

Charming Charlie Gets OK To Poll Creditors On Ch. 11 Plan

By **Matt Chiappardi**

Law360, Wilmington (February 13, 2018, 8:51 PM EST) -- A Delaware bankruptcy judge gave jewelry and accessories retailer Charming Charlie Inc. the green light Tuesday to poll creditors on its Chapter 11 plan to rework its more than \$150 million in debt, approving the debtor's disclosure statement on the plan after it resolved concerns from unsecured creditors.

U.S. Bankruptcy Judge Christopher S. Sontchi signed an order that set a March 22 voting deadline and aims for a Chapter 11 confirmation hearing April 3.

Charming Charlie's debt rework comes from a restructuring support agreement it had with creditors when it came into court that aims to slash about \$100 million in debt through a combination of new credit facilities and debt-for-equity swaps with creditors.

The strategy also involves closing nearly 100 stores and streamlining its vendor network to reduce its size and complexity, according to court records.

"The solicitation packages provide the holders of claims entitled to vote on the plan with adequate information to make informed decisions with respect to voting on the plan," the order states. "The debtors are authorized to solicit, receive and tabulate votes."

There had been concerns from unsecured creditors of Charming Charlie because the plan had initially been unclear about their recoveries and noted that it was possible they could receive nothing. But an agreement finalized earlier this week created a general unsecured creditors trust that would provide those creditors with a potential equity recovery that includes contingent value rights that can be exercised if the company were to liquidate, according to court records.

Charming Charlie, which at one point had a retail footprint as high as nearly 400 stores, **filed for Chapter 11 protection** in December, citing the ongoing "retail apocalypse" facing brick-and-mortar stores in the face of increasing competition from online retailers. It listed about \$154 million in secured debt in the form of an asset-based loan and a term loan.

Among the creditors are Bank of America NA, lending agent under the asset-based loan facilities, and Wilmington Savings Trust, agent under the term loans. The prepetition ABL was first provided in 2015 in the amount of \$55 million and currently has \$20 million in principal outstanding. The term loan was agreed to in 2013 and currently has about \$132 million in principal and interest outstanding, Charming Charlie said in court papers.

The company was formed in 2004 by Charlie Chanaratsopon and grew to more than 300 locations by 2013, with another 90 since the recapitalization transactions that year. It focuses on women's jewelry and accessories, targeting customers between the ages of 35 and 55, and organizes its stores based on a 26-color palette.

Charming Charlie is represented by Domenic E. Pacitti, Michael W. Yurkewicz and Morton Branzburg of Klehr Harrison Harvey Branzburg LLP and Joshua A. Sussberg, Christopher T. Greco, Aparna Yenamandra and James H.M. Sprayregen of Kirkland & Ellis LLP.

The official committee of unsecured creditors is represented by Jennifer R. Hoover and Kevin M. Capuzzi of Benesch Friedlander Coplan & Aronoff LLP, and Cathy Hershcopf, Seth Van Aalten and Michael Klein of Cooley LLP.

The case is In re: Charming Charlie Holdings Inc. et al., case number 1:17-bk-12906, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Vince Sullivan. Editing by Alanna Weissman.