

## Friedman's wins disclosure OK

by Ben Fidler Posted 04:09 EST, 4, Mar 2009

Defunct jeweler **Friedman's Inc.** has inched closer to finalizing a plan that wipes out more than \$100 million in unsecured debt.

Judge Cristopher Sontchi of the U.S. Bankruptcy Court for the District of Delaware in Wilmington on Tuesday, March 3, approved the company's disclosure statement that contemplates the liquidation of the estate of both Friedman's and subsidiary Crescent Jewelers Inc.

The plan will now be sent to creditors for a vote. Friedman's will return to court on April 20 seeking confirmation.

Under the plan, both Friedman's and Crescent will set up liquidating trusts that Trustee Lee Buchwald of **Buchwald Capital Advisors LLC** will manage. The trusts will be charged with paying off both groups of creditors.

Friedman's unsecured creditors have two options for payouts under the plan. In one scenario, they will be paid a total of 31.6% of their claims, including an initial distribution of 22.6%. In the second, they would get a lump sum 27% payment. The Friedman's unsecureds are owed about \$67.5 million. Crescent's unsecureds are expected to receive up to 22.6% on \$39.4 million in claims. They do not have the option for a lump sum payment. Equity holders will be wiped out.

Friedman's first sought to sell its assets as a going concern when it filed for bankruptcy for the second time on Jan. 28, 2008. 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 desired results for Friedman's, 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 completed, 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, also filed for bankruptcy on Jan. 28, 2008. 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.