

National Jeweler Network

Fortunoff sale finalized

March 13, 2008

New York—A bankruptcy court judge has approved the sale of Fortunoff Fine Jewelry and Silverware LLC to NRDC Equity Partners LLC, the private equity firm that owns Lord and Taylor, court papers show.

According to documents filed in the U.S. Bankruptcy Court for the Southern District of New York, Fortunoff "demonstrated both good, sufficient and sound business purposes and justifications and compelling circumstances for the transaction."

The court also found that "the immediate consummation of the transaction with the buyer (NRDC Equity Partners) is necessary and appropriate to maximize the value of the debtors' estates."

The documents also outlined terms under which diamond and jewelry vendors, including Leo Schacter Diamonds and Michael Werdiger, among others, would do business with Fortunoff going forward.

"Each of the vendors agrees to provide financing support for the purchaser on a go forward basis...this support will encompass continued supplies of diamonds and/or diamond jewelry, substantial financing commitments and market information about the diamond and jewelry business," according to court documents.

The documents also state that each vendor has agreed to continue to provide Fortunoff with financing to purchase goods, in the form of memo, accounts receivable financing or a combination of the two.

In turn, Fortunoff's new owners have 90 days to pay for merchandise sold to the company by the vendors. Memo sales are to be reported by Fortunoff within five business days after the end of each month and should be paid for within 30 days.

As for the claims pending against Fortunoff when it filed for Chapter 11 bankruptcy protection, the agreement states that Fortunoff will pay each vendor in cash 60 percent of the memorandum price for goods that comprise its memo claims, with payments made promptly after the goods are sold. If the goods have not been sold within three years after the memo purchase, Fortunoff will pay 60 percent at that time.

Fortunoff filed for Chapter 11 bankruptcy protection in February amid declining sales.

Fortunoff operates 23 stores in New York, New Jersey, Connecticut and Pennsylvania including three specialty stores, a flagship jewelry store in Manhattan, four department stores, 14 backyard and furniture stores, and a clearance center.