TROUBLED COMPANY REPORTER

Wednesday, July 2, 2008, Vol. 12, No. 155

FRIEDMAN INC: Gets OK to Implement Incentive & Retention Plans
---

The Hon. Christopher S. Sontchi of the U.S. Bankruptcy Court for the District of Delaware authorized Friedman's Inc. and Crescent Jewelers to implement a management incentive plan and an employee retention plan, both as amended.

Judge Sontchi says the plans are in the best interests of the Debtors and their estates.

The Incentive Plan is designed to maximize assets available for distribution to creditors by providing incentives to two management employees of the Debtors to maximize the value of the bankruptcy estates. The participants in the Incentive Plan are:

-- C. Steven Moore, Esq., the Debtors' chief restructuring officer and general counsel; and

-- Robin Ruban, the Debtors' vice-president controller.

All payments under the Incentive Plan will be in addition to ordinary course payments of base salary and other Court-approved performance bonus to the Plan Participants.

The payments under the Incentive Plan will be calculated based on the Debtors' Net Cash Balance as of Aug. 29, 2008. No incentives are earned under the Plan at a Net Cash Balance below $11,000,000.

The Incentive Plan Participants will be paid the equivalent of seven months' base salary if the $11,000,000 threshold is achieved, and will receive an additional one month's base salary for each $1,000,000 of additional Net Cash Balance over the Threshold achieved by the Aug. 29 Measurement Date, up to a maximum of one year's base salary for each Plan Participant.

The Base Salary is $360,500.14 for Mr. Moore, and $169,99.96 for Mr. Urban.

The Incentive Plan payments will be made even if a Plan Participant is not employed by the Debtors at the time a Plan payment is made.

A full-text copy of the revised Incentive Plan is available at no charge at:

http://bankrupt.com/misc/FriedmansIncentivePlan.pdf

The revised Employee Retention Plan proposes to pay $265,549 to employees who will take part in store closing sales, including lead distribution center management and merchandise planner; individuals who will remain through the store closing sales period, estimated to last three months; key information systems employees who will remain through the store closing sales period; and employees who will remain following the store closing sales period.

A full-text copy of the revised Retention Plan is available at no charge at:

http://bankrupt.com/misc/FriedmansRetentionPlan.pdf

A full-text copy of the Court's order is available at no charge at:

http://bankrupt.com/misc/FriedmansOrderonPlans.pdf

Lee E. Buchwald, president of Buchwald Capital Advisors LLC, in New York, said the employee retention plan and officer incentive plan address the concerns of the Court and the U.S. Trustee. Mr. Buchwald said he worked closely with new counsel, Nicholas F. Kajon, Esq., at Stevens & Lee, in New York, in redesigning the

plans.

Mr. Buchwald was appointed sole director of Friedman's and Crescent Jewelers on May 21, 2008, by the company's board pursuant to a global settlement among Harbinger, the Debtors, Official Creditors Committee and other parties-in-interest.

Prior to Mr. Buchwald's appointment, the Debtors' request to implement an employee retention plan and officer incentive plan had been denied. As a result, employee morale was very low and the success of the ongoing GOB sales was threatened, Mr. Buchwald said.

Mr. Buchwald also said in the period of just over one month since he took control of the Debtors, he made substantial progress on a number of fronts. Mr. Buchwald worked closely with Stevens & Lee and management to resolve open issues with the liquidators on a consensual basis, oversee going out of business sales, prepare for the disposition of residual inventory, reject more than 300 leases, implement a money-saving deal with the landlord for corporate headquarters, hire a new more cost-effective claims and noticing agent, negotiate deals with various creditors, and sell miscellaneous assets.

"As a result of my efforts and the efforts of CRO Steve Moore and Stevens & Lee, I believe we have enhanced the recovery potential for the unsecured creditors in a consensual and cost-effective fashion," Mr. Buchwald said.

About Friedman's Inc.

Addison, Texas-based Friedman's Inc. -- http://www.friedmans.com/ -- and -- http://www.crescentonline.com/ -- is the parent company of a group of companies that operate fine jewelry stores located in strip centers and regional malls in the southeastern United States. Friedman's and eight its affiliates filed for chapter 11 protection on Jan. 14, 2005 (Bankr. S.D. Ga. Case No. 05-40129). On Sept. 22, 2005, the Bankruptcy Court entered an order approving the Debtors' Disclosure Statement explaining their Amended Joint Plan of Reorganization. On Nov. 23, 2005, the Court confirmed the Debtors' Amended Plan and that Plan became effective on Dec. 9, 2005.

Crescent Jewelers, the largest jewelry retailer on the West Coast, filed for Chapter 11 protection on Aug. 12, 2004 (Bankr. N.D. Calif. Case No. 04-44416). On June 15, 2006, the California Bankruptcy Court approved Crescent Jewelers' Second Amended Disclosure Statement its Second Amended Plan of Reorganization. The Court confirmed that Plan on July 13, 2006.

Crescent Jewelers was acquired by Friedman's and became a wholly-owned subsidiary in 2006.

In Jan. 22, 2008, five parties, which declared claims aggregating $9,081,199.07, filed an involuntary Chapter 7 petition against Friedman's. The parties that filed the involuntary petition were Rosy Blue, Inc.; Rosy Blue Jewelry Inc.; Jay Gems, Inc., dba Jewelmark; Simply Diamonds Inc.; and Paul Winston-Eurostar LLC.

As of Jan. 28, 2008, Friedman's operated 388 stores in 19 states with over 2,890 employees while Crescent Jewelers operated 85 stories in 3 states with over 600 employees. Friedman's and Crescent Jewelers filed for chapter 11 protection on Jan. 28, 2008 (Bankr. D. Del. Case Nos. 08-10161 and 08-10179).

The Official Committee of Unsecured Creditors has been appointed in the Debtors' cases.

Athanasios E. Agelakopoulos, Esq., at Kilpatrick Stockton LLP, and Jason M. Madron, Esq., and Michael Joseph Merchant, Esq., at Richards, Layton & Finger PA, represent the Debtors in their restructuring efforts. Kurtzman Carson Consultants LLC is the Debtors' claims, balloting, and noticing agent. As of Dec. 28, 2007, the Debtors listed total assets of $245,787,000 and total liabilities of $171,877,000.