

- [Log In](#)
- [Register Now](#)

- [Home](#)
- [Business Day](#)
- [Video](#)



[Lloyds Plans I.P.O. After Branch Sale Collapses](#)



[Hazy Future for S.E.C. Whistle-Blower Effort](#)

[6](#)



[Regulators to Restrict Payday Lending](#)

[13](#)



[MF Global Trustee Sues Firm's 3 Top Executives](#)

[28](#)

[The New York Times](#)

[DealBook](#)

- [Mergers & Acquisitions](#)
- [Investment Banking](#)
- [Private Equity](#)
- [Hedge Funds](#)
- [I.P.O./Offerings](#)
- [Venture Capital](#)
- [Legal/Regulatory](#)

[Legal/Regulatory](#) December 23, 2008, 7:53 am

Circuit City Receives Approval for \$1.1 Billion DIP Loan

By [DEALBOOK](#)

Article Tools

- Facebook
- Twitter
- Google+
- E-mail
- Share
- [Print](#)



Circuit City Stores, the nation's second-biggest electronics retailer, received final approval Monday for \$1.1 billion in debtor-in-possession financing in order to keep operating while it's in Chapter 11 bankruptcy protection, The Associated Press reported.

U.S. Bankruptcy Judge Kevin Huennekens approved the debtor-in-possession loans at a hearing in Richmond, Va. The financing, which replaces a \$1.3 billion asset-backed loan the company had been using, will be used to stock merchandise and pay employees.

Circuit City filed for bankruptcy protection last month as it faced pressure from vendors and consumers who aren't spending. Its Canadian operations filed for similar protection.

Gregg Galardi, an attorney for Circuit City from **Skadden, Arps, Slate, Meagher & Flom**, said that since filing for bankruptcy, the company's sales have been hurt by the weak consumer spending environment and are down between 40 percent and 50 percent.

Mr. Galardi called the financing and restructuring efforts a "bridge to somewhere" and said the company is still pursuing the sale of all of its assets.

Circuit City, which has posted losses for seven of the last eight quarters, plans to keep operating while it develops a reorganization plan to deal with significant declines in traffic and heightened competition from rival **Best Buy** and others.

Circuit City spokesman Bill Cimino told the A.P. in an e-mailed statement that the company is improving its gross margin rate, which is helping to offset lower sales.

The judge also approved a motion to void severance agreements with about 40 former employees, including Philip J. Schoonover, who stepped down as chairman and chief executive in September. Several employees were granted time to file objections because they had not received adequate notice. Employees can still seek payments like other creditors in the case.

Circuit City also was able to break service agreements with **Google** and **National Service Alliance**, and hotel reservation contracts with the MGM Grand Hotel & Casino in Las Vegas and The Jefferson Hotel in Richmond.

The company said the contracts were "financially burdensome and unnecessary," according to court documents. The court filings did not say how much Circuit City would save by voiding the contracts.

Mr. Schoonover, who was replaced by the company's vice chairman, James A. Marcum, was expected to receive at least \$1.8 million in a severance deal after resigning from his post, according to regulatory filings.

The judge also said he would rule at a Jan. 29 hearing on whether Circuit City could break the leases for all but one of the 155 stores it plans to close this month. The company canceled an auction of the leases last week because it received too few bids. Monthly expenses for those leases are about \$6 million, according to court documents.

Circuit City now plans to break a total of 304 leases. That includes 150 leases it had already received approval to break earlier this month for places where it no longer operates stores, which the company said cost \$40 million annually.

[Go to Article from The Associated Press via The New York Times »](#)

Tags

[Circuit City](#)

Related Articles

From DealBook

- [The Probability of a Private Equity Play for Best Buy](#)
- [Bernanke Speaks, and Markets Inch Higher](#)
- Previous Article [For HSBC, Questions of Vitality](#)
- Next Article [Global M&A Volume Slumped in 2008](#)

5 Comments

1. December 23, 2008 8:39 am [Link](#)

Even with this DIP financing I can't see how CC is going to survive. I drove by a 3/4 full parking CC parking lot on my way to the no parking spot Best Buy. That's the story of CC. Once the Xmas season is over everyone will head to their nearest Best Buy to get better service and a more rewarding store experience.

— *hammer*

2. December 23, 2008 1:02 pm [Link](#)

Hammer's observations hold true in Emeryville, CA where both stores operate in close proximity.

An unmentioned factor in CC's collapse was its anti-male advertising. I stopped shopping at CC several years ago because it used to run ads in which male customers were mocked by their wives or girlfriends for buying too much techie stuff. The fashion today in advertising and the entertainment is to portray men as jerks, fools or crooks.

— *MARK KLEIN, M.D.*

3. December 23, 2008 1:51 pm [Link](#)

I was driving past a CC here in the Dallas area a couple of months ago and I was really shocked at the number of cars in the parking lot. The store was sparsely stocked, the employees didn't look to happy to

be there, and it just didn't have the same vibrant feel it used to have many years ago. Being that I prefer to shop at CC rather than Best Buy due to smaller crowds and personalized, helpful staff, I was rather dismayed at the news of the bankruptcy. I hope that CC can overcome this major hurdle, but with sales down by 50% and the economy the way it is, it's not likely that CC will survive much longer.

— *Danielle*

4. 4. December 24, 2008 1:18 am [Link](#)

I stopped shopping there when they fired their long-term staff and replaced or rehired them at much lower rates. This neoliberal capitalism where profit is all that matters, is ethically bankrupt. Companies should pay their employees fair wages.

— *Kristie*

5. 5. January 4, 2009 10:50 pm [Link](#)

CC is still the best place to shop. Employees actually know what they talking about. Bestbuy on the other hand is still one of the worst places to shop at. Their customer service is horrible

— *The truth*

Comments are no longer being accepted.

- Previous Article [For HSBC, Questions of Vitality](#)
- Next Article [Global M&A Volume Slumped in 2008](#)

The Wire

Apr 24, 12:07 pm WSJ.com

[MetroPCS Holders Back Takeover](#)

Apr 24, 11:03 am NYTimes

[Los Angeles Paper Ousts Top Editor](#)

Apr 24, 2:30 am PE HUB

[peHUB First Read](#)

Apr 24, 1:17 am Reuters

[UK retools flagship credit scheme to help small firms](#)

Apr 24, 1:17 am law.com

[Amid Scandals, Deutsche Bank Tries a 'Do-Over'](#)

News by Sector

- [Energy](#)
- [Industrials](#)
- [Cyclical Goods & Services](#)
- [Autos](#)
- [Media](#)
- [Non-Cycl. Goods & Services](#)
- [Food & Beverage](#)

- [Technology](#)
- [Financials](#)
- [Real Estate](#)
- [Basic Materials](#)
- [Health Care](#)
- [Telecom](#)
- [Utilities](#)

More New York Times News by Sector

- [Global](#)
- [Energy](#)
- [Media](#)
- [Tech](#)
- [Health Care](#)

[DealBook: Credit Suisse Posts Higher Profit](#)

The bank reported first-quarter earnings of \$1.4 billion, a large increase from the period a year earlier when it booked large charges on its own debt.

[MetroPCS Shareholders Approve Merger With T-Mobile USA](#)

The deal, first announced in October, had looked set for defeat until this month, when Deutsche Telekom, T-Mobile's parent, gave in to pressure to reduce the combined company's debt.

[DealBook: Lloyds Bank Plans I.P.O. After Branch Sale Collapses](#)

The Lloyds Banking Group says it is planning an initial public offering of part of its branch network after a deal fell through to sell the division to a rival British lender, Co-operative Bank.

[Dot Earth Blog: In Fracking Fight, Opposites Attract](#)

Filmmakers with clashing views of fracking almost meet up at the Tribeca Film Festival.

[Report on U.S. Meat Sounds Alarm on 'Superbugs'](#)

Data show a sizable increase in the amount of meat contaminated with antibiotic-resistant forms of bacteria, like salmonella, E. coli and campylobacter.

[Fisker Broke Down on the Road to Electric Cars](#)

With technical problems, management turmoil and losses, Fisker offers a cautionary tale of alternative-fuel vehicles and government subsidies for start-up businesses.

[Media Decoder: NBCUniversal Plans an 'Upfront' for Its Digital Properties](#)

The decision to hold a standalone event reflected the company's emphasis on interactive entertainment, including chats and playing along with a game show at home.

[Warner Bros. Enlists Walmart Stores to Promote 'Man of Steel'](#)

In an unusual partnership, about a million tickets to early screenings will be put aside for customers at Walmart stores.

[The Caucus: Hacked A.P. Twitter Feed Jars Markets](#)

The Twitter account for The Associated Press was hacked on Tuesday and erroneously sent out a tweet saying there had been explosions at the White House, injuring President Obama.

[ReDigi Loses Suit Over Reselling of Digital Music](#)

A federal judge's ruling could halt the resale of digital music as well as other digital good like e-books.

[The Professor, the Bikini Model and the Suitcase Full of Trouble](#)

A world-renowned physicist meets a gorgeous model online. They plan their perfect life together. But first, she asks, would he be so kind as to deliver a special package to her?

[Winklevoss Brothers Move On From Facebook](#)

The Winklevoss brothers have moved on from their battle with Mark Zuckerberg and are more active than ever.

[Phys Ed: Do We Have to Cool Down After Exercise?](#)

Contrary to what most of us learned in gym class, cooling down after a workout won't substantially improve limberness or reduce muscle soreness. A brief walk after exercise, however, may prevent dizziness by maintaining normal blood flow to the brain.

['Accountable Care' Helping Hospitals Keep Medical Costs Down](#)

The experience of a health system in Chicago shows just how hard it will be to expand its approach, known as "accountable care," and keep costs from resuming their relentless rise.

[Report on U.S. Meat Sounds Alarm on 'Superbugs'](#)

Data show a sizable increase in the amount of meat contaminated with antibiotic-resistant forms of bacteria, like salmonella, E. coli and campylobacter.

DealBook E-Mails and Alerts

Sign up for the DealBook Newsletter, delivered every morning and afternoon, and receive breaking news alerts throughout the day.

[Subscribe](#)

Data delayed at least 15 minutes 04/24/2013 12:40 PM ET

Markets

- [Top Movers](#)
- [U.S.](#)
- [Americas](#)
- [Europe](#)

- [Asia](#)
- [Bonds](#)

[First Solar Inc](#)

+11.8%\$4.76

[Newfield Explorati... Co](#)

+7.9%\$1.56

[Edwards Lifescien... Corp](#)

-23.1%\$19.10

[Robert Half Internati... Inc](#)

-11.2%\$4.11

Get Quotes

Headlines

Apr 23, 2:00 pm

[Will Netflix star in "The Easter Island Effect"?](#)

Apr 22, 5:27 pm

[Mafia and Cyprus may release IPO animal spirits](#)

Apr 19, 3:01 pm

[Is Microsoft the quiet villain of global finance?](#)

Columnists



[The Rules](#)

Lucian A. Bebchuk

-



[Standard Deduction](#)

Victor Fleischer

- [@vicfleischer](#)



[China 中国 Insider](#)

Bill Bishop

- [@niubi](#)



[White Collar Watch](#)

Peter J. Henning

- [@peterjhenning](#)



[Deal Professor](#)

Steven M. Davidoff

- [@StevenDavidoff](#)



[In Debt](#)

Stephen J. Lubben



[The Trade](#)

Jesse Eisinger of ProPublica

- [@eisingerj](#)



[DealBook Column](#)

Andrew Ross Sorkin

- [@andrewsorkin](#)

- [Complete Coverage: DealBook Columnists »](#)

Complete Coverage



[Special Section](#)

Women in a Man's World

- [Graphic: Top Women on Wall St.](#)



[DealBook Conference](#)

Live Blog and Video Report

- [Opportunities for Tomorrow](#)

Complete Coverage



Follow DealBook Anywhere



[Mobile Site](#)

When your need to know is right now.



[DealBook E-Mail Newsletter](#)

Sign up for the latest financial news delivered every morning and afternoon.



[Facebook](#)



[Twitter](#)



[YouTube](#)



[RSS](#)

- [Copyright 2013 The New York Times Company](#)
- [Privacy](#)
- [Terms of Service](#)