

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DECEMBER 3, 1996
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

BRAUN'S FASHIONS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER
JURISDICTION OF
INCORPORATION)

0-19972
(COMMISSION FILE NUMBER)

06-1195422
(IRS EMPLOYER
IDENTIFICA-
TION NO.)

2400 XENIUM LANE NORTH
PLYMOUTH, MINNESOTA 55441
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(612) 551-5000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

ITEM 3. BANKRUPTCY OR RECEIVERSHIP.

CHAPTER 11 REORGANIZATION

On July 2, 1996, Braun's Fashions Corporation ("BFC"), together with its wholly-owned operating subsidiary, Braun's Fashions, Inc. ("BFI") (collectively, BFC and BFI are referred to herein as the "Company") filed in the United States Bankruptcy Court in the District of Delaware a petition for reorganization under Chapter 11 of Title 11 of the United States Bankruptcy Code, case number 96-1030(HSB). Under the protection of Chapter 11, the Company managed its affairs and operated its business as a debtor-in-possession while developing a plan of reorganization. The Company filed its Plan of Reorganization on July 18, 1996, the First Amended Plan of Reorganization on August 29, 1996, and the Second Amended Plan of Reorganization on October 22, 1996 (the "Plan") along with its Disclosure Statement. On October 22, 1996, the Bankruptcy Court approved the Disclosure Statement as containing adequate information and established November 18, 1996, as the deadline for voting on the Plan. The Plan was approved by 99.6% of the voting shareholders and by a majority of each class of the creditors that voted. On November 22, 1996, the Bankruptcy Court confirmed the Plan. The effective date of the Plan was December 3, 1996.

Claims and interests in BFC are Classified into six Classes under the Plan. The following table summarizes the Classification of the BFC claims and interests under the Plan and the treatment of such claims and interests under the Plan:

CLASS	DESCRIPTION OF TREATMENT
1. Secured Claims	Each holder of an allowed Class 1 claim shall receive either: (i) return of collateral in full satisfaction of such secured claim; (ii) payment in cash in an amount equivalent to the lesser of (a) the value of the collateral or (b) the full amount of the secured claim; (iii) treatment of such secured claim in accordance with Section 1124(2) of the Bankruptcy Code; or (iv) such other treatment as may be agreed to in writing by such holder of the secured claim and BFC.
2. Priority Non-Tax Claims	Each holder of an allowed Class 2 claim will receive cash equal to the amount of the allowed claim or such other treatment as may be agreed upon in writing by the holder of such claim and BFC.
3. Public Debt Claims	Each holder will receive, in respect of each \$1,000 principal amount of such public debt claim: (i) 48 shares of Common Stock in BFC; and (ii) \$800 in original principal amount of new notes bearing interest at 12% per annum ("New Notes").

2

4. General Unsecured Claims	Each eligible Class 4 claim holder will receive, at the election of the Company, either: (i) cash equal to the allowed amount of such claim; or (ii) the allowed amount of such holder's claim, plus interest at 9% per annum, paid over 8 years.
5. Bank Guaranty Claims	Each allowed Class 5 claim against BFC shall be satisfied in full by performance of the Company's obligations pursuant to the Plan with respect to the bank claims reflected in BFI Class 3.
6. Holders of Braun's Fashions Corporation Common Stock	Each holder of an allowed Class 6 interest will retain such interest, subject to the dilutive and other effects of the Plan.

Claims and interests in BFI are classified into nine classes under the Plan. The following table summarizes the classification of the BFI claims and interests under the Plan:

CLASS	DESCRIPTION OF TREATMENT
1. Secured Claims	Each holder of an allowed Class 1 claim shall receive either: (i) return of collateral in full satisfaction of such secured claim; (ii) payment in cash in an amount equivalent to the lesser of (a) the value of the collateral or (b) the full amount of the secured claim; (iii) treatment of such secured claim in accordance with Section 1124(2) of the Bankruptcy Code; or (iv) such other treatment as may be agreed to in writing by such holder of the secured claim and BFI.
2. Priority Non-Tax Claims	Each holder of an allowed Class 2 claim shall receive: (i) the amount of such holder's allowed claim in one cash payment; or (ii) such other treatment as may be agreed upon in writing by the holder of such claim and BFI.
3. Bank Claims	The holders of allowed Class 3 claims will receive a total of (i) 138,284 shares of Common Stock in BFC and (ii) \$2,313,000 in original principal amount of the New Notes.

4. Trade Claims Each eligible Class 4 claim holder shall receive cash in an amount equal to the allowed amount of such claim.
5. Rejection Claims Per the acceptance of the Plan by BFI Class 5 holders, each holder shall receive cash in an amount equal to 25% of the allowed amount of such claim.
6. General Unsecured Claims Each eligible Class 6 claim holder shall receive, at the election of the Company: (i) cash equal to the allowed amount of such claim; or (ii) the allowed amount of such claim, plus interest at 9% per annum paid over 8 years.
7. Public Debt Guaranty Claims Each public debt guaranty claim against BFI shall be satisfied in full by performance of the Company's obligations pursuant to the Plan with respect to the public debt claims in BFC Class 3.
8. Gift Certificate Claims The Company shall honor each gift certificate claim in the ordinary course of business in accordance with the Company's general practice.
9. Equity Interest Each holder of a Class 9 equity interest will retain such interest.

3

Administrative claims and priority tax claims are not classified under the Plan. In accordance with terms under the Plan, each holder of an allowed claim for an administrative expense shall receive, at the option of the Company: (i) the amount of such holder's allowed claim in one cash payment; (ii) the amount of such holder's allowed claim in accordance with the ordinary business terms of such expense or cost; (iii) such other treatment as may be agreed to in writing by the holders of such administrative expense and the Company.

Each holder of an allowed priority tax claim shall receive, at the option of the Company (i) the amount of such holder's allowed claim in one cash payment; (ii) the amount of such holder's allowed claim, in equal annual cash payments on January 2, 1997 and each anniversary of such date with interest thereon at 9% per annum until the last anniversary of January 2, 1997 that precedes the sixth anniversary of the date of assessment of such allowed claim; or (iii) such other treatment as may be agreed to in writing by the holder of the priority tax claim and the Company.

The percentage of Common Stock to be distributed to creditors is subject to dilution on account of options pursuant to the 1987 Stock Incentive Plan, pursuant to which 710,000 shares of Common Stock are reserved for grants. As of December 3, 1996, the Company had 3,796,512 shares of Common Stock issued and outstanding. It is expected that under the terms of the Plan, the Company will issue 617,516 shares of Common Stock to unsecured creditors in BFC Class 3 and BFI Class 3 in respect to their filed and allowed claims and interests. The Company further expects to issue approximately \$10.3 million in aggregate principal amount of New Notes to the BFC Class 3 and BFI Class 3 creditors pursuant to the Plan.

NORWEST FACILITY

As part of the Plan, the Company entered into a borrowing agreement with Norwest Bank Minnesota, National Association (the "Norwest Revolver") expiring April 1, 1999. The Norwest Revolver provides the Company with revolving credit loans and letters of credit up to \$10 million, subject to a borrowing base formula.

Loans under the Norwest Revolver bear interest at Norwest's base rate plus 3/4%. The interest is payable monthly in arrears. After June 1997, the Norwest Revolver provides for a potential decrease in the interest rate, depending on

the financial performance of the Company (as described in the Norwest

4

Revolver). The Norwest Revolver carries commitment fees of 1/4% of the difference between \$5 million and the average amount outstanding under the facility (including letters of credit). If the average amount outstanding under the facility (including letters of credit) is between \$5 million and \$7.5 million, the commitment fee shall be based on the difference between \$7.5 million, and the average amount outstanding under the facility (including letters of credit) and if the average amount outstanding is in excess of \$7.5 million the commitment fee is on the difference between \$10 million and the average amount outstanding under the facility (including letters of credit). This facility is secured by substantially all of the Company's assets. The borrowing base at December 15, 1996 was \$7.5 million. As of December 15, 1996, the Company had no borrowings and outstanding letters of credit in the amount of \$2.6 million under the Norwest Revolver. Accordingly, the availability of revolving credit loans under the Norwest Revolver was \$4.9 million at that date.

The Norwest Revolver contains, among other things, covenants with respect to (i) capital expenditures, (ii) earnings before interest, taxes, depreciation and amortization, (iii) inventory turnover ratios, (iv) additional indebtedness, (v) investments and (vi) prohibitions on paying dividends.

While the Company was restructuring its operations, the Company had a \$10 million debtor-in-possession Revolving Credit and Security Agreement (the "DIP Facility") with Norwest Bank Minnesota, National Association, subject to a borrowing base calculation. The Company had the ability to request revolving credit loans and the issuance of letters of credit under the DIP Facility. The DIP Facility terminated on December 3, 1996, the effective date of the Plan.

STORE CLOSINGS AND OTHER

In connection with the reorganization, the Company realigned its operations in an effort to improve its long-term profit potential. This realignment enabled the Company to concentrate its efforts on those stores that management believed provided potential for profitability. The Bankruptcy Court entered orders between July 2, 1996 and November 22, 1996 approving the rejection of 49 stores leases. Substantially all of these stores were closed between July 2, 1996 and November 2, 1996. During the second and third quarters of fiscal 1997, the Company recorded a reorganization charge of \$8,171,000, consisting primarily of store closing costs (including the loss on the disposal of fixed assets), lease rejection claims and professional fees.

The Company has also negotiated favorable terms with its landlords on a number of its continuing stores. The Company also elected to reject its former headquarters and distribution center lease and sublease in Eden Prairie, Minnesota in its bankruptcy proceedings.

ASSETS AND LIABILITIES

The following table presents certain information from the Company's balance sheet for the quarter ended August 31, 1996. Reference is made to the Company's Form 10-Q for such period for more detailed information as at such date.

5

ASSETS	AUGUST 31, 1996
Current Assets	\$16,281,455
Equipment and Improvements	11,668,753
Other Assets	115,837

	\$28,066,045

LIABILITIES AND STOCKHOLDER'S EQUITY	AUGUST 31, 1996

Current Liabilities	\$ 4,856,044
Total Long-Term Obligations	771,507
Liabilities Subject to Compromise	18,531,186
Shareholders Equity	3,907,308

Total Liabilities and Stockholders Equity	\$28,066,045

ITEM 7. EXHIBITS.

- 10.1 Second Amended Plan of Reorganization dated October 22, 1996 (the "Plan of Reorganization").
- 10.2 Motion to Approve Technical Amendment to the Plan of Reorganization dated November 19, 1996.
- 10.3 Revolving Credit and Security Agreement dated as of December 2, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: January 13, 1997

BRAUN'S FASHIONS CORPORATION
(Registrant)

By: /s/ Stephen W. Clark

Stephen W. Clark
Vice President and
Chief Financial Officer

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE: Section Chapter 11
 Section
BRAUN'S FASHIONS CORPORATION Section Case No. 96-1030 (HSB)
and BRAUN'S FASHIONS, INC., Section
 Section Jointly Administered
Debtor. Section

MOTION TO APPROVE TECHNICAL AMENDMENTS TO SECOND
AMENDED PLAN OF REORGANIZATION PROPOSED BY THE DEBTORS

TO THE HONORABLE HELEN S. BALICK,
UNITED STATES BANKRUPTCY JUDGE:

Braun's Fashions Corporation ("BFC") and Braun's Fashions, Inc. ("BFI") (collectively, the "Debtors") hereby file this Motion to Approve Technical Amendments to Second Amended Plan of Reorganization Proposed By the Debtors (the "Amendments"). In support of this Motion, the Debtors would respectfully show the Court as follows:

I. JURISDICTION

1. The Court has jurisdiction pursuant to 28 U.S.C. Section 1334. This Motion is a core proceeding under 28 U.S.C. Section 157(b)(2)(A), (L) and (O). The relief requested in this Motion is authorized pursuant to Section 1127 of the Bankruptcy Code, and Rule 3019 of the Federal Rules of Bankruptcy Procedure.

II. BACKGROUND

2. On July 2, 1996 (the "Petition Date"), the Debtors filed their voluntary petition for relief under Chapter 11 of the Title 11 of the United States Code (the "Bankruptcy Code"). Since

the Petition Date, the Debtors have been authorized to operate and manage their assets as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

3. On October 22, 1996, the Debtors filed the Second Amended Plan of Reorganization Proposed By the Debtors (the "Plan"), which was accompanied by the Debtor's Second Amended Disclosure Statement Pursuant to Section 1125 of the United States Bankruptcy Code (the "Disclosure Statement"). On October 23, 1996, the Court approved the Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code.

III. RELIEF REQUESTED

4. The Debtors have filed the Amendments in order to correct inconsistencies in the Plan, respond to and settle potential objections to confirmation of the Plan, and to aid in execution of the Plan. Pursuant to Section 1127(c), subject to compliance with the adequacy-of-disclosure requirements of Section 1125 of the Bankruptcy Code, a proponent of a plan may modify the plan at any time prior to its confirmation. However, by no means does this require the preparation of a new disclosure statement each time a plan modification is proposed. To the contrary, Section 1127(c) only "requires the proponent of a [p]lan modification to comply with [s]ection 1125 if NEW acceptance are solicited." EQUITY MANAGEMENT II CORP. V. CARROLL CANYON ASSOC. (IN RE CARROLL CANYON ASSOC.), 73 B.R. 236, 239 (S.D. Miss. 1987); SEE ALSO IN RE AMERICAN SOLAR KING, 90 B.R. 808, 823 (Bankr. W.D. Tex. 1988) ("Further disclosure occurs only when and to the extent that the debtor intends to solicit votes from previously dissenting creditors or when the modification materially

and adversely impacts parties who previously voted for the plan").

5. Furthermore, modification to a plan may be made pursuant to Rule 3019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), when the proposed

2

modification does not adversely affect the treatment of any claimant under the plan. Although the term "adverse change" in the context of Bankruptcy Rule 3019 is not defined, it is obvious that proposed modifications are not adverse where "[n]one of the changes negatively affects the repayment of creditors, the length of the plan, or the protected property interests of parties in interest." IN RE MOUNT VERNON PLAZA COMMUNITY URBAN REDEVELOPMENT CORP. I., 79 B.R. 305, 306 (Bankr. S.d. Ohio 1987).

6. The proposed modifications described in the Amendments will not cause the Plan, as modified, to fail to comply with the requirements of Sections 1122 and 1123 of the Bankruptcy Code. The proposed modifications do not adversely change the treatment of any claim or interest.

7. For the convenience of the Court and parties in interest, the Amendments are marked to show changes from the Plan as filed on October 22, 1996; deletions are shown as struck through, and additions are double-underlined.

IV. SPECIFIC MODIFICATIONS

8. Section 5.2(c) shall be amended to read in nits entirety as follows:

(c) BFI CLASS 3 - BANK CLAIMS. The holders of the Allowed Bank Claims shall receive, in the aggregate on or as soon as practicable after the Initial Distribution Date, (i) 138,284 shares of common stock in BFC and (ii) New Braun's Notes in the original principal amount of \$2,313,000. In addition, in compromise and settlement of a dispute regarding the amount of the Bank claims, National Bank shall receive an Allowed Administrative Expense in the amount of \$13,400 which shall be paid on the Initial Distribution Date in accordance with Section 4.1(d) of the Plan. Each holder of a Bank Claim may vote directly or through such holder's agent to accept or reject the Plan.

9. Section 15.7 shall be amended to read in its entirety as follows:

3

15.7 PAYMENT OF STATUTORY FEES. All fees payable pursuant to Section 1930 of Title 28 of the United States Code, as determined by the Bankruptcy Code at the Confirmation Hearing shall be paid on or before the Effective Date.

V. CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court grant the relief sought in this Motion and such other and further relief to which the Debtors may be justly entitled.

DATED: November 19, 1996
Wilmington, Delaware

YOUNG, CONAWAY, STARGATT & TAYLOR

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