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FRIEDMAN'S INC: Liquidating Trust Makes Second Distribution

Buchwald Capital Advisors LLC, liquidating trustee for the Friedman's Liquidating Trust, reported that a second distribution was made to creditors holding allowed general unsecured claims on December 2, 2009. The initial distribution was 28.3%, and with this second 3% distribution, creditors have now recovered 31.3% of their claims. As a result, creditors of Friedman's have now received almost as much as the aggregate 31.6% distribution that the Debtors had projected in the Disclosure Statement. At least one more distribution is expected after resolution of outstanding issues and litigation claims, and Lee E. Buchwald (President of Buchwald Capital Advisors LLC) expects that the aggregate distribution for Friedman's creditors will surpass the 31.6% projected in the Disclosure Statement.

At a confirmation hearing conducted on April 20, 2009, Friedman's Inc. 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 its subsidiary Crescent Jewelers 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' President and CEO during their Chapter 11 case.

The plan provided for all too rare significant distributions to be made to general unsecured creditors. As of the effective date of the plan, total distributions were expected to be approximately 34% for Friedman's unsecured creditors and approximately 19% for Crescent's unsecured creditors. Mr. Buchwald still anticipates aggregate recoveries in those ranges.

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 urges creditors to monitor the websites established by the trusts, www.friedmans-trust.com and www.crescent-trust.com, to obtain updates and access to critical documents.

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