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Debtor and Debtor in Possession  
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10 **UNITED STATES BANKRUPTCY COURT**  
11 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**  
12

13 In re  
14 ESTYLE, a Delaware corporation, dba  
babystyle, Cadeau, and Cadeau Designs,  
15 Debtor.  
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18 Tax Id # 95-4712564  
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Case No. 2:08-bk-13518-SB

Chapter 11

**DEBTOR'S REPLY TO WACHOVIA  
CAPITAL FINANCE CORPORATION'S  
OBJECTIONS TO DEBTOR'S MOTION  
FOR ORDERS AUTHORIZING USE OF  
CASH COLLATERAL**

DATE: April 17, 2008  
TIME: 2:00 p.m.  
PLACE: U.S. Bankruptcy Court  
Courtroom 1575  
255 East Temple Street  
Los Angeles, CA 90012

1 eStyle, Inc. (the "Debtor"), debtor in possession, replies to the objections  
2 (the "Objection") of Wachovia Capital Finance Corporation (Western) ("Wachovia"),  
3 received on the afternoon of April 14, 2008, with respect to the Debtor's continued use of  
4 cash collateral, as follows:

5 I.

6 **WACHOVIA HAS FAILED TO REFUTE THAT ITS SECURED CLAIM IS ADEQUATELY**  
7 **PROTECTED**

8 A. **Wachovia is Protected by a Substantial Equity Cushion**

9 The existence of the equity cushion, alone, constitutes adequate protection  
10 of Wachovia's interest in its collateral. See In re Mellor, 714 F.2d 1396, 1402 (9<sup>th</sup> Cir.  
11 1984) (20% equity cushion sufficient); In re Hawaii Pacific Industries, 17 B.R. 670 (Bankr.  
12 Hawaii 1982) (15% equity cushion sufficient). Wachovia is adequately protected by an  
13 enormous equity cushion (well in excess of 100% of its secured claim). As reflected in  
14 the Debtor's updated Budget attached as Exhibit 1 to the Reply, at no time during the  
15 Budget period covered by the pending Motion (covering through June 21, 2008) is the  
16 value of Wachovia's inventory collateral projected to be less than \$4,529,604 on an  
17 orderly liquidation basis. Moreover, the claim asserted by Wachovia in the Objection is  
18 only in the amount of \$2,070,000<sup>1</sup>. Further, the updated Budget attached to the Reply  
19 as Exhibit 1 provides for a paydown of Wachovia in the sum of \$583,856 during the  
20 period through June 21, 2008. This is in addition to the \$303,000 sum that the Debtor  
21 believes that Wachovia took from the Debtor's concentration bank account after the  
22 commencement of the Debtor's chapter 11 case.

23 Attached to the Reply as Exhibit 2 and incorporated herein by this reference  
24 is a comparison of the Debtor's operating results for the first 3 weeks of this case to the  
25 Budget attached as Exhibit 1 (the March 25 Budget) to the Court's interim order

26  
27 <sup>1</sup> This amount assumes the application of \$303,000 that the Debtor believes  
28 Wachovia improperly took from the Debtor's concentration bank account following the  
commencement of this case.

1 authorizing the Debtor's use of cash collateral signed on March 25 and entered on March  
2 26, 2008. As set forth in the comparison analysis attached hereto as Exhibit 2, the  
3 Debtor's net cash flow has been a positive \$393,382 for the first 3 weeks of this case.  
4 Moreover, the variance of the Debtor's actual net receipts compared to budgeted net  
5 receipts was less than 9% for the first 3 weeks of this case. As a result, actual net cash  
6 flow exceeds projected net cash flow set forth in the Budget attached as Exhibit 1 to the  
7 Court's interim order by \$447,476 for the first 3 weeks of the case.

8 Further, it should be noted that while Wachovia is more than adequately  
9 protected by the Debtor's inventory, the Debtor has other tangible assets, including other  
10 personal property and intellectual property rights, and the Debtor believes that it has  
11 significant additional value as a going concern.

12 **B. The Debtor Believes That There has Already Been an Involuntary Post-**  
13 **Petition Pay Down of Wachovia's Secured Claim by Over \$300,000**

14 As set forth in the Debtor's motion filed on March 20, 2008, for an order  
15 enforcing the automatic stay against Wachovia and the declaration and exhibits attached  
16 thereto and the Debtor's reply, filed on March 21, 2008, to Wachovia's objection with  
17 respect to the motion for violation of the automatic stay and the declaration and exhibits  
18 attached to the reply, the Debtor believes that Wachovia improperly took \$303,000 from  
19 the Debtor's concentration bank account after the commencement of this chapter 11  
20 case. Thereafter, Wachovia improperly removed approximately an additional \$260,000  
21 from the Debtor's concentration bank account and subsequently returned to the Debtor  
22 the approximate \$260,000 sum that Wachovia admitted was improperly taken. However,  
23 Wachovia has not returned the \$303,000 that was the subject of the Debtor's motion to  
24 enforce the automatic stay filed prior to the initial "first-day" hearings conducted in this  
25 case on March 21, 2008. It is undisputed that \$303,000 in funds were taken by  
26 Wachovia from the Debtor's concentration bank account. The question of whether the  
27 funds were taken post-petition should be very simple to answer and that information is  
28 clearly within the possession and control of Wachovia. Accordingly, if it were to be

1 necessary to litigate this matter, Wachovia should be required to come forward with  
2 evidence of the exact time that the \$303,000 was removed from the Debtor's  
3 concentration account. If Wachovia requires additional time to provide this information,  
4 the Debtor does not understand why it is needed, but does not object to the Court  
5 allowing Wachovia additional time to provide this information.

6 C. **A Secured Creditor has No Right to Preservation of the Equity**  
7 **Cushion in its Collateral**

8 The United States Supreme Court in United Savings Ass'n of Texas v.  
9 Timbers of Inwood Forest Assocs., 484 U.S. 365, 108 S.Ct. 626, 630, 98 L.Ed. 2d 740  
10 (1988), determined that the property interest that a debtor must adequately protect is the  
11 lien that secures the creditor's claim. Moreover, the value of the lien may not exceed the  
12 allowed amount of the secured claim. Accordingly, the property interest of an  
13 oversecured creditor (Wachovia in this case) that the Debtor must adequately protect,  
14 namely the lien value, is the allowed amount of the secured claim (according to Wachovia  
15 it is owed approximately \$2,070,000), and does not include the equity cushion. As set  
16 forth in the Motion, In re Alyucan Interstate Corp., 12 B.R. 803 (Bankr. D. Utah 1983), the  
17 court ruled that an equity cushion is not a requirement of adequate protection because a  
18 secured creditor is only entitled to protection against the decline in value of its lien. The  
19 existence of an equity cushion (the value of the property above the lien) is not a  
20 necessary component of adequate protection. The court reasoned that Section 361  
21 speaks not in terms of preserving equity, but in terms of compensating for any "decrease  
22 in the value of [an] interest in property". Id., at 803. The Supreme Court's decision in  
23 Timbers confirms this proper interpretation of Section 361.

24 D. **The Debtor is Continuing as a Going Concern**

25 To the detriment of other creditors, Wachovia seeks to force the immediate  
26 liquidation of the Debtor. While the Debtor is in the process of closing certain stores (the  
27 Court has previously authorized store closing sales at 6 of the Debtor's stores) and while  
28 the Debtor anticipates that it will close some additional stores, this chapter 11 case was

1 only commenced 4 weeks ago. The Debtor is currently in the process of evaluating  
2 alternatives that might serve as the basis for a chapter 11 plan. These alternatives  
3 include the sale of all or different parts of the Debtor's business, a refinancing of the  
4 Debtor's secured debt, new equity investments in the Debtor, a combination of financing  
5 and equity investments, and/or a wind down and liquidation of portions or all of the  
6 Debtor's business operations. The Debtor has commenced discussions with various  
7 different parties regarding these potential alternatives, has disseminated nondisclosure  
8 agreements to various parties who have expressed interest, and has provided  
9 information to those interested parties who have returned executed nondisclosure  
10 agreements. It would be premature and inappropriate at this time to terminate the  
11 Debtor's use of cash collateral as requested by Wachovia so that it would be limited only  
12 to usage necessary to fund a liquidation solely for the benefit of Wachovia.

13 At this stage of this case, the Debtor should be allowed a fair opportunity to  
14 move forward with its reorganization effort. Wachovia is the only party who has opposed  
15 the Debtor's use of cash collateral. An unsecured creditors committee was just  
16 appointed on April 10, 2008. As set forth in the Motion, the policy of the Bankruptcy  
17 Code is to encourage reorganization if there is a reasonable possibility of success. The  
18 Debtor believes that it has a reasonable prospect of a feasible and successful  
19 reorganization in this case.

20 Further, the Debtor is in process of implementing a new business model  
21 that represents a dramatic departure from the its prior business model. Under the new  
22 business model, the Debtor will operate fewer stores, have a smaller overhead structure,  
23 and will be better positioned to take advantage of new trends (based on a revised  
24 purchasing plan). Further reductions in overhead (more than \$1,000,000 annually have  
25 been identified) and the further reduction in stores (to eliminate unprofitable operations)  
26 will position the Debtor so that it will be able to generate positive cash flow and profit in  
27 the 12-month period following full implementation of these changes. The Debtor's sales  
28 margins reflected in the first 3 weeks of operation following the commencement of this

1 chapter 11 case are not indicative of the profit generating capacity of the Debtor's  
2 business without full implementation of the above-referenced changes. Further, the  
3 Debtor's recent results are severely impacted on both the revenue line (as a result of  
4 cannibalization of ongoing store sales located new stores conducting store closing sales)  
5 as well as on the margin line (store closing efforts naturally impact the margins due to the  
6 progressive markdown strategy employed in the store closing sale process).

7 **E. Despite the Existence of a Substantial Equity Cushion, the Debtor is**  
8 **Prepared to Make Payments to Wachovia**

9 Wachovia is adequately protected by a substantial equity cushion.  
10 Nonetheless, the Debtor is prepared to paydown the Wachovia debt by the sum of  
11 \$583,856 during the period covered by the Budget (through June 21, 2008). This is in  
12 addition to the \$303,000 previously taken by Wachovia from the Debtor's concentration  
13 bank account.

14 **F. WACHOVIA'S OBJECTION CONTAINS ERRORS AND MISLEADING**  
15 **AND/OR INACCURATE STATEMENTS**

16 The Declarations of Robert S. Kelleher and Richard Alston submitted with  
17 this Reply point out numerous incorrect, misleading, and/or inaccurate statements  
18 contained in the Objection. Among other things, the Objection (1) mischaracterizes  
19 settlement discussions between the Debtor and Wachovia; (2) incorrectly treats the  
20 Budget like an income statement that reflects profits and losses; (3) provides incorrect  
21 figures regarding inventory and certain other items; (4) includes incorrect assertions  
22 regarding cash requirements of the Debtor in the context of a liquidation, and liquidation  
23 expenses and values. See Kelleher Declaration.

24 **II.**

25 **CONCLUSION**

26 The Debtor respectfully requests that the Court authorize the Debtor's  
27 continued use of cash collateral through June 21, 2008, in accordance with the updated  
28 Budget attached hereto as Exhibit 1 and the terms set forth in the Court's interim order  
authorizing use of cash collateral entered on March 26, 2008, as supplemented by the

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1 reporting requirements stated on the record at the March 25, 2008, cash collateral  
2 hearing. Without continued authority to use cash collateral, the Debtor's business  
3 operations would be forced to immediately cease, including ongoing operations involving  
4 store closing sales, and the interests of creditors, the Debtor, employees of the Debtor,  
5 and the bankruptcy estate would be immediately and irreparably harmed.

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Respectfully submitted,

DATED: April 16, 2008

**SulmeyerKupetz**  
A Professional Corporation

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

# EXHIBIT 1

**eStyle, Inc.**  
Cash Collateral Model (Forecast 04/15/08 15 store model)

April

	Actual Week 1 3/23-3/29	Actual Week 2 3/30-4/05	Actual Week 3 4/06-4/12	Week 4 4/13-4/19	Week 5 4/20-4/26	Acct/Fcst April	Budget April
Net Cash Receipts from DTC Sales	\$314,615	\$271,417	\$292,554	\$385,367	\$366,477	\$1,820,430	\$1,836,935
Liquid rcts from CLA/Warehouse/Jobber	5,401	978	-	\$19,246	\$20,127	\$45,752	284,997
Total DTC receipts	320,017	272,394	282,554	404,613	386,604	1,866,182	2,101,921
Net Cash Receipts from Retail Sales	\$371,010	\$407,389	\$384,368	\$395,332	\$421,862	\$1,979,962	\$2,161,140
Liquidation receipts from 5 stores****	118,384	170,897	209,836	198,966	152,023	650,105	683,649
(MVJ, BRC, WFM, WIL, RFD)							
Net Cash Receipts Total DTC & Stores	\$809,412	\$850,679	\$876,758	\$998,911	\$960,489	\$4,496,249	\$4,846,710
Other Cash Receipts							
List Rental & Misc Receipts, chase reserve*	(37,464)	30,365	(200,000)	-	80,500	(126,589)	(239,000)
Cash Payments:							
Inventory	-	285,155	334,378	287,114	264,731	1,171,378	979,292
UPS Freight Services (Imports)	29,000	56,330	12,852	64,470	83,969	246,421	386,386
Packing/Gift Supplies & Domestic Freight In	-	3,418	5,365	22,924	20,662	52,370	57,015
DTC Shipping (UPS & USPS)	-	-	51,484	82,146	72,430	206,070	212,480
New Breed/Bergen (Distribution center)	-	-	49,552	89,433	87,627	226,611	289,534
Freight to Stores	-	-	953	13,374	16,349	30,676	32,379
Salaries, Wages, Benefits	15,694	385,708	44,508	400,000	27,333	873,244	909,667
Credit Card Processing***	19,131	20,208	20,588	23,631	22,713	106,271	114,267
Rent	455,780	8,165	982	52,000	26,800	516,906	505,443
Direct Mail	-	-	-	26,800	10,000	53,600	104,600
Marketing	3,121	752	4,242	10,000	10,000	28,115	70,769
Technology & CAPEX & CAP Leases	-	-	13,960	35,081	21,429	70,470	86,452
Corporate/homebase**	15,099	19,336	59,808	124,274	121,925	340,442	389,882
Retail Store Expenses*****	9,175	8,065	3,978	73,337	65,958	160,513	313,590
Sales & Use Tax	-	-	-	-	-	100,000	272,000
Administrative fees (see memo# 8 below)	-	-	-	-	-	-	-
Total Cash Payments	\$546,999	\$787,137	\$602,440	\$1,304,585	\$941,926	\$4,183,087	\$4,653,734
Net Cash Flow	\$224,948	\$83,908	\$74,489	\$(305,674)	\$99,063	\$186,734	\$(46,023)
Credit Line Availability	2,809,264	2,090,810	1,870,216	2,566,323	2,459,573	2,459,573	2,459,573
Loan Balance	2,069,181	2,083,856	2,083,856	2,076,992	2,070,128	2,070,128	2,070,128
Remaining Credit Line Available	\$540,104	\$6,954	\$(213,640)	\$489,332	\$389,446	\$389,446	\$389,446
Roll forward B/S cash (beg of wk)	908,947	1,133,895	1,227,803	1,302,292	989,754	908,947	1,212,483
+/- Cash flow	224,948	93,908	74,489	(305,674)	99,063	(13,728)	(46,023)
End of wk B/S cash bal	1,133,895	1,227,803	1,302,292	989,754	1,081,953	1,081,953	1,166,470
Memo:							
1. Ending inventory	6,508,579	6,197,564	6,049,525	5,899,275	5,798,504		
2. Inventory @ retail (60.3% mark-up)	16,531,244	15,741,292	15,365,285	14,983,663	14,575,318		
3. Orderly liquidation @35% of retail	5,810,530	5,532,872	5,400,710	5,266,574	5,123,046		
4. Wachovia collateral inventory equity	3,741,389	3,449,016	3,316,854	3,189,582	3,052,919		
5. A/R Equity value	381,810	445,966	496,284	519,988	655,967		
6. Other estimated collateral (F&E, equip, etc.)	300,000	300,000	300,000	300,000	300,000		
7. Wachovia total collateral equity (4+5+6)	4,423,179	4,194,982	4,113,138	4,009,550	4,018,886		
8. Payment from prior retailer (not in model)	50,000	50,000	50,000	50,000	50,000		
9. Beginning month inventory at cost	6,792,227						

**Abbreviations:**

DTC is short for Direct to consumer, CAPEX is short for capital expenditures, CAP leases is short for Capital leases

\* (Actual Week 1) Estimate of chase reserve withheld this week (\$50k withheld of \$100k total due). Utility deposits reflected in cash payments

\*\* Corporate/homebase includes non-payroll overhead expenses such as insurance, employee expense reports, temp help, professional fees, samples, office supplies

\*\*\*Credit card processing fees are deducted from cash payments received

\*\*\*\* Liquidation sales for Cadeau (Los Angeles) my happen in either the Warehouse or in Cadeau (New York)

\*\*\*\*\* Retail store expenses include \$25k/store for 6 closing stores spread week 3 thru week 5, \$7-10k per store is designated as retention pay

**eStyle, Inc.**  
**Cash Collateral Model (Forecast 04/15/08 15 store model)**

May

	Week 1 4/27-5/03	Week 2 5/04-5/10	Week 3 5/11-5/17	Week 4 5/18-5/24	Fest May	Budget May
Net Cash Receipts from DTC Sales	\$346,405	\$392,367	\$356,669	\$425,272	\$1,520,713	\$1,521,033
Liquid rpts from CLAWarehouse/jobber	\$40,000	\$40,000	\$40,000	\$40,000	\$160,000	\$0
Total DTC receipts	\$386,405	\$432,367	\$396,669	\$465,272	\$1,680,713	\$1,521,033
Net Cash Receipts from Retail Sales	\$441,075	\$443,919	\$421,920	\$384,849	\$1,691,763	\$1,864,635
Liquidation rpts from 3 stores (MVL, GLN, WCH)	107,716	136,109	139,074	98,447	481,346	169,052
Net Cash Receipts Total DTC & Stores	\$935,196	\$1,012,395	\$957,663	\$948,568	\$3,853,822	\$3,554,720
Other Cash Receipts List Rental & Misc Receipts, chase reserve*	-	-	-	84,145	84,145	99,145
Cash Payments:						
Inventory	370,643	241,264	194,669	312,427	1,119,003	1,219,002
UPS Freight Services (Impor)ts	56,036	10,361	15,154	41,215	124,766	169,907
Packing/Ship Supplies & Domestic Freight In	10,445	11,792	10,854	10,284	43,375	38,056
DTC Shipping (UPS & USPS)	36,789	42,622	38,092	46,799	164,302	144,035
New Breed/Berigen (Distribution center)	47,914	51,926	48,999	50,506	199,345	184,294
Freight to Stores	6,071	6,417	6,206	5,347	24,041	22,499
Salaries, Wages, Benefits	356,230	1,638	358,230	20,971	748,068	695,068
Credit Card Processing***	22,137	24,026	22,674	22,759	91,596	84,529
Rent	380,262	2,250	52,000	-	432,262	451,599
Direct Mail	2,250	2,250	2,250	2,250	9,000	9,000
Marketing	10,258	10,258	10,258	10,258	41,034	41,034
Technology & CAPEX & CAP Leases	13,069	15,602	13,636	17,367	59,674	50,862
Corporate/Homebase**	56,408	59,781	27,161	32,195	175,545	163,828
Retail Store Expenses	100,643	26,538	5,993	23,768	156,942	53,951
Sales & Use Tax	90,000	-	-	210,455	300,455	300,455
Administrative fees (see memo# 8 below)	-	-	30,000	30,000	60,000	60,000
Total Cash Payments	1,561,156	514,474	837,176	836,601	3,749,407	3,688,118
Net Cash Flow	(\$625,959)	\$497,921	\$120,486	\$196,112	\$188,560	(\$34,253)
Credit Line Availability	2,435,064	2,350,401	2,217,859	2,174,906	1,727,543	1,727,543
Loan Balance	2,062,487	1,904,940	1,770,316	\$447,364	\$447,364	\$447,364
Remaining Credit Line Available	\$372,577	\$445,461	\$447,543	\$447,364	\$447,364	\$447,364
Roll forward B/S cash (beg of wk)	1,081,953	448,353	788,727	774,589	1,081,953	1,166,470
Credit line change	(7,640)	(157,547)	(134,624)	(42,773)	(342,585)	-
+/- Cash flow	(625,959)	497,921	120,486	196,112	188,560	(34,253)
End of wk B/S cash foot	448,553	788,727	774,589	927,928	927,928	1,132,217

**Memo:**

1. Ending inventory
2. Inventory @ retail (60.3% mark-up)
3. Orderly liquidation @35% of retail
4. Wachovia collateral inventory equity
5. A/R Equity value
6. Other estimated collateral (F&E, equip, etc.)
7. Wachovia total collateral equity (4+5+6)
8. Payment from prior retainer (not in model)

**Abbreviations:**  
DTC is short for Direct to consumer; CAPEX is short for capital expenditures; CAP leases is short for Capital leases

**Note:** There was uncertainty as to whether some checks had cleared at the time of preparing this cash collateral model. This is therefore an estimate of cash

**eStyle, Inc.**  
Cash Collateral Model (Forecast 04/15/08 15 store model)

June

	Week 1 5/25-5/31	Week 2 6/01-6/07	Week 3 6/08-6/14	Week 4 6/15-6/21	Total June	Budget June
<b>Net Cash Receipts from DTC Sales</b>	\$319,567	\$334,895	\$306,892	\$367,225	\$1,328,579	\$1,328,579
Liquid rpts from CLAWarehouse/jobber	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total DTC receipts</b>	\$319,567	\$334,895	\$306,892	\$367,225	\$1,328,579	\$1,328,579
<b>Net Cash Receipts from Retail Sales</b>	365,230	379,875	353,474	354,298	1,452,867	1,597,804
Liquidation rpts from 3 stores (MVJ, GLN, WCH)	89,784	-	-	-	89,784	144,285
<b>Net Cash Receipts Total DTC &amp; Stores</b>	\$774,582	\$714,770	\$660,366	\$721,513	\$2,871,231	\$3,070,669
<b>Other Cash Receipts</b>	-	-	-	54,269	54,269	9,269
List Rental & Misc Receipts, chase reserve*	-	-	-	54,269	54,269	9,269
<b>Cash Payments:</b>						
Inventory	156,599	228,228	218,169	420,927	1,023,923	1,053,922
UPS Freight Services (Imports)	19,775	29,775	24,774	46,600	120,924	170,926
Packing/Gift Supplies & Domestic Freight In	8,519	7,193	6,219	7,153	29,083	33,222
DTC Shipping (UPS & USPS)	33,221	35,167	31,612	39,270	139,270	139,270
New Breed/Bergen (Distribution center)	43,429	41,684	38,974	42,791	166,878	174,066
Freight to Stores	6,653	5,821	5,529	5,538	23,542	25,748
Salaries, Wages, Benefits	333,393	10,770	312,842	10,770	667,773	631,824
Credit Card Processing***	18,356	17,112	15,784	17,411	68,663	73,051
Rent	314,245	52,000	15,784	17,411	399,440	392,124
Direct Mail	2,250	2,250	2,250	2,250	9,000	9,000
Marketing	7,842	7,842	7,842	7,842	31,370	31,370
Technology & CAPEX & CAP Leases	11,944	12,754	11,208	14,517	50,424	50,503
Corporate/homebase**	36,725	67,850	65,795	40,222	210,593	210,593
Retail Store Expenses	63,331	33,180	796	632	97,939	47,092
Sales & Use Tax	145,000	-	-	29,373	174,373	174,373
Administrative fees	30,000	30,000	30,000	30,000	120,000	120,000
<b>Total Cash Payments</b>	1,231,283	581,625	771,796	715,297	3,300,001	3,337,085
<b>Net Cash Flow</b>	<b>(\$456,701)</b>	<b>\$133,145</b>	<b>(\$111,430)</b>	<b>\$80,485</b>	<b>(\$374,501)</b>	<b>(\$257,147)</b>
Credit Line Availability	2,057,522	2,035,563	1,984,244	2,101,267	1,984,244	2,101,267
Loan Balance	1,589,777	1,605,498	1,565,574	1,500,000	1,565,574	1,500,000
Remaining Credit Line Available	<b>\$467,745</b>	<b>\$430,065</b>	<b>\$418,670</b>	<b>\$601,267</b>	<b>\$418,670</b>	<b>\$601,267</b>
Roll forward B/S cash (beg of wk)	927,928	333,462	482,328	330,973	927,928	1,132,217
Credit line change	(137,766)	15,721	(39,924)	(65,574)	(227,543)	-
+/- Cash Flow	(456,701)	133,145	(111,430)	60,485	(374,501)	(257,147)
<b>End of WK B/S cash fct</b>	<b>333,462</b>	<b>482,328</b>	<b>330,973</b>	<b>325,884</b>	<b>325,884</b>	<b>875,070</b>
<b>Memo:</b>						
1. Ending inventory	5,198,256	5,127,912	5,073,769	5,254,094	5,254,094	
2. Inventory @ retail (60.3% mark-up)	13,203,133	13,024,465	12,886,947	13,344,957	13,344,957	
3. Orderly liquidation @35% of retail	4,640,740	4,577,940	4,529,604	4,690,589	4,690,589	
4. Wachovia collateral inventory equity	3,050,963	2,972,442	2,964,030	3,190,589	3,190,589	
5. A/R Equity value	361,676	374,889	350,641	377,502	377,502	
6. Other estimated collateral (F&E, equip, etc.)	300,000	300,000	300,000	300,000	300,000	
7. Wachovia total collateral equity (4+5+6)	3,772,639	3,647,331	3,614,671	3,868,092	3,868,092	

**Abbreviations:**

DTC is short for Direct to consumer; CAPEX is short for capital expenditures; CAP leases is short for Capital leases

\*Placeholder reserve estimated incase processor withholds additional funds (not anticipated as necessary)

\*\* Corporate/homebase includes non-payroll overhead expenses such as insurance, employee expense reports, temp help, professional fees, samples, office supplies

Cash collateral model Cash/Credit (est) processing fees are deducted from cash payments received

Note: There was uncertainty as to whether some checks had cleared at the time of preparing this cash collateral model. This is therefore an estimate of cash

## EXHIBIT 2

eStyle, Inc.  
Cash Collateral Model

April

	Budget Week 1 3/23-3/29	Actual Week 1 3/23-3/29	Budget Week 2 3/30-4/05	Actual Week 2 3/30-4/05	Budget Week 3 4/06-4/12	Actual Week 3 4/06-4/12	Cumulative Variance Bud vs. Act	Budget Week 4 4/13-4/19	Budget Week 5 4/20-4/26	Budget April Total	Act/Bud April Total
<b>Net Cash Receipts from DTC Sales</b>	\$336,349	\$314,615	\$326,790	\$271,417	\$372,140	\$282,554	(\$166,633)	\$410,272	\$391,384	\$1,536,935	\$1,670,242
Liquidation receipts from warehouse/jobber	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,500	\$41,500	\$83,000	\$83,000
Liquidation receipts from CLA	24,414	5,401	41,603	978	39,597	-	(\$99,235)	37,746	39,627	181,987	82,752
<b>Total DTC receipts</b>	360,763	320,017	368,393	272,394	411,737	282,554	(265,927)	489,518	471,511	2,101,921	1,835,994
<b>Net Cash Receipts from Retail Sales</b>	\$388,505	\$371,010	\$439,479	\$407,389	\$463,863	\$384,368	(\$119,080)	\$425,405	\$453,887	\$2,161,140	\$2,042,060
Liquidation receipts from 5 stores****	86,234	118,384	\$133,508	\$170,897	\$131,913	\$209,836	\$147,462	\$116,176	\$115,819	583,649	731,111
<b>Net Cash Receipts Total DTC &amp; Stores</b>	\$855,501	\$809,412	\$941,360	\$860,679	\$997,513	\$976,758	(\$237,545)	\$1,031,100	\$1,044,217	\$4,846,710	\$4,609,165
<b>Other Cash Receipts</b>											
List Rental & Misc Receipts, chase reserve*****	(219,500)	(37,464)	0	30,365	-	(200,000)	12,401	-	(19,500)	(239,000)	(226,599)
<b>Cash Payments:</b>											
Inventory	54,000	29,000	288,431	285,155	323,529	334,378	9,573	190,430	178,903	979,292	988,865
UPS Freight Services (Imports)	9,505	9,505	40,686	56,330	67,780	12,652	(64,464)	47,790	126,150	336,286	271,922
Packaging/Gift Supplies & Domestic Freight In	32,000	-	11,554	3,418	12,099	5,365	(24,375)	11,776	12,080	57,015	32,640
DTC Shipping (UPS & USPS)	42,609	-	29,017	3,418	33,044	51,494	(42,567)	40,115	78,304	212,480	169,913
New Breed/Bergan (Distribution center)	5,522	-	42,689	-	45,905	49,552	(81,631)	49,246	88,105	269,534	187,992
Freight to Stores	39,333	15,694	6,799	-	6,919	953	(18,287)	6,409	6,730	32,379	14,092
Salaries, Wages, Benefits	19,719	15,694	400,000	385,708	43,000	44,508	(7,364)	400,000	27,333	909,867	873,244
Rent	453,443	19,131	22,011	20,208	23,426	20,588	(5,229)	24,482	24,629	114,267	109,038
Direct Mail	-	-	-	8,165	52,000	962	(40,537)	-	-	505,443	464,906
Marketing	8,644	3,121	-	752	51,000	4,242	(51,000)	26,800	26,800	104,600	53,600
Technology & CAPEX & CAP Leases	45,235	15,062	8,166	-	20,667	13,960	(1,885)	30,385	30,385	70,769	68,885
Corporate/Homebase**	30,853	34,013	30,853	19,336	117,558	59,808	(23,596)	127,735	23,981	389,862	62,946
Retail Store Expenses****	47,000	9,175	67,000	8,065	28,289	3,978	(75,519)	49,908	166,945	313,890	238,071
Sales & Use Tax	-	-	-	-	-	-	(174,000)	-	-	158,000	158,000
Administrative fees (see memo# 8 below)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments</b>	\$787,863	\$546,963	\$985,921	\$787,137	\$835,205	\$602,440	(\$672,449)	\$1,030,080	\$1,014,665	\$4,663,734	\$3,981,285
<b>Net Cash Flow</b>	<b>(\$171,862)</b>	<b>\$224,985</b>	<b>(\$44,541)</b>	<b>\$93,908</b>	<b>\$162,308</b>	<b>\$74,489</b>	<b>\$447,476</b>	<b>\$1,020</b>	<b>\$7,052</b>	<b>(\$46,023)</b>	<b>\$401,453</b>
Roll forward B/S cash (beg of wk)	1,212,493	908,927	1,040,631	1,133,912	936,091	1,227,819	(303,566)	1,158,398	1,159,418	1,159,418	1,159,418
+/- Cash flow	(171,862)	224,985	(44,541)	93,908	162,308	74,489	447,476	1,020	7,052	1,020	7,052
End of wk B/S cash fast	1,040,631	1,133,912	996,091	1,227,819	1,158,398	1,302,309	143,910	1,159,418	1,166,470	1,166,470	1,166,470
<b>Memo:</b>											
1. Ending inventory *****	6,728,968	6,508,579	6,802,979	6,197,579	6,708,733	6,049,540		6,490,791	6,189,756		
2. Inventory @ retail (60.3% mark-up)*****	17,091,014	16,413,198	17,278,985	15,495,589	17,039,618	15,239,633		16,486,064	15,721,461		
3. Orderly liquidation @35% of retail	6,007,283	5,769,038	6,073,356	5,446,510	5,989,218	5,356,545		5,794,650	5,525,901		
4. Warehouse collateral inventory equity	3,653,414	3,699,878	3,719,487	5,446,510	3,635,349	5,356,545		3,440,781	3,172,032		
5. A/R Equity value	381,960	381,810	440,994	445,986	505,630	486,284		504,430	665,967		
6. Other estimated collateral (F&E, equip, etc.)	300,000	300,000	300,000	300,000	300,000	300,000		300,000	300,000		
7. Warehouse total collateral (4+5+6)	4,335,373	4,381,688	4,460,480	6,192,476	4,440,979	6,152,829		4,245,210	4,138,000		
8. Payment from prior retailer (not in model)	50,000	50,000	50,000	50,000	50,000	50,000		50,000	50,000		
9. Beginning month inventory at cost	6,792,227	6,660,446									

Budget includes cash + \$304k sweep  
Actual does not include \$304k sweep

SulmeyerKupetz, A Professional Corporation  
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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 April 16, 2008, I served the following document(s) described as **DEBTOR'S REPLY  
6 TO WACHOVIA CAPITAL FINANCE CORPORATION'S OBJECTIONS TO DEBTOR'S  
7 MOTION FOR ORDERS AUTHORIZING USE OF CASH COLLATERAL**  
on the interested parties in this action as follows:

8 **SEE ATTACHED SERVICE LIST**

9 **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  
10 the document(s) to be sent from 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  
11 reasonable time after the transmission, any electronic message or other indication that  
the transmission was unsuccessful.

12 I declare under penalty of perjury under the laws of the United States of America  
13 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.

14 Executed on April 16, 2008, at Los Angeles, California.

15   
16 \_\_\_\_\_  
17 Debbie A. Perez

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## SERVICE LIST

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### OFFICE OF THE UNITED STATES TRUSTEE

Office of the United States Trustee  
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