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

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

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

**SUPPLEMENTAL DECLARATION OF
ROBERT S. KELLEHER IN SUPPORT OF
DEBTOR'S REPLY TO WACHOVIA
CAPITAL FINANCE CORPORATION'S
SUPPLEMENTAL 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

22 I, Robert S. Kelleher, declare:

23 1. I have person knowledge of the facts stated herein. I can testify that
24 said facts are true and correct.

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

26 3. This Declaration is submitted in reply to the supplemental objection
27 (the "Supplemental Objection") of Wachovia Capital Finance Corporation (Western)
28 ("Wachovia") to the Debtor's continued use of cash collateral received by the Debtor after

1 5:30 p.m. on April 16, 2008. I have reviewed the Supplemental Objection. This
2 Declaration supplements my prior declarations filed on March 19, 2008, and April 16,
3 2008, in connection with the Debtor's pending cash collateral motion.

4 4. Throughout the Supplemental Objection (see, e.g., page 2, line 3, of
5 the Supplemental Objection), Wachovia decries the decrease in cash during the Budget
6 period. Apparently in an attempt to inflate its argument regarding the decrease in cash,
7 Wachovia does not start its calculation of the cash decrease at the beginning of the
8 Budget period, but rather arbitrarily chooses a later date to start its calculation when the
9 cash balance is higher (Wachovia's calculation appears at page 1, line 25 – page 2, line
10 5 of the Supplemental Objection). More importantly, Wachovia fails to acknowledge that
11 in the Debtor's proposed Budget attached to the Debtor's reply (the "Reply") filed on April
12 16, 2008, as Exhibit 1, the amount provided in the Budget to be paid to Wachovia
13 (\$583,856) is greater than the amount (\$583,063) of the decrease in cash from the
14 beginning cash balance (\$908,947) to the closing cash balance (\$325,884) for the
15 Budget period (March 23 – June 21, 2008).

16 5. Further, Wachovia does not take into account that Wachovia took
17 \$303,000 from the Debtor at or after the commencement of the Debtor's chapter 11 case
18 (Wachovia must have information in its possession and control regarding the exact time
19 that it took the Debtor's funds from the Debtor's concentration bank account, but has
20 declined to share that information with the Debtor) and when that sum is added to the
21 proposed \$583,856 to be paid by the Debtor to Wachovia during the Budget period (prior
22 to June 21, 2008) the amount paid and to be paid to Wachovia is dramatically greater
23 than the cash decrease during the Budget period.

24 6. It must also be noted that the relatively low cash balance forecast for
25 the June 21 end of the Budget period is also a result (in addition to the substantial
26 proposed payments to Wachovia) of the fact that June is historically a low sales month
27 for the Debtor's seasonal business. This was taken into account in the Budget forecast.
28 Historically, July and August are significantly greater sales months for the Debtor than

1 June. June is generally the Debtor's second lowest sales month of the year (after
2 February).

3 7. Moreover, it should be noted that, even in light of the significant
4 payments to be made to Wachovia under the Budget and the forecast taking into account
5 that June is historically a low sales month for the Debtor, the Budget forecasts a
6 breakeven net cash flow for the 13 week period ending June 21, 2008 (actually, there is a
7 projected slightly positive net cash flow of \$793).

8 8. The variance in the Debtor's actual net receipts for the first 3 weeks
9 of the Budget period compared to forecasted net receipts under the Budget attached to
10 the Court's interim order authorizing the Debtor's use of cash collateral is approximately
11 8.6% (Wachovia incorrectly asserts that the variance is about 9.4%). Moreover,
12 approximately 3.4% of this variance can be attributed to the fact that as a result of low
13 foot traffic the Debtor discontinued its store closing sale at the Cadeau L.A. store and
14 moved inventory from that store to the Cadeau N.Y. store and to the Debtor's distribution
15 center for internet sales and that the revenue to be generated from the sale of that
16 inventory will be realized in a later period than was forecast in the Budget attached to the
17 Court's interim order. In its example appearing at page 3, lines 15 – 18, of the
18 Supplemental Objection, Wachovia only cites poor performing stores. The ongoing
19 stores (those not engaged in store closing sales) as a whole were approximately 9.3%
20 below revenue forecast for the first 3 weeks of the Budget. Eight ongoing stores met or
21 exceeded the revenue forecast for the first 3 week period of the Budget. The Debtor
22 anticipated some cannibalization from locations closing within proximity of ongoing
23 stores.

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

25 EXECUTED THIS 17th DAY OF APRIL, 2008, AT LOS ANGELES,
26 CALIFORNIA.

27 R. S. Kelleher
28 Robert S. Kelleher

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1 PROOF OF SERVICE

2
3 STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

4 At the time of service, I was over 18 years of age and **not a party to this action**. I
5 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.

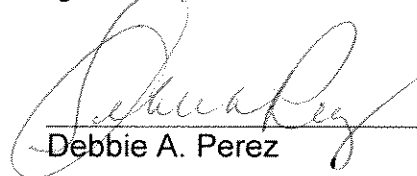
6 On April 17, 2008, I served the following document(s) described as **DECLARATION OF**
7 **ROBERT S. KELLEHER IN SUPPORT OF DEBTOR'S REPLY TO WACHOVIA**
8 **CAPITAL FINANCE CORPORATION'S OBJECTIONS TO DEBTOR'S MOTION FOR**
ORDERS AUTHORIZING USE OF CASH COLLATERAL on the interested parties in this
action as follows:

9 **SEE ATTACHED SERVICE LIST**

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

13 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
14 the bar of this Court at whose direction the service was made.

15 Executed on April 17, 2008, at Los Angeles, California.

16 
17 _____
Debbie A. Perez

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