

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: Whitehall Jewelers, Inc.

Case No. 08-11261 ⁽¹⁾
Reporting Period: 4/4/10 - 5/1/10

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

Schedule of Cash Receipts and Disbursements	MOR-1	Yes		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	No		Yes
Schedule of Professional Fees Paid	MOR-1b	Yes		
Copies of bank statements		N/A		
Cash disbursements journals		N/A		
Statement of Operations	MOR-2	Yes		
Balance Sheet	MOR-3	Yes		
Status of Postpetition Taxes	MOR-4	Yes		
Copies of IRS Form 6123 or payment receipt		No		
Copies of tax returns filed during reporting period		No		Yes
Summary of Unpaid Postpetition Debts	MOR-4	Yes		
Listing of aged accounts payable	MOR-4	Yes		
Accounts Receivable Reconciliation and Aging	MOR-5	Yes		
Debtor Questionnaire	MOR-5	Yes		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Mike Yager

Signature of Authorized Individual*

5/27/10

Date

Mike Yager

Printed Name of Authorized Individual

Authorized Signatory

Title of Authorized Individual

⁽¹⁾ A consolidated monthly operating report has been submitted for the following debtor entities: Whitehall Jewelers Holdings, Inc. (Case No. 08-11261) and Whitehall Jewelers, Inc. (Case No. 08-11262)

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

	BANK ACCOUNTS					CURRENT MONTH	CUMULATIVE
	OPER.	PAYROLL	AP	UTIL/ESCROW	OTHER	ACTUAL	FILING TO DATE ACTUAL
CASH BEGINNING OF MONTH	\$ 3,286	\$ (162)	\$ (73)	\$ 46	\$ -	\$ 3,097	\$ 1,867
RECEIPTS							
CASH SALES						0	48,502
ACCOUNTS RECEIVABLE						0	231,222
LOANS AND ADVANCES						0	0
SALE OF ASSETS						0	9,843
OTHER (SEE 1 BELOW)	81					81	1,169
TRANSFERS (FROM DIP LOAN)						0	129,935
Transfers From Operating acct						0	0
TOTAL RECEIPTS	\$ 81	\$ -	\$ -	\$ -	\$ -	\$ 81	\$ 420,671
DISBURSEMENTS							
NET PAYROLL			-22			-22	-32,542
PAYROLL TAXES						0	-11,709
SALES, USE, & OTHER TAXES						0	-20,054
INVENTORY PURCHASES						0	-72,034
SECURED RENTAL LEASES						0	-21,444
INSURANCE						0	-1,607
ADMINISTRATIVE						0	-33,143
SELLING						0	-6,301
CREDIT CARD FEES/BANK FEES	-1					-1	-5,601
PAYDOWN REVOLVER LOAN						0	-66,351
INVENTORY SHRINK, WORN						0	-2,455
TRANSFERS (TO DIP LOAN)						0	-131,202
PRENCE LOAN REPAYMENT						0	-7,700
PROFESSIONAL FEES	-73					-73	-6,776
U.S. TRUSTEE QUARTERLY FEES						0	-137
COURT COSTS						0	0
TOTAL DISBURSEMENTS	\$ (74)	\$ -	\$ (22)	\$ -	\$ -	\$ (96)	\$ (419,456)
NET CASH FLOW	\$ 7	\$ -	\$ (22)	\$ -	\$ -	\$ (15)	\$ 1,215
RECEIPTS LESS DISBURSEMENTS:							
CASH - END OF MONTH	\$ 3,293	\$ (162)	\$ (95)	\$ 46	\$ -	\$ 3,082	\$ 3,082

* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)	
TOTAL DISBURSEMENTS	\$ 96
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 96

(1) Primarily preference claim receipts (\$67k) and other receipts and ads (\$14k)

BANK RECONCILIATIONS

A bank reconciliation must be included for each bank account. The debtor's bank reconciliation may be substituted for this page.

BALANCE PER BOOKS	Operating		Payroll		Rent		AP		Other	
	#		#		#		#		#	
BANK BALANCE										
(+) DEPOSITS IN TRANSIT (ATTACH LIST)										
(-) OUTSTANDING CHECKS (ATTACH LIST)										
OTHER (ATTACH EXPLANATION)										
ADJUSTED BANK BALANCE *										
* Adjusted bank balance must equal balance per books										
DEPOSITS IN TRANSIT	Date	Amount	Date	Amount	Date	Amount	Date	Amount		
CHECKS OUTSTANDING	Ck. #	Amount	Ch. #	Amount	Ck. #	Amount	Ck. #	Amount		
OTHER										

STATEMENT OF OPERATIONS - Income Statement

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	4/4-5/1/10	2/28-4/3/10	Cumulative Filing to Date
Gross Revenues	\$ -	\$ -	\$ 288,188
Less: Returns and Allowances, trade-ins and exchanges			29,906
Net Revenue	\$ -	\$ -	\$ 258,282
COST OF GOODS SOLD			
Beginning Inventory	\$ -	\$ -	\$ 159,989
Add: Net Purchases	0	0	68,140
Add: Trade-ins	0	0	0
Add: Other Costs (attach schedule)			-18,379
Less: Ending Inventory	0	0	1,409
Cost of Goods Sold Merchandise	0	0	209,750
Cost of Good sold Repairs, Warranty, Other/Reserves			13,865
Total Cost of Sales			223,615
Gross Profit	\$ -	\$ -	\$ 34,667
OPERATING EXPENSES			
Advertising	\$ -	\$ -	\$ 516
Auto and Truck Expense	0	0	0
Bad Debts	0	0	478
Liquidation Expense	0	0	23,895
Employee Benefits Programs	0	0	2,691
Insider Compensation*	0	0	1,276
Insurance	-7	10	1,187
Management Fees/Bonuses	0	0	814
Credit expense	0	0	3,906
Pension & Profit-Sharing Plans	0	0	0
Repairs and Maintenance	0	0	515
Rent and Lease Expense	0	1	21,300
Salaries/Commissions/Fees	22	22	36,878
Supplies	0	0	588
Taxes - Payroll	0	0	3,484
Taxes - Real Estate	0	0	847
Taxes - Other	8	21	-1,648
Travel and Entertainment	0	0	313
Utilities	0	1	1,304
Other (attach schedule)	1	-8	2,639
Total Operating Expenses Before Depreciation	24	47	100,983
Depreciation/Depletion/Amortization			20
Net Profit (Loss) Before Other Income & Expenses	\$ (24)	\$ (47)	\$ (66,336)
OTHER INCOME AND EXPENSES			
Other Income (attach schedule)	\$ -	\$ -	\$ -
Interest Expense	471	589	15,263
Other Expense (attach schedule)			21,963
Net Profit (Loss) Before Reorganization Items	\$ (495)	\$ (636)	\$ (103,562)
REORGANIZATION ITEMS			
Professional Fees	\$ 65	\$ 65	7,580
U. S. Trustee Quarterly Fees	0	5	130
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)	0	0	-40
Gain (Loss) from Sale of Equipment	0	0	-55
Other Reorganization Expenses (attach schedule)			0
Total Reorganization Expenses	65	70	7,615
Income Taxes	0	0	-68
Net Profit (Loss)	\$ (560)	\$ (706)	\$ (111,109)

*"Insider" is defined in 11 U.S.C. Section 101(31).

STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	4/4 to 5/1/10	Cumulative Filing to Date
Other Costs		
Sale of inventory (with 17 stores) to MHI	\$ -	
LCM loss on melt/scrap inventory		
Store shrink		
Reclass Consignment Reserve to Liability		
Write off of capitalized overhead costs in inventory/Freight/Other		
Sale of scrap inventory		
	\$ -	
Other Operational Expenses		
Delivery	\$ -	\$ 549
Security	0	334
Data Processing	0	537
Other Professional and legal fees	0	166
Telephone/Internet	0	1,212
Reversal of excess layaway liability	0	-338
Visa/Mastercard settlement	0	-110
Bank charges/over and short/Adjs	1	23
Tax Services	0	14
401k Audit Services	0	20
Other	0	228
		0
		0
	\$ 1	\$ 2,635
Other Income		
	\$ -	\$ -
	\$ -	\$ -
Other Expenses		
Intangible Asset Impairment Charges	\$ -	\$ 10,987
Property & Equipment Impairment Charge		14,909
Reverse Rent Incentive/Minimum Lease Liability		-3,933
		0
Total	\$ -	\$ 21,963
Other Reorganization Expenses		

Reorganization Items - Interest Earned on Accumulated Cash from Chapter 11:
Interest earned on cash accumulated during the chapter 11 case, which would not have been earned but for the bankruptcy proceeding, should be reported as a reorganization item.

BALANCE SHEET

ASSETS	BOOK	BOOK VALUE ON
	VALUE AT	PETITION DATE
	5/1/2010	6/22/2008
CURRENT ASSETS		
Unrestricted Cash and Equivalents	\$ 3,036	\$ 1,867
Restricted Cash and Cash Equivalents (see continuation sheet)	46	0
Accounts Receivable (Net)	14	3,208
Notes Receivable	0	0
Inventories	0	159,989
Prepaid Expenses	13	562
Professional Retainers	170	450
Other Current Assets (attach schedule)		0
TOTAL CURRENT ASSETS	\$ 3,279	\$ 166,076
PROPERTY AND EQUIPMENT		
Real Property and Improvements		0
Machinery and Equipment		0
Furniture, Fixtures and Office Equipment	0	20,012
Leasehold Improvements	0	20,762
Hardware/Software/Other	0	3,462
Less Accumulated Depreciation	0	-28,061
TOTAL PROPERTY & EQUIPMENT	\$ -	\$ 16,175
OTHER ASSETS		
Loans to Insiders*	0	0
Other Assets (attach schedule)	0	10,987
TOTAL OTHER ASSETS	\$ -	\$ 10,987
TOTAL ASSETS	\$ 3,279	\$ 193,238

LIABILITIES AND OWNER EQUITY	BOOK	BOOK VALUE ON
	VALUE AT	PETITION DATE
	5/1/2010	6/22/2008
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable	\$ 18	\$ -
Taxes Payable (refer to FORM MOR-4)	6	0
Wages Payable	0	0
Notes Payable	0	0
Rent / Leases - Building/Equipment	1,550	0
Secured Debt / Adequate Protection Payments	0	0
Professional Fees	192	0
Amounts Due to Insiders*	0	0
Other Postpetition Liabilities (attach schedule)	1	0
TOTAL POSTPETITION LIABILITIES	\$ 1,767	\$ -
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt **	43,737	107,276
Priority Debt	1,621	6,998
Unsecured Debt	57,347	69,074
TOTAL PRE-PETITION LIABILITIES	\$ 102,705	\$ 183,348
TOTAL LIABILITIES	\$ 104,472	\$ 183,348
OWNER EQUITY		
Capital Stock	40	40
Additional Paid-In Capital	130,600	130,574
Partners' Capital Account	0	0
Owner's Equity Account	0	0
Retained Earnings - Pre-Petition	-120,724	-120,724
Retained Earnings - Postpetition	-111,109	0
Adjustments to Owner Equity (attach schedule)		0
Postpetition Contributions (Distributions) (Draws) (attach schedule)		0
NET OWNER EQUITY	\$ (101,193)	\$ 9,890
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 3,279	\$ 193,238

**Insider" is defined in 11 U.S.C. Section 101(31).

BALANCE SHEET - continuation sheet

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Current Assets		
None		

Other Assets		
Favorable Leases	\$ -	\$ 620
Customer List	0	1,687
Trade Names	0	8,680
Total	\$ -	\$ 10,987

LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Postpetition Liabilities		
Other	1	
Total	1	

Adjustments to Owner Equity		
None		

Postpetition Contributions (Distributions) (Draws)		
None		

Restricted Cash is cash that is restricted for a specific use and not available to fund operations. Typically, restricted cash is segregated into a separate account, such as an escrow account.

STATUS OF POSTPETITION TAXES

Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
Federal						
Withholding	\$ -	\$ -	\$ -			\$ -
FICA-Employee	0	0	0			0
FICA-Employer	0	0	0			0
Unemployment	0	0	0			0
Income	0	0	0			0
Other:	0	0	0			0
Total Federal Taxes	\$ -	\$ -	\$ -			\$ -
State and Local						
Withholding	0	0	0			0
Sales	0	0	0			0
Excise	0	0	0			0
Unemployment	0	0	0			0
Real Property	0	0	0			0
Personal Property	-8	8	0			0
Other: Income Taxes and Reserves	6	0	0			6
Total State and Local	\$ (2)	\$ 8	\$ -			\$ 6
Total Taxes	\$ (2)	\$ 8	\$ -			\$ 6

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 90	
Accounts Payable	\$ 18					\$ 18
Wages Payable	0					0
Taxes Payable	6					6
Rent/Leases-Building	841				709	1,550
Rent/Leases-Equipment	0					0
Secured Debt/Adequate Protection Payments	0					0
Professional Fees	204					192
Amounts Due to Insiders*	0					0
Other:	1					1
Other:	0					0
Total Postpetition Debts	\$ 1,070	\$ -	\$ -	\$ -	\$ 709	\$ 1,767

Explain how and when the Debtor intends to pay any past-due postpetition debts.

*"Insider" is defined in 11 U.S.C. Section 101(31).

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

4/4-5/1/10

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	\$ 14
+ Amounts billed during the period	0
- Amounts collected during the period	0
Total Accounts Receivable at the end of the reporting period	\$ 14

Accounts Receivable Aging	Amount
0 - 30 days old	14
31 - 60 days old	0
61 - 90 days old	
91+ days old	
Total Accounts Receivable	14
Amount considered uncollectible (Bad Debt)	0
Accounts Receivable (Net)	\$ 14

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X

Whitehall Jewelers

Location Name	Loc #	Address	City	State	Zip	Bank	Date	Balance
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CORPORATE

Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Operating	05/01/10	3,292,557.24
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) AP Account	05/01/10	82,787.77
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Payroll Account	05/01/10	12,535.21
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Rent Account	05/01/10	-

ESCROW

Escrow - Utilities						Bank of America Escrow-utilities	05/01/10	46,379.44
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Money Market

Investment Account						Bank of America	05/01/10	-
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TOTAL

3,434,259.66

WHITEHALL JEWELERS

125 South Wacker Drive, Suite 2600
Chicago, IL 60606

312-782-6800
312-782-8299 (Fax)

May 27, 2010

Office of the United States Trustee

Subject: Attestation of Regard Postpetition Taxes

The debtor, Whitehall Jewelers, hereby submits this attestation regarding postpetition taxes.

All postpetition taxes for the debtor, which are not subject to dispute or reconciliation, are current.



Name: Michael Yager

Position: Authorized Signatory

WHITEHALL JEWELERS

125 South Wacker Drive, Suite 2600
Chicago, IL 60606

312-782-6800
312-782-8299 (Fax)

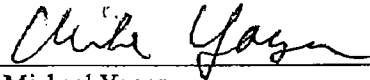
May 27, 2010

Office of the United States Trustee

Subject: Attestation Regard Bank Account Reconciliations

The debtor, Whitehall Jewelers, hereby submits this attestation regarding bank account reconciliations in lieu of providing copies of bank statements and copies of all account reconciliations.

The debtor has, on a timely basis, performed all bank account reconciliation in the ordinary course of its business (Due to staffing reductions the timing of reconciliations has been extended). Copies of bank account statements and reconciliations are available for inspection upon request by the United States Trustee's Office.



Name: Michael Yager
Position: Authorized Signatory