan (the "Bridge Loan") at an
19 interest rate (0.5% per annum in excess of the Wachovia Prime Rate) that was
20 comparable to what was being charged by Wachovia. A representative of the Oak
21 Entities, and a representative of the GRP Entities serve as members of the Debtor's
22 board of directors. This Bridge Loan is secured but, pursuant to a subordination
23 agreement, is subordinated to Wachovia and convertible into the next equity round of
24 eStyle at the investors' option and due and payable the later of March 1, 2008, or the
25 payoff in full of the Senior Secured Loan.

26 9. As of the Petition Date, the Debtor has unsecured debt in the amount
27 of approximately \$7,600,000 owed to trade vendors, suppliers, landlords, customers, and
28 other service providers. During the year prior to the Petition Date, payments made in the

1 ordinary course of business resulted in the amount of the balance outstanding to
2 unsecured creditors of the Debtor remaining relatively consistent.

3 10. While the use of cash collateral remains the subject of a continued
4 hearing before this Court on April 17, 2008, because Wachovia and the Debtor have
5 been unable to reach an agreement in this regard, the Bridge Lenders have consented to
6 the use of cash collateral since the Petition Date. The Debtor advised the Court in its
7 Emergency Cash Collateral Motion that such an agreement existed, and stated that it
8 would separately seek approval of the same, and that it would include it in a motion to
9 approve a stipulation with Wachovia if one was reached. As of the date of this Motion,
10 however, there is no agreement with Wachovia, and as such, the Debtor has elected to
11 separately seek approval of the Stipulation with the Bridge Lenders.

12 11. The Stipulation is basic in its terms. The Bridge Lenders consent to
13 the Debtor's use of cash collateral to pay its normal and customary operating expenses.
14 It provides the Bridge Lenders with replacement liens in post-petition collateral, but only
15 to the extent, validity and priority of its pre-petition liens. It provides for a "carve-out" of
16 its collateral for the reasonable fees and expenses incurred by the Debtor's bankruptcy
17 counsel, accountants, financial advisors, and other professionals retained by the Debtor
18 pursuant to section 327 of the Bankruptcy Code. Finally, it provides that the Debtor's
19 right to use cash collateral shall terminate on the earlier of (a) the appointment of a
20 chapter 11 trustee; (b) the conversion of the case to chapter 7 of the Bankruptcy Code;
21 (c) the appointment of an examiner with enlarged powers (powers beyond those set forth
22 in Sections 1106(a)(3) and (4) of the Bankruptcy Code); (d) the filing by the Debtor or any
23 other interested party of any objection to the validity, amount, allowability, unavailability,
24 perfection or priority of any of the Bridge Lenders' pre-petition claims or security interests;
25 (e) the date any party obtains relief from the automatic stay under section 362 of the
26 Bankruptcy Code to exercise its rights as a lienholder or secured party against any
27 portion of the Bridge Lenders' pre-petition collateral; or (f) forty-five (45) days after written
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notification to the Debtor by the Bridge Lenders that its consent to the Debtor's use of cash collateral hereunder has been withdrawn.

12. The Stipulation does not purport to validate the liens and claims of the Bridge Lenders, set deadlines to file objections thereto, nor does it purport to give the Bridge Lenders a lien which is superior or equal to the first priority lien asserted by Wachovia. Instead, the Bridge Lenders replacement liens will be to the same priority as its pre-petition liens, which are expressly subordinate to the lien asserted by Wachovia.

13. I believe that the terms of the Stipulation are fair, reasonable, not burdensome, and in the best interest of the Estate.

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

EXECUTED THIS 4th DAY OF APRIL, 2008, AT LOS ANGELES, CALIFORNIA.

R. S. Kelleher

Robert S. Kelleher

EXHIBIT 1

1 David S. Kupetz (CA Bar No. 125062)
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2 Mark S. Horoupian (CA Bar No. 175373)
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3 **SulmeyerKupetz**
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6 Bankruptcy Counsel for eStyle, Inc., Debtor and Debtor in Possession
7

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

10 In re

11 ESTYLE, INC., a Delaware corporation,
12 dba babystyle, Cadeau, and Cadeau
Designs,

13 Debtor.

Case No.

Chapter 11

**STIPULATION BETWEEN DEBTOR IN
POSSESSION 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 USE OF
CASH COLLATERAL**

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2 This Stipulation is entered into, by and between, the eStyle, Inc., a Delaware
3 corporation, and debtor and debtor-in-possession in the above-captioned Chapter 11
4 Bankruptcy Case (the "Debtor"), on the one hand, and Oak Investment Partners, IX,
5 Limited Partnership, a Delaware limited Partnership, Oak IX Affiliates Fund, Limited
6 Partnership, a Delaware limited partnership, and Oak IX Affiliates Fund-A, Limited
7 Partnership, a Delaware limited partnership (collectively, the "Oak Entities"), GRP II, L.P.,
8 a Delaware limited partnership, GRP II Partners, L.P., a Delaware limited partnership,
9 and GRP II Investors, L.P, a Delaware limited partnership (collectively the "GRP
10 Entities"), on the other hand. The Oak Entities and GRP Entities are sometimes
11 collectively referred to herein as the "Bridge Lenders". The Stipulation is entered into
12 with respect to the following facts:

13
14 I.

15 RECITALS

16 A. The Debtor commenced its bankruptcy case (the "Bankruptcy Case") by
17 filing a voluntary petition under Chapter 11 of the U.S.C. § 101 et seq. (the "Bankruptcy
18 Code") on March 20, 2008 (the "Petition Date"). The Debtor is operating its business and
19 managing its financial affairs as a debtor in possession pursuant to sections 1107 and
20 1108 of the Bankruptcy Code.

21 B. On or about November 21, 2007, the Debtor executed a "Secured
22 Convertible Promissory Note" in favor of the GRP Entities, pursuant to which the GRP
23 Entities loaned the Debtor \$1,000,000 (hereinafter the "GRP Entities Note").

24 C. On or about November 21, 2007, the Debtor executed a "Secured
25 Convertible Promissory Note" in favor of the Oak Entities, pursuant to which the Oak
26 Entities Loaned the Debtor \$1,000,000 (hereinafter the "Oak Entities Note").

27 D. On or about November 21, 2007, the Debtor, the GRP Entities and the Oak
28 Entities executed a Secured Convertible Promissory Note Purchase Agreement, pursuant

1 to which the Debtor agreed to sell the GRP Entities Note and the Oak Entities Note to
2 each respective lender for the purchase price equal to the face value of each note.

3 E. The Oak Entities Note and the GRP Entities Note were secured by a
4 security interest in all of the Debtor's assets. The secured claims of the GRP Entities and
5 the Oak Entities are of equal priority.

6 F. On or about November 21, 2007, the Debtor, the GRP Entities, and
7 Wachovia Capital Finance Corporation (Western) (hereinafter "Wachovia") entered into a
8 Subordination Agreement whereby it was agreed that the security interests of the GRP
9 Entities would be subordinate in priority to Wachovia's first priority security interest in the
10 Debtor's assets.

11 G. On or about November 21, 2007, the Debtor, the Oak Entities, and
12 Wachovia Capital Finance Corporation (Western) (hereinafter "Wachovia") entered into a
13 Subordination Agreement whereby it was agreed that the security interests of the Oak
14 Entities would be subordinate in priority to Wachovia's first priority security interest in the
15 Debtor's assets.

16 H. The Debtor requires the use of its cash collateral in order to (a) continue to
17 operate its business, pay vendors and necessary costs of operation; and (b) to pay other
18 administrative expenses of the business, and incurred in the course of the Bankruptcy
19 Case.

20 I. As of the date of this Stipulation, the Debtor has not yet reached an
21 agreement with Wachovia whereby Wachovia has consented to the Debtor's use of cash
22 collateral. Instead, the Debtor has filed an Emergency Motion for the Authority to Use
23 Cash Collateral, by which it seeks the interim and final use of cash collateral to fund its
24 operations.

25 J. Subject to the terms of this Stipulation, the Bridge Lenders consent to the
26 Debtor's use of cash collateral, and further agree to subordinate their respective secured
27 claims to the administrative claims incurred in the Bankruptcy Case.

28

1 II.

2 STIPULATION

3 NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises
4 hereinafter contained, the Debtor and the Bridge Lenders hereby stipulate and agree as
5 follows:

6 1. Incorporation of Recitals. The foregoing recitals in Paragraphs A
7 and J, inclusive, are incorporated herein in full as part of this Stipulation. The parties to
8 this Stipulation agree that the matters set forth therein are true and correct.

9 2. Use of Cash Collateral. From the Petition Date, and through the
10 Stipulation Termination Date (the "Cash Collateral Term"), as that term is defined
11 hereinbelow, the Debtor shall be authorized to use cash collateral in order to fund the
12 expenses incurred during the operation of its business.

13 3. Replacement Liens. As adequate protection for the use of cash
14 collateral by the Debtor during the Cash Collateral Term, and subject to the terms of this
15 Stipulation, the Bridge Lenders shall continue to hold a replacement lien on the security
16 interest in all assets of the Debtor (subject to the uses permitted by this Stipulation)
17 produced by and/or derived from the Bridge Lender's pre-petition collateral, which
18 replacement lien and security interest shall have the same priority, extent, and validity as
19 Bridge Lender's pre-petition secured interest in such collateral.

20 4. Stipulation Termination Date. Debtor's authority to use Cash
21 Collateral under this Stipulation shall terminate on the earlier of (a) the appointment of a
22 chapter 11 trustee; (b) the conversion of the case to chapter 7 of the Bankruptcy Code;
23 (c) the appointment of an examiner with enlarged powers (powers beyond those set forth
24 in Sections 1106(a)(3) and (4) of the Bankruptcy Code); (d) the filing by the Debtor or any
25 other interested party of any objection to the validity, amount, allowability, unavailability,
26 perfection or priority of any of the Bridge Lenders' pre-petition claims or security interests;
27 (e) the date any party obtains relief from the automatic stay under section 362 of the
28 Bankruptcy Code to exercise its rights as a lienholder or secured party against any

1 portion of the Bridge Lenders' pre-petition collateral; or (f) forty-five (45) days after written
2 notification to the Debtor by the Bridge Lenders that its consent to the Debtor's use of
3 cash collateral hereunder has been withdrawn.

4 5. Carve-Out for Professional Fees: The Bridge Lenders' secured
5 claims, including the replacement liens provided hereunder, shall be subject and
6 subordinate to all reasonable fees and costs incurred by Debtor's bankruptcy counsel,
7 accountants, financial advisors, and other professionals retained by the Debtor pursuant
8 to section 327 of the Bankruptcy Code. This provision shall survive the Stipulation
9 Termination Date.

10 6. Compliance With Local Bankruptcy Rule 4001-2. In accordance with
11 Local Bankruptcy Rule 4001-2, the parties hereto have prepared the required Statement
12 with respect to this Stipulation. A copy of the Statement is attached hereto as Exhibit "1".

13 7. Reporting. Concurrently with filing the Debtor's monthly Interim
14 Statements and Operating Reports with the Office of the United States Trustee, the
15 Debtor shall serve a copy of such reports upon Bridge Lenders.

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

19 9. Neutral Construction. This Stipulation is the product of negotiation
20 among the parties hereto and represents the jointly conceived, bargained-for, and
21 agreed-upon language mutually determined by the parties to express their intentions of
22 entering into this Stipulation. Any ambiguity or uncertainty in this Stipulation shall be
23 deemed to be caused by, or attributable to all parties hereto collectively. In any action to
24 enforce or interpret this Stipulation, the Stipulation shall be construed in a neutral
25 manner, and no term or provision of this Stipulation or this Stipulation as a whole shall be
26 construed more or less favorably to any one party, group, or groups of parties, to this
27 Stipulation.

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

1 10. Integration. Except as expressly provided for in this Stipulation, this
2 Stipulation is the final written expression and complete and exclusive statement of all the
3 agreements, conditions, promises, and covenants among the parties with respect to the
4 subject matter hereof, and supersedes all prior or contemporaneous agreements,
5 negotiations, representations, understandings, and discussions among the parties and/or
6 their respective counsel with respect to the subject matter conveyed hereby.

7 11. Counterpart Signatures. This Stipulation may be signed in
8 counterpart and also via facsimile.

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

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

14
15 **ESTYLE, INC.**, a Delaware Corporation

16
17 By R. S. Kelleher

18 Robert S. Kelleher
19 Chief Executive Officer

20 **OAK INVESTMENT PARTNERS IX, LIMITED PARTNERSHIP**,
21 A Delaware Limited Partnership

22 By _____
23 Gerald R. Gallagher
24 Managing Member of Oak Associates IX, LLC,
The General Partner of Oak Investment Partners IX,
Limited Partnership

25
26
27
28

[SIGNATURES CONTINUED ON NEXT PAGE]

To: David Kupetz

1 10. Integration. Except as expressly provided for in this Stipulation, this
 2 Stipulation is the final written expression and complete and exclusive statement of all the
 3 agreements, conditions, promises, and covenants among the parties with respect to the
 4 subject matter hereof, and supersedes all prior or contemporaneous agreements,
 5 negotiations, representations, understandings, and discussions among the parties and/or
 6 their respective counsel with respect to the subject matter conveyed hereby.

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 12 respective attorneys of record, execute this Stipulation as of the date set forth opposite
 13 their respective signatures.

14
 15 **ESTYLE, INC.**, a Delaware Corporation

16
 17 By _____

18 Robert S. Kelleher
 19 Chief Executive Officer

20 **OAK INVESTMENT PARTNERS IX, LIMITED PARTNERSHIP,**
 21 A Delaware Limited Partnership

22 By 
 23 Gerald R. Gallagher
 24 Managing Member of Oak Associates IX, LLC,
 The General Partner of Oak Investment Partners IX,
 Limited Partnership

25
 26
 27
 28

[SIGNATURES CONTINUED ON NEXT PAGE]

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1 OAK IX AFFILIATES FUND, LIMITED PARTNERSHIP,
A Delaware Limited Partnership

2
3 By Gerald R. Gallagher
Gerald R. Gallagher
4 Managing Member of Oak IX Affiliates, LLC,
The General Partner of Oak IX Affiliates Fund,
5 Limited Partnership

6
7 OAK IX AFFILIATES FUND-A, LIMITED PARTNERSHIP,
A Delaware Limited Partnership

8
9 By Gerald R. Gallagher
Gerald R. Gallagher
10 Managing Member of Oak IX Affiliates, LLC,
The General Partner of Oak IX Affiliates Fund-A,
11 Limited Partnership

12 GRP II, L.P., a Delaware Limited Partnership

13 By: GRPVC, L.P., its General Partner
14 By: GRP Management Services Corp., a Delaware corporation,
its General Partner

15
16 By _____
Steven E. Lebow
17 Chairman

18 GRP II PARTNERS, L.P., a Delaware Limited Partnership

19 By: GRPVC, L.P., its General Partner
20 By: GRP Management Services Corp., a Delaware corporation,
21 its General Partner

22
23 By _____
Steven E. Lebow
24 Chairman

25
26
27
28

[SIGNATURES CONTINUED ON NEXT PAGE]

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1 **OAK IX AFFILIATES FUND, LIMITED PARTNERSHIP,**
A Delaware Limited Partnership

2

3 By _____
Gerald R. Gallagher
4 Managing Member of Oak IX Affiliates, LLC,
The General Partner of Oak IX Affiliates Fund,
5 Limited Partnership

6 **OAK IX AFFILIATES FUND-A, LIMITED PARTNERSHIP,**
7 A Delaware Limited Partnership

8

9 By _____
Gerald R. Gallagher
10 Managing Member of Oak IX Affiliates, LLC,
The General Partner of Oak IX Affiliates Fund-A,
11 Limited Partnership

12 **GRP II, L.P.,** a Delaware Limited Partnership

13 By: GRPVC, L.P., its General Partner

14 By: GRP Management Services Corp., a Delaware corporation,
15 Its General Partner

16 By Steven E. Lebow
Steven E. Lebow
17 Chairman

18 **GRP II PARTNERS, L.P.,** a Delaware Limited Partnership

19 By: GRPVC, L.P., its General Partner

20 By: GRP Management Services Corp., a Delaware corporation,
21 Its General Partner

22 By Steven E. Lebow
23 Steven E. Lebow
Chairman

24

25

26

27

28

[SIGNATURES CONTINUED ON NEXT PAGE]

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1 GRP II INVESTORS, L.P., a Delaware Limited Partnership
 2 By: GRPVC, L.P., its General Partner
 3 By: GRP Management Services Corp., a Delaware corporation,
 Its Attorney-in-fact

4
 5 By Steven E. Lebow
 Steven E. Lebow
 6 Chairman

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EXHIBIT 2

In re eStyle, Inc. Debtor.	CHAPTER <u>11</u> CASE NUMBER <u>2:08-bk-13518-SB</u>
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Description of Provision	Page No:	Line No. (if Applicable)
<input type="checkbox"/> Automatic relief from the automatic stay upon default, conversion to chapter 7, or appointment of a trustee	_____	_____
<input type="checkbox"/> Waivers of procedural requirements, including those for foreclosure mandated under applicable non-bankruptcy law, and for perfection of replacement liens	_____	_____
<input type="checkbox"/> Adequate protection provisions which create liens on claims for relief arising under 11 U.S.C. §§ 506(c), 544, 545, 547, 548 and 549	_____	_____
<input type="checkbox"/> Waivers, effective on default or expiration, of the debtor's right to move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B) authorizing the use of cash collateral in the absence of the secured party's consent	_____	_____
<input type="checkbox"/> Provisions that grant a lien in an amount in excess of the dollar amount of cash collateral authorized under the applicable cash collateral order	_____	_____
<input type="checkbox"/> Provisions providing for the paying down of prepetition principal owed to a creditor	_____	_____
<input type="checkbox"/> Findings of fact on matters extraneous to the approval process	_____	_____

*** The complete name of the secured creditors who are party to the Stipulation are: Oak Investment Partners, IX, Limited Partnership, a Delaware limited Partnership, Oak IX Affiliates Fund, Limited Partnership, a Delaware limited partnership, and 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, and GRP II Investors, L.P, a Delaware limited partnership

Dated:

Mark S. Horoupian

 Type Name



 Signature

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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 April 4, 2008, I served the following document(s) described as **DEBTOR'S MOTION PURSUANT TO SECTION 363(C) OF THE BANKRUPTCY CODE AND RULE 4001(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR ORDER APPROVING STIPULATION REGARDING USE OF CASH COLLATERAL BETWEEN DEBTOR AND SECOND PRIORITY "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.; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ROBERT KELLEHER** on the interested parties in this action as follows:

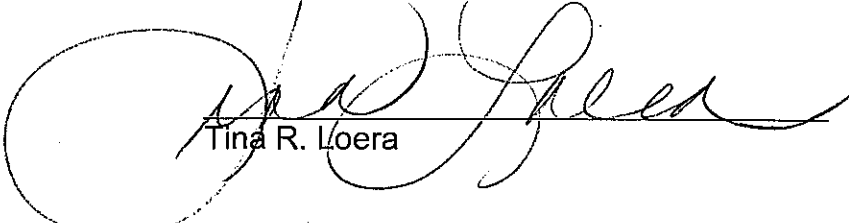
SEE ATTACHED SERVICE LIST

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

BY E-MAIL OR ELECTRONIC TRANSMISSION: Based on a court order or an agreement of the parties to accept service by e-mail or electronic transmission, I caused the document(s) to be sent from e-mail address tloera@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 April 4, 2008, at Los Angeles, California.


Tina R. Loera

SERVICE LIST

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OFFICE OF THE UNITED STATES TRUSTEE

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

REQUEST FOR SPECIAL NOTICE

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Seattle, WA 98101-3099
JKaplan@perkinscoie.com

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c/o Samuel S. Oh, Esq.
Lim, Ruger & Kim, LLP
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sam.oh@lrklawyers.com

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Attn: Kristen N. Pate, Assistant Gen. Counsel
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GRP II, L.P.; Oak Investment Partners IX;
Oak IX Affiliates Fund, L.P.; & Oak IX Affiliates Fund – A, L.P.
c/o Michael Foreman, Esq.
c/o Michelle Kreidler Dove, Esq.
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Indianapolis, IN 46204
rtucker@simon.com

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

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Attn: Andrew S. Conway
- 2 200 E. Long Lake Road, Ste. 300
Bloomfield Hills, MI 48303-0200
- 3 aconway@taubman.com
- 4 The Irvine Company, LLC
c/o Ernie Zachary Park, Esq.
- 5 BEWLEY, LASSLEBEN & MILLER, LLP
13215 E. Penn St., Ste. 510
- 6 Whittier, CA 90602-1797
ernie.park@bewleylaw.com
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- 8 Wachovia Capital Finance Corporation (Western)
Attn: Robin Van Meter, Vice President
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Pasadena, CA 91101
robin.vanmeter@wachovia.com
- 9
- 10 Wachovia Capital Finance Corporation (Western)
c/o William H. Kiekhofer III, Esq.
c/o Anthony J. Napolitano, Esq.
- 11 MAYER BROWN LLP
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Los Angeles, CA 90071
wkiekhofer@mayerbrown.com
- 12 anapolitano@mayerbrown.com
- 13
- 14 Westfield, LLC and
The Macerich Company
c/o Thomas J. Leanse, Esq.
c/o Brian D. Huben, Esq.
c/o Dustin P. Branch, Esq.
KATTEN MUCHIN ROSENMAN LLP
2029 Century Park East, Suite 2600
Los Angeles, CA 90067-3012
- 15
- 16
- 17
- 18
- 19
- 20 **SECURED CREDITORS**
- 21 GRP II Investors, L.P.; GRP II Partners, L.P.;
GRP II, L.P.; Oak Investment Partners IX;
- 22 Oak IX Affiliates Fund, L.P.; & Oak IX Affiliates Fund – A, L.P.
c/o Michael Foreman, Esq.
- 23 c/o Michelle Kreidler Dove, Esq.
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foreman.michael@dorsey.com
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- 26 Wachovia Capital Finance Corporation (Western)
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Pasadena, CA 91101
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- 28

1 robin.vanmeter@wachovia.com

2 Wachovia Capital Finance Corporation (Western)
3 c/o William H. Kiekhofer III, Esq.
4 c/o Anthony J. Napolaitino, Esq.
5 MAYER BROWN LLP
6 350 South Grand Ave., 25th Floor
7 Los Angeles, CA 90071
8 wkiekhofer@mayerbrown.com
9 anapolitano@mayerbrown.com

7 **20 LARGEST UNSECURED CREDITORS**

8 Atlas Paper Company
9 Attn Michael Finn Sales Rep
10 PO Box 2186
11 Woburn, MA 01888-9850
12 aimazur@atlaspaper.com

13 Bugaboo North America Inc
14 Attn: Dan Pennachio
15 12 W 23rd St 3rd Fl
16 New York, NY 10010
17 dan@bugaboo.com
18 paul@bugaboo.com

19 Charlie Rocket
20 Attn: Bill Kahn or David
21 2861 W 7th St
22 Los Angeles, CA 90005
23 david@charlierocket.com

24 Citizens of Humanity LLC
25 Attn Katie Mintz
26 5715 Bickett St
27 Huntington Park, CA 90255
28 katie@seashowroom.com

29 Crocs, Inc.
30 Attn: Sarah E. Chase, Associate Corporate Counsel
31 6328 Monarch Park Place
32 Niwot, CO 80503
33 schase@crocs.com

34 Direct Marketing Solutions
35 Attn: Steve Benke
36 8534 NE Alderwood Rd
37 Portland, OR 97220
38 sbenke@teamdms.com

39 Dream International USA, Inc.
40 7001 Village Dr Ste 280
41 Buena Park, CA 90621

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- 7 Lafayette, CO 80026
andrew.kaufman@epsilon.com
- 8 The Gilbert Company
- 9 Attn: Bill Williamson, Vice Pres., Supply Chain Solutions
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- 22 490 Gallimore Dairy Rd POB 75635
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- 23 rvalitutto@newbreed.com
- 24 New Breed, Inc.
Attn: Dennis Hunt, Vice President
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c/o William J. Wall, Esq.
- 28 Best Best & Krieger LLP

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- 10 Petunia Pickle Bottom
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rib@pickledesign.com
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c/o Mark Jetton
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Mark_jetton@striderite.com
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- 20 Splendid Littles
dba Mo Industries Inc
3751 S Hill St
- 21 Los Angeles, CA 90007
- 22 UPS
Attn Hugo Tello, Acct Mgr
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- 24 htello@ups.com
- 25 UPS Supply Chain Solutions
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- 28