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FRIEDMAN'S INC: Plan Takes Effect, Makes Initial Payouts

Friedman's Inc. and Crescent Jewelers have completed the initial distributions under their liquidating plan last Friday, June 26, 2009. The initial distributions were 28.3% for Friedman's unsecured creditors (whereas the Debtors had projected 22.6% in the Disclosure Statement) and 18.6% for Crescent's unsecured creditors.

At a confirmation hearing conducted on April 20, 2009, Friedman's and Crescent Jewelers attained confirmation of their liquidating plan in their chapter 11 case, 08-10161 (Delaware). The Official Creditors' Committee was the co-proponent of the joint plan. Creditors voted overwhelmingly to accept the plan, with both Friedman's and Crescent receiving approximately 99% acceptances by dollar amount. The confirmation order was entered on April 22, 2009.

The effective date of the plan occurred on June 8, 2009. At that time, the Friedman's Liquidating Trust and the Crescent Liquidating Trust were established for each Debtor to handle distributions, the claims reconciliation process, prosecute preference actions and pursue other potential recoveries. The liquidating trustee for each trust is Buchwald Capital Advisors LLC. Lee E. Buchwald, the President of Buchwald Capital Advisors LLC, became the sole Director and took control of the Debtors in May 2008. Mr. Buchwald also served as the Debtors' CEO President during their chapter 11 case.

The plan provides for all too rare significant distributions to be made to general unsecured creditors. Total distributions are expected to be approximately 34% for Friedman's unsecured creditors (whereas the Debtors had projected 31.6% in the Disclosure Statement) and approximately 19% for Crescent's unsecured creditors.

Significant distributions to creditors were not always anticipated. When the Debtors' auction process broke down in April 2008, less than three months after these cases had been commenced, administrative insolvency, which would have left nothing for creditors, seemed inevitable. But Friedman's and Crescent abandoned the auction process and liquidated themselves at the urging of the Creditors' Committee, and their choice has been vindicated.

Mr. Buchwald attributes the unanticipated significant recoveries to a number of factors, including (1) the efforts of Moses & Singer, counsel to the Creditors' Committee, in negotiating a global settlement with Harbinger, the Debtors' private equity sponsor; (2) the recommendation of Consensus Advisors, financial advisor to the Creditors' Committee, to pursue a self liquidation instead of selling the assets to a liquidator when the auction

process broke down; (3) the successful liquidation of assets under the supervision of Mr. Buchwald, Steve Moore, the Debtors' then-CRO, and a dedicated management team; and (4) the efforts of Stevens & Lee, Debtors' counsel brought in by Mr. Buchwald, who were instrumental in guiding the Debtors during the critical phases of the asset disposition and plan negotiation process, and who achieved better than anticipated results in reducing claims and recovering assets.

Mr. Buchwald urged creditors to monitor the Web sites recently established by the trusts, <http://www.friedmans-trust.com/> and <http://www.crescent-trust.com/>, to obtain updates and access to critical documents.

About Friedman's Inc.

Addison, Texas-based Friedman's Inc. -- <http://www.friedmans.com/> -- and -- <http://www.crescentonline.com/> -- prior to the filing of their bankruptcy cases, comprised a leading specialty jewelry retail company.

On January 14, 2005, Friedman's and eight of its affiliates filed for Chapter 11 in the United States Bankruptcy Court for the Southern District of Georgia, Case No. 05-40129. On November 23, 2005, the Court confirmed the Debtors' Amended Plan and that Plan became effective on December 9, 2005.

Crescent Jewelers, the largest jewelry retailer on the West Coast, filed for Chapter 11 protection on August 12, 2004 (Bankr. N.D. Calif. Case No. 04-44416). On July 13, 2006, the California Bankruptcy Court confirmed Crescent Jewelers' Second Amended Plan of Reorganization.

On July 28, 2006, Friedman's acquired Crescent's equity in Crescent's own chapter 11 bankruptcy case in California. Crescent became a wholly owned subsidiary of Friedman's.

On January 22, 2008, five parties declaring claims aggregating \$9,081,199, filed an involuntary Chapter 7 petition against Friedman's. The petitioners were Rosy Blue, Inc.; Rosy Blue Jewelry Inc.; Jay Gems, Inc., dba Jewelmark; Simply Diamonds Inc.; and Paul Winston-Eurostar LLC.

As of commencement of these cases, Friedman's operated 388 stores in 20 states with over 2,890 employees while Crescent Jewelers operated 85 stores in 3 states with over 600 employees. Friedman's and Crescent Jewelers filed for chapter 11 protection on January 28, 2008 (Bankr. D. Del. Case Nos. 08-10161 and 08-10179).

The Debtors were originally represented by Athanasios E. Agelakopoulos, Esq., and Paul M. Rosenblatt, Esq., at Kilpatrick Stockton LLP; Chun I. Jang, Esq., Jason M. Madron, Esq., Mark D. Collins, Esq., and Michael Joseph Merchant, Esq., at Richards, Layton & Finger, P.A. On June 2, 2008, the Court entered orders allowing Kilpatrick Stockton LLP and Richards, Layton & Finger,

P.A. to withdraw as bankruptcy counsel to the Debtors, and the Court subsequently authorized the Debtors to retain Stevens & Lee, P.C. as general bankruptcy counsel.

David M. Green, Esq., Jocelyn Keynes, Esq., and Nicholas F. Kajon, Esq., at Stevens & Lee, P.C., in New York; and John D. Demmy, Esq., at Stevens & Lee, P.C., in Wilmington, Delaware, serve as counsel to the Debtors. The Debtors' professionals also include Rothschild, Inc., as investment banker and financial advisor; Retail Consulting Services, Inc. as real estate and lease consultants; ASK Financial as special counsel to review, analyze, and prosecute preference claims; Grant Thornton LLP as Tax Advisors; and KZC Services, LLC's Salvatore LoBiondo, Jr., as Chief Restructuring Officer, and Charles Carnaval as Director of Restructuring.

The Official Committee of Unsecured Creditors appointed in the Debtors' cases is represented by Christopher J. Caruso, Esq., Alan Kolod, Esq., Lawrence L. Ginsburg, Esq., at Moses & Singer LLP in New York; and Charlene D. Davis, Esq., at Bayard, P.A., in Wilmington, Delaware. The Committee also retained Consensus Advisors as its financial advisors.

On April 10, 2008, the Court approved the sale to Whitehall Jewelers, Inc., and a joint venture led by Great American Group LLC to sell to Whitehall the inventory and related property at 78 of the Debtors' stores, and to assume and assign to Whitehall the leases with respect to those 78 stores. On June 30, 2008, the liquidation of the balance of the Debtors' assets through store closing sales were concluded.

As of December 28, 2007, the Debtors listed total assets of \$245,787,000 and total liabilities of \$171,877,000.