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Friedman's Gets More Time To File Ch. 11 Plan

By **Morgan Bettex**

Law360, New York (September 08, 2008) -- A bankruptcy judge has given Friedman's Inc. more time to file its Chapter 11 reorganization plan after the jewelry retailer said it had been unable to draft a suitable plan because it has been preoccupied with obtaining debtor-in-possession financing, liquidating its assets, and analyzing and resolving claims.

On Friday, Judge Christopher S. Sontchi of the U.S. Bankruptcy Court for the District of Delaware granted Friedman's an additional 60 days to file its Chapter 11 reorganization plan, as well as a 60-day extension of the period during which the debtors have the exclusive right to solicit acceptances of the plan.

Judge Sontchi's order marks the second time he has granted Friedman's some breathing room in its bankruptcy proceedings and pushes the deadline for the debtors to file their reorganization plan to Nov. 24, 2008, and the exclusive right to lobby for acceptance of the plan until Jan. 23, 2009.

In May, the judge granted Friedman's first request for more time to file its Chapter 11 plan after the company said that it had been too focused on selling off its assets and dealing with other matters to put together a restructuring plan.

The company, newly led by Lee E. Buchwald and counseled by Stevens & Lee following a settlement with Harbinger Capital Partners Master Fund I Ltd., asked the court for additional reprieve in an Aug. 19 motion, claiming that the original deadline set forth “an unrealistic time frame” for the debtors to assemble an adequate restructuring plan.

“There is still much to do to maintain the day-to-day administration of these cases,” the debtors said in their motion for an extension. “The debtors' appropriate focus on these issues, as well as addressing numerous other matters attendant to their Chapter 11 cases, have made it impossible to formulate, promulgate and build consensus regarding a plan any earlier than the dates proposed by the debtors."

The debtors also told the court that the creditors committee approved of the extension.

According to Buchwald, the debtors' sole director and the founder of Buchwald Capital Advisors LLC, an investment banking firm specializing in financial reorganizations, the debtors are currently estimating recoveries of 23 percent to 28 percent for Friedman's unsecured creditors and plan to file a plan of reorganization within the next month or so.

Friedman's was forced into Chapter 7 on Jan. 22. On Jan. 28, the court entered an order converting the case to a voluntary Chapter 11 case.

On April 4, Judge Sontchi gave Friedman's the green light to liquidate approximately $400 million in inventory from 377 of its stores. Seventy-eight of the debtors' stores were sold to Whitehall Jewelers Holdings Inc., another jeweler that filed for Chapter 11 protection in June, while the remainder would be liquidated through going-out-of-business sales.

But part of the reason Friedman's has been unable to focus on its reorganization plan is that it has been fighting with Whitehall after Whitehall asked for and received court permission to sell or otherwise assign some of its leases in July, according to court documents.

In August, Friedman's and subsidiary Crescent Jewelers challenged Whitehall's bid to sell its remaining assets, claiming that Whitehall had not paid all of the cure amounts it owes on leases that it agreed to assume.

Friedman's said it had also been tied up by its efforts to assemble a revised employee retention and incentive plan, which the court approved in June, following an initial rejection of the plan in May.

The amended plan proposed a modest range of retention compensation in light of the services required, and removed rewards associated with goals that were sure to be reached, such as satisfying the senior debtor-in-possession financing for the company.

Friedman's is represented in its bankruptcy by attorneys from Stevens & Lee.

The case is Friedman's Inc., case number 08-10161, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Shannon Henson, Amanda Ernst and Ben James