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Market Scan

### Short Fuse At Circuit City

Ruthie Ackerman, 01.17.09, 12:50 AM EST

**The electronics retailer will liquidate its assets after failing to reel in a buyer.**

**Best Buy Co Inc**  
 04/24/2013 2:11PM ET  
**\$23.76 -0.37 -1.53%**  
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BATS Real-Time Market Data by Xignite

All circuits are down for **Circuit City Stores'** after it failed to find a buyer, leaving it no choice but to liquidate its assets.

On Friday, Circuit City, which filed for **Chapter 11 bankruptcy protection** in November, announced it will liquidate its assets after a deal with creditors and lenders about a potential sale

of the company never materialized. (See "Final Chapter For Circuit City?") The company was expected to show the results of its assets auction at a hearing in U.S. Bankruptcy Court in Richmond, Va., on Friday.

"We are extremely disappointed by this outcome," said Chief Executive James A. Marcum. "The company had been in continuous negotiations regarding a going concern transaction. Regrettably for the more than 30,000 employees of Circuit City and our loyal customers, we were unable to reach an agreement with our creditors and lenders to structure a going-concern transaction in the limited timeframe available, and so this is the only possible path for our company."

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Circuit City said it will provide more details about the plans for the liquidation of the stores and other assets, as well as its Canadian operations. It doesn't expect any value will remain from the bankruptcy estate for shareholders, although that will be determined in the proceedings.

The electronics retailer says it has reached an agreement with liquidators Great American Group, Hudson Capital Partners, SB Capital Group and Tiger Capital Group to sell the merchandise in its 567 U.S. stores after failing to find a buyer or a refinancing deal.

"This may be a warning to all those similar retailers that they need to be very careful about what they're doing," said Carl Tobias, a law professor at the University of Richmond. "I would assume Best Buy would be the heir to at least some of Circuit City's customers."

Credit Suisse analyst Gary Balter agrees that Best Buy stands to gain the most from Circuit City's demise. "Losing Circuit and what had previously been an \$11.0 billion business, in addition

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to share gains from other smaller outlets, should help to partially offset weaker consumer spending as well as further secure Best Buy's position as the leader in the space from both a consumer and supplier standpoint," he said in a note to investors.

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Best Buy's shares soared 8.1%, or \$2.20, to close at \$29.34 on Friday.

Last week, Circuit City said it was negotiating terms of a going concern transaction with two "highly motivated and interested parties" that were considering either providing the company with funding or buying some or all of it. (See "[Circuit City Sparks Interest](#).") The retailer's rivals are also struggling amid the downturn, with **Best Buy** (nyse: [BBY](#) - [news](#) - [people](#)) posting a 6.5% drop in December same-store sales.

The identities of the interested parties were never revealed. A strong possibility is Mexican media mogul Ricardo Salinas Pliego, given that he sees value in the Circuit City name, according to a representative for his media group, Grupo Salinas. (See "[Salinas' Inscrutable Circuit City Strategy](#).") Salinas bought shares in the company as it was spiraling into bankruptcy, building up a 28.1% stake in the ill-fated retailer.

In November, Salinas, who owns Mexico's **TV Azteca** broadcaster and retailer Elektra, said in a filing that he bought the shares "with a view toward possibly seeking influence over the management, business and operations" of Circuit City. "However, no decision in this regard has yet been made," according to the document.

The filing also said Salinas might acquire additional shares and reserves the right to develop plans or proposals regarding the retailer. It added that he may consider participating in transactions that are part of the Chapter 11 proceeding.

Tobias said that it's unclear why Salinas would build up his stake in the company only to let it fall into bankruptcy months later. "Maybe it didn't make sense ultimately," he said.

Earlier this month, Circuit City sought approval from U.S. bankruptcy regulators to formally put the company up for sale either as a [going concern](#) or as separate units and assets.

*The Associated Press contributed to this article.*

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Posted by w zahedi | 01/17/09 05:46 PM EST [Report Abuse](#)

Just got back from Circuit City in Harker Heights, TX. The prices were nothing more than can be found on the internet; not even wholesale pricing. What a fraud; 20% off of retail prices.....

Posted by ardvark65 | 01/17/09 04:26 PM EST [Report Abuse](#)

Its not surprising to see this happen. When i go into Circuit City, Best Buy, etc.. prices are always way higher than if you buy the same thing online. Often i'll go into the store, check out a produ [\[Read More\]](#)

Posted by chris250480 | 01/17/09 02:55 PM EST [Report Abuse](#)

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