

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
Whitehall Jewelers Holdings, Inc., et al.,¹) Case No. 08-11261 (KG)
) Jointly Administered
Debtors.)
)

**ORDER APPROVING (i) GLOBAL SETTLEMENT AGREEMENT AND RELEASE
AND (ii) RELATED SETTLEMENTS REGARDING TREATMENT OF
CONSIGNMENT GOODS**

Upon the motion (the “Motion”) of Whitehall Jewelers Holdings, Inc. and Whitehall Jewelers, Inc., the above-captioned debtors and debtors-in-possession (together, the “Debtors”),² for the entry of an order, pursuant to Section 105(a) of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), approving: (A) that certain Settlement Agreement and Release, a copy of which is annexed hereto as Exhibit “A” (the “Global Settlement Agreement”), by and among the Debtors, the Official Committee of Unsecured Creditors appointed in these cases (the “Committee”), LaSalle Bank National Association, as agent for the pre-petition revolving lenders under the Pre-Petition Revolving Credit Facility (collectively, “LaSalle”), PWJ Lending II LLC, as Administrative Agent, Collateral Agent and a pre-petition lender under the Pre-Petition Term Loan Agreement (“PWJ”), and Bank of America, N.A. as agent for the post-petition lenders under the DIP Facility (“BofA”); and (B) agreements related to, and which are an integral part of, the Global Settlement Agreement, by and among the

¹ The Debtors in the cases, along with the last four digits of each Debtor’s federal tax identification number, are: Whitehall Jewelers Holdings, Inc. (4126) and Whitehall Jewelers, Inc. (3610). The address for both Debtors is 125 South Wacker Drive, Suite 2600, Chicago, IL 60606.

² Defined terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Participating Consignment Vendors, the Debtors, the Committee, LaSalle, PWJ and BofA (the “Vendor Agreements”), each of which is enclosed in the Exhibit Supplement filed with the Motion; and upon full consideration of the Motion and the record herein and after due deliberation thereon, it is hereby found that good and sufficient cause exists for the granting of the relief as set forth herein; that the relief requested in the Motion is in the best interest of the Debtors, their estates and their creditors; that there is good and sufficient cause to grant the relief requested in the Motion; that good and sufficient notice of the Motion and the hearing thereon have been given and that no other or further notice is necessary; it is hereby

ORDERED, that the Motion is GRANTED in its entirety; and it is further

ORDERED, that the Global Settlement Agreement and the Vendor Agreements are approved; and it is further

ORDERED, that the Debtors are authorized to enter into and take all steps necessary to implement the terms of the Global Settlement Agreement and the Vendor Agreements; and it is further

ORDERED, that the Debtors are authorized to enter into and implement additional Vendor Agreements from and after the date hereof on the same terms and conditions as the Vendor Agreements without further order of this Court; and it is further

ORDERED, that this Court shall retain exclusive jurisdiction with respect to any matters, claims, rights or disputes arising from or relating to this Order or the Global Settlement Agreement and the Vendor Agreements.

Dated: September __, 2008

The Honorable Kevin Gross
United States Bankruptcy Judge

EXHIBIT "A"

SETTLEMENT AGREEMENT AND RELEASE

SETTLEMENT AGREEMENT AND RELEASE

THIS SETTLEMENT AGREEMENT AND RELEASE (the "Settlement Agreement"), dated as of August __, 2008 (the "Execution Date"), is made and entered into by and among Whitehall Jewelers Holdings, Inc. and Whitehall Jewelers, Inc., the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), the Official Committee of Unsecured Creditors of Whitehall Jewelers Holdings, Inc. and Whitehall Jewelers, Inc. (the "Committee"), LaSalle Bank, National Association, as agent for the pre-petition revolving lenders under the Pre-Petition Revolving Credit Facility, as defined below ("LaSalle"), PWJ Lending II LLC, as Administrative Agent, Collateral Agent and a pre-petition term lender under the Pre-Petition Term Loan Agreement, as defined below ("PWJ"), and Bank of America, N.A., as agent for the post-petition lenders under the DIP Facility, as defined below ("BofA") (all such parties collectively referred to herein as the "Parties"). It is the intent of the Parties to be bound fully by the terms of this Agreement to the fullest extent permitted by Applicable Law (as defined herein). Notwithstanding anything herein to the contrary, this Settlement Agreement shall not be binding on the Parties unless and until it is approved by the Bankruptcy Court in accordance with the procedures set forth herein. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in Article VIII.

RECITALS

WHEREAS, the Debtors are engaged in the business of owning and operating specialty jewelry stores;

WHEREAS, on June 23, 2008 (the "Petition Date"), the Debtors each filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), which cases are being jointly administered for procedural purposes under Case No. 08-11261 (KG). Since the Petition Date, the Debtors have operated as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code;

WHEREAS, prior to the Petition Date, the Debtors were parties to a senior secured revolving credit agreement (such agreement, together with all related and ancillary agreements and documents executed in connection therewith, the "Pre-Petition Revolving Credit Facility") with LaSalle. As of the Petition Date, the aggregate principal amount outstanding under the Pre-Petition Revolving Credit Facility was approximately \$71.5 million, plus interest, costs, fees, expenses and other charges due pursuant to the Pre-Petition Revolving Credit Facility (collectively, the "Pre-Petition Revolving Credit Obligations");

WHEREAS, prior to the Petition Date, the Debtors were parties to a secured term loan credit agreement (together with all related and ancillary agreements and documents executed in connection therewith, the "Pre-Petition Term Loan Agreement") with PWJ. As of the Petition Date, the aggregate principal amount outstanding under the Pre-Petition Term Loan Agreement was approximately \$40 million, plus interest, costs, fees, expenses and other charges due pursuant to the Pre-Petition Term Loan Agreement (collectively, the "Pre-Petition Term Loan Obligations");

WHEREAS, on the Petition Date, the Debtors had approximately \$63 million of consignment goods inventory ("Memo Goods") supplied by numerous vendors (the "Consignment Vendors"). Some or all of the Consignment Vendors may assert or have asserted a perfected, priority consignment ownership interest their respective Memo Goods superior to all other interests asserted in Memo Goods;

WHEREAS, BofA, LaSalle, and PWJ also assert perfected, priority security interests in and to certain or all of such Memo Goods, superior in priority to the interests asserted by certain of the Consignment Vendors;

WHEREAS, on June 24, 2008, BofA provided the Debtors with a Debtor-in-Possession Credit Facility (the "DIP Facility") which, as of the Execution Date, has been approved by the Bankruptcy Court on an interim basis pursuant to an interim financing order dated June 24, 2008 [Docket Nos. 66 and 114], and agreed extension orders dated July 18, 2008 [Docket No. 362] and July 24, 2008 [Docket No. 417] (collectively, together with any subsequently issued interim extension order(s), the "Interim DIP Order");

WHEREAS, on July 8, 2008 the Office of the United States Trustee appointed the Committee;

WHEREAS, the Committee has filed an initial objection (the "Committee DIP Objection") [Docket No. 344] to entry of a final debtor-in-possession financing order (the "Final DIP Order"), objecting to, among other things, certain provisions relating to PWJ's liens and claims, and seeking reconsideration of certain provisions of the Interim DIP Order as they relate to PWJ. The Committee has also reserved its rights (and has been granted an extension of time) to object to the entry of a Final DIP Order on other grounds, including with respect to certain provisions of the DIP Facility running in favor of BofA;

WHEREAS, the Committee, on behalf of the Debtors' estates, and certain Committee members, allege that they may assert (i) various defenses to claims of PWJ arising under or in connection with the Pre-Petition Term Loan Agreement and (ii) other claims and causes of action against PWJ;

WHEREAS, PWJ vigorously denies and disputes all assertions by the Committee, certain Committee members, and any other third parties claiming either individually or by, under or through the Debtors and/or their estates;

WHEREAS, on June 23, 2008, the Debtors filed a Motion to Sell All or Substantially All of the Debtors Assets [Docket No. 15] (the "Sale Motion");

WHEREAS, on July 15, 2008, the Debtors filed their Supplemental Motion and Memorandum of Law in Further Support of the Motion of Debtors for an Order of Sale Pursuant to Bankruptcy Code Section 363, with Respect to the Inclusion of Consigned Goods in that Sale [Related to Docket No. 15] [Docket No. 314] (the "Supplemental Motion in Support of Sale");

WHEREAS, various parties filed written responses and objections to the Debtors' Sale Motion, the Debtors' Supplemental Motion in Support of Sale, and specifically to the inclusion of Memo Goods in such sale;

WHEREAS, on or about July 28, 2008, the Bankruptcy Court issued its Order (the "July 28 Order") denying the Debtors' request to include Memo Goods in the sale pursuant to Section 363(f)(4) of the Bankruptcy Code. The July 28 Order did not, however, resolve the substantive rights and competing claims and interests asserted by the Consignment Vendors, BofA, LaSalle and PWJ in the Memo Goods;

WHEREAS, the Parties now desire to amicably settle certain matters between them relating to the Debtors and the Bankruptcy Case (including, without limitation, respecting the Sale Motion and the Supplemental Motion in Support of Sale) and to release and/or resolve as described herein each other from all claims, obligations and liabilities, except as otherwise set forth herein;

WHEREAS, in connection with the Global Settlement, the Debtors, in consultation with the Committee, BofA, LaSalle and PWJ, have determined that it is in the best interests of their creditors and estates to enter into, and have obtained Bankruptcy Court approval of, and authorization for the Debtors to enter into (pursuant to Orders entered at Docket Nos. 543 and 544), a certain Consulting Agreement (the "Consulting Agreement") by and between the Debtors, as merchant, and the joint venture comprised of Great American Group, Hudson Capital Partners, LLC, Silverman Jeweler Consultants, Inc. and Gordon Brothers Retail Partners, LLC, as consultant (the "Consultant"), to conduct a so-called fee based liquidation of the Debtors' inventory (other than Memo Goods) and assets located at the Debtors' stores (the "GOB Sale");

WHEREAS, the Parties have received reasonable assurances that based upon the waivers, releases and other relief described in this Settlement Agreement and the current terms of the Consulting Agreement, it is projected that the GOB Sale should result in sufficient proceeds to provide for the indefeasible payment in full of the DIP Facility, the ability of the Debtors to pay allowed administrative expense claims and to maximize the distribution of funds to be paid pursuant to the distribution waterfall set forth in paragraph 1.1(c) of this Settlement Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

CONSIDERATION AND CLAIMS

Section 1.1 Consideration. As consideration for the waivers, releases, and other relief described in this Settlement Agreement and in the Vendor Agreements (as defined below), including the settlement of the claims and the performance of the obligations and covenants referenced herein:

(a) The GOB Sale: Pursuant to Orders of the Bankruptcy Court entered at Docket Nos. 543 and 544, the Debtors have obtained authorization from the Bankruptcy Court to (i) engage Consultant to conduct the GOB Sale pursuant to the terms and conditions of the Consulting Agreement, and (ii) permit the Consultant to conduct sales of the Debtors' assets

pursuant to the Consulting Agreement, free and clear of all liens, claims and encumbrances under Section 363(f) of the Bankruptcy Code.

(b) The Vendor Agreements: On or before the Execution Date, the Debtors shall have resolved disputes relative to the Memo Goods by entering into vendor agreements (the "Vendor Agreements") in the form annexed hereto as Exhibit A, the terms of which are hereby incorporated by reference as if fully set forth herein,¹ with Consignment Vendors holding not less than 80% of the Cost Value of the Memo Goods (each Consignment Vendor who executes a Vendor Agreement, a "Participating Consignment Vendor," and collectively, the "Participating Consignment Vendors"). Such Vendor Agreements provide, among other things, that following the effective date of the Vendor Agreements, (i) the Debtors shall undertake a program to return to Participating Consignment Vendors all remaining Memo Goods of such Participating Consignment Vendors as provided therein, (ii) the Debtors shall pay to Participating Consignment Vendors an amount equal to 100% of the amount that was required to be segregated with respect to the proceeds of post-petition sales of Memo Goods of such Participating Consignment Vendors as provided therein, (iii) the Participating Consignment Vendors shall release all claims against the Debtors (and related parties), the Committee, all other Participating Consignment Vendors, and each of LaSalle, BofA, and PWJ (and certain related parties), as set forth in their respective Vendor Agreements, (iv) the partial subordination of claims of Participating Consignment Vendors as set forth therein, (v) the waiver and release of certain claims against Participating Consignment Vendors as set forth therein, and (v) Proceeds shall be disbursed in accordance with a waterfall set forth therein (which waterfall is incorporated in Section 1.1(c) below).

(c) Disposition of Proceeds of Estate Assets: PWJ hereby affirms its agreement to subordinate \$25 million of its \$40 million claim to claims of certain unsecured creditors as set forth below. As a result, and in light of the agreement of Participating Consignment Vendors in the Vendor Agreements to subordinate certain of their general unsecured claims to the general unsecured claims of certain other parties as specified therein, any and all proceeds derived from the GOB Sale and from the disposition or collection of all other estate assets (collectively, "Proceeds") shall be distributed in the following order of priority: **first** in full and complete satisfaction of any and all allowed claims asserted by LaSalle, then BofA (and any and all allowed claims or fees of any carve-out approved pursuant to any interim or final DIP financing order entered by the bankruptcy court, and the \$250,000 adequate protection payment for PWJ approved pursuant to the interim DIP financing order entered by the Bankruptcy Court); **second** in full and complete satisfaction of allowed accrued, unpaid and projected administrative expenses of the Debtors' estates, pursuant to a "budget" to be agreed upon by the parties to this Settlement Agreement (which shall include, without limitation, allowed administrative expense claims for Shrinkage in accordance with paragraph 2 of the Vendor Agreement and Section 503(b)(9) claims pursuant to paragraph 4 of the Vendor Agreement); **third** to the extent available, with respect to the next \$15 million of Proceeds, in partial satisfaction of any and all allowed claims asserted by PWJ; **fourth** to the extent available,

¹ Annexed hereto as Exhibit B is a schedule of all Consignment Vendors that have executed Vendor Agreements as of the Execution Date. The Debtors shall submit all Vendor Agreements executed by Participating Consignment Vendors for approval by the Bankruptcy Court in connection with the Debtors' motion to approve the Global Settlement (including Vendor Agreements that are fully executed prior to the hearing on such motion).

allowed priority unsecured claims; **fifth** to the extent available, with respect to the allowed general unsecured claims of (i) trade creditors (excluding Participating Vendors), and (ii) real property lessors with respect to rental payments due and unpaid as of the Petition Date, the lesser of (a) the next \$2 million of Proceeds or, (b) an amount from Proceeds equal to 10% of such allowed general unsecured claims (including any such claims that may have been estimated and allowed for distribution purposes), with the amounts payable pursuant to this **fifth** clause to be paid into an escrow account to be maintained by counsel for the Committee; **sixth** all remaining Proceeds, to be shared (i) 60% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims, and (ii) 40% to PWJ, until the amounts allocated in accordance with this paragraph and under the **third** and **fifth** clauses aggregate \$24 million; then **seventh** any remaining Sales Proceeds shall be shared (a) 40% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims; and (b) 60% to PWJ until the amounts allocated in accordance with this paragraph and under the **third**, **fifth** and **sixth** clauses aggregate up to \$31 million; then **eighth** (a) 50% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims; and (b) 50% to PWJ up to the remaining balance of its allowed claim (including any amount that was subordinated in accordance with the first sentence of this Section 1.1(c)); and **ninth** any remaining Proceeds distributed to the Debtors' estates for distribution in accordance with the order of priority established by the Bankruptcy Code.

(d) **Plan Support.** Subject to (x) the Bankruptcy Court Order, and (y) the effectiveness of this Settlement Agreement, each Party hereto agrees that it will not support any plan of reorganization or liquidation in the Debtors' chapter 11 cases that is inconsistent in any manner with, and does not fully incorporate all of the provisions of, this Settlement Agreement.

ARTICLE II

EXTENSION OF THE DIP FACILITY

Section 2.1 **Extension of the DIP Facility.** BofA has entered into a modification of the DIP Facility (the "Modified DIP Facility") as embodied in that certain Third Agreed Order Extending and Modifying Debtor-in-Possession Interim Financing Facility and Scheduling a Final Hearing [Docket No. 542] (the "Modified and Extended DIP Order"). It shall be a condition precedent to the effectiveness of this Settlement Agreement that the Modified DIP Facility will be in full force and effect upon the Bankruptcy Court's approval of this Settlement Agreement.

Section 2.2 **Withdrawal of Objections to the DIP Facility.** Upon the Effective Date, the Committee DIP Objection to entry of an order approving the DIP Facility on a final basis, is hereby withdrawn with prejudice. In addition, the Committee hereby waives all other objections they may have, or may be able to assert, with respect to the approval of the DIP Facility on a final basis pursuant to a Final DIP Order.

ARTICLE III

RELEASE

Section 3.1 Release of BofA Parties, PWJ Parties, and Directors and Officers.

(a) Upon the Effective Date, and without the need for the execution and delivery of additional documentation or the entry of any additional orders of the Bankruptcy Court other than the Bankruptcy Court Order, and notwithstanding anything contained in any other order of the Bankruptcy Court to the contrary:

(i) Each of the Debtors (including their estates) along with any Person acting for and on behalf of, or claiming through them, including the Committee, any other committee appointed in the Bankruptcy Case, any trustee or examiner whether appointed in the Bankruptcy Case or any subsequent case, for themselves and their respective past and present officers, directors, shareholders, partners, principals, subsidiaries, parent companies, affiliates, agents, employees, successors and predecessors-in-interest, heirs, advisors, accountants, attorneys, representatives, and assigns, and each member of the Committee solely in its capacity as a member of the Committee and its representatives ("Estate Releasing Parties") irrevocably and unconditionally forever releases, acquits and forever discharges each of BofA and LaSalle, and any parent, subsidiary, participant, co-lender and affiliate, officer, director, employee, attorney or agent of the foregoing, and their respective successors and assigns (collectively, the "BofA Parties") of and from any and all past, present and future legal actions, choses in action, causes of action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the BofA Parties, whether held in a personal or representative capacity occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly, arising out of, and/or connected with any or all of Whitehall Jewelers Holdings, Inc., Whitehall Jewelers, Inc., the Debtors and their estates, the Bankruptcy Case, the Pre-Petition Revolving Credit Facility, and the DIP Facility entered in these cases. Notwithstanding anything contained herein to the contrary, this release is not intended to, nor shall it have the effect of releasing, any claim or cause of action, if any, arising under this Settlement Agreement or precluding the Estate Releasing Parties from offering into evidence the fact and/or terms of this release or this Settlement Agreement in connection with any action to enforce the same, provided that the fact of the negotiation of this Settlement Agreement shall not be admissible in any action and shall not form the basis for any claim or recovery therein.

(ii) Each of the Estate Releasing Parties irrevocably and unconditionally forever releases, acquits and forever discharges each of PWJ and Prentice Capital Management, L.P. (“Prentice”), and any parent, subsidiary, participant, co-lender and affiliate, officer, director, employee, attorney or agent of the foregoing, and their respective successors and assigns, including, but not limited to, individuals employed by PWJ, Prentice or any affiliate thereof that served as a member of the Debtors' Board of Directors (collectively, the “PWJ Parties”), of and from any and all past, present and future legal actions, choses in action, causes of action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the PWJ Parties, whether held in a personal or representative capacity occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly, arising out of, and/or connected with any or all of Whitehall Jewelers Holdings, Inc., Whitehall Jewelers, Inc., the Debtors and their estates, the Bankruptcy Case, the Pre-Petition Revolving Credit Facility, the Pre-Petition Term Loan Agreement and the DIP Facility and any final DIP facility entered in these cases. Notwithstanding anything contained herein to the contrary, this release is not intended to, nor shall it have the effect of releasing, any claim or cause of action, if any, arising under this Settlement Agreement or precluding the Estate Releasing Parties from offering into evidence the fact and/or terms of this release or this Settlement Agreement in connection with any action to enforce the same, provided that the fact of the negotiation of this Settlement Agreement shall not be admissible in any action and shall not form the basis for any claim or recovery therein.

(iii) Each of the Estate Releasing Parties irrevocably and unconditionally forever releases, acquits and forever discharges each of the Directors and Officers (and their properties) of and from any and all past, present and future legal actions, choses in action, causes of action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the Directors and Officers, whether held in a personal or

representative capacity occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly, arising out of, and/or connected with any or all of Whitehall Jewelers Holdings, Inc., Whitehall Jewelers, Inc., the Debtors and their estates, the Bankruptcy Case, the Pre-Petition Revolving Credit Facility, the Pre-Petition Term Loan Agreement and the DIP Facility entered in these cases; provided, however, that in the event that any Director or Officer Agreement brings an action of the type released in paragraph 3.2 hereof against any Estate Releasing Party, the release given to such Director or Officer pursuant to this paragraph shall be null and void and of no force or effect as to such Director or Officer and such Estate Releasing Party may pursue any and all of its rights or remedies against such Director or Officer. Notwithstanding anything contained herein to the contrary, this release is not intended to, nor shall it have the effect of releasing, any claim or cause of action, if any, arising under this Settlement Agreement or precluding the Estate Releasing Parties from offering into evidence the fact and/or terms of this release or this Settlement Agreement in connection with any action to enforce the same, provided that the fact of the negotiation of this Settlement Agreement shall not be admissible in any action and shall not form the basis for any claim or recovery therein.

(iv) Any and all parties in interest including the Committee (A) shall be forever barred from bringing any objections or challenges, as described in paragraph 7 of the Interim DIP Order or any similar such provisions that may appear in any Final DIP Order that may be entered in these cases, to the liens and the indebtedness relating to the Pre-Petition Revolving Facility, the Pre-Petition Term Loan Agreement and the DIP Facility, and the liens and security interests of BofA and PWJ shall be deemed valid, enforceable, perfected, and unavoidable, and the stipulated facts and conclusions of law set forth in the Interim DIP Order, and any Final DIP order, shall be binding for all purposes on all such parties in interest; and (B) shall have no defense, counterclaim, offset, recoupment, cross-complaint, claim or demand of any kind or nature whatsoever that can be asserted to reduce, disallow, subordinate, seek the waiver of, discharge, recharacterize or eliminate all or any part of the Debtors' respective and joint liabilities to pay any amounts outstanding under the DIP Facility, the Pre-Petition Revolving Credit Facility, or, except as expressly set forth herein and in the Vendor Agreements, the Pre-Petition Term Loan Agreement, or for any other outstanding indebtedness of the Debtors or their estates to the BofA Parties or the PWJ Parties, or to seek affirmative relief or damages of any kind or nature from the BofA Parties or the PWJ Parties; and

(v) In addition to, and without in any way limiting the scope of, Section 3.1 (a)(i), (ii), (iii) and (iv) above, each Estate Releasing Party severally agrees that such Estate Releasing Party shall not commence, assert, maintain, continue or pursue any claim, demand or cause of action of any type or nature that such Estate Releasing Party may have, claim to have or assert to have, of any type or nature, (including any such claims, demands and causes of action that have not been discharged that may hereafter accrue or arise or which they may in the future acquire in any way) against any third Party, that seeks damages, contribution, indemnity, right of set off or any other economic benefit or recovery with respect to in any way, directly or indirectly, arising out of, and/or connected with or relating to any or all of the Debtors and their estates, the Bankruptcy Case, the Pre-Petition Revolving Credit Agreement, the Pre-Petition Term

Loan Agreement and the DIP Facility if such claim, demand or cause of action (a "Resulting Claim") would result in any liability or an indemnity or any payment obligation of any type or nature, including, without limitation, any claim based upon in whole or in part an alter-ego, lender liability, indemnification or contribution theory or theories of recovery, on the part of any of the BofA Parties, the PWJ Parties, or the Directors and Officers (or a good faith claim, demand, action or proceeding for such liability, indemnity or payment obligation), unless such Estate Releasing Party shall have executed an indemnity in favor of, and in form and substance satisfactory to, the BofA Parties, the PWJ Parties, or the Directors and Officers, as applicable, for payment (not collection) of any liability, payment obligations and costs (including, without limitation, advancement of attorneys' and other litigation advisory fees and expenses) that may be incurred in connection with such Resulting Claim. In the event of the creation of a Resulting Claim against any of the BofA Parties, the PWJ Parties, or the Directors and Officers, then any judgment or liability finding or award obtained by any of the Estate Releasing Parties against such Persons that related to or resulted in the Resulting Claim shall (A) if brought within the same action or proceeding, be reduced by an amount up to the amount of any judgment or liability finding or award obtained by such Person against the BofA Parties, the PWJ Parties, or the Directors and Officers and to eliminate any and all of the BofA Parties', the PWJ Parties', or the Directors' and Officers' obligation or liability thereunder, or otherwise (B) be paid by such Estate Releasing Party to the BofA Parties, the PWJ Parties, or the Directors and Officers, as applicable, from the first recoveries received from such action or from any recipient of funds recovered, including under the judgment, finding of liability or award, on a priority basis up to the amount of any judgment obtained by such Person in connection with a Resulting Claim against the BofA Parties, the PWJ Parties, or the Directors and Officers.

(b) The Debtors, with the consent and agreement of the Committee, agree on behalf of themselves and their estates that in connection with any plan or plans of reorganization or liquidation in the Bankruptcy Case (including any liquidating trust or similar entity created pursuant thereto) (each, a "Plan"), to request approval in such Plan of (but it shall not in any manner alter the effectiveness of this Settlement Agreement if the Bankruptcy Court shall fail to approve of) provisions, acceptable to BofA and PWJ, providing that (a) each Person that receives and retains a distribution under the Plan and (b) each Person who obtains a release under the Plan (each, a "Release Obligor"), in consideration for the payments thereunder, and other contracts, assignments, instruments, releases, agreements or documents to be delivered pursuant to this Agreement, shall have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged each of the BofA Parties, the PWJ Parties, and the Directors and Officers of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen,

suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the BofA Parties, the PWJ Parties, and the Directors and Officers occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Whitehall Jewelers Holdings, Inc., Whitehall Jewelers, Inc., the Debtors and their estates, the Bankruptcy Case, the Pre-Petition Revolving Credit Facility, the Pre-Petition Term Loan Agreement and the DIP Facility.

Section 3.2 Release of the Estate Releasing Parties. Upon the Effective Date, and without the need for the execution and delivery of additional documentation or the entry of any additional orders of the Bankruptcy Court other than the Bankruptcy Court Order, and expressly subject to their reservation of their respective rights to receive satisfaction of their claims in accordance with the waterfall set forth in Section 1.1(c) hereof and in the Vendor Agreements, the BofA Parties and the PWJ Parties (collectively, the "Lender Releasing Parties") irrevocably and unconditionally forever release, acquit and forever discharge the Estate Releasing Parties (and any of their respective properties) from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the Estate Releasing Parties, whether held in a personal or representative capacity occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly arising out of, and/or connected with or relating to any or all of Whitehall Jewelers Holdings, Inc., Whitehall Jewelers, Inc., the Debtors and their estates, and the Bankruptcy Case. Notwithstanding anything contained herein to the contrary, this release is not intended to, nor shall it have the effect of, releasing the Debtors' obligations under the Pre-Petition Revolving Credit Facility, the Pre-Petition Term Loan Agreement and the DIP Facility. Moreover, notwithstanding anything contained herein to the contrary, this release is not intended to, nor shall it have the effect of releasing any claim or cause of action, if any, arising under this Settlement Agreement or any right to payment consistent with the waterfall set forth in Section 1.1(c) hereof and as provided in the Vendor Agreements or precluding the Lender Releasing Parties or the Directors and Officers from offering into evidence the fact and/or terms of this release or this Settlement Agreement in connection with any action to enforce the same, provided that the fact of the negotiation of this Settlement Agreement shall not be admissible in any action and shall not form the basis for any claim or recovery therein. Further, in the event that any Estate Releasing Party not a signatory to this Settlement Agreement, if any, brings an action of the type released by the Estate Releasing Parties in paragraph 3.1 hereof against any Lender Releasing Party or Director or Officer, the release given to such Estate Releasing Party pursuant to this paragraph shall be null and void and of no force or effect as to such Estate Releasing Party and the Lender Releasing Party and/or the Director or Officer, as applicable, may pursue any and all of its rights or remedies against such Estate Releasing Party.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PARTIES

Each Party, severally, and not jointly and severally, represents and warrants for itself as follows as of the Effective Date:

Section 4.1 Due Organization, Standing and Authority. Such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation. Subject to entry of the Bankruptcy Court Order, such Party has all necessary power and authority to execute, deliver and perform its obligations under this Settlement Agreement as contemplated by its formation agreements, by-laws, or other charter, organizational or governing documents (with respect to such Party, the "Governing Documents").

Section 4.2 Authorization and Validity of Agreement. Subject to entry of the Bankruptcy Court Order, the execution, delivery and performance of this Settlement Agreement (a) are within such Party's powers, (b) have been duly authorized by all necessary action on its behalf and all necessary consents or approvals have been obtained and are in full force and effect and (c) do not violate any of the terms and conditions of (i) such Party's Governing Documents, (ii) any Applicable Law, or (iii) any contract to which it is a party.

Section 4.3 Enforceability. This Settlement Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid and binding obligation of such Party enforceable against it in accordance with its terms and the terms of the Bankruptcy Court Order, except that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and (b) equitable principles which may limit the availability of certain equitable remedies (such as specific performance).

Section 4.4 Acknowledgment of Party. Each Party acknowledges that, except with respect to the representations and warranties made in this Settlement Agreement: (i) it has relied on its own independent investigation, and has not relied on any information or representations furnished by any Party or any representative or agent thereof in determining whether or not to enter into this Settlement Agreement; (ii) it has conducted its own due diligence as well as undertaken the opportunity to review information, ask questions and receive satisfactory answers concerning the terms and conditions of this Settlement Agreement; and (iii) it possesses the knowledge, experience and sophistication to allow it to fully evaluate and accept the merits and risks of entering into the transactions contemplated by this Settlement Agreement.

Section 4.5 No Assignment of Claims. Each Party represents and warrants that as of the Execution Date and the Effective Date it is the only Person or entity who, to its knowledge, has any interest in any claims released by such Party hereby and that no claim against any Party (whether presently or in the past), nor any part thereof, has been assigned, granted or transferred by such Party in any way to any Person or entity, except that, as of the Execution Date, (i) Bank of America, N.A. and Wells Fargo Retail Finance, LLC were co-lenders under the Pre-Petition Revolving Credit Facility, and (ii) Wells Fargo Retail Finance, LLC is a co-lender under the DIP Facility, and all such entities shall be deemed to be a Party for purposes of this Section 4.5.

ARTICLE V

BANKRUPTCY COURT ORDER; ADDITIONAL COVENANTS; CONDITIONS TO EFFECTIVENESS

Section 5.1 Binding Effect. This Settlement Agreement shall be binding on and inure to the benefit of all the Parties (including all present and future estates of the Debtors) as of the Execution Date, subject to the entry of the Bankruptcy Court Order. In addition to all other conditions to the enforceability of the Settlement Agreement contained herein, each of the Parties shall have delivered signed counterparts of this Settlement Agreement prior to the entry of the Bankruptcy Court Order.

Section 5.2 Bankruptcy Court Order. The Debtors shall use commercially reasonable efforts to obtain the entry of the Bankruptcy Court Order, in form and substance agreeable to the Parties, and each of the other Parties hereto shall use its commercially reasonable efforts to cooperate with and support the Debtors' efforts to obtain entry of the Bankruptcy Court Order, and each of the Debtors and the other Parties shall take no actions inconsistent therewith.

Section 5.3 Conditions to Effectiveness. This Settlement Agreement shall be effective, without further order or notice, upon the occurrence of the following conditions: (a) the Bankruptcy Court Order; and (b) all conditions in this Settlement Agreement and in the Vendor Agreements shall have been satisfied.

ARTICLE VI

TERMINATION OF AGREEMENT

Section 6.1 Termination of Agreement. This Settlement Agreement may be terminated by the Debtors, the Committee, BofA, and PWJ upon (i) the failure of the Debtors to file a motion to approve this Settlement Agreement within five (5) business days of the Execution Date and (ii) upon the failure of the Bankruptcy Court to approve this Settlement Agreement and/or the Vendor Agreements on or before September 12, 2008.

Section 6.2 Effect of Termination and Abandonment. Except as otherwise provided in this Settlement Agreement, in the event of the termination of this Settlement Agreement in accordance with Section 6.1, this Settlement Agreement (other than this Section 6.2) shall become null and void and of no effect, with no liability on the part of any Party hereto (or of any of its directors, officers, employees, consultants, contractors, agents, legal and financial advisors or other representatives), and no Party shall have any obligations to any other Party arising out of this Settlement Agreement. Upon termination pursuant to Section 6.1, this Settlement Agreement shall not be an admission by any Party, and no Party shall seek to admit it into evidence against any other Party hereto.

ARTICLE VII

DEFINITIONS

Section 7.1 Definitions. The following definitions shall apply and constitute a part of this Settlement Agreement and all annexes and exhibits hereto:

“Applicable Law” means all existing laws, rules, regulations, statutes, treaties, codes, ordinances, permits, certificates, orders, decrees, licenses and concessions or any interpretations by, any governmental authority, court or tribunal which are applicable to the relevant Party and the transactions contemplated by this Settlement Agreement.

“Bankruptcy Court Order” shall mean the entry by the Bankruptcy Court, after notice and a hearing, of an order approving this Settlement Agreement and each of the Vendor Agreements pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure; provided, however, either (i) such order shall have become final and non-appealable, or (ii) the appeals period as to such order has expired and no stay pending appeal is in effect.

“Cost Value” shall have the meaning ascribed thereto in paragraph 1 of the Vendor Agreements.

“Directors and Officers” shall mean each and every of the past and present directors and officers of either or both of the Debtors.

“Effective Date” shall mean the date on which all of the conditions set forth in paragraph 5.3 hereof shall have occurred.

“Person” shall mean any individual, partnership (whether general or limited), corporation (including a business trust), joint stock company, limited liability company, trust, estate, association, custodian, nominee, joint venture or other entity, or a government or any political subdivision or agency thereof.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notices. All notices, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given: (i) when personally delivered; (ii) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first business day thereafter, if transmitted by facsimile or telecopier with confirmation of receipt; (iii) five (5) business days after being mailed by certified mail, return receipt requested, first class postage prepaid; or (iv) one (1) business day after being sent by nationally recognized overnight courier; in each case, to the following addresses, or to such other addresses as a Party may from time to time specify by notice to the other Parties given pursuant hereto.

If to the Debtors, to:

Whitehall Jewelers, Inc.
125 South Wacker Drive
Suite 2600
Chicago, IL 60606
Attn: Peter Michielutti, CFO
Fax: (312) 498-2995

And with a copy to (which copy shall
not constitute notice):

Proskauer Rose LLP
One International Place
Boston, MA 02201
Attn: Peter J. Antoszyk
Telephone: (617) 526-9749
Facsimile: (617) 526-9899

and

Proskauer Rose LLP
1585 Broadway
New York, NY 11576
Attn: Scott K. Rutsky
Telephone: (212) 969-3983
Facsimile: (212) 969-2900

If to the Committee, to:

Moses & Singer LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174-1299
Attention: Lawrence L. Ginsburg, Esq.
Telecopier No.: (917) 206-4323

If to BofA and/or LaSalle, to:

Banc of America Securities LLC
Retail Finance Group MA5-100-09-09
100 Federal Street
Boston, MA 02110
Attn: Keith Vercauteren
Fax: (617) 434-4339

With a copy to:

Riemer & Braunstein, LLP
Three Center Plaza
Boston, MA 02108,
Attention: Donald E. Rothman, Esq.
Fax: 617-880-3456
E-mail: drothman@riemerlaw.com

If to PWJ, to:

PWJ Lending II LLC
c/o Prentice Capital Management, LP
623 Fifth Avenue
New York, NY 10022
Attn: Matthew Hoffman, Esq.
Fax: (212) 756-1497
E-mail: matth@prenticecapital.com

With a copy to:

Dreier LLP
499 Park Avenue
New York, NY 10022
Attention: Paul Traub, Esq. and Steven E. Fox, Esq.,
Fax: 212-652-3863
E-mail: ptraub@dreierllp.com and sfox@dreierllp.com

Section 8.2 Covenant Not to Take Action in Breach of Representations and Warranties. Each of the Parties agrees not to take any actions from and including the Execution Date that will result, whether directly or indirectly, in the breach of such Party's representations, warranties, agreements, covenants or obligations contained in this Settlement Agreement.

Section 8.3 Governing Law/Jurisdiction. THIS SETTLEMENT AGREEMENT, THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER AND ALL OTHER MATTERS ARISING OUT OF OR RELATING TO THIS SETTLEMENT AGREEMENT (WHETHER IN CONTRACT, TORT OR OTHERWISE) WILL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD REQUIRE THE APPLICATION OF LAWS OF ANOTHER JURISDICTION. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE BANKRUPTCY COURT SHALL HAVE THE EXCLUSIVE JURISDICTION OVER THIS SETTLEMENT AGREEMENT AND THAT ANY CLAIMS ARISING OUT OF OR RELATED TO THE INTERPRETATION AND ENFORCEMENT OF THIS SETTLEMENT AGREEMENT SHALL BE PROPERLY BROUGHT ONLY BEFORE THE BANKRUPTCY COURT. IF AND TO THE EXTENT THAT THE BANKRUPTCY CASE IS CLOSED OR DISMISSED,

THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION OVER THIS SETTLEMENT AGREEMENT AND ANY SUCH CLAIMS. THIS PROVISION SHALL NOT CONSTITUTE A CONSENT BY ANY PARTY TO PERSONAL JURISDICTION OVER IT FOR ANY PURPOSE, OTHER THAN WITH RESPECT TO THE ENFORCEMENT OF THIS SETTLEMENT AGREEMENT.

Section 8.4 Entire Agreement. This Settlement Agreement (which incorporates the Vendor Agreements), together with the Vendor Agreements, contains the entire agreement between the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the Parties other than those set forth or referred to herein.

Section 8.5 Severability. In case any non-material provision of this Settlement Agreement shall be determined to be invalid, illegal or unenforceable for any reason, the remaining provisions of this Settlement Agreement shall be unaffected and unimpaired thereby, and shall remain in full force and effect, to the fullest extent permitted by Applicable Law.

Section 8.6 Survival of Representations. All representations, warranties, agreements, covenants and obligations herein are material, shall be deemed to have been relied upon by the other Parties, and shall survive repayment of the DIP Facility.

Section 8.7 Successors and Assigns. This Settlement Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns, and is intended to be binding upon any Chapter 11 or Chapter 7 trustee, any successor trustee and the estates of any or both of the Debtors. Without in any manner limiting the scope, extent or effect of the foregoing, no Party hereto shall transfer, assign or otherwise dispose of their right, title and interests in and to any claims or causes of action of such Party that are the subject of this Settlement Agreement, and any such transfer shall be void and of no force and effect unless and until such transferee or assignee agrees in writing at the time of such transfer or assignment to be bound by this Agreement in its entirety without revision.

Section 8.8 No Admission of Liability. This Settlement Agreement is not an admission of any liability but is a compromise and settlement and this Settlement Agreement shall not be treated as an admission of liability. All communications (whether oral or in writing) between and/or among the Parties, their counsel and/or their respective representatives relating to, concerning or in connection with this Settlement Agreement, or the matters covered hereby and thereby, shall be governed and protected in accordance with the Federal Rule of Evidence 408 and New York Civil Practice Law and Rules Section 4547 to the fullest extent permitted by law.

Section 8.9 Interpretation. This Settlement Agreement has been jointly drafted by the Parties at arm's-length and each Party has had ample opportunity to consult with independent legal counsel. No provision or ambiguity in this Settlement Agreement shall be resolved against any Party solely by virtue of its participation in the drafting of this Settlement Agreement.

Section 8.10 Expenses. Except as specifically provided otherwise (and in the case of LaSalle, BofA and PWJ as otherwise provided in any Interim DIP Order, the Modified and Extended DIP Order or any Final DIP Order), the Parties shall be responsible for the payment of their own respective costs and expenses (including reasonable attorneys' fees) in connection with the negotiation, participation, execution and delivery of, and the observance or performance of their obligations under, this Settlement Agreement. Nevertheless, in any action or proceeding to enforce this Settlement Agreement, the prevailing Party shall be entitled to payment of its reasonable costs and expenses (including reasonable attorneys' fees). The Parties agree that claims for enforcement of this Settlement Agreement shall not be released by any of the provisions contained herein.

Section 8.11 Captions. The captions of this Settlement Agreement are for convenience only and are not a part of this Settlement Agreement and do not in any way limit or amplify the terms and provisions of this Settlement Agreement and shall have no effect on its interpretation.

Section 8.12 Counterparts. This Settlement Agreement may be executed in counterparts, by either an original signature or signature transmitted by facsimile transmission or other similar process and each copy so executed shall be deemed to be an original and all copies so executed shall constitute one and the same agreement.

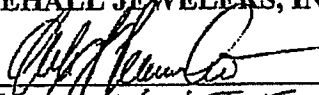
Section 8.13 Further Assurances. From time to time, upon request, the Parties shall, without further consideration, promptly execute, deliver, acknowledge and file all such further documents, agreements, certificates and instruments and do such further acts as the persons or entities entitled to the benefit of this Settlement Agreement may reasonably require to effectuate the transactions contemplated by this Settlement Agreement.

Section 8.14 Taxes. It is acknowledged and agreed to by each of the Parties hereto that each such Party shall be responsible for paying all taxes, if any, arising out of any payments or transfers made to it pursuant hereto and that it shall pay all such taxes in accordance with Applicable Law.

Section 8.15 Construction of Settlement Agreement. Each of the functional words "each", "every", "any", and "all" shall be deemed to include each of the other functional words. This Settlement Agreement or any uncertainty or ambiguity herein shall not be construed against any one party but shall be construed as if all parties to this Settlement Agreement jointly prepared all aspects of this Settlement Agreement.

[SIGNATURE PAGE FOLLOWS]

**WHITEHALL JEWELERS HOLDINGS, INC., and
WHITEHALL JEWELERS, INC.**

By: 
Name: Mark T. Funasaki
Title: EVP, CAO

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

LaSALLE BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____
Name:
Title:


PWJ LENDING II LLC
on behalf of the "PWJ Parties"

By: _____
Name:
Title:


**WHITEHALL JEWELERS HOLDINGS, INC., and
WHITEHALL JEWELERS, INC.**

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By:  _____
Name: Keith Varonen
Title: Managing Director

LaSALLE BANK, NATIONAL ASSOCIATION

By:  _____
Name: Jeff Ryan
Title: Vice President

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____
Name:
Title:

PWJ LENDING II LLC
on behalf of the "PWJ Parties"

By: _____
Name:
Title:

**WHITEHALL JEWELERS HOLDINGS, INC., and
WHITEHALL JEWELERS, INC.**

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

LaSALLE BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: Simon Property Group
Name: Ronald M. Tumb
Title: Chairman of the Committee of Unsecured Creditors
and in that capacity alone,

PWJ LENDING II LLC
on behalf of the "PWJ Parties"

By: _____
Name:
Title:

**WHITEHALL JEWELERS HOLDINGS, INC., and
WHITEHALL JEWELERS, INC.**

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

LaSALLE BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____
Name:
Title:

PWJ LENDING II LLC
on behalf of the "PWJ Parties"

By: *Matthew Hoffman*
Name: *Matthew Hoffman*
Title: *General Counsel of De. Mgr.*

EXHIBIT A

FORM OF VENDOR AGREEMENT

AGREEMENT BETWEEN DEBTORS AND VENDOR

This Agreement Between Debtors and Vendor (the "Vendor Agreement"), dated as of August __, 2008, is made by and between Whitehall Jewelers Holdings, Inc. and Whitehall Jewelers, Inc. (together, the "Debtors") and the undersigned vendor (the "Vendor").

WHEREAS, on June 23, 2008 (the "Petition Date"), the Debtors each filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). Since the Petition Date, the Debtors have remained as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code;

WHEREAS, on July 8, 2008, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors (the "Committee");

WHEREAS, on the Petition Date, the Debtors had approximately \$63 million of consignment inventory ("Memo Goods") supplied by numerous vendors. Some or all of the Debtors' vendors may assert or have asserted a perfected, priority consignment ownership interest in their respective Memo Goods superior to all other interests asserted in Memo Goods;

WHEREAS, the Debtors' (i) post-petition lenders (the "DIP Lenders"), with Bank of America, N.A., as agent (the "DIP Agent") for the DIP Lenders (collectively, "BofA"), (ii) pre-petition secured working capital lenders (the "Pre-Petition Lenders"), with LaSalle Bank, National Association, as agent (the "Agent") for the Pre-Petition Lenders (collectively, "LaSalle"), and (iii) PWJ Lending II, LLC ("PWJ"), also assert perfected, priority security interests in such Memo Goods, superior in priority to the interests asserted by numerous vendors;

WHEREAS, subject to Bankruptcy Court approval of a global settlement (the "Global Settlement") among the Debtors, the Committee, LaSalle, BofA, and PWJ, the Debtors have agreed to a resolution of the disputes respecting the Memo Goods, including (i) the parties' agreement that the Vendor's consignment interest in the Memo Goods shall be affirmed

by the Bankruptcy Court, (ii) the return to the Vendor by the Debtors of remaining Memo Goods of such Vendor on hand as of the Effective Date (as defined below), and (iii) the resolution of certain claims of the Vendors, all on and subject to the terms and conditions set forth below.

WHEREAS, Vendor is aware that the consummation of the Global Settlement will only occur if, among other things, (i) the Debtors resolve disputes relative to the Memo Goods with a sufficient number of vendors whose aggregate claims are equal to or greater than 80% of the Cost Value (as defined herein) of the Memo Goods ("Participating Vendors", the 80% threshold amounts shall be known as the "Requisite Participating Vendors") and (ii) the Bankruptcy Court approves the Global Settlement and the Vendor Agreement(s); and

WHEREAS, Vendor has agreed to resolve its disputes with the Debtors with respect to its Memo Goods, including accepting the return of its Memo Goods, the granting of releases and the partial subordination of its claim, all according to the following terms and conditions.

NOW THEREFORE, IT IS HEREBY STIPULATED, by and between the Debtors and the Vendor, by and through their counsel, as follows:

1. As of July 22, 2008, the Debtors' reports show that they were in possession of Memo Goods of Vendor (as to each vendor, the "Eligible Memo Goods") as set forth on Schedule A hereto. "Cost Value" means the cost value as determined by the Debtor's memo purchase order for such goods as adjusted by any specific merchandise purchase price modifications agreed to between the Debtors and Vendor memorialized in writing, but not adjusted by any volume discount, advertising or co-op allowances or any other discounts given generally and not directed specifically to the purchase or cost price of specific items.

2. In complete and final satisfaction, resolution and settlement of any and all claims, demands, disputes, obligations, liens, encumbrances and all other interests that Vendor holds or may hold, has asserted or may assert against or with respect to the Memo Goods, the

Debtors shall, (i) immediately upon the Effective Date, undertake a program to return to Vendor, at Debtors' expense, as soon as practicable and on a rolling basis, all remaining Memo Goods of such Vendor on hand as of the Effective Date (less any ordinary course sales of such Memo Goods occurring between the Effective Date and the ultimate date of return (such date, the "Final Return Date") of all such Memo Goods to Vendor) (all such Memo Goods to be returned to Vendor, hereinafter the "Returned Memo Goods"); provided, that, the Debtors agree to use commercially reasonable best efforts to return Memo Goods as soon as possible, and agree that by no later than September 30, 2008, they shall have returned to Vendor approximately 90% of the Returned Memo Goods, and (ii) pay Vendor an amount equal to 100% of the amount that was required to be segregated with respect to the proceeds of post-petition sales of Memo Goods of such Vendor from and after the Petition Date through the Final Return Date, pursuant to orders of the Bankruptcy Court entered at Docket Nos. 67 and 360 (the "Escrow Account") together with any and all interest actually earned thereon as to such Vendor. Any Participating Vendor may request a reconciliation of the amounts maintained in the Escrow Account from the Debtors, which reconciliation will be provided to the requesting Vendor as soon as is reasonably possible, but in no event later than 45 days from the Effective Date of this Vendor Agreement. In addition, to the extent that less than all of a Participating Vendor's Eligible Memo Goods are returned to such vendor (as adjusted to reflect all ordinary course sales occurring between the Effective Date and the Final Return Date as to which sales Vendor receives the proceeds from the Escrow Account as provided above), that deficiency ("Shrinkage") shall, subject to reasonable confirmation by the Debtors, be deemed an allowed administrative expense claim under the Bankruptcy Code; provided, however, that the Shrinkage resulting to the Memo Goods of all Participating Vendors shall not exceed 3% of the aggregate of amount of the Eligible Memo Goods of all Participating Vendors (such 3% limitation, the "Capped Amount"). In that regard, in the event that the aggregate Shrinkage of all Participating Vendors exceeds the

Capped Amount, the administrative expense claim for each Participating Vendor in respect of Shrinkage shall be limited to such vendor's *pro-rata* share of the Capped Amount in relation to the total Shrinkage experienced by such Participating Vendor.

3. In consideration of the agreements contained herein, and in light of PWJ's agreement in connection with the Global Settlement to subordinate \$25 million of its \$40 million claim to claims of certain unsecured creditors as set forth below, Vendor agrees that any and all proceeds ("Proceeds") derived from the sale, collection or disposition of assets of the estate (but not proceeds of the sale of Eligible Memo Goods which shall be disbursed to Vendor as provided in paragraph 2 above), shall be distributed in the following order of priority (and all parties hereto expressly consent to the inclusion of the following priority provision in the Global Settlement): **first** in full and complete satisfaction of any and all allowed claims asserted by LaSalle, then BofA (and any and all allowed claims or fees of any carve-out approved pursuant to any interim or final DIP financing order entered by the bankruptcy court, and the \$250,000 adequate protection payment for PWJ approved pursuant to the interim DIP financing order entered by the Bankruptcy Court); **second** in full and complete satisfaction of allowed accrued, unpaid and projected administrative expenses of the Debtors' estates, pursuant to a "budget" to be agreed upon by the parties to the Global Settlement Agreement (which shall include, without limitation, allowed administrative expense claims for Shrinkage in accordance with paragraph 2 of this Vendor Agreement and Section 503(b)(9) claims pursuant to paragraph 4 of this Vendor Agreement); **third** to the extent available, with respect to the next \$15 million of Proceeds, in partial satisfaction of any and all allowed claims asserted by PWJ; **fourth** to the extent available, allowed priority unsecured claims; **fifth** to the extent available, with respect to the allowed general unsecured claims of (i) trade creditors (excluding Participating Vendors), and (ii) real property lessors with respect to rental payments due and unpaid as of the Petition Date, the lesser of (a) the next \$2 million of Proceeds or, (b) an amount from Proceeds equal to 10%

of such allowed general unsecured claims (including any such claims that may have been estimated and allowed for distribution purposes), with the amounts payable pursuant to this **fifth** clause to be paid into an escrow account to be maintained by counsel for the Committee; and **sixth** all remaining Proceeds, to be shared (i) 60% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims, and (ii) 40% to PWJ, until the amounts allocated in accordance with this paragraph and under the **third** and **fifth** clauses aggregate \$24 million; then **seventh** any remaining Sales Proceeds shall be shared (a) 40% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims; and (b) 60% to PWJ until the amounts allocated in accordance with this paragraph and under the **third**, **fifth** and **sixth** clauses aggregate up to \$31 million; then **eighth** (a) 50% among all holders of allowed general unsecured claims (including, without limitation, allowed general unsecured claims of Participating Vendors) up to the full amount of such claims; and (b) 50% to PWJ up to the remaining balance of its allowed claim (including any amount that was subordinated in accordance with the first sentence of this Paragraph 3); and **ninth** any remaining Proceeds distributed to the Debtors' estates for distribution in accordance with the order of priority established by the Bankruptcy Code.

4. Upon the later of the (a) entry of orders approving both the Vendor Agreement and the Global Settlement that either have become final and non-appealable or as to which the appeals period has expired and no stay pending appeal is in effect or (b) effective date of the Global Settlement (such later date, the "**Effective Date**"), except as otherwise provided herein, Vendor hereby irrevocably and unconditionally forever releases, acquits and forever discharges: (i) the Debtors and their present and former agents, affiliates, director, officers, employees, equity holders, professional advisors, successors and assigns, from any and all claims, rights,

demands, actions, obligations, and causes of action of any and every kind, known or unknown, which Vendor may now have, or has ever had, against it arising from or in any way connected with the relationship between the parties and liability including, but not limited to, waiver of any and all reclamation claims except for claims arising under Section 503(b)(9) of the Bankruptcy Code relating solely to so called "Asset Goods" provided that such claims in the aggregate do not exceed the amount set forth in Schedule B hereto by more than \$150,000 (and as to which Section 503(b)(9) amounts set forth on Schedule B no party hereto may or shall object); and in the event such allowed Section 503(b)(9) claims relating solely to Asset Goods exceed the amount set forth in Schedule B by more than \$150,000, then all such excess Section 503(b)(9) claims will be limited to, and share *pro rata* in, the \$150,000; and provided further that Vendor reserves all of its rights in respect of the Escrow Account and Docket Nos. 67 and 360 and provided further that Vendor reserves all of its rights to also assert a general unsecured claim (subject to the rights of the Debtors and other parties-in-interest to contest such asserted claims on grounds other than Section 502(d) of the Bankruptcy Code) relating to (a) so-called "Asset Goods" goods provided to the Debtors pre-petition, (b) all unpaid amounts due from the Debtors on account of Memo Goods sold by the Debtors prior to the Petition Date, (c) all Shrinkage not allowed as an administrative expense in accordance with paragraph 2 of this Vendor Agreement, and (d) pre-petition note obligations of the Debtors, except that that Vendor agrees to subordinate any such general unsecured claim pursuant to the foregoing clauses (a), (b), (c) and (d) in favor of the general unsecured claims of trade vendors who are not Participating Vendors and to general unsecured claims for pre-petition real property lease payments which were due and unpaid as of the Petition Date in accordance with the fifth clause set forth in paragraph 3 above; (ii) all Participating Vendors from any and all liability with respect to the Memo Goods; and (iii) each of LaSalle, the Pre-Petition Lenders, BofA, the DIP Lenders, the Agent, its shareholders, members, agents and advisors, the Committee, each of its members

and their respective agents, and PWJ, Prentice Capital Management, L.P., and any parent, subsidiary, participant, co-lender and affiliate, officer, director, employee or agent of the foregoing, and their respective successors and assigns, and any person or individual employed by or associated with any PWJ Party that has served as an officer and/or director of either of the Debtors at any time) (the persons and entities in clauses (i), (ii) and (iii), including, without limitation, all successors and assigns of the foregoing, collectively, the "Releasees") of and from any and all past, present and future legal actions, choses in action, causes of action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any of the Releasees, whether held in a personal or representative capacity occurring from the beginning of time to and including the date of this release related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Debtors and their estates, these Chapter 11 cases, any pre-petition financing facility for the Debtors, or any claim arising from or relating to any transaction relating to the Debtors and/or the sale and/or consignment of goods to the Debtors.

5. Upon the Effective Date, on behalf of the Debtors' estates, the Releasees agree to waive any and all claims and causes of action Releasees hold or may hold, asserted or may

assert against Vendor related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Debtors and their estates, these Chapter 11 cases, any pre-petition financing facility for the Debtors, or any claim arising from or relating to any transaction relating to the Debtors and/or the sale and/or consignment of goods to Debtors, including, but not limited to, those arising under chapter 5 of the Bankruptcy Code (i.e. preference claims); provided however, that the Debtors and their estates shall (i) be permitted to assert any such claims (excluding avoidance actions) as an offset against claims asserted by Vendor for "Asset Goods" against the Debtors, to the extent and as permitted by §502 of the Bankruptcy Code (but excluding §502(d)), and (ii) the foregoing waiver shall be without prejudice to the rights of the Debtors or any other party-in-interest to assert substantive defenses or offsets (excluding any such rights arising from avoidance actions) or otherwise object to the validity, priority or other aspect of any claim filed or asserted by Vendor in respect of Assets Goods provided to the Debtors prior to the Petition Date.

6. To the extent the Debtors' estates seek to bring in additional inventory on consignment after the Effective Date under the guidance of its liquidation advisors (the "Augment Goods"), Participating Vendors shall be given priority over non-participating vendors. Notwithstanding the above, the decision to bring in Augment Goods will be made by the Debtors in consultation with its liquidation advisors and will be based on the sole goal of maximizing the value of the Debtors' estates for the benefit of all stakeholders.

7. The parties hereto acknowledge and agree that if (a) the Debtors are unable to (i) enter into a Vendor Agreement with a sufficient amount of Requisite Participating Vendors and (ii) obtain Bankruptcy Court approval both of the Global Settlement and the requisite number of vendor agreements referred to in clause (i) of this paragraph 7, and (b) the Global Settlement is not consummated, this Vendor Agreement shall be considered null and void, having no force and effect in these or any other proceedings.

8. This Vendor Agreement, together with the Global Settlement, is the entire agreement between the parties in respect to the subject matter hereof. This Vendor Agreement may be executed in as many counterparts (electronic or otherwise) as may be required, and it shall not be necessary that the signature of, or on behalf of, each party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more such counterparts. All counterparts when taken together shall constitute a single agreement.

9. Each person who executes this Vendor Agreement represents that he or she is duly authorized to execute this Vendor Agreement on behalf of the respective parties hereto and that each such party has full knowledge of and has consented to this Vendor Agreement.

10. This Vendor Agreement shall be governed by and construed in accordance with the laws of the State of New York.

11. This Vendor Agreement shall not become effective until it has been approved by the Bankruptcy Court and the Bankruptcy Court shall retain jurisdiction over any matters pertaining to the terms of this Vendor Agreement. To the extent that the Debtors provide improved treatment to another Memo Good Vendor than the treatment provided for in this Vendor Agreement, Vendor shall be entitled to and shall receive such improved treatment.

12. Solely for purposes of (i) giving effect to this Vendor Agreement and (ii) obtaining Bankruptcy Court approval of this Vendor Agreement and the Global Settlement, and not for any other purpose whatsoever, each of the Debtors, the Committee and PWJ acknowledge that Vendor holds a first priority, perfected interest in its Memo Goods superior to the claims of any other person or entity. In the absence of Bankruptcy Court approval of this Vendor Agreement and the Global Settlement, and the occurrence of the Effective Date, this acknowledgement shall have no force or effect, and shall not be used or admissible for any purpose in any action

or proceeding, and the parties' rights, claims and positions shall be returned to the status quo ante.

13. Nothing in this Vendor Agreement is, or shall be construed as, an admission against interest of any of the parties hereto. The parties hereto acknowledge and agree that the terms herein are specific to this Vendor Agreement and to the unique circumstances and context in which this Vendor Agreement is made. This Vendor Agreement is not assignable without the written consent of the party against whom assignment is sought. This Vendor Agreement shall have no force and effect whatsoever unless approved by an order of the Bankruptcy Court, and shall be subject in all respects to the Bankruptcy Court's approval of the Global Settlement and the occurrence of the Effective Date.

14. UNLESS OTHERWISE AGREED TO BY THE DEBTORS, THIS VENDOR AGREEMENT SHALL BE CONSIDERED AN OFFER BY THE DEBTORS, CAPABLE OF ACCEPTANCE BY THE VENDOR UNTIL AUGUST 8, 2008, AT 11:00 AM (Eastern Time), UPON WHICH TIME IT SHALL BE CONSIDERED FULLY REVOKED AND INCAPABLE OF ACCEPTANCE. UNLESS OTHERWISE AGREED TO BY THE DEBTORS, FAILURE OF VENDOR TO RETURN EXECUTED VERSION OF THIS VENDOR AGREEMENT ON OR BEFORE AUGUST 8, 2008 AT 11:00 AM (Eastern Time) RENDERS THIS VENDOR AGREEMENT NULL AND VOID AND OF NO FORCE AND EFFECT.

15. Subject to (x) the Bankruptcy Court's approval of (a) this Vendor Agreement, and (b) the Global Settlement, and (y) the occurrence of the Effective Date, all parties hereto agree that they will not support any plan of reorganization or liquidation in the Debtors' chapter 11 cases that is inconsistent in any manner with, and does not fully incorporate all of the provisions of, this Vendor Agreement.

[signature page follows]

**WHITEHALL JEWELERS HOLDINGS, INC., and
WHITEHALL JEWELERS, INC.**

By: _____
Name:
Title:

VENDOR:

[INSERT NAME OF VENDOR]

By: _____
Name:
Title

Acknowledged and Agreed by the Releasees:

Bank of America, N.A.

By: _____
Name:
Title

LaSalle Bank, National Association

By: _____
Name:
Title

The Official Committee of Unsecured Creditors

By: _____
Name:
Title:

PWJ Lending II LLC

on behalf of itself, Prentice Capital Management, L.P. and the "PWJ Parties"

By: _____
Name:
Title:

Schedule A

Consignment Vendor Balances as of July 22, 2008

<u>Vendor #</u>	<u>Vendor</u>	<u>Consignment Balance</u>
401043	KIRAN JEWELS INC.	7,763,205
400659	COMBINE INTERNATIONAL	6,015,552
407800	S.D.C.(Sangam Diamonds Corporation)	4,131,591
401035	ENVISIONS LLC	3,947,919
408838	ROSY BLUE	3,377,017
401009	ROSY BLUE JEWELRY, INC. (RBJ)	2,695,016
401029	UNITED BROTHERS JEWELRY	1,828,662
401028	SIERRA DIAMONDS LTD.	1,755,027
408030	SUMIT DIAMOND CORP.	1,654,406
452739	LEO SCHACHTER DIAMONDS,L.P.	1,392,161
401059	ANTWERP SALES INTERNATIONAL, INC.	1,387,968
401049	UNI DESIGN USA	1,223,965
400149	B.H. MULTI COM CORP.	1,206,798
401023	DIAMOND DIRECT LLC	1,086,748
400982	KRISTALL, INC.	1,072,774
401831	CONTINENTAL JEWELLERY MFG LTD	1,027,048
400016	BULOVA CORPORATION	1,017,440
401034	MAXMARK, INC.	986,339
400048	AMIKAM	930,556
401038	STEORA USA	919,481
406146	JEWELX, LTD	871,203
401012	ORLI DIAMONDS	790,268
405865	MERIT DIAMOND CORPORATION	727,057
404973	SUBERI BROTHERS, INC.	719,682
400683	B.H. MULTI COLOR	628,460
401055	SHRENUJ USA, LLC	562,023
401005	LORENZO USA	517,012
400984	TACHE JEWELRY	443,360
401027	ASHER JEWELRY	437,163
401051	DINURJE CORP.	421,899
401046	DIAMOUR INC.	418,250
401015	ACCUTRON	417,054
401013	BEST BUY PRODUCTS, INC.	412,555
408901	FINE FACET DIAMONDS INC.	411,522
401833	CONTINENTAL JEWELRY USA	411,431
401640	FREDERICK GOLDMAN, INC.	406,641
401042	JEWEL SOURCE INC.	358,392
406220	ROYAL CHAIN	356,264
405278	THIEN PO JEWELRY LTD	352,339
400977	NELSON JEWELLRY US INC.	351,053
406785	LORENZO JEWELRY LTD.	347,872
401002	TITAN DESIGNS	328,077
400162	STAR RING,INC.	327,392
400044	MILLENNIUM CREATIONS, INC.	316,645
403021	CYBEL TRADING CORP.	276,445
400600	COLIBRI GROUP, INC.	266,710

402660 FABRIKANT-LEER INTERNATIONAL LTD.	218,064
401018 FABRIKANT-TARA INTERNATIONAL	213,379
401065 NICE JEWELS	198,925
401048 ART CREATIONS	198,229
400624 EMA JEWELERS,INC.	176,916
401060 SUASHISH JEWELS, INC. (SJI)	170,584
402679 LEGEND JEWELRY CO.LTD(MACAO COMM.OFFSHOR	159,159
400172 STS JEWELS INC.	152,093
401030 K. GIRDHARLAL, INC.	143,019
401014 VERIGOLD JEWELRY, INC.	129,104
401054 S&J JEWELRY	128,576
400999 HOUSE OF BAGUETTES	124,262
407544 BHARAT DIAMOND CORP.	104,164
401037 UNIVERSAL FINE JEWELRY	93,466
401050 SCHLESINGER & KRAUSS, INC.	84,360
400976 IBERJOYA	78,304
404459 HANSA USA, LLC	77,541
401070 GEM EAST CORPORATION	72,662
401032 IDAHO OPAL & GEM CORPORATION	63,737
401216 WORLD PACIFIC JEWELRY	63,521
400123 EYAL R.D. Corp.	62,467
409864 AURAFIN / OROAMERICA	59,017
401047 INCOLOR CONCEPTS	52,536
401067 OVERNIGHT MOUNTINGS INC.	50,867
404589 FRANK LAU JEWELRY, INC.	48,144
400970 FIRESTONE, INC.	46,194
402250 J.C. TRADING INC.	43,132
401021 WORLD WIDE IMPORTS, INC.	42,940
404658 ALADDIN GOLD CREATIONS	40,037
402030 PAUL WINSTON EUROSTAR, LLC	39,010
408459 AURAGEM	35,396
402351 IMPERIAL- DELTAH, INC.	32,598
401011 LIBERTY I. EXCHANGE	30,743
402551 CONCORD SETTINGS	29,594
426242 SIMON KORN	29,316
400966 BEL-ORO INTERNATIONAL, INC.	28,124
400980 JEWELMARK LLC	27,666
401260 SHANTI, CORP. / VIJAY	25,857
401024 B.I.G. JEWELRY CO. LLC	23,904
400049 AMBRAS FINE JEWELRY CORP.	23,519
401007 VISION CUT LLC	23,084
400967 PACE DESIGNS, LLC	21,871
400973 LUCORAL CO. INC.	21,588
401052 MOSHE NAMDAR	16,391
405099 SANDBERG AND SIKORSKI, INC.	13,397
403239 LP DIAMOND CORPORATION	12,936
400968 JOHN B.SHOWERMAN DBA J.S. COMPANY	12,220
402354 M. GELLER, LTD.	10,322
401105 M.FABRIKANT & SONS, INC.	8,275
401040 ARYAS COLLECTION	6,687
401057 BULOVA CORPORATION-WITTNAUER	4,948

405166 SUMA INTL. LTD.	4,945
401127 ORO INTERNATIONAL	4,890
490232 NANCY B & COMPANY	3,983
401017 MASTER DESIGN	3,473
401515 POINTERS GEMCRAFT & JEWELLERY MFG.	3,065
404123 SAKOURA DESIGN	2,704
404319 LUXE GROUP, INC	2,628
400009 DIACO AMERICA	2,167
403280 MICHAEL ANTHONY JEWELERS, INC.	1,983
401286 SUASHISH STAR, INC.	1,800
400104 HAZEL JEWELRY CO. ,INC.	1,309
403078 CLOVER CORPORATION II	966
401056 AMDEM JEWELRY	769
401058 BASAL DIAMOND GROUP	699
400440 AURORA IMPORTS	572
402152 CHAMP ART LIMITED	448
405465 WEDDING RINGS & CO.	279
401031 MADISON INTERNATIONAL JEWELRY, INC.	131
400001 LE VIAN CORP.	76
403543 SAMUEL AARON	58
403595 K.P. IMPORTS, INC.	49
404026 CH HAKIMI, INC.	17
402992 SHR, INC.	15
400711 S.A. KITSINIAN	12
405215 ROYAL JEWELRY MFG. INC.	11
403770 AURAFIN / OROAMERICA, INC.	-
400645 WEINDLING INTERNATIONAL CORP.	(9)
403777 MBJ - MISC.	(59)
403780 ORO ENTERPRISES, INC.	(75)
403779 JEWEL AMERICA, INC.	(352)
401544 GLENN ROBERTS, INC	(1,829)
	<u>60,904,002</u>

Schedule B

Vendor Receipts (Excludes consignment)_ 6/03/08 thru 6/22/08			
Vendor	Amount	Prepaid	Net
ABSOLUTE BRILLIANCE, INC. Total	79,374	-	79,374
ACCUTRON Total	259	-	259
AMIKAM Total		-	15,883
B.H. MULTI COM CORP. Total	98,830	-	98,830
BENCHMARK Total	18,940	3,693	15,247
BOGARZ, INC. Total	10,231	-	10,231
CITIZEN WATCH CO.OF AMERICA, INC. Total	16,122	-	16,122
COLIBRI GROUP, INC. Total	152	-	152
COMBINE INTERNATIONAL Total	21,242	-	21,242
CONTINENTAL JEWELRY USA Total	1,116	-	1,116
DIAMOND DIRECT LLC Total	715	-	715
ENVISIONS LLC Total	3,651	-	3,651
ESQ INC. Total	635	-	635
FINE FACET DIAMONDS INC. Total	195	-	195
FREDERICK GOLDMAN, INC. Total	60,525	19,810	40,715
GEM EAST CORPORATION Total	282	-	282
GOLDSTEIN DIAMONDS, INC. Total	17,658	-	17,658
IBERJOYA Total	43,050	-	43,050
IMPERIAL- DELTAH, INC. Total	6,928	-	6,928
JEWELX, LTD Total	14,313	-	14,313
JOHN B.SHOWERMAN DBA J.S. COMPANY Total	26,160	-	26,160
KIRAN JEWELS INC. Total	69,064	-	69,064
KIRCHNER CORPORATION Total	45,477	-	45,477
KRISTALL, INC. Total	3,395	-	3,395
LAD DIAMOND, LLC Total	7,912	-	7,912
LEGEND JEWELRY CO.LTD(MACAO COMM.OFFSHOR Total	2,612	-	2,612
LORENZO JEWELRY LTD. Total	214	-	214
LOTUS,MJYX/INTEGRAL LOGISTICS, LLC Total	94,860	-	94,860
MAXMARK, INC. Total	3,931	-	3,931
MBJ - MISC. Total	2,187	-	2,187
MBJ-P & J MFG. JEWELERS, INC. Total	915	-	915
MILLENNIUM CREATIONS, INC. Total	26,935	-	26,935
PAUL WINSTON EUROSTAR, LLC Total	612	-	612
ROSY BLUE Total	520	-	520
ROSY BLUE JEWELRY, INC. (RBJ) Total	1,680	-	1,680
S.D.C.(Sangam Diamonds Corporation) Total	7,284	-	7,284
SEIKO CORPORATION OF AMERICA Total	392,886	-	392,886
SHRENUJ USA, LLC Total	717	-	717
SIERRA DIAMONDS LTD. Total	3,000	-	3,000
SJA, INC. Total	94,434	-	94,434
STAR RING,INC. Total	133,482	-	133,482
STEORA USA Total	45,360	-	45,360
SUBERI BROTHERS, INC. Total	252	-	252
SUMIT DIAMOND CORP. Total	123,920	-	123,920
THIEN PO JEWELRY LTD. Total	1,224	-	1,224
TITAN DESIGNS Total	24,277	-	24,277
UNITED BROTHERS JEWELRY Total	161,914	-	161,914
VERIGOLD JEWELRY, INC. Total	41,506	-	41,506
WORLD PACIFIC JEWELRY Total	5,088	-	5,088
Grand Total	1,731,920	23,502	1,708,418

EXHIBIT B

**SCHEDULE OF PARTICIPATING CONSIGNMENT VENDORS AS OF EXECUTION
DATE**

List Of Consignment Vendors Who Have Signed Vendor Agreement

1. Kiran Jewels Inc.
2. Combine International, Inc.
3. SDC Designs, LLC
4. Envisions, LLC
5. Rosy Blue, Inc.
6. Rosy Blue Jewelry, Inc. (RBJ)
7. United Brothers Jewelry Inc.
8. Sierra Diamonds Ltd.
9. Sumit Diamond Corp.
10. Leo Schachter Diamonds LLC
11. Leo Schachter Diamonds Ltd.
12. Antwerp Sales International, Inc.
13. Uni Design USA, d/b/a Uni-Creation, Inc.
14. B.H. Multicom Corp.
15. Diamond Direct LLC
16. Kristall Inc.
17. Continental Jewellery (Mfg) Ltd.
18. Bulova Corporation (for itself and on behalf of Accutron and Wittnauer)
19. Maxmark Inc.
20. Paras Diamond Corporation, d/b/a Amikam
21. Steora USA
22. Jewelex New York

23. Orli Diamonds, Inc.
24. Merit Diamond Corporation
25. Suberi Brothers, A Division of Suberi Brothers, LLC
26. B.H. Multicolor Corp.
27. Shrenuj USA LLC
28. Lorenzo USA, Inc.
29. Tache USA Inc.
30. Dinurje Corporation
31. Diamour Inc.
32. Best Buy Products, Inc.
33. Continental Jewelry (USA) Inc.
34. Jewel Source, Inc.
35. Royal Chain Inc.
36. Thien Po Jewelry Ltd.
37. Nelson Jewellery USA, Inc.
38. Lorenzo Jewelry Limited
39. Titan Designs, Inc.
40. Cybel Trading Corp.
41. Surya Capital LLC (as successor in interest to Fabrikant-Leer International Ltd.)
42. Fabrikant-Tara International LLC
43. Nice Jewels, Incorporated
44. Art Import, Inc. dba Art Creations
45. EMA Jewelry
46. K. Girdharlal Inc.
47. Verigold Jewelry

48. S&J Jewelry
49. Bharat Diamond Corp.
50. Universal Fine Jewelry
51. Schlesinger & Krauss, Inc.
52. Hansa USA
53. Incolor Concepts, Inc.
54. Overnight Mountings Inc.
55. Liberty I. Exchange Inc.
56. B.I.G. Jewelry Co. LLC
57. Ambras Fine Jewelry Inc.
58. Arya's Collection Inc.
59. Amden Jewelry Inc.