

# Whitehall Jewelers files for Chapter 11 bankruptcy



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UNITED STATES - (Updates with sale details)

BANGALORE (Reuters) - Whitehall Jewelers Holdings Inc filed for bankruptcy Monday, becoming the latest jewelry retailer to seek court protection as the sagging U.S. economy cuts into consumers' discretionary spending.

The retailer and its Whitehall Jewelers Inc unit filed for Chapter 11 protection from creditors with the U.S. bankruptcy court in Delaware, court records show.

The company, which operates stores under such names as Whitehall and Lundstrom, is seeking to sell itself by July 18, according to an affidavit from its chief financial officer.

Whitehall said it operates 373 retail stores in 39 U.S. states, and employs 2,852 people. The company said its store base includes 78 locations it bought in April from Friedman's Inc, a jewelry retailer that sought bankruptcy protection earlier this year, and which later began liquidating.

According to a Whitehall court filing, the company, "like many large retailers in this difficult environment, continued to experience significant losses and decreased sales. The general economic downturn and tightening of the credit markets, among other factors, have contributed to a decline in consumer discretionary spending, particularly in the luxury goods sector."

Chicago-based Whitehall said it lost money and suffered significant negative operating cash flow in each of the last three fiscal years. It was in the midst of a turnaround effort, under which the company restructured some debt and closed 89 underperforming stores since 2005, according to court papers.

But it was forced to seek protection from creditors after its lenders under a \$125 million credit facility declared an event of default on June 18, demanding repayment of amounts borrowed.

Whitehall said it had \$207.1 million of assets and \$185.4 million of debts as of May 3, according to its bankruptcy petition. The company earlier this month postponed its annual shareholder meeting, which had been set for June 11.

The company is seeking court approval of an \$80 million debtor-in-possession credit facility from **Bank of America** NA, **Wells Fargo** Retail Finance LLC and other lenders, according to court documents.

Whitehall has hired J.D. Ford & Co to solicit bids for its sale as a going concern and its financial adviser has also solicited liquidation bids, it said in court documents. It has chosen one of the liquidation firms as the lead bidder for an auction next month, but is hopeful it will be able to sell

itself as a going concern. The company is trying to sell itself by the July deadline to avoid triggering another default.

A lawyer for Whitehall did not immediately return a request for further comment.

Shares of Whitehall traded late Monday afternoon at 38 cents in over-the-counter trading, Reuters data show. (Reporting by Jonathan Stempel in Bangalore and Emily Chasan in New York; Editing by Richard Chang and Braden Reddall)

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