

TROUBLED COMPANY REPORTER

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FRIEDMANS INC: May File Plan Next Month, Wants Exclusivity Moved

Friedman's Inc. and Crescent Jewelers ask the U.S. Bankruptcy Court for the District of Delaware to further extend the period during which the Debtors have the exclusive right to file a chapter 11 plan by roughly 60 days through and including November 24, 2008; and extending the period during which the Debtors have the exclusive right to solicit acceptances of that plan through and including January 23, 2009.

Lee E. Buchwald, president of Buchwald Capital Advisors LLC, in New York, says the Debtors hope to file a plan and disclosure statement in the next month. Based on current projections, which are subject to material change, distributions under the plan to general unsecured creditors of (a) Friedman's are projected to be between 23% and 28% and (b) Crescent are projected to be between 13% and 17%, according to Mr. Buchwald.

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.

Mr. Buchwald says the projections are based on, among other things, allocating overhead and administrative expenses of the Debtors' estates between Friedman's and Crescent based on the ratio of stores of each Debtor. In addition, the projections assume that an intercompany claim of Friedman's against Crescent would be allowed. Mr. Buchwald says the intercompany claim represents, in principal part, the goods received by Friedman's from merchandise vendors and distributed to the Crescent stores. The Debtors believe, subject to the passage of the bar date and further review of filed claims, that all merchandise creditors shipped their goods to Friedman's, which then may have distributed some or all of the goods to Crescent stores.

Mr. Buchwald clarifies the projections are not guaranties of recovery. Mr. Buchwald explains that the actual distributions may differ substantially based on a number of factors outside the Debtors' control.

"The projections do not include any potential preference recoveries or any potential benefits that may be derived from corporate recoveries that the Debtors may pursue, both of which which remain highly speculative at this time. In addition, because the claims bar date has not yet passed, these projections are based substantially on scheduled, not filed, claims. These projections are also based on assumptions, including, without limitation, those concerning the ability to recharacterize as equity certain shareholder loans and the amount of administrative expenses," Mr. Buchwald says.

John D. Demmy, Esq., at STEVENS & LEE, P.C., in Wilmington, Delaware, the Debtors' counsel, notes that in the seven months since the bankruptcy filing, the Debtors' have made major accomplishments in marketing and selling their assets, complying with post-sale obligations, engaging in store closings and finalizing a global settlement with their secured lenders. Despite the progress, Mr. Demmy says the Debtors require

additional time to thoroughly review their remaining assets and the potential claims that will be asserted against the estates to determine the structure of the eventual plan.

The Debtors anticipate working with the creditors' committee to craft a plan, the members of the Committee, other creditors of the estates and other parties-in-interest, Mr. Demmy says.

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.

On Jan. 14, 2005, Friedman's and eight of its affiliates filed for chapter 11 before the United States Bankruptcy Court for the Southern District of Georgia, Case No. 05-40129. 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 confirmed Crescent Jewelers' Second Amended Plan of Reorganization on July 13, 2006.

In 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 Jan. 22, 2008, five parties declaring claims aggregating \$9,081,199, filed an involuntary Chapter 7 petition against Friedman's. The petitions 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 stores 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 Debtors are represented by John D. Demmy, Esq., at STEVENS & LEE, P.C., in Wilmington, Delaware, and Nicholas F. Kajon, Esq., David M. Green, Esq., and Jocelyn Keynes, Esq., at STEVENS & LEE, P.C., in New York.

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

Alan Kolod, Esq., Lawrence L. Ginsburg, Esq., Christopher J. Caruso, Esq., at Moses & Singer LLP, in New York, and Charlene D. Davis, Esq., Justin K. Edelson, Esq., and Mary E. Augustine, Esq., at Bayard P.A., in Wilmington, Delaware.

In April 2008, the Debtors obtained permission to sell to Whitehall Jewelers, Inc., inventory located at 78 of the Debtors' store locations, and to assume and assign to Whitehall the underlying leases with respect to those 78 locations. As of Dec. 28, 2007, the Debtors listed total assets of \$245,787,000 and total liabilities of \$171,877,000.