

Friedman's seeks liquidation OK

by Ben Fidler Posted 04:30 EST, 14, Jan 2009

Defunct jeweler **Friedman's Inc.** has mapped out a liquidation plan that would take care of more than \$100 million in unsecured debt.

Friedman's will head to the U.S. Bankruptcy Court for the District of Delaware in Wilmington on Feb. 3 seeking approval of its plan, which liquidates its estate and distributes the proceeds to creditors.

Under the plan, both Friedman's and bankrupt subsidiary Crescent Jewelers Inc. will set up liquidating trusts that will be managed by trustee Lee Buchwald of **Buchwald Capital Advisors LLC**. The trusts will be charged with paying off both groups of creditors. Friedman's unsecured creditors are expected to recoup 29.5% of an estimated \$67.5 million in claims, while Crescent's unsecureds are anticipated to receive 21.5% back on \$39.4 million in claims. Old equity holders will be wiped out.

Friedman's had first sought to sell its assets as a going concern when it filed for bankruptcy for the second time on Jan. 28. (The filing was made six days after a group of creditors filed an involuntary Chapter 7 petition against the company.)

The auction, however, didn't produce the results Friedman's was hoping for, creating a bitter dispute between the company and its official committee of unsecured creditors. The unsecureds were disappointed and believed that the bids provided "no funds to pay any administrative expenses and no recovery whatsoever for unsecured creditors," filings show. As a result, no deal was consummated, and Friedman's moved toward liquidation.

Friedman's then hired **Great American Group LLC**, **Hudson Capital Partners LLC** and **Silverman Jewelers Consultants Inc.** to help carry out store-closing sales at 377 Friedman's and Crescent Jewelers stores in 23 Southeastern, Southwestern and Midwestern states. It also signed a deal with **Whitehall Jewellers Inc.** under which Whitehall bought up the inventory at 78 of Friedman's stores and assumed the leases at those locations for \$14.5 million. (Whitehall itself has since filed for Chapter 11.)

Friedman's also sold \$63 million in accounts receivable to **Monterey Financial Services Inc.** and **Garrison Investment Group LP** for \$22.4 million.

Friedman's has since paid off its senior \$75 million debtor-in-possession loan from **CIT Group/Business Credit Inc.** and its junior \$17.2 million DIP from **Harbinger Capital Partners Master Fund Ltd.** through the liquidation process.

Before liquidating, Friedman's operated 388 Friedman's stores in 19 states and 85 Crescent Jewelers outlets in three states. Crescent, which was acquired out of bankruptcy by Friedman's in 2006, filed for bankruptcy on Jan. 28. Its case is being jointly administered with the Friedman's case.

Friedman's first filed for Chapter 11 on Jan. 14, 2005, with the U.S. Bankruptcy Court for the Southern District of Georgia in Savannah.

The company utilized a debt-for-equity swap to reorganize and as a result was placed under the ownership of the former Harbert Distressed Investment Master Fund Ltd. (now Harbinger). It emerged from that bankruptcy on Dec. 9, 2005.

Friedman's and Harbinger then pounced on Crescent, which had filed for bankruptcy on Aug. 11, 2004, and was still in Chapter 11. The two became majority owners of Crescent through a plan that swapped their unsecured debt for equity.

Stevens & Lee PC is debtor counsel for both Friedman's and Crescent. Alan Kolod, Lawrence Ginsburg and Christopher Caruso represent the unsecured creditors at **Moses & Singer LLP**.

