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RadioShack Filed for Chapter 11 Bankruptcy Protection

By Chiara Delevati, LLM Candidate 2015 | February 27, 2015

On February 5, 2015 electronics retailer RadioShack Corp. filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware, after reaching a deal to sell up to 2,400 of its stores to the hedge fund Standard General LP, one of the lenders and its largest shareholder.

According to the agreement, General Wireless Inc., an affiliate of Standard General LP, would acquire between 1,500 and 2,400 of the 4,100 RadioShack stores and partner with wireless operator Sprint Corp. to operate around 1,750 of the acquired outlets and create a store-within-a store model nationwide.

Such agreement is however subject to higher bids. Other parties will have an opportunity to submit offers for RadioShack's assets in a court-approved process.

In addition, RadioShack has filed a motion with the Court to proceed with the closure of the remaining company-owned stores under an agreement with Hilco Merchant Resources. RadioShack's foreign subsidiaries and its franchisee-owned stores are not included in the filing. However the company is also evaluating the possibility to sell its remaining overseas assets.

On February 9, U.S. Bankruptcy Judge Brendan Shannon granted interim approval to the $285M financing arrangement with existing lenders, which ultimately will make about $20M in new money available.

The bankruptcy's announcement should come as no surprise. In its bankruptcy petition in Delaware court, RadioShack listed assets of $1.2 billion and liabilities of $1.39 billion, listing between 50,000 and 100,000 creditors.

The company last year also attempted to close around 1,100 stores, but lenders refuse to approve the plan, citing a provision in the loan agreement that limits the retailer to 200 closings a year. RadioShack has suffered from years of losses. The company struggled as shoppers increasingly moved online and faced the tough competition from websites, low-cost rivals and wireless carriers.