

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In Re: Whitehall Jewelers, Inc.

Case No. 08-11261 <sup>(1)</sup>  
Reporting Period: 11/1/09 - 11/28/09

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.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Attidavit/Supple-ment Attached
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

*Althea Yager*  
\_\_\_\_\_  
Signature of Authorized Individual\*

*12/24/09*  
\_\_\_\_\_  
Date

*Althea Yager*  
\_\_\_\_\_  
Printed Name of Authorized Individual

*Authorized Individual*  
\_\_\_\_\_  
Title of Authorized Individual

<sup>(1)</sup> 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.

WHITTEHALL  
JEWELERS

125 South Wacker Drive, Suite 2600  
Chicago, IL 60606

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

December 24, 2009

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.

# WHITEHALL JEWELERS

125 South Wacker Drive, Suite 2600  
Chicago, IL 60606

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

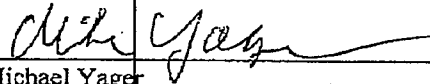
December 24, 2009

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

**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)]

CASH BEGINNING OF MONTH	BANK ACCOUNTS				CURRENT MONTH ACTUAL	CUMULATIVE FILING TO DATE ACTUAL
	OPER.	PAYROLL	AP UTIL	ESCROW OTHER		
\$ 3,791	\$ (162)	\$ (62)	\$ 46	\$ 63	\$ 3,656	\$ 1,867
<b>RECEIPTS</b>						
CASH SALES					0	48,522
ACCOUNTS RECEIVABLE					0	231,222
LOANS AND ADVANCES					0	0
SALE OF ASSETS					0	9,843
OTHER (SEE L. BELOW)	53				53	792
TRANSFERS FROM DIP LOAN					0	128,934
Transfers From Operating acct	21			-21	0	0
<b>TOTAL RECEIPTS</b>	<b>\$ 74</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (21)</b>	<b>\$ 53</b>	<b>\$ 420,283</b>
<b>DISBURSEMENTS</b>						
NET PAYROLL		-12			-12	-32,403
PAYROLL TAXES					0	-11,709
SALES, USE, & OTHER TAXES		-20			-20	-20,018
INVENTORY PURCHASES					0	-72,034
SECURED RENTAL/LEASES					0	-21,441
INSURANCE					0	-1,659
ADMINISTRATIVE		-2			-2	-33,124
SELLING					0	-6,301
CREDIT CARD FEES/BANK FEES	-1				-1	-5,795
PAYDOWN REVOLVER LOAN					0	-66,351
30480X INVENTORY SHRINK, WARE	-30				-30	-2,270
TRANSFERS TO DIP LOAN					0	-131,202
PRENICE LOAN REPAYMENT					0	-7,700
PROFESSIONAL FEES	-85				-85	-6,662
U.S. TRUSTEE QUARTERLY FEES					0	-132
COURT COSTS					0	0
<b>TOTAL DISBURSEMENTS</b>	<b>\$ (118)</b>	<b>\$ (34)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (150)</b>	<b>\$ (418,601)</b>
<b>NET CASH FLOW</b>	<b>\$ (42)</b>	<b>\$ -</b>	<b>\$ (34)</b>	<b>\$ (21)</b>	<b>\$ (97)</b>	<b>\$ 1,692</b>
RECEIPTS LESS DISBURSEMENTS						
<b>CASH - END OF MONTH</b>	<b>\$ 3,749</b>	<b>\$ (162)</b>	<b>\$ (116)</b>	<b>\$ 46</b>	<b>\$ 42</b>	<b>\$ 3,656</b>

\* 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)	ACTUAL COLUMN
TOTAL DISBURSEMENTS	\$ 150
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	
<b>TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES</b>	<b>\$ 150</b>

(1) Pirmen's preference claim receipts and (\$436) and tax refund (\$104)





**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.

	11/1-11/28/09	Cumulative Filing to Date
<b>REVENUES</b>		
Gross Revenues	\$ -	\$ 288,188
Less: Returns and Allowances, trade-ins and exchanges		29,906
Net Revenue		\$ 258,282
<b>COST OF GOODS SOLD</b>		
Beginning Inventory	\$ -	\$ 159,989
Add: Net Purchases	0	68,140
Add: Trade-ins	0	0
Add: Other Costs (attach schedule)		-18,379
Less: Ending Inventory	0	1,409
Cost of Goods Sold Merchandise	0	209,750
Cost of Good sold Repairs, Warranty, Other/Reserves		13,865
Total Cost of Sales		223,615
Gross Profit	\$ -	\$ 34,667
<b>OPERATING EXPENSES</b>		
Advertising	\$ -	\$ 516
Auto and Truck Expense	0	0
Bad Debts	0	478
Liquidation Expense	0	23,895
Employee Benefits Programs	0	2,691
Insider Compensation*	0	1,276
Insurance	0	1,095
Management Fees/Bonuses	0	814
Credit expense	0	3,906
Pension & Profit-Sharing Plans	0	0
Repairs and Maintenance	0	515
Rent and Lease Expense	1	21,296
Salaries/Commissions/Fees	25	36,739
Supplies	0	588
Taxes - Payroll	0	3,483
Taxes - Real Estate	0	847
Taxes - Other	11	-1,580
Travel and Entertainment	0	313
Utilities	1	1,303
Other (attach schedule)	-18	2,637
Total Operating Expenses Before Depreciation	20	100,812
Depreciation/Depletion/Amortization		20
Net Profit (Loss) Before Other Income & Expenses	\$ (20)	\$ (66,165)
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)	\$ -	\$ -
Interest Expense	471	12,672
Other Expense (attach schedule)		21,963
Net Profit (Loss) Before Reorganization Items	\$ (491)	\$ (100,800)
<b>REORGANIZATION ITEMS</b>		
Professional Fees	\$ 100	7,547
U. S. Trustee Quarterly Fees	0	125
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)	0	-40
Gain (Loss) from Sale of Equipment	0	-55
Other Reorganization Expenses (attach schedule)		0
Total Reorganization Expenses	100	7,577
Income Taxes	0	-68
Net Profit (Loss)	\$ (591)	\$ (108,309)

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

Note: Cost of sales reflects inventory sold at cost and a lower of cost or market writedown. Inventory on the balance sheet is stated at relizable value and has been adjusted to reflect lower of cost or market in period ending 1/3/09.

**STATEMENT OF OPERATIONS - continuation sheet**

BREAKDOWN OF "OTHER" CATEGORY	11/1 to 11/28/09	Cumulative Filing to Date
<b>Other Costs</b>		
Sale of inventory (with 17 stores) to MHI	\$ -	
LCM oss 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		
	\$ -	
<b>Other Operational Expenses</b>		
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		-110
Bank charges/over and short/Adjs	0	20
Tax Services	0	14
401k Audit Services	0	20
Other	-22	229
		0
		0
	\$ (22)	\$ 2,633
<b>Other Income</b>		
	\$ -	\$ -
	\$ -	\$ -
<b>Other Expenses</b>		
Intangible Asset Impairment Charges	\$ -	\$ 10,987
Property & Equipment Impairment Charge		14,909
Reverse Rent Incentive/Mimumum Lease Liability		-3,933
		0
Total	\$ -	\$ 21,963
<b>Other Reorganization Expenses</b>		

**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 thebankruptcy proceeding, should be reported as a reorganization item.



**BALANCE SHEET**

ASSETS	BOOK	BOOK VALUE ON
	VALUE AT	PETITION DATE
CURRENT ASSETS	11/28/2009	6/22/2008
Unrestricted Cash and Equivalents	\$ 3,513	\$ 1,867
Restricted Cash and Cash Equivalents (see continuation sheet)	46	0
Accounts Receivable (Net)	104	3,208
Notes Receivable	0	0
Inventories	0	159,989
Prepaid Expenses	0	562
Professional Retainers	170	450
Other Current Assets (attach schedule)		0
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,833</b>	<b>\$ 166,076</b>
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
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>\$ -</b>	<b>\$ 16,175</b>
OTHER ASSETS		
Loans to Insiders*	0	0
Other Assets (attach schedule)	0	10,987
<b>TOTAL OTHER ASSETS</b>	<b>\$ -</b>	<b>\$ 10,987</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,833</b>	<b>\$ 193,238</b>

LIABILITIES AND OWNER EQUITY	BOOK	BOOK VALUE ON
	VALUE AT	PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)	11/28/2009	6/22/2008
Accounts Payable	\$ 47	\$ -
Taxes Payable (refer to FORM MOR-4)	14	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	473	0
Amounts Due to Insiders*	0	0
Other Postpetition Liabilities (attach schedule)	1	0
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>\$ 2,085</b>	<b>\$ -</b>
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt **	41,664	107,276
Priority Debt	1,766	6,998
Unsecured Debt	56,711	69,074
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>\$ 100,141</b>	<b>\$ 183,348</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 102,226</b>	<b>\$ 183,348</b>
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	-108,309	0
Adjustments to Owner Equity (attach schedule)		0
Postpetition Contributions (Distributions) (Draws) (attach schedule)		0
<b>NET OWNER EQUITY</b>	<b>\$ (98,393)</b>	<b>\$ 9,890</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$ 3,833</b>	<b>\$ 193,238</b>

\*\*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.

**BALANCE SHEET - continuation sheet**

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

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

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

<b>Adjustments to Owner Equity</b>			
	None		

<b>Postpetition Contributions (Distributions) (Draws)</b>			
	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
<b>Federal</b>						
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
<b>Total Federal Taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ -</b>
<b>State and Local</b>						
Withholding	0	0	0			0
Sales	-2	0	0			-2
Excise	0	0	0			0
Unemployment	0	0	0			0
Real Property	0	0	0			0
Personal Property	12	0	0			12
Other: Income Taxes and Reserves	4	0	0			4
<b>Total State and Local</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ 14</b>
<b>Total Taxes</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ 14</b>

**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	\$ 47					\$ 47
Wages Payable	0					0
Taxes Payable	14					14
Rent/Leases-Building	841				709	1,550
Rent/Leases-Equipment	0					0
Secured Debt/Adequate Protection Payments	0					0
Professional Fees	473					473
Amounts Due to Insiders*	0					0
Other:	1					1
Other:	0					0
<b>Total Postpetition Debts</b>	<b>\$ 1,376</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 709</b>	<b>\$ 2,085</b>

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).

In Re: Whitehall Jewelers, Inc.

Case No. 08-11261  
Reporting Period: 11/1/09 - 11/28/09

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

		11/1-11/28/09
<b>Accounts Receivable Reconciliation</b>		<b>Amount</b>
Total Accounts Receivable at the beginning of the reporting period	\$	104
+ Amounts billed during the period		0
- Amounts collected during the period		0
Total Accounts Receivable at the end of the reporting period	\$	104
<b>Accounts Receivable Aging</b>		<b>Amount</b>
0 - 30 days old		104
31 - 60 days old		0
61 - 90 days old		
91+ days old		
Total Accounts Receivable		104
Amount considered uncollectible (Bad Debt)		0
Accounts Receivable (Net)	\$	104

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>		<b>Yes</b>	<b>No</b>
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
<b>CORPORATE</b>								
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Operating	11/28/09	3,748,553.72
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) AP Account	11/28/09	71,749.72
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Payroll Account	11/28/09	12,621.48
Corporate Account	Corp HQ	135 South LaSalle Street	Chicago	IL	60603	Bank of America (LaSalle) Rent Account	11/28/09	-
CIGNA Self Insurance	Self	P.O. Box 260180	Baton Rouge	LA	70826	JP Morgan Chase Bank	11/28/09	42,961.37
FSA (Flexible Spending Account)	Flex					Citibank	11/28/09	182.25
<b>ESCROW</b>								
Escrow - Utilities						Bank of America Escrow-utilities	11/28/09	46,369.09
<b>Money Market</b>								
Investment Account						Bank of America	10/31/09	-
<b>TOTAL</b>								3,922,437.63