

KLESTADT & WINTERS, LLP
Ian R. Winters
Patrick J. Orr
570 Seventh Avenue, 17th Floor
New York, New York 10018
(212) 972-3000

Proposed Counsel to the Debtor

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Involuntary Chapter 7
DIA DEB INTERNATIONAL, INC.,	:	Case No. 11-13376 (MG)
Debtor.	:	

**DEBTOR’S EX PARTE MOTION FOR ENTRY OF
ORDER (I) FOR RELIEF PURSUANT TO SECTION 706(A) OF TITLE 11 OF THE
BANKRUPTCY CODE AND (II) CONVERTING THE DEBTOR’S CASE TO ONE
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

TO: THE HONORABLE MARTIN GLENN,
UNITED STATES BANKRUPTCY JUDGE:

Dia Deb International, Inc., the debtor and debtor-in-possession in the above-captioned case (the “Debtor”) hereby moves (the “Motion”) this Court for entry of an order (i) for relief pursuant to Section 706(a) of Title 11 of the United States Code (the “Bankruptcy Code”) and (ii) converting the Debtor’s case to one under Chapter 11 of the Bankruptcy Code. In support of the Motion, the Debtor respectfully represents as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). No request for the appointment of a

trustee or examiner has been made in this case, and no statutory official committees have been appointed or designated by the Office of the United States Trustee.

2. The statutory basis for the relief requested herein is Section 706(a) of the Bankruptcy Code and Rule 1017(f)(2) of the Federal Rules of Bankruptcy Procedure.

BACKGROUND

3. Since 1969, the Debtor's primary business has been processing rough and loose diamonds into polished finished diamonds, which, along with other loose stones and diamond basics like studs and solitaires, are then supplied to major national retailers, manufacturers and wholesalers.

4. The Debtor's business has been negatively impacted by a number of factors over the last few years including the slowing economy and inordinately large returns of product by its retail partners. These returns lead to heavy margin dilution in an industry that, even in good times, operates on tight margins.

5. Margin loss was also affected by rapid surges in the prices of gold and diamonds, after the Debtor had committed to its customers at the lower prices for these goods.

6. While the Debtor was actively exploring options to restructure or sell its operations, it became unable to timely meet its obligations to its creditors.

7. This led to the filing of an involuntary petition for relief under Chapter 7 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") by (i) Apex Gems, Inc., (ii) Sanghavi Diamonds Inc. (iii) Bluerays, Inc. and (iv) D&P Diamond Inc. (the "Petitioning Creditors") on July 14, 2011 (the "Petition Date").

BASIS FOR RELIEF

8. The Debtor has elected to consent to the entry of the Order for Relief in this case conditioned upon conversion of the case to a case under Chapter 11 of the Bankruptcy Code. Section 706(a) of the Bankruptcy Code grants the Debtor the absolute right to convert a case from Chapter 7 to Chapter 11 if the case has not previously been converted and the Debtor is eligible to be a debtor under Chapter 11. This case has not previously been converted under Sections 1112, 1208, or 1307 of the Bankruptcy Code, and the Debtor is eligible to be a debtor under Chapter 11 of the Bankruptcy Code.

NO PRIOR APPLICATION

9. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, the Debtor respectfully request that this Court enter an order, substantially in the form attached hereto as **Exhibit A** (i) entering an Order for Relief; and (ii); converting this case to one under Chapter 11 of the Bankruptcy Code; and (iii) granting such other and further relief as this Court deems appropriate.

Dated: New York, New York
August 10, 2011

KLESTADT & WINTERS, LLP
Proposed Counsel to the Debtor

By: /s/Patrick J. Orr
Ian R. Winters
Patrick J. Orr
570 Seventh Avenue, 17th Floor
New York, New York 10018
(212) 972-3000

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: : Involuntary Chapter 7
 :
DIA DEB INTERNATIONAL, INC., : Case No. 11-13376 (MG)
 :
Debtor. :

**ORDER (I) FOR RELIEF PURSUANT TO SECTION 706(A) OF TITLE 11 OF THE
BANKRUPTCY CODE AND (II) CONVERTING THE DEBTOR'S CASE TO ONE
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Upon consideration of the Debtor's Ex Parte Motion for Entry of an Order (i) for Relief Pursuant to Section 706(a) of Title 11 of the United States Code the Bankruptcy Code and (ii) Converting the Debtor's Case to One Under Chapter 11 of the Bankruptcy Code (the "Motion"); and the Court having considered the Motion; and its appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon, and good and sufficient cause appearing therefor; it is hereby

ORDERED that the above-captioned case is converted to a case under Chapter 11; and it is further

ORDERED that an order for relief under Chapter 11 is granted.

Dated: New York, New York
August ____, 2011

UNITED STATES BANKRUPTCY JUDGE