

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:

FOUR POINTS CORPORATION,  
d/b/a Brendan Diamonds,  
J.C. Keepsake Diamonds and  
Only Diamonds,

Chapter 11  
Case No. 07-13418 (JMP)

Debtor.

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**ORDER AUTHORIZING DEBTOR'S  
INTERIM USE OF CASH COLLATERAL**

WHEREAS, on October 29, 2007 (the "Petition Date"), Four Points Corporation (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"); and

WHEREAS, the Debtor applied to this Court (the "Application") for the issuance of an order authorizing, among other things, the Debtor's use of cash collateral, as that term is defined in Bankruptcy Code § 363(a), in which Union Bank of Israel ("UBI") has asserted a security interest (collectively, the "Cash Collateral"); and

WHEREAS, this Court held an emergency hearing on the Application on October 30, 2007 (the "Emergency Hearing"), at which counsel for the Debtor, UBI and L.I.D., Ltd. ("LID") and the United States Trustee were heard, and this Court, having considered the Application, the supporting documents, and the proceedings before this Court at the Emergency Hearing, and with the consent of UBI and LID, thereafter entered an "Order Authorizing Debtor's Interim Use of Cash Collateral" dated October 30, 2007 (ECF Doc. #14); and

WHEREAS, this Court held an interim hearing (the "First Interim Hearing") with respect to the Application on November 6, 2007, following which this Court entered an "Order Authorizing Debtor's Interim Use of Cash Collateral" dated October 30, 2007 (ECF Doc. #35), which authorized the interim use of Cash Collateral through November 17, 2007; and

WHEREAS, on November 8, 2007, an Official Committee of Unsecured Creditors (the "Committee") was appointed and the Committee retained Kelley Drye & Warren LLP as its counsel, subject to approval by this Court; and

WHEREAS, on November 12, 2007, UBI provided counsel to the Debtor and counsel to the Committee with detailed information regarding its claim and liens; and

WHEREAS, this Court held a further interim hearing (the "Second Interim Hearing") with respect to the Application on November 14, 2007 at which it approved the interim use of Cash Collateral through December 1, 2007 and scheduled a further hearing with respect to the Application for November 29,

2007 (the “Third Interim Hearing”); and

WHEREAS, the Debtor has done an investigation, including a review of the information provided by UBI, and has determined that UBI has a valid and enforceable claim against the Debtor in the sum of no less than \$20 million (the “Prepetition Obligations”) and that UBI has a valid, enforceable and properly perfected pre-petition lien (the “Prepetition Lien”) on all of the Debtor’s property identified in that certain Security Agreement between the Debtor and UBI dated May 22, 2006 (the “Security Agreement”), including inventory and receivables (the “Prepetition Collateral”) and that the Prepetition Lien is not avoidable or otherwise subject to challenge; and

WHEREAS, on December 7, 2007, the Debtor filed an Application to Retain LS Associates, LLC (“LS”) as Financial Advisor to the Debtor *nunc pro tunc* to November 26, 2007 (the “LS Retention Application”) for services including, among other things, visitation of store locations to recommend and promote aggressive marketing for sales of inventory; assistance in outlining alternatives for action with the intention to maximize value to creditors; development of a business plan, including reorganization, 363 sales and/or going out of business sales; assistance and development of a secure website for creditors, to provide secure sharing of information; and other management and organizational recommendations; and

WHEREAS, LS issued a written draft report to the Debtor, UBI and the Committee on December 13, 2007 with its recommendations and findings for, among other things, store closings, liquidation or going out of business sales, inventory levels, and cash flow (the “LS Report”); and

WHEREAS, the Debtor has agreed to fully cooperate with LS so that LS can provide a final written report to the Debtor, UBI and the Committee on or before January 4, 2008 with its recommendations and findings for, among other things, the liquidation and/or reorganization of the Debtor (the “Final LS Report”); and

WHEREAS, UBI holds a claim, pursuant to sections 361, 362, 363(e) and 507(b) for any diminution in the value of its cash collateral from the Petition Date through December 18, 2007; and

WHEREAS, the Committee believes that the Debtor’s continued business operations inure primarily, if not exclusively, to the benefit of UBI;

WHEREAS, in order to facilitate the preparation of the Final LS Report and to accelerate the consideration of reorganization scenarios for the Debtor, the Debtor will suspend the management and operational services of Aharon Javino, David Rosenthal and Yoram Danino and in the interim will authorize Mark Kline to act as Chief Operating Officer through the date of the expiration of this Order; and

WHEREAS, based on the foregoing, UBI is prepared to consent to the Debtor’s continued use of its Cash Collateral on an interim basis through January 9, 2008 (the “Interim Period”) on the following terms.

NOW THEREFORE, upon the Application and the pleadings in this case, and the record of the proceedings heretofore held before this Court with respect to the Application, and upon finding that the Debtor has given notice of the First Interim Hearing to (i) UBI and its attorneys Moses & Singer LLP, Att: Lawrence L. Ginsburg, Esq., (ii) Debtor’s twenty (20) largest unsecured creditors, (iii) the United

States Trustee for the Southern District of New York, (iv) the Internal Revenue Service (v) the Securities and Exchange Commission; and (vi) Avrum J. Rosen, Counsel for L.I.D., Ltd., Debtor in Possession (collectively, the “Notice Parties”) and that the date and time of the Second Interim Hearing were announced in open Court at the First Interim Hearing and that counsel for the Committee was notified of the Second Interim Hearing and that the date and time of the Third Interim Hearing were announced in open Court at the Second Interim Hearing and that the date and time of the Final Hearing were announced in open Court at the Third Interim Hearing and upon finding that sufficient and adequate notice of the Application and the Second Interim Hearing with respect thereto has been given pursuant to Bankruptcy Rules 4001 and 9014 and no further notice of, or hearing on the relief sought in the Application is necessary or required, and upon the consent of UBI to the terms of this Order, it is hereby ORDERED that

1. On consent of the appearing parties, that, pursuant to sections 105(a), 361, 363 and 364 of the Bankruptcy Code and Bankruptcy Rule 4001, the Debtor is hereby authorized, subject to the terms of this Order, to use the Cash Collateral to pay the actual, necessary and reasonable operating expenses of its business set forth in the budget attached hereto as Exhibit A through January 9, 2008 (the “Budget”).

2. The purchase price of LID’s alleged consigned goods, and any other consigned goods shall, upon sale of such goods, be segregated by the Debtor pending further order of this Court and without prejudice to challenge by UBI, the Debtor or the Committee regarding the interests or rights of LID or any other alleged consignor in such goods or rights. The Debtor agrees that it will not return any alleged consigned goods without written consent of UBI, the Committee and/or authorization of the Bankruptcy Court.

3. The Debtor shall first use any proceeds from the sale of consigned goods in excess of the purchase price of such goods to pay the expenses set forth in the Budget. Thereafter, to the extent necessary, the proceeds of the sale of the Debtor’s non-consigned goods may be used to pay the expenses set forth in the Budget. From and after the Petition Date, any proceeds received by the Debtor in a given week in excess of the amount of actual and accrued expenses included in the Budget

to be paid for such week shall also be segregated (the “UBI Segregated Account”) (in an account separate from the account in which the purchase price of sold consigned goods is deposited) by the Debtor and may not be used by the Debtor for any purpose pending further order of this Court; provided, however, that the Debtor may use funds in the UBI Segregated Account to pay expenses set forth in the Budget upon two (2) business days’ advance written notice to UBI and the Committee so long as no Event of Default has occurred.

4. If it has not been done so already, the Debtor shall establish any and all DIP accounts at a bank of its choosing, provided that the bank is (i) approved by the Office of the United States Trustee; and (ii) not a creditor of the Debtor or L.I.D., Ltd. The Debtor shall provide UBI and the Committee with information regarding any DIP accounts established to date or established during the period covered by this Order and shall confirm that such accounts meet the above requirements.

5. Pursuant to Sections 361, 362 and 363(e) of the Bankruptcy Code, as adequate protection for any diminution occurring subsequent to the Petition Date in the value of UBI’s Cash Collateral as such collateral existed as of the Petition Date, including without limitation such diminution as may be caused by imposition of the automatic stay of Section 362(a) and by the Debtor’s use of the Prepetition Collateral and/or Cash Collateral, including without limitation for purposes of the Carve-Out (defined below), UBI is hereby granted a replacement lien (the “Replacement Lien”) against the Debtor’s estate to the same extent, validity and priority as the pre-petition security interest in the Debtor’s Prepetition Collateral, including inventory and receivables (whether acquired by the Debtor pre or post petition) and the proceeds thereof, to the same extent validity and priority as UBI’s pre-petition security interest.

6. Pursuant to Sections 361, 362 and 363(e), as additional adequate protection for any diminution occurring between December 18, 2007 and January 9, 2008 in the value of UBI's Cash Collateral, as such collateral existed as of December 18, 2007, including without limitation such diminution as may be caused by the imposition of the automatic stay of Section 362(a) and by the Debtor's use of the Pre-Petition Collateral and/or Cash Collateral, including without limitation for the purposes of the Carve-Out, UBI is hereby granted an additional lien (the "Additional Lien" and, together with the Replacement Lien, the "Liens") against the Debtor's estate to the same extent, validity and priority as its pre-petition security interest pursuant to the Security Agreement, whether such property and assets were acquired by the Debtor before or after the Petition Date, of any kind or nature, whether real or personal, tangible or intangible, wherever located, and the proceeds and products thereof (collectively, to the extent acquired after the Petition Date, the "Postpetition Collateral" and, together with the Prepetition Collateral and the Cash Collateral, the "Collateral"); provided, however, that the Additional Lien shall be capped at and shall not exceed \$350,000.

7. Notwithstanding the foregoing, UBI's pre-petition lien and UBI's Liens, if any, are subject to (a) the reservation of the right to challenge such liens set forth at paragraph 22 of this Order; (b) the Carve-Out; (c) LID's consignment security interest, if any; (d) any other party's valid and enforceable consignment interest, if any; (e) liens and other interests in property of the Debtor's estate existing as of the Petition Date that are (i) valid, enforceable and not subject to avoidance by any trustee under the Bankruptcy Code and (ii) senior under applicable non-bankruptcy law to, or encumber assets not encumbered by, UBI's pre-petition lien as of the Petition Date.

8. UBI shall not be required to file UCC financing statements or any other instruments with any other filing authority to perfect the Liens granted by this Order or to take any other actions to

perfect such Liens, which, absent a successful challenge to the extent, validity and/or priority of UBI's security interest in the Cash Collateral, shall be deemed automatically perfected as of the docketing of this Order by the Clerk of the Court.

9. In accordance with terms, provisions and conditions of this Order, the Budget, and the limitations in any order approving professional compensation procedures entered in this case, the Debtors may use Cash Collateral to pay (the following subparagraphs "(a)" through "(d)", collectively, the "Carve-Out"):

(a) the statutory fees of the United States Trustee pursuant to 28 U.S.C. § 1930(a) and any unpaid fees due and owing to the Clerk of this Court (collectively, the "Statutory Fees"), whether incurred or payable prior or subsequent to the occurrence and/or continuance of a duly noticed Event of Default (as such term is defined below);

(b) the allowed fees and expenses of counsel to the Debtor (Westerman Ball Ederer Miller & Sharfstein, LLP, referred to herein as "Westerman") in an amount not to exceed \$104,000 incurred from and after the Petition Date through December 17, 2007, subject to the limitations on the use of such funds set forth in paragraph 21 of this Order; provided, however, that the fees and expenses incurred by Westerman during the referenced time period exceed \$104,000 and Westerman reserves all rights to seek payment of such additional amounts at any time;

(c) the allowed fees and expenses of the Debtor's financial advisor (LS Associates) (LS and Westerman together are referred to herein as the "Debtor's Professionals") in an aggregate amount 80% of \$100,000, incurred from and after the Petition Date through December 17, 2007, subject to the limitations on the use of such funds set forth in paragraph 21

of this Order; provided, however, that the fees and expenses incurred by LS during the referenced time period may exceed \$100,000 and LS reserves all rights to seek payment of such additional amounts at any time;

(c) the allowed fees and expenses of counsel to the Committee (Kelley Drye & Warren LLP, referred to herein as “KDW”) in aggregate amount not to exceed \$92,000, incurred from and after the Petition Date through December 17, 2007, subject to the limitations on the use of such funds set forth in paragraph 22 of this Order; provided, however, that the fees and expenses incurred by KDW during the referenced time period exceed \$92,000 and KDW reserves all rights to seek payment of such additional amounts at any time; and

(d) subject to Court approval of an Order approving a limited retention of Scouler & Company (“Scouler”) as the Committee’s financial advisors for the period through December 5, 2007, which Order is hereby consented to by UBI and the Debtor, the allowed fees and expenses of Scouler in an aggregate amount not to exceed \$26,609.62, incurred through December 5, 2007.

10. Except to enforce the Carve-Out, no entity in the course of the Chapter 11 Case or any subsequent Chapter 7 case shall be permitted to recover from the Collateral (whether directly or through the grant of derivative and/or equitable standing in the name of the Debtor and/or the Debtor's estate) or assert against UBI, any claim for professional fees actually paid pursuant to paragraph 9 of this Order that might otherwise be recovered pursuant to Bankruptcy Code §§ 506(c) or 552(b) and the Debtor and its estate waives irrevocably all claims and rights, if any, they might otherwise assert against the Collateral for such amounts.

11. Subject to any amendments, enlargements, changes and modifications to this Order or any superseding interim orders with respect to the subject matter hereof, and any of the same that may be effected by or incorporated in a subsequent order, as the same may be approved and entered by the Court, so long as the Obligations, if any, remain outstanding, the Debtor will not seek further use of Cash Collateral without prior knowledge and consent of UBI and and/or approval of this Court.

12. The Debtor and UBI have agreed that the following conditions shall apply to the Debtor's operations:

- (i) To the extent that such information is available or can be readily generated, the Debtor shall provide UBI and the Committee with weekly reports due on the following Tuesday (the reports for the week ending November 2 and 9, 2007 shall be delivered by November 16, 2007) (A) detailing sales (for all stores collectively and for each store individually, including revenues and direct costs, including costs of goods sold, salaries, and lease expenses, but excluding corporate overhead), collections, accounts receivable aging, reconciliation of affiliate transactions and memo aging; (B) comparing the information set forth in (A) above to results for the same week during the



preceding calendar year (2006); (C) detailing inventory by store (broken down by purchased and alleged consigned goods), including any purchases, sales or transfers of inventory from one store to another during the applicable reporting period); (D) comparing actual sales and expenses to budgeted sales and expenses; (E) setting forth the beginning and ending balances for, all deposits to and payments or withdrawals, if any, from, and sources and uses of such transfers, for all of the Debtor's accounts; and (E) summarizing the figures set forth above and explaining any deviations from the Budget;

(ii) To the extent that such information is available or can be readily generated, the Debtor shall provide UBI and the Committee with weekly income statements due on the following Tuesday (the reports for the week ending November 2 and 9, 2007 shall be delivered by November 16, 2007) prepared in a manner consistent with the format required for monthly operating reports to be filed by Debtor;

(iii) To the extent that such information is available or can be readily generated, the Debtor shall provide UBI and the Committee with a "rolling" twelve (12) week budget together with the weekly reports, beginning with the week following the week in which such budget is delivered;

(iv) To the extent that such information is available or can be readily generated, the Debtor shall provide UBI and the Committee with such other reports and information reasonably requested by UBI;

(v) The Debtor shall substantially comply with the Budget (with no more than a 10% line item variance and a 5% overall variance);

(vi) Through the end of the Interim Period, Aharon Jovino and David Rosenthal shall immediately suspend all management and operational services on behalf of Debtor and shall not return to or be present at the Debtor's headquarters or any of its stores absent further order of the Court and shall devote their time and efforts at no cost to the Debtor to assisting ownership in providing information to LS Associates that will facilitate the LS Final Report and provide the basis for any plan of reorganization that may be presented by ownership;

(vii) Through the end of the Interim Period, Yoram Danino shall suspend all operational authority and management activity and at no charge to the Debtor be present only at the Debtor's corporate offices and offices of LS Associates at such times as are agreeable to Mark Kline and/or LS to facilitate discussions on behalf of Debtor's equity holder with respect to the LS Final Report and/or the reorganization of the Debtor;

(viii) During the Interim Period, Mark Kline shall have the duties, responsibilities and authority of Chief Operating Officer of the Debtor and, in consultation with UBI and the Committee, shall have full and complete authority to operate the Debtor's business, including without limitation, hiring/firing employees, consulting with LS with respect to implementing the recommendations of LS concerning closing stores and rejecting leases, discontinuing operations, selling, liquidating or winding down the Debtor as recommended by LS; provided, however, in the event that the Debtor at the direction of the Debtor's equityholder rejects any such proposal, the

Debtor's sole remedy is the right to seek an order of the Court enjoining any such actions.

(ix) The Debtor shall fully cooperate with LS to permit LS to complete the Final LS Report.

(x) Neither Mr. Kline nor LS may be terminated by the Debtor absent the consent of UBI and the Committee or further order of this Court.

13. UBI shall have the right to retain an appraiser to appraise the Debtor's inventory and the Debtor shall provide such appraiser with access to all of the Debtor's inventory, wherever located, upon three (3) business days' written notice.

14. The Debtor's authority to use Cash Collateral shall immediately terminate without the need for UBI to provide notice if a trustee under chapter 11 of the Bankruptcy Code is appointed or this case is converted to a case under chapter 7 of the Bankruptcy Code.

15. In addition, each of the following shall constitute an "Event of Default" for the purposes of this Order:

(a) The Debtor ceases operations of its present businesses or takes any material action for the purpose of effecting the foregoing without the prior written consent of UBI;

(b) The Debtor expends any amounts of funds or monies for any purpose other than those set forth in the Budget or elsewhere in this Order including using money deposited in the UBI Segregated Account without further Order of this Court unless such money is used to pay items included in the Budget;

(c) The Debtor's sales for a given week are less than ninety percent (90%) of the Debtor's projected sales for such week, as set forth on Exhibit B hereto;

- (d) Any material misrepresentation by the Debtor in the financial reporting or certifications provided by the Debtor to UBI in connection with this Order;
- (e) The Debtor withdraws the LS Retention Application;
- (f) The Final LS Report is not provided to UBI and the Committee on or before January 4, 2008 at 12:00 Noon; or
- (g) Material non-compliance or default by the Debtor with any of the terms, provisions and conditions of this Order.

16. Upon the occurrence of an Event of Default in the preceding paragraph and the giving of written notice thereof by UBI to the Debtor, the Committee and the Debtor's counsel by facsimile or electronic mail transmission (the "Default Notice"), the Debtor or Debtor's counsel shall have two (2) business days within which to dispute the alleged default and five (5) business days from receipt of written notice by UBI that the dispute cannot be resolved or has not been remedied (the "Remedy Notice Period") to obtain an order of this Court on notice to UBI enjoining or restraining UBI from exercising their rights and remedies based upon the Event of Default specified in the Default Notice ("Restraint on Remedies").

17. Upon the expiration of the Remedy Notice Period, absent a Restraint on Remedies, the Debtor's consensual use of the Cash Collateral pursuant to this Order and the Budget shall automatically cease and UBI shall have the right to seek relief from the restrictions of Section 362 or any other section of the Bankruptcy Code (on two (2) business days notice), to exercise its contractual, legal and equitable rights and remedies as to all or such part of the Cash Collateral, if any, as UBI shall elect.

18. The Debtor, at its expense, shall continue to keep the Collateral fully insured in the same form and manner as that kept in the ordinary course of the Debtor's business prior to the Petition Date. The Debtor shall provide UBI with proof of the foregoing within three (3) business days of the entry of this Order and as may be subsequently requested in writing by UBI.

19. The Debtor shall pay the reasonable fees and expenses of counsel to UBI ( Moses & Singer referred to herein as "Moser") in an amount not to exceed \$112,000 incurred subsequent to the Petition Date through December 17, 2007 (the "UBI Expenses") in accordance with the procedures set forth in the following sentences; provided, however, that the fees and expenses incurred by Moser during the referenced time period may exceed \$112,000 and Moser reserves all rights to seek payment of such additional amounts at any time; provided further that any amount paid pursuant to such procedures shall be (a) offset against the principal amount owed to UBI under the Security Agreement, if any, unless UBI demonstrates that UBI is an oversecured creditor pursuant to Bankruptcy Code section 506(b) and (b) disgorged by Moses & Singer if UBI's security interest is avoided or otherwise invalidated or if ordered by the Court in the event that UBI is found to be the recipient of an avoidable transfer. UBI may seek payment of UBI Expenses by written request to counsel to the Debtor, the Committee, and the U.S. Trustee (the "Fee Notice Parties"). The Fee Notice Parties shall have ten (10) days from the receipt of the Fee Request to file with this Court, and serve upon UBI an objection to the payment of any amount set forth in a Fee Request. Such pleading shall specify to what portion of the Fee Request it objects. Any amounts set forth in a Fee Request not timely objected to shall be paid by the Debtor directly to Moses & Singer within five (5) days after the date of the Fee Request. Any amount set forth in a Fee Request timely objected to shall be paid by the Debtor directly to Moses & Singer as and when such objection is determined by this Court or otherwise agreed to by the parties.

20. UBI shall have the right, upon two (2) business day's written notice to the Debtor, at any time during the Debtor's normal business hours, to inspect, audit, examine, check, make copies of or extract from the books, accounts, checks, orders, invoices, bills of lading, correspondence and other records of the Debtor, and to inspect, audit and monitor all or any part of the Collateral, wherever located, and the Debtor shall make all of same reasonably available to UBI and its representatives, for such purposes. UBI and its respective representatives may, without UBI being deemed to be in control, or a fiduciary for, the Debtor, and subject to obtaining prior consent from the Debtor: (1) discuss the Debtor's books and records, the Collateral, the Budget and/or the Debtor's business operations with the Debtor's officers and retained professionals (including, without limitation, attorneys, accountants, restructuring advisors and consultants and/or workout advisors and consultants) and (2) make observations and recommendations regarding the Debtor's books and records, the Collateral, the Budget and/or the Debtor's business operations with the Debtor's officers and retained professionals (including, without limitation, attorneys, accountants, restructuring advisors and consultants and/or workout advisors and consultants). The foregoing is without prejudice to, and shall not be deemed a waiver of, the rights of UBI and the Committee to seek examination of the Debtor pursuant to Fed. R. Bankr. P. 2004.

21. Subject to the rights of the Committee set forth in the next paragraph of this Order, (a) the Debtor acknowledges the validity, extent, priority, perfection, enforceability and non-avoidability of UBI's pre-petition claims against the Debtor and/or the Prepetition Lien shall not be subject to challenge by the Debtors, (b) the Debtor shall not seek to avoid or challenge (whether pursuant to Chapter 5 of the Bankruptcy Code or otherwise) any transfer made by or on behalf of the Debtor to or for the benefit of UBI prior to the Petition Date and (c) the Debtor hereby releases and waives all defenses,

affirmative defenses, counterclaims, claims, causes of action, recoupments, setoffs or other rights that it may have to contest the amount of the Pre-Petition Obligations. UBI shall have no Carve-Out obligations to the Debtor or to any of the Debtor's Professionals with respect to any investigation or litigation (whether threatened or pending) by the Debtor with respect to any matter released, waived or specified as not subject to challenge by the Debtor pursuant to this paragraph.

22. Notwithstanding the Debtor's release and waiver set forth in the preceding paragraph of this Order, the Committee and any other party in interest shall have through February 18, 2008 to commence an adversary proceeding against UBI for the purpose of challenging the validity, extent, priority, perfection, enforceability and non-avoidability of UBI's pre-petition lien against the Debtor (a "Challenge"). The Committee and any party in interest shall be barred forever from commencing a Challenge if the Committee or any party in interest has failed to do so within such stated time period, provided however, that the time period may be extended upon written agreement of the parties or further Order of the Court. The foregoing is without prejudice to any and all of the UBI Parties' legal and equitable claims, counterclaims, defenses and/or rights of offset and setoff in response to any such Challenge, all of which are reserved, and the foregoing shall in no event revive, renew or reinstate any applicable statute of limitations which may have expired prior to the date of initiation of such Challenge. UBI shall have no Carve-Out obligations to any person or entity (including without limitation the Committee) or to any professional of such person or entity with respect to any commenced Challenge.

23. The Committee reserves the right to seek an order of the Court to seek standing to avoid or challenge (whether pursuant to Chapter 5 of the Bankruptcy Code or otherwise) any transfer made by or on behalf of the Debtor to or for the benefit of UBI prior to the Petition Date.

24. This Order shall be binding upon and inure to the benefit of UBI, the Committee, the Debtor and their respective successors and assigns, including, without any limitation, any trustee, responsible officer, examiner, estate administrator or representative, or similar person appointed in a case for the Debtor under any chapter of the Bankruptcy Code. Except as set forth herein with respect to the Carve-Out and with respect to a Challenge, no rights are created under this Order for the benefit of any creditor of the Debtor, any other party in interest in the Debtor's bankruptcy case, or any other persons or entities, or any direct, indirect or incidental beneficiaries thereof.

25. UBI, the Committee and the Debtor reserve their respective rights to challenge the asserted consignment security interest of LID or any other party.

26. The terms and conditions of this Order shall be (i) effective and immediately enforceable upon its entry by the Clerk of the Court notwithstanding any potential application of Fed. R. Bankr. P. 6004(g), 7062, 9014 or otherwise; and (ii) not be stayed absent (a) an application by a party in interest for such stay in conformance with such Fed. R. Bankr. P. 8005, and (b) a hearing upon notice to the UBI, the Office of the United States Trustee, the Debtor's counsel and counsel to the Committee.

27. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any orders which may be entered confirming any plan of reorganization or which may be entered converting the chapter 11 case to a case under chapter 7 of the Bankruptcy Code or the appointment of a chapter 11 trustee, subject to the provisions of the Bankruptcy Code. The terms and provisions of this Order, as well as the Adequate Protection Claim, the Adequate Protection Lien and all other claims and Liens granted by this Order, shall (a) continue in this or any other superseding case under the Bankruptcy Code; (b) be valid and binding on all parties in interest, including, without limitation, a Committee, a chapter 11 trustee, examiner or chapter 7 trustee, and (c) continue, notwithstanding any



dismissal of the Debtor's bankruptcy case (and any such order of dismissal shall so provide), and such claims and Liens shall maintain their priority as provided by this Order until the Obligations are satisfied in full.

28. The Debtor shall file a motion to establish a claims bar date no later than January 4, 2008.

29. The provisions of this Order and the Debtor's right to use Cash Collateral shall expire on the earlier to occur of an Event of Default or January 9, 2008.

30. To the extent that UBI is prepared to consent to the further use of Cash Collateral, counsel for UBI shall circulate to counsel for the Committee and counsel for the Debtor a proposed form of Order no later than 3:00 p.m. on January 7, 2008.

Dated: New York, New York  
December 19, 2007

s/ James M. Peck  
United States Bankruptcy Judge

## Exhibit A

**FOUR POINTS CORPORATION**  
**CASH FLOW - remainder of DECEMBER**

		WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK ENDED	4 - WEEK
		11/9/2007	11/16/2007	11/23/2007	11/30/2007	12/7/2007	12/14/2007	12/21/2007	12/28/2007	1/4/2008	1/11/2008	TOTAL
MERCHANDISE	APPRAISALS	35	525	800	800	800	800	800	800	350	350	2,300
MERCHANDISE	BRINKS					4,300	4,300	4,300	5,800	4,300	4,300	18,700
MERCHANDISE	CUSTOMER REFUNDS	9,082	3,500	3,500	5,000		5,000	5,000	25,000	25,000	25,000	80,000
MERCHANDISE	DIAMOND COUNCIL OF AMERICA TRAINING		2,000					3,400			250	3,650
MERCHANDISE	DUTY AND CUSTOMS	15,278	22,000				15,000		15,000		15,000	30,000
MERCHANDISE	MERCHANDISE VENDORS (ASSET AND SPECIAL ORDER)	4,558	13,700	17,100	9,500	26,000	60,000	65,000	15,000	15,000	15,000	110,000
MERCHANDISE	MERCHANDISE VENDORS (MEMO)			24,500	27,000	30,000	50,000	100,000	100,000	100,000	50,000	350,000
MERCHANDISE	SHIPPING AND MAILING (UPS, POSTAGE)	3,689	3,850	3,900	4,400	5,400	5,400	5,400	5,400	5,400	5,400	21,600
MERCHANDISE	STOCK REPAIRS				500	700	700	1,600	1,000	1,500	1,500	5,600
MERCHANDISE	TRAVEL - DISTRICT MANAGER				5,000				5,000			5,000
MERCHANDISE	VENDOR REPAIRS	430	1,300	2,000	2,000	2,000	2,000	2,000	2,000	2,500	2,500	9,000
TAXES	LICENSES & FEES	0				100	100	100	500	200	200	1,000
TAXES	PERSONAL PROP/OTHER TAXES			700	400			60,000		3,000		63,000
TAXES	SALES TAXES		6,900	50,000	5,000			90,000	7,000			97,000
ADVERTISING	ADVERTISING (CATALOG, INK, PAPER)	1,000	7,300	400	500	9,000	7,000	10,700	100	1,500	1,500	13,800
EMPLOYEE	PAYROLL		240,000		210,000		300,000		215,000		300,000	515,000
EMPLOYEE	PAYROLL DEDUCTIONS (125 PMTS, AFLAC, 401K, MEDICAL)	25,458	18,400	20,400	9,800	20,400	9,800	20,400	9,800	20,400	19,800	70,400
EMPLOYEE	WORKERS COMP	3,938			3,900	3,900		3,900		3,900		7,800
INDEPENDENT SERVICE PROVIDERS	JEWELERS		76,300		34,300		78,450		78,450	60,000	60,000	198,450
OCCUPANCY	BUILDING MAINTENANCE	750	2,350	1,000	2,950	2,000	2,200	2,000	2,500	2,500	2,500	9,500
OCCUPANCY	INSURANCE - FACILITIES				11,000			11,000			11,000	22,000
OCCUPANCY	LEASE (ALL LOCATIONS)	0	80		375,235		80	382,036			382,000	764,036
OCCUPANCY	MISCELLANEOUS (OFFSITE STORAGE FEE)	75	250	400	400	400	400	1,000	1,000	1,000	1,000	4,000
OCCUPANCY	OUTSIDE SERVICES (CARPET AND WINDOW CLEANING)	86	600	800	800	1,200	1,200	1,200	1,200	1,200	1,200	4,800
OCCUPANCY	SECURITY ALARM SERVICE	4,353		300	5,000	500	500	500	500	500	500	2,000
OCCUPANCY	SECURITY GUARD EXPENSE	0	1,500	2,300	8,500	8,500	2,600	8,100	3,000	2,600	2,600	16,300
OCCUPANCY	SUPPLIES (LIGHT BULBS, PACKAGING, OFFICE SUPPLIES)	199	4,200	5,400	5,400	7,000	7,000	7,000	8,000	5,400	5,400	25,800
OCCUPANCY	UTILITIES (WATER, TRASH, ELECTRIC)	1,172	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	21,600
UTILITY	TELEPHONE	1,504	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	8,000
UTILITY	UTILITY MOTION (UTILITY DEPOSIT ACCOUNT)					22,000						0
IT	COMPUTER EQUIP/MAINT/SUPPORT (DSL, COVAD)	0	1,800	2,400	2,400	5,400	3,400	3,400	3,400	3,400	3,400	13,600
IT	I.T. SOFTWARE SERVICES		10,000	7,000	1,200	1,200	7,000	3,500	2,000	5,000	1,000	11,500
PROFESSIONAL FEES	AUDIT FEES (CHAPTER 11 CONSULTING)			10,000								0
PROFESSIONAL FEES	LEGAL FEES			50,000					400,000			400,000
OFFICE	BANK SERVICE CHARGES			1,000					1,000			1,000
OFFICE	CHECK GUARANTEE FEES (CERTEGY)		1,700					1,900			1,900	3,800
OFFICE	EQUIPMENT MAINTENANCE	0	400	400	400	700	700	700	700	700	700	2,800
OFFICE	GIFT CARD SERVICE FEES	0					100				100	100
OFFICE	LEASE EQUIPMENT	685			1,600	2,100	1,000	1,000	1,000		1,300	3,300
	GRAND TOTAL	72,292	426,055	211,700	740,385	166,000	572,130	803,336	917,550	272,750	922,800	2,916,436

Exhibit B

**FOUR POINTS CORPORATION**

**ESTIMATED SALES - remainder of December, 2007 and through January 9, 2008 (in 000s)**

		WEEK ENDED	WEEK ENDED	WEEK ENDED	WEEK THRU	
		12/22/2007	12/29/2007	1/5/2008	1/9/2008	TOTAL
SALES	ESTIMATED SALES	1,400	360	203	101	2,065