

CIRCUIT CITY STORES INC  
Form DEF 14A  
April 30, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CIRCUIT CITY STORES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Circuit City Stores, Inc.**

**9950 Mayland Drive**

**Richmond, Virginia 23233**

**[www.circuitcity.com](http://www.circuitcity.com)**

**<http://investor.circuitcity.com>**

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**Notice of Annual Meeting of Shareholders**

<b>DATE</b>	Tuesday, June 26, 2007
<b>TIME</b>	10:00 a.m. Eastern Daylight Time
<b>LOCATION</b>	The Jepson Alumni Center  The University of Richmond  49 Crenshaw Way  Richmond, Virginia 23173
<b>ITEMS OF BUSINESS</b>	(1) Elect three directors to a three-year term and one director to a two year term; (2) Ratify the appointment of KPMG LLP as the company's independent registered public accounting firm for fiscal year 2008; and (3) Transact any other business that may properly come before the meeting and any adjournments of the meeting.
<b>RECORD DATE</b>	You may vote if you are a shareholder of record on April 19, 2007 (the Record Date ).

Your vote is important. Whether or not you plan to attend the meeting, please vote your proxy as soon as possible. You can vote your shares by completing and returning your proxy card or by voting on the Internet or by telephone. See details under the heading "How do I vote?" If you plan to attend the meeting in person, please see the information on admission procedures under the heading "May I attend the Annual Meeting?" You are cordially invited to attend the meeting.

By Order of the Board of Directors,

Reginald D. Hedgebeth  
Senior Vice President, General Counsel and Secretary

April 27, 2007

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### **QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

#### **Why did I receive these proxy materials?**

This proxy statement was mailed to holders of common stock of Circuit City Stores, Inc. ( Circuit City, the Company, we, us or our ), a Virginia corporation, on or about May 7, 2007. The Circuit City Board of Directors (the Board ) is asking for your proxy. By giving us your proxy, you authorize the proxyholders (Reginald D. Hedgebeth and Robert L. Burrus, Jr.) to vote your shares at the Annual Meeting of Shareholders ( Annual Meeting ) according to the instructions you provide. If the Annual Meeting adjourns or is postponed, your proxy will be used to vote your shares when the meeting reconvenes. A copy of the Annual Report on Form 10-K of the Company for the fiscal year ended February 28, 2007, has been mailed to you with this proxy statement.

#### **May I attend the Annual Meeting?**

You are invited to attend the meeting. It will be held on Tuesday, June 26, 2007, beginning at 10:00 a.m. E.D.T. at The Jepson Alumni Center, The University of Richmond, 49 Crenshaw Way, Richmond, Virginia 23173.

You will need to present photo identification, such as a driver's license, and proof of Circuit City stock ownership as of the record date when you arrive at the meeting. If you hold your shares through a bank, broker or other holder of record and you plan to attend the Annual Meeting, you must present proof of your ownership of Circuit City stock, such as a bank or brokerage account statement, in order to be admitted to the meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Even if you plan to attend the Annual Meeting, please vote your proxy in advance over the Internet, by telephone or by mail.

#### **Who is entitled to vote?**

If you are a shareholder of Circuit City common stock at the close of business on the Record Date of April 19, 2007, you can vote. There were 170,681,424 shares of common stock outstanding and entitled to vote on that date. For each matter properly brought before the Annual Meeting, you have one vote for each share you own.

#### **What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

If your shares are registered directly in your name with Circuit City's transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, the shareholder of record. The Notice of Annual Meeting, Proxy Statement and Annual Report have been sent directly to you by Circuit City.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The Notice of Annual Meeting, Proxy Statement and Annual Report have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the internet.

#### **How do I vote?**

You may vote using any of the following methods:

**Telephone** You can vote by calling the toll-free telephone number on your proxy card. Please have your proxy card in hand when you call. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

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**Internet** You can vote by visiting the Web site for Internet voting listed on your proxy card. Please have your proxy card available when you go online.

**Mail** Be sure to complete, sign and date the proxy card and return it in the enclosed postage-paid envelope.

**In person** You may vote in person at the Annual Meeting.

A valid proxy, if not revoked, will be voted **for** the election of the nominees for director named in this proxy statement and **for** ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008 unless you give specific instructions to the contrary, in which event it will be voted in accordance with those instructions. If your shares are held in street name by your broker, do not follow the above instructions. Instead, follow the separate instructions provided by your broker.

### **Can I change my vote?**

If you are a shareholder of record, you may revoke your proxy or change your vote at any time before it is voted at the Annual Meeting by

completing and mailing to us a proxy card dated later than your last proxy;

submitting a written revocation to the Secretary of Circuit City Stores, Inc. at 9950 Mayland Drive, Richmond, Virginia 23233; or

appearing in person and voting at the Annual Meeting.

If your shares are held in street name by your broker, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker.

To vote in person at the Annual Meeting, you must attend the meeting and cast your vote in accordance with the voting provisions established for the Annual Meeting. Attendance at the Annual Meeting without voting in accordance with the voting procedures will not in and of itself revoke a proxy. If your broker holds your shares and you want to attend and vote your shares at the Annual Meeting, please bring a letter from your broker to the Annual Meeting identifying you as the beneficial owner of the shares and authorizing you to vote.

### **What is a quorum ?**

A quorum consists of a majority of the outstanding shares present, or represented by proxy, at the meeting. A quorum is necessary to conduct business at the Annual Meeting. Inspectors of election will determine the presence of a quorum at the Annual Meeting. You are part of the quorum if you have voted by proxy. Abstentions count as shares present at the meeting for purposes of determining a quorum. Shares held by brokers that are not voted on any matter at the Annual Meeting will not be included in determining whether a quorum is present at the meeting.

### **How are votes counted?**

Currently, our directors are elected by a plurality vote where the four nominees at this 2007 meeting receiving the greatest number of votes cast will be elected. You may vote for or withhold for the election of directors. Shares held by brokers that are not voted in the election of directors will have no effect on the election of directors. Our corporate governance principles, which are available online at <http://investor.circuitcity.com>, set forth our procedure if a director-nominee is elected but receives a majority of withheld votes. In an uncontested election, any director-nominee for whom greater than 50 percent of the outstanding shares are withheld from his or her election would tender his or her resignation for consideration by the Nominating & Governance Committee. The Nominating & Governance Committee would recommend to the Board the action to be taken with respect to such resignation.

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Effective July 1, 2007, however, our Bylaws will be changed to follow a majority vote standard for director elections. At the 2008 Annual Meeting, you will be able to vote for, against or abstain for each director. Each director will then be elected if the number of votes for that director exceeds the number of votes against. Under Virginia law, if a director is not elected at the annual meeting, the director will continue to serve on the Board as a holdover director. To address this, our corporate governance principles will provide that a director in this situation shall tender his or her resignation for consideration by the Nominating & Governance Committee and the full Board.

The appointment of KPMG LLP as the Company's independent registered public accounting firm will be approved if the votes cast in favor of the action exceed the votes cast against it.

Abstentions and broker non-votes will not be considered cast either for or against a matter. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

### **How are shares held in the Employee Stock Purchase Plan voted?**

Participants in the 1984 Circuit City Stores, Inc. Employee Stock Purchase Plan will receive a form to provide voting instructions to Computershare Trust Co., Inc. for the shares of common stock held on each participant's behalf by Computershare, as service provider for the plan. The share amounts on the form will include the shares in your plan account. If you also own shares as a record holder, then the form will also allow you to vote those shares by proxy. Voting instructions should be returned, properly executed, in the envelope provided. Participants in the Employee Stock Purchase Plan may also provide voting instructions by telephone or Internet, as described on the proxy card mailed with this proxy statement. Computershare will vote in accordance with your instructions. If you do not return voting instructions or an executed proxy, Computershare will not vote the shares held in your plan account.

### **Who will pay for the cost of this proxy solicitation?**

Circuit City will pay the cost of soliciting proxies. In addition to the solicitation of proxies by mail, our officers and regular employees, without compensation other than their regular compensation, may solicit proxies by telephone, electronic means and personal interview. We have hired Morrow & Co., Inc. of New York, New York, at an approximate cost of \$7,500 plus out-of-pocket expenses, to assist in the solicitation of proxies of shareholders whose shares are held in street name by brokers, banks and other institutions.

### **Who will count the vote?**

Representatives from our transfer agent, Wells Fargo Shareowner Services, will tabulate the votes.

### **What does it mean if I get more than one proxy or voting instruction card?**

If your shares are registered in more than one name or in more than one account, you will receive more than one card. Please complete and return all of the proxy or voting instruction cards you receive (or vote by telephone or the Internet all of the shares on all of the proxy or voting instruction cards received) to ensure that all of your shares are voted.

### **How do I comment on Company business?**

Space for your comments is provided on the proxy card, or you may send your comments to us in care of the Secretary. Although it is not possible to respond to each shareholder, your comments help us to understand your concerns and address your needs.



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The Board of Directors met eight times during the fiscal year ended February 28, 2007.

Information concerning the current membership of the principal oversight committees of the Board and the number of meetings held during the fiscal year is provided in the tables below.

Each director attended at least 75 percent of the aggregate number of meetings of the Board and the committee(s) on which the director served.

Each person who was a director or director-nominee on June 27, 2006 attended the 2006 Annual Meeting. Meetings of the Board and its committees are held in conjunction with the Annual Meeting of shareholders, and all directors and nominees are expected to attend the Annual Meeting of Shareholders.

All members of the Audit, Nominating & Governance, and Compensation & Personnel Committees are independent, non-management directors. The chair of each committee reports decisions and recommendations to the full Board.

**Audit Committee**

<b>Members</b>	<b>Primary Responsibilities</b>	<b>Meetings</b>
Ronald M. Brill, Chair (1)	Assist Board oversight of (i) the integrity of our consolidated financial statements, (ii) compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence, and (iv) the performance of the internal audit function and independent registered public accounting firm	12
Carolyn H. Byrd		
Allen B. King		
J. Patrick Spainhour		
Carolyn Y. Woo	Appoint, set compensation of, and oversee work of our independent registered public accounting firm, including pre-approval of audit and permitted non-audit services	
	Periodically consult with management, internal audit and the independent registered public accounting firm about our internal controls	

(1) The Board of Directors has determined that Mr. Brill, the committee's Chairman, is an audit committee financial expert.

**Nominating & Governance Committee**

<b>Members</b>	<b>Primary Responsibilities</b>	<b>Meetings</b>
Mikael Salovaara, Chair (2)	Identify individuals qualified to become members of the Board	5
Ursula O. Fairbairn		
Barbara S. Feigin	Recommend director nominees	
James F. Hardyman		

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Alan Kane

Recommend non-employee director compensation and benefits

Coordinate oversight of management succession planning, evaluation of the Chief Executive Officer, and evaluation of the Board and its Committees

Develop and recommend corporate governance principles to the Board

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(2) Lead Director

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**Compensation & Personnel Committee**

<b>Members</b>	<b>Primary Responsibilities</b>	<b>Meetings</b>
Ursula O. Fairbairn, Chair	Review and approve the executive compensation philosophy	5
Barbara S. Feigin		
James F. Hardymon		
Alan Kane	Review and approve executive compensation programs and awards	
Mikael Salovaara		
	Review and recommend to the Board, as applicable, short- and long-term incentive compensation plans	
	Review and recommend to the independent members of the Board the CEO's compensation	
	Review and approve other executives compensation	
	Oversee investment allocations of the funds of the Retirement Plan and performance of fund managers.	

**Corporate Governance Documents Available on the Company's Web Site**

The Board has adopted written charters for the Audit, Nominating & Governance, and Compensation & Personnel Committees. Copies of each of the following documents are available on the Company's investor information home page at <http://investor.circuitcity.com> and in print to any shareholder who requests them from the Company's Secretary at Circuit City Stores, Inc., Attn: Corporate Secretary, 9950 Mayland Drive, Richmond, VA 23233:

Audit Committee Charter

Compensation & Personnel Committee Charter

Nominating & Governance Committee Charter

Corporate Governance Guidelines

Global Code of Business Conduct

In addition, you can find information concerning the Company's strategic planning process, including the Board's active involvement in the process, on the Company's investor information home page at <http://investor.circuitcity.com>.

**Global Code of Business Conduct**

The Board of Directors has adopted the Global Code of Business Conduct, which is a code of ethics that applies to all members of the Board of Directors and Company employees, including the Chief Executive Officer; Chief Financial Officer; and Controller and Chief Accounting Officer. The Company satisfies any disclosure obligations with respect to amendments or waivers of the Code of Business Conduct by posting the information on the Company's investor information Web site at <http://investor.circuitcity.com>.

**Independence**

A director of the Company is considered independent if he or she meets the independence requirements of the New York Stock Exchange. Affiliation with a customer or supplier of goods or services to us is not considered to be material to a determination of a Board member's independence so long as payments in any fiscal year to or from us do not exceed 2 percent of the gross revenues of the customer or supplier, or \$1 million dollars, whichever is greater. Other commercial and business relationships are evaluated by the Board on a case-by-case basis to determine if they constitute a material relationship. Each director and each director-nominee is responsible for disclosing to our legal department all relationships with us that should be taken into account when determining the member's or nominee's independence. Members of the Audit Committee must also meet separate applicable independence requirements under the rules of the New York Stock Exchange adopted in accordance with the Sarbanes-Oxley Act of 2002.

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Based on the foregoing criteria, the Board determined that each of the following directors is independent: Mr. Brill, Ms. Byrd, Ms. Fairbairn, Ms. Feigin, Mr. Hardymon, Mr. Kane, Mr. King, Mr. Salovaara, Mr. Spainhour and Ms. Woo.

All members of the Audit; Compensation & Personnel; and Nominating & Governance Committees satisfy the standards of independence for members of such Committees established under applicable law and New York Stock Exchange listing requirements. The Board of Directors has determined that all members of the Audit Committee are independent as defined in the applicable listing standards of the New York Stock Exchange and the rules of the Securities and Exchange Commission. In addition, the Board of Directors has determined, in its business judgment, that each member of the Audit Committee is financially literate and that Mr. Brill possesses accounting or related financial management expertise.

## **Review of Related Person Transactions**

The Board of Directors adopted a Related Person Transactions Policy for the review, approval or ratification of transactions involving the Company and a Related Person. The term Related Person includes directors, director nominees, executive officers, and 5% or greater shareholders and beneficial owners. In addition, any immediate family members or any firm, corporate or other entity in which one of these people is employed or is a general partner or principal would be a related person.

Under the policy, our legal department requests information from directors and executive officers to identify Related Persons. The information is used to identify any transaction or series of transactions in which the Company is a participant, the amount involved exceeds \$120,000 and a Related Person has a direct or indirect material interest. Proposed or existing transactions that are identified are submitted to the Board of Directors for consideration. Based on all the relevant facts and circumstances, the Board will determine whether or not to approve a transaction and will approve only those transactions that are in the best interests of the Company. If we become aware of an existing transaction that was not approved under this policy, then it will be referred to the Board who will consider all alternatives, including ratification, amendment or termination of the transaction.

We did not have any Related Person Transactions in fiscal year 2007.

## **Additional Information about the Compensation & Personnel Committee**

The Compensation & Personnel Committee uses a consultant from Towers Perrin HR Services to obtain information about market competitiveness, trends and industry compensation practices. Towers Perrin also advises the Compensation & Personnel Committee on the design of our long-term incentive compensation programs. Towers Perrin is engaged by the Compensation & Personnel Committee and reports to the Compensation & Personnel Committee. The compensation consultant attended all the Compensation & Personnel Committee meetings in fiscal year 2007.

Under the terms of the engagement letter between the Compensation & Personnel Committee and Towers Perrin, they assist the Compensation & Personnel Committee with the following:

Providing the Compensation & Personnel Committee with market data for each senior officer position.

Providing the Compensation & Personnel Committee with an independent assessment of management recommendations for changes in the compensation structure and design of individual programs.

Attending all regularly scheduled Compensation & Personnel Committee meetings.

Supporting the Senior Vice President, Human Resources in ensuring that the Company's executive compensation programs are designed and administered consistent with the Compensation & Personnel Committee's requirements.

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Providing periodic support to the Chair and the other members of the Compensation & Personnel Committee. Towers Perrin and the Compensation & Personnel Committee have agreed that no work shall be undertaken for Circuit City outside of the Towers Perrin engagement letter (unless fees are under \$5,000) without prior approval of the Compensation & Personnel Committee's Chair. In this regard, Towers Perrin performed work for management related to analysis of stock-based compensation burn rate and dilution and assisted with preparation of the information shown in the Potential Payments Upon Termination or Change-in-Control section of this proxy statement.

The compensation consultant also advised the Nominating & Governance Committee on setting compensation for non-employee directors. Non-employee director compensation is reviewed annually based upon market data gathered by Towers Perrin for a sample of general industry companies with similar revenues, as well as several specialty consumer electronics retailers. Towers Perrin also provides information concerning current trends in director compensation. Following discussion of this data, the Nominating & Governance Committee provides a recommendation to the Board of Directors concerning compensation for the non-employee directors.

Management provides recommendations to the Compensation & Personnel Committee regarding executive compensation plan design and compensation levels for individual senior executives. The Chief Executive Officer and the Chief Financial Officer review Circuit City's performance goals and financial budget with the Compensation & Personnel Committee for consideration in establishing incentive compensation targets. The Chief Executive Officer is responsible for performance evaluations of the executives who report to him. He communicates the results of those evaluations to the Compensation & Personnel Committee in connection with his recommendations concerning salary increases and pay adjustments for these executives.

### **Non-Employee Director Meetings**

The non-management directors of the Board meet in executive session at each regularly scheduled Board meeting and at other times, when appropriate. These meetings may include discussion with the Chairman and Chief Executive Officer present for a portion of the discussion. The Lead Director, who is also the chair of the Nominating & Governance Committee, generally presides at the meetings of the non-management directors. In addition, the Lead Director undertakes such other responsibilities as the directors designate, including communicating with the Chairman and Chief Executive Officer on behalf of the non-employee directors.

### **Shareholder Recommendations for Director Candidates**

On behalf of the Board, the Nominating & Governance Committee considers director nominees recommended by the Company's shareholders. In accordance with the Company's Bylaws, a shareholder who desires to nominate a person to the Board should submit to the Secretary of the Company written notice of his or her intent to make such nomination. That notice must be given either by personal delivery or by United States mail, postage prepaid, not later than 120 days in advance of the Annual Meeting, or with respect to a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice must set forth:

the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated;

a representation that the shareholder is a record holder of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

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a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and

the consent of each nominee to serve as a director of the Company if so elected.

The Company's Board of Directors embraces the principle that diversity in all respects both strengthens its membership and increases its effectiveness. The Board strives to select for its membership highly qualified individuals who are dedicated to advancing the interests of the Company's shareholders. When vacancies on the Board occur, the Nominating & Governance Committee seeks individuals who, based on their background and qualifications, can promote this goal in conjunction with the other members of the Board. The Committee actively seeks nominees who will bring diverse talents, experiences and perspectives to the Board's deliberations. The Committee would evaluate nominees for director proposed by shareholders in the same manner it evaluates other prospective nominees.

**Communicating with the Board**

Interested parties may communicate with the Lead Director, the non-management directors as a group or the Board of Directors by writing to:

Lead Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

The Board has requested that the Corporate Secretary's office assist with processing of mail addressed to the Board or addressed to individual directors (other than the Lead Director). Communications are distributed to the Board or to the addressee, with copies to other relevant parties such as Committee Chairs or the Lead Director. Solicitations, marketing or other unsolicited vendor information will be excluded unless it pertains to a substantive matter.

Concerns may also be communicated to the Board by calling the following confidential, anonymous, toll-free Alertline telephone number: (800) 296-4948. Any concern relating to accounting, internal accounting controls or auditing matters will be referred both to the Chairman and to the Chair of the Audit Committee.

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**ITEM ONE ELECTION OF DIRECTORS**

The Company's Board of Directors is divided into three classes with staggered three-year terms. The Board, upon the recommendation of the Nominating & Governance Committee, has nominated Barbara S. Feigin, Allen B. King, and Carolyn Y. Woo, whose terms as directors of the Company will expire at the 2007 Annual Meeting, for re-election to the Board.

In addition, the Board, upon the recommendation of the Nominating & Governance Committee, has nominated James F. Hardyman for re-election to a two-year term, to replace Michael E. Foss. Mr. Foss will be resigning from the Board at the June meeting in connection with his departure from the Company to become an executive officer of Petco Animal Supplies, Inc. Although Mr. Hardyman would not otherwise be eligible for re-nomination because of his age, the Board believes that exceptional circumstances exist in this case due to the timing of Mr. Foss departure.

Following Mr. Foss' resignation in June, the size of the Board will be reduced to a total of 11 directors, with Mr. Schoonover serving as the only employee director. The Board has initiated a search for an additional non-employee director but does not expect to complete this process by the date of the Annual Meeting. Your proxy for this Annual Meeting cannot be voted for more than four director nominees. If the Board identifies and appoints an additional non-employee director following the date of the Annual Meeting, that individual will stand for election at the 2008 Annual Meeting and the size of the Board would be increased back to 12 directors.

All nominees have indicated their willingness to serve if elected. If, at the time of the Annual Meeting, any nominee is unable or unwilling to serve as a director then shares represented by properly executed proxies will be voted at the discretion of the persons named in those proxies for such other person as the Board may designate.

Information about the nominees for election as directors and the other directors of the Company whose terms of office do not expire this year appears below.

**Nominees for Election to a Three-Year Term**

**BARBARA S. FEIGIN**, 69, consultant specializing in strategic marketing and branding since February 1999. She served as Executive Vice President, Worldwide Director of Strategic Services and a member of the Agency Policy Council of Grey Global Group, Inc. (formerly Grey Advertising, Inc.), the principal business of which is advertising and marketing communications, from 1983 until her retirement in February 1999. She is a director of VF Corporation. She has been a director of the Company since 1994.

**ALLEN B. KING**, 60, Chairman and Chief Executive Officer of Universal Corporation, a diversified corporation with operations in tobacco and agri-products, and Chairman and Chief Executive Officer of Universal Leaf Tobacco Company, Inc., international buyers and processors of leaf tobacco, since 2003. Prior to his election as Chief Executive Officer, Mr. King was Chief Operating Officer for more than five years. He is a director of Universal Corporation and Universal Leaf Tobacco Co., Inc. He has been a director of the Company since 2003.



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**CAROLYN Y. WOO**, 53, Dean of the Mendoza College of Business, University of Notre Dame, since 1997. She is a director of AON Corporation and NISource, Inc. She has been a director of the Company since 2001.

**Nominee for Election to a Two-Year Term**

**JAMES F. HARDYMON**, 72, retired as Chairman of Textron, Inc. in January 1999. Mr. Hardymon joined Textron, Inc., a public company that produces aircraft, fastening systems, and industrial components and products, in 1989 as President and Chief Operating Officer. He became Chief Executive Officer in 1992 and assumed the title of Chairman in 1993. He is a director of American Standard Companies, Inc. and Lexmark International, Inc. He has been a director of the Company since 1998.

**Directors Whose Terms Do Not Expire This Year**

**RONALD M. BRILL**, 63, Private Investor. Mr. Brill served as Executive Vice President and Chief Administrative Officer of The Home Depot, Inc., a home improvement retailer, from 1995 until 2000 and as a director of the same company from 1987 until 2000. He is a director of Pharmaca Integrative Pharmacy, Inc. He has been a director of the Company since 2002. His present term will expire in 2009.

**CAROLYN H. BYRD**, 58, Chairman and Chief Executive Officer of GlobalTech Financial, LLC, a financial services company, since May 2000. She was President of Coca-Cola Financial Corporation from 1997 to May 2000. She is a director of Rare Hospitality International, Inc. and AFC Enterprises, Inc. She has been a director of the Company since 2001. Her present term will expire in 2008.

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**URSULA O. FAIRBAIRN**, 64, President and Chief Executive Officer of Fairbairn Group LLC, a human resources and executive management consulting company, since April 2005. She served as Executive Vice President, Human Resources and Quality for American Express Company, a diversified global travel and financial services company, from December 1996 until her retirement in April 2005. She is a director of Air Products and Chemicals, Inc., Centex Corporation, Sunoco, Inc. and VF Corporation. She has been director of the Company since 2005. Her present term will expire in 2008.

**ALAN KANE**, 65, Dean of the School of Business and Technology at the Fashion Institute of Technology (FIT) since 2005. From 1997 to 2006, he was Professor of Retailing at the Columbia Graduate School of Business. Before joining the faculty at Columbia, Mr. Kane spent 28 years in the retailing industry with Federated Department Stores, The May Company, Grossman's Inc. and a privately held retailer. He is a director of American Eagle Outfitters. He has been a director of the Company since 2003. His present term will expire in 2008.

**MIKAEL SALOVAARA**, 53, Private Investor. Mr. Salovaara is a retired partner from Goldman, Sachs & Co., an investment banking firm, from 1980 to 1991 and from Greycliff Partners, a merchant banking firm, from 1991 to 2002. He has been a director of the Company since 1995. His present term will expire in 2009.

**PHILIP J. SCHOONOVER**, 47, Chairman, President and Chief Executive Officer of the Company. Mr. Schoonover joined the Company in 2004 as executive vice president and chief merchandising officer. He was elected president in 2005 and chief executive officer in March 2006. Before joining the Company, he was executive vice president - customer segments at Best Buy Co., Inc., from April 2004 until September 2004; executive vice president - new business development from February 2002 until April 2004; and senior vice president merchandising for five years. He has been a director of the Company since December 2005. His present term will expire in 2009.

**J. PATRICK SPAINHOUR**, 57, Chairman and Chief Executive Officer of The ServiceMaster Company, a provider of lawn, housekeeping, pest-control and maintenance services since May 2006. He served as Chairman and Chief Executive Officer of Ann Taylor Stores Corporation, a specialty retailer of women's apparel, shoes and accessories, from 1996 to 2005. He is a director of The ServiceMaster Company and Tupperware Brands Corporation. He has been a director of the Company since 2004. His present term will expire in 2008.

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**2007 NON-EMPLOYEE DIRECTOR COMPENSATION**

During fiscal year 2007, directors who were not employees of Circuit City received a combination of equity-based and cash compensation. Directors who are also employees receive no compensation for service as members of the Board or Board committees. If a director is elected to fill a vacancy between Annual Meetings, the director's cash retainer and equity-based compensation is prorated for the actual period of service.

**Annual Retainer Fees**

The cash compensation for non-employee directors included an annual retainer of \$60,000 for service on the Board and an additional annual retainer of \$5,000 for serving as chair of the Compensation & Personnel or Nominating & Governance Committees. The Lead Director receives an additional retainer of \$5,000 per year. The chair of the Audit Committee receives an additional annual retainer of \$10,000 per year. Retainer fees are paid quarterly. If a non-employee director attends less than 75 percent of the aggregate meetings of the Board and committees on which the director serves during a year, he or she forfeits 50 percent of the annual cash retainer earned for the year.

**Committee Meeting Fees**

Committee meeting fees are paid as follows: (i) \$1,500 for each day of committee meetings attended that are held in person, and (ii) \$750 for each day of committee meetings attended that are held by telephone. No separate fees are paid for Board meetings.

**Payment in Stock**

Non-employee directors may elect to receive a stock grant in lieu of the retainer, meeting fees or other cash compensation to which the director would otherwise be entitled. The number of shares under the stock grant will equal the amount of fees otherwise payable to the director divided by the fair market value of our common stock on the payment date, rounded to the nearest whole share. All cash compensation, and all stock grants in lieu of cash, are paid quarterly on the dates of our regular dividend payments.

**Restricted Stock Units**

The non-employee directors' equity-based compensation for fiscal 2007 was a restricted stock unit grant with a fair market value on the date of grant of \$100,000, which vests one year from the date of grant. Non-employee directors are not permitted to sell or transfer the shares underlying the restricted stock units granted until the shares are fully vested and the non-employee director ceases to be a director of the Company. Restricted stock units are generally awarded on the date of the Annual Meeting. Accordingly, on June 27, 2006, the date of the 2006 Annual Meeting of Shareholders, the 10 non-employee directors were each issued a retainer grant of 3,720 shares of restricted stock units, which vest on June 27, 2007.

**Stock Ownership Guidelines for Directors**

In order to further encourage a link between director and shareholder interests, non-employee directors receive more than half of their director compensation in the form of equity, which they are required to hold while they serve on the Board. Within five years of joining the Circuit City Board, non-employee directors are expected to own an amount of shares or share equivalents equal to five times the annual retainer. Shares or units held by a director under any deferral plan are included in calculating the value of ownership to determine whether this minimum ownership requirement has been met.

**Deferred Compensation**

Non-employee directors may defer all or part of the annual retainer and committee meeting fees under a deferred compensation plan. On the last day of the fiscal year, a non-employee director's deferred cash compensation account is credited with an additional amount equal to the product of (1) the average daily balance credited to the Cash Deferral Account during that fiscal year and (2) a percentage which shall be the average of the five-year Treasury Bill rates in effect on the first business day of each fiscal quarter during such fiscal year plus 30 basis points.

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Non-employee directors may also defer the restricted stock units awarded to them. Unvested restricted stock units and deferred restricted stock units are credited with additional units equal to the fair market value of the cash dividend payable on the non-vested and deferred restricted stock units listed in the 2007 Director Compensation Table below. The additional units earned become vested at the time the related restricted stock units vest. In fiscal 2007, Ms. Byrd, Ms. Fairbairn, Ms. Feigin, Mr. Hardymon, Mr. Kane, Mr. King, Mr. Salovaara, and Mr. Spainhour deferred this stock grant.

**Other Compensation**

Non-employee directors may participate in the Circuit City Foundation's matching gift program. The Foundation will match charitable contributions made by any Circuit City employee up to a total of \$1,000 per year, up to \$5,000 per year for officers and up to a total of \$10,000 per year for non-employee directors.

We pay or reimburse the cost of transportation, lodging and expenses related to Circuit City business and make our aircraft available to transport directors to and from the location of the Board and Committee meetings. On occasion, directors may arrive from or return to a location other than their primary residence or business address due to the timing and schedule for our Board meetings. We calculated the incremental cost to the Company for this travel to other locations when preparing the table shown below. We used the same method described in the notes following the Summary Compensation Table for personal use of corporate aircraft by executive officers.

Directors are covered by our business travel accident insurance policy, which generally covers all employees and directors.

**2007 Director Compensation Table**

The total fiscal 2007 compensation of our Non-Employee Directors is shown in the following table:

Name	Fees Earned or Paid in Cash	Stock Awards	All Other Compensation	Total
	(\$) (1)	(\$) (2) (3)	(\$) (4)	(\$)
Ronald M. Brill	82,750	106,905	0	189,655
Carolyn H. Byrd	72,000	106,905	0	178,905
Ursula O. Fairbairn	72,000	96,281	6,800	175,081
Barbara S. Feigin	70,500	106,905	2,080	179,485
James F. Hardymon	70,750	106,905	10,000	187,655
Alan Kane	68,250	106,905	0	175,155
Allen B. King	72,750	107,551	0	180,301
Mikael Salovaara	77,000	106,905	10,000	193,905
J. Patrick Spainhour	70,500	105,238	10,000	185,738
Carolyn Y. Woo	68,250	106,905	10,000	185,155

- (1) Includes annual retainer, meeting fees, Committee Chair fees and the Lead Director fee. Dollar amounts reflect fees earned as cash compensation, regardless of whether the director has elected to be paid in cash or stock.
- (2) The amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended February 28, 2007, in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payments, of awards pursuant to the Circuit City Stores, Inc. 2003 Stock Incentive Plan and thus may include amounts from awards granted in and prior to fiscal 2007. See Note 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2007 and Note 16 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended

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February 28, 2006 for a description of assumptions underlying valuation of equity awards. Unlike the amount reflected in the consolidated financial statements, this amount does not reflect any estimate of forfeitures related to service-based vesting. Instead, it assumes that the director will perform the requisite service to vest in the award.

- (3) The differences in the amounts shown among Board members reflect length of service: Ms. Fairbairn joined the Board in 2005, Mr. Spainhour joined the Board in 2004 and Mr. King joined the Board in August 2003.

The grant date fair value of stock awards in the table for Mr. Brill, Ms. Byrd, Ms. Feigin, Mr. Hardymon, Mr. Kane, Mr. Salovaara and Ms. Woo is as follows: an award of 3,720 restricted stock units on 6/27/06 with a grant date fair value of \$99,994; an award of 4,813 restricted stock units on 6/21/05 with a grant date fair value of \$79,992; an award of 4,649 restricted stock units on 6/15/04 with a grant date fair value of \$58,624; and an award of 8,114 restricted stock units on 6/15/03 with a grant date fair value of \$60,003.

The grant date fair value of stock awards in the table for Ms. Fairbairn includes the awards made on 6/27/06 and 6/21/05. For Mr. Spainhour, it includes the awards made on 6/27/06, 6/21/05 and 6/15/04. For Mr. King, it includes the awards made on 6/27/06, 6/21/05, 6/15/04 and an award of 7,438 restricted stock units on 9/1/2003 with a grant date fair value of \$76,351.

The following chart provides the number of outstanding stock awards for each director listed in the table above as of February 28, 2007:

Name	Unvested Restricted Stock Units*	Vested Deferred Restricted Stock Units*	Deferred Retainer Units	Non-Qualified Stock Options
Brill	8,538	0	0	8,408
Byrd	8,538	13,025	0	11,153
Fairbairn	6,968	1,611	0	0
Feigin	8,538	14,476	1,451	15,986
Hardymon	8,538	14,476	1,451	15,986
Kane	8,538	13,025	0	0
King	8,538	12,306	0	0
Salovaara	8,538	13,025	0	15,986
Spainhour	8,538	4,754	0	0
Woo	8,538	0	0	12,191

\* includes additional units earned as dividend equivalents

We ceased granting non-qualified stock options and deferred retainer units to Directors in 2002. The options and deferred retainer units shown in the chart above are fully vested and do not impact the value of stock awards listed in the 2007 Director Compensation Table.

- (4) The incremental cost to the Company of perquisites and other personal benefits for each non-employee director did not exceed \$10,000. The amounts in the All Other Compensation column to the 2007 Director Compensation Table represent the matching contributions made by the Circuit City Foundation on behalf of directors.

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**COMPENSATION & PERSONNEL COMMITTEE REPORT**

The Compensation & Personnel Committee has reviewed and discussed with management the Compensation Discussion & Analysis section which follows this report. Based on the review and discussions, the Compensation & Personnel Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in our proxy statement and incorporated by reference into the Annual Report on Form 10-K for the fiscal year ended February 28, 2007.

**Compensation & Personnel Committee**

Ursula O. Fairbairn, Chair

Barbara S. Feigin

James F. Hardymon

Alan Kane

Mikael Salovaara

**COMPENSATION DISCUSSION & ANALYSIS (CD&A)**

**OVERVIEW**

This Compensation Discussion & Analysis (CD&A) is designed to explain the material elements of compensation paid to our executive officers and provide the material factors underlying our compensation policies and decisions. The information in this CD&A provides context for the compensation disclosures in the tables that follow and should be read along with those disclosures. The Compensation & Personnel Committee of the Board of Directors is referred to as the Committee in this CD&A. The terms we and our refer to Circuit City Stores, Inc. When we refer to the named executive officers we are referring to the six individuals listed in the Summary Compensation Table in the 2007 Executive Compensation section.

**Executive Summary**

Our executive compensation program consists of base salary and at-risk compensation, both short- and long-term. The elements of our executive compensation program include base salary, an annual performance-based bonus, long-term incentive awards, retirement programs, perquisites and fringe benefits.

The Committee uses a variety of resources, including tally sheets, competitive market analysis, an independent consultant and the external auditors to make decisions about executive compensation that are consistent with our executive compensation philosophy.

The Committee considers Circuit City's business performance, financial goals and the current industry environment when determining how to apply the Committee's executive compensation philosophy to decisions about executive compensation.

**Background**

Several years ago, Circuit City initiated efforts to re-build our company and chart a new strategic course. A significant part of our turnaround effort has been focused on attracting and retaining a strong management team to lead this business transformation.

To motivate the executive officers to focus on our long-term growth targets and remain with the Company during our transformation, we awarded long-term incentive stock awards in fiscal year 2006 covering a multi-year period. These awards are designed to place a significant portion of their compensation at risk and keep incentives aligned with the business challenges and competitive environment. As executive officers have been hired or promoted, we have made additional awards under this program.



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The Committee, in consultation with management, set aggressive bonus targets for fiscal year 2007. However, this year proved to be challenging for us. We saw intensified gross margin pressures in the second half of the year within the flat panel television category. We have launched efforts to accelerate the timing of planned initiatives to improve sales and gross margin, as well as improve the efficiency of our expense structure. The management team is focused intently on getting our cost structure more in line with today's marketplace.

In the midst of this challenging business climate we made a number of key changes to our executive leadership team. In particular, we have changed our executive management structure to improve execution and accountability, to better align all retail channels and to improve the coordination between merchandising and marketing.

As a result of the difficult business environment and our philosophy that a significant portion of executive compensation should be at-risk, the named executive officers did not receive a bonus this year.

### **EXECUTIVE COMPENSATION PHILOSOPHY**

Our executive compensation program is designed to:

Align compensation with short- and long-term business objectives and the interests of our shareholders.

Attract, motivate, reward and retain executive leadership who will contribute to the long-term success of the company.

Reward achievement of high levels of performance that drive long-term business success and enhance shareholder value.

In conjunction with making decisions concerning executive compensation, the Committee reviews external competitive data prepared by the independent consultant. The total direct compensation opportunity consists of base salary and at-risk incentive compensation, both short- and long-term, and is targeted at the median of the competitive market data.

At-risk incentive compensation plans are structured to align compensation with performance. In aligning compensation with performance, we consider current business conditions and the need to balance short- and longer-term results with the ability to retain, attract and motivate an experienced executive team.

The compensation program is designed to reward both individual performance and company performance that exceeds established goals and objectives. Specifically, we have used two different financial measures for the short- and long-term incentive awards to maintain focus on both earnings per share and longer-term gains in net operating profit margin. Operating profit margin is earnings from continuing operations before income taxes as percentage of net sales and operating revenues. We have chosen to balance the allocation between annual and long-term incentives to ensure executives are motivated to achieve both annual and long-term company goals.

As an executive's responsibility within the organization increases, we allocate a higher portion of his or her salary to at-risk compensation. The target percentage of base salary for payment of the annual performance-based bonus increases from 60% for senior vice presidents to 80% for executive vice presidents and 100% for the chief executive officer. The rationale for this is that as an executive moves higher in the organization, a greater portion of his or her annual and cash-based compensation should be at risk.

### **Market Competitiveness**

The Committee engaged Towers Perrin Human Resources Services to review the



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competitiveness of our executive compensation program for senior executives. This review focused on base salary, target total cash compensation (equal to salary plus target bonus), and target total direct compensation (equal to salary plus target bonus plus the annualized, expected value of long-term incentives).

Based on a review of our executives' job duties, Towers Perrin matched our executive positions to various benchmark positions reported in the following two primary surveys:

Towers Perrin's Executive Compensation Data Bank, which reports data from more than 500 companies across a broad range of industries

Hay Total Remuneration Survey - Retail Industry

The Towers Perrin data provides general industry information while the Hay survey data includes more than 70 retailers that participate in the survey. For positions commonly found across industries, Towers Perrin developed blended going rates based on the average of the 50 percentile retail and general industry data. For positions specific to the retail industry, competitive data was based on the rates in the Hay survey.

Where possible, primary market data was adjusted to correspond to each executive's approximate scope of responsibility. Further, an effort was made to use data based on companies of a similar revenue size.

Towers Perrin also collected available data from proxy statements for the following companies to use as secondary information: The Home Depot, Inc., Target Corp., Sears Holdings Corp., Walgreen Co., Best Buy Co., Inc., Dillard's, Inc., TJX Companies, Inc., Gap Inc., Office Depot Inc., Limited Brands, Inc., Nordstrom, Inc., RadioShack Corp. and Federated Department Stores, Inc.

The results of this work on market competitiveness were used for both the annual base salary review process and for individual compensation decisions in connection with hiring and promotion of executive officers. The Committee uses this information as a tool to achieve the executive compensation philosophy principles stated above.

## **ELEMENTS OF COMPENSATION PROGRAM**

Our ongoing executive compensation program consists of the following elements:

Base Salary

Annual Performance-Based Bonus

Long-Term Incentive Awards

Retirement Programs

Perquisites & Fringe Benefits

In addition, we may provide some of the forms of compensation listed above for a period of time after termination of employment.

### **Base Salary**

Individual base salaries are established in relation to benchmark competitive data and are adjusted to recognize the level of responsibility, business performance, individual performance and internal equity.

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The Chief Executive Officer reviews the performance of the executive officers annually and provides a recommendation to the Committee concerning base salary increases for the executives. The independent consultant provides the Committee competitive market information for base salaries. On average, the senior executive officers as a group received an increase of 3.77% as a result of the annual salary review in fiscal year 2007 related to performance in fiscal year 2006. In making decisions about base salary increases, the Committee also takes into account the impact of such increases on target bonus and total cash compensation.

A number of senior executives were hired during fiscal 2007. In setting their base salaries, the

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Committee took into consideration their compensation levels at their previous employers, the results of competitive market information for the positions they were hired into and their total cash compensation opportunity. In order to recruit these executives, Circuit City also offered one-time equity awards and sign-on bonuses which replaced compensation opportunities forfeited with previous employers or which were otherwise believed necessary to recruit these executives.

**Annual Performance-Based Bonus**

Short-term incentive compensation is designed to reinforce the relationship between executive pay and the company's performance each fiscal year.

The annual performance-based bonus is a cash incentive award that is tied to attainment of company goals that, if achieved, fund the payments under the plan. Senior executives are eligible for target awards in an amount based on a percentage of their base salary. The target levels for the senior executive officer positions, which do not change from year to year, are as follows:

Position	Target bonus	
	percent of base annual salary	Maximum bonus percent of base annual salary
CEO	100%	200%
EVP*	80%	160%
SVP	60%	120%

\*includes the Chief Financial Officer

The amount paid to individual executive officers under the annual performance-based bonus plan is equal to the executive's base annual salary in effect on December 1<sup>st</sup> multiplied by the target bonus percent applicable to their job position and multiplied by the performance level we achieved as a Company. If achieved, attainment of performance levels is certified by the Committee following the end of the fiscal year based on actual results in our audited financial statements.

For fiscal 2007, the Committee set the criteria for the company performance level based upon earnings per share results. We believe that this was an appropriate performance measure for the annual bonus because it is widely accepted, easily understood, reflects our efforts to grow revenue, and takes into account our goal to reduce and leverage expenses. Achievement of this performance goal is determined based on GAAP earnings as reported in our financial statements, excluding the effects of any change(s) in accounting principles. All determinations regarding the achievement of the performance goal are made by the Committee and expenses related to store and facility closures, if any, are included in the results.

Actual payout opportunity for fiscal year 2007 ranged as shown in the table below, with the 100% payout level intended to represent our target performance goal.

FY07 Goal	Performance Levels				
	50%	75%	100%	150%	200%
EPS	\$ 0.75	\$ 0.87	\$ 1.00	\$ 1.15	\$ 1.30

The performance levels shown above were established in connection with projections made in our annual financial planning process at the beginning of the fiscal year. The Committee approved the performance criteria and target levels within the first 90 days of the fiscal year. The Committee approves new targets under the annual performance-based bonus plan each year.

As a result of the challenging competitive environment in the second half of the fiscal year, we did not achieve the earnings per share targets listed above. Consequently, none of the named executive officers who were serving as executives on the last day of the fiscal year received a bonus.

**Long-Term Incentive Awards**

Long-term compensation consists primarily of stock-based awards. Stock-based awards, whether options or restricted shares, may be awarded based on the executive's position, experience and performance.

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In June 2005, we designed our current long-term incentive program that includes a mixture of restricted stock, performance-accelerated restricted stock and non-qualified stock options. We refer to this long-term incentive plan as the LTIP.

The LTIP is designed to be equivalent to the total awards we would otherwise have made over the course of multiple fiscal years. As a result, we did not make an annual equity award to executives or other key employees participating in the LTIP during fiscal year 2007.

Executives who were employed with us when this program was implemented in June 2005 received equity awards at the following levels based upon their position:

Position	Restricted Stock	Performance Accelerated Restricted Stock	Non-Qualified Stock Options
CEO	100,000	100,000	0 <sup>(2)</sup>
President	90,000	90,000	340,000
EVP	65,000	65,000	200,000
SVP <sup>(1)</sup>	35,000	35,000	140,000
SVP	13,500	13,500	54,000

<sup>(1)</sup> SVPs on the Management Executive Committee

<sup>(2)</sup> At the former CEO's request, the options that would have been awarded to him were set aside for use in making Chairman's Awards of restricted stock up to an equivalent value to recognize outstanding performance.

We awarded an equal number of shares of restricted stock and performance-accelerated restricted stock under the LTIP as a balance between retaining these executives through the end of the vesting period and providing an incentive to drive results above our business plans by meeting the criteria for acceleration.

Executives who have been hired or promoted to their current position since June 2005 received awards of a pro-rata number of shares of restricted stock, performance-accelerated restricted stock and stock options in the LTIP. In addition, we have awarded options and restricted stock that is not part of the LTIP to newly hired executives in connection with their employment offer and to current executives as recognition for superior performance.

The restricted stock awards under the LTIP will vest 100% on July 1, 2009. The performance-accelerated restricted stock awards under the LTIP will vest on July 1, 2009, with a provision for earlier accelerated vesting based upon attainment of annual operating profit margin at the following levels, which are cumulative:

Operating Profit Margin	Acceleration of shares
2.3%	25% of shares vest
3.25%	50% of shares vest
4.0%	75% of shares vest
4.5%	100% of shares vest

Operating profit margin is earnings from continuing operations before income taxes as a percentage of net sales and operating revenues, as each is reflected in our annual audited consolidated financial statements.

The non-qualified stock options under the LTIP vest at a rate of one-fourth per year from the grant date.

The equity awards under the LTIP to senior executives include a provision requiring the executive officer to retain at least 50 percent of the shares received upon vesting or exercise, after satisfaction of applicable tax liabilities, until the executive officer meets our stock ownership guidelines.

In addition, the restricted stock awards and the performance-accelerated restricted stock awards under the LTIP contain a performance condition applicable to the named executive officers that will prevent shares from vesting unless our stock price has increased to a specified level by the final vesting date for the award. If the stock price is not at the specified level, then the award will remain restricted until it reaches and maintains

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the required stock price for five consecutive trading days. If that performance condition is not met within three years after the final vesting date, then any shares that had not vested on the final vesting date will be forfeited

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by the named executive officer. This provision is designed to ensure that the awards are fully deductible for tax purposes when they vest. Upon issuance of the award, the time-based restricted stock and performance-accelerated restricted stock are included in our outstanding shares. Dividends are paid on these shares at the regular dividend rate in effect for our common stock. No dividends are paid on stock options.

Mr. Schoonover's total compensation for fiscal year 2007 shown in the Summary Compensation Table includes a one-time award of 1,000,000 non-qualified stock options granted upon his promotion to CEO effective March 1, 2006. These stock options will vest one-third on March 1, 2009, one-third on March 1, 2010 and one-third on March 1, 2011. These stock options have a longer vesting period than our normal terms and conditions because this award is designed to provide a long-term incentive to Mr. Schoonover to lead changes in Circuit City's business that will increase shareholder value. Additionally, the number of options awarded reflects the Committee's belief that the CEO should have a significant stake in the Company as a shareholder. The award of stock options will allow him to acquire shares necessary to achieve his required stock ownership levels.

## **Retirement Programs**

In fiscal year 2005, we substantially froze our pension plan and a related benefit restoration plan for executives. The benefit restoration plan was designed to provide benefits for the senior executives who were affected by the Internal Revenue Code limits on benefits provided under a pension plan. It is a non-qualified defined benefit plan. Freezing the pension and benefit restoration plans were part of changes to our overall retirement program in fiscal 2005.

Executives who were within 10 years of early or normal retirement under the pension plan in fiscal 2005 remained eligible to receive supplemental benefits under the non-qualified benefit restoration plan. Of the current named executive officers, only Mr. Clark and Mr. Jonas remain eligible for benefits under the benefit restoration plan. They will only receive these benefits if they work for us until retirement.

To remain competitive from a benefits perspective, the Committee adopted a Supplemental 401(k) Plan effective March 1, 2005 that, like the benefit restoration plan, is designed to provide benefits for executives affected by the Internal Revenue Code limits on qualified retirement plans. The Supplemental 401(k) plan is designed to mirror the tax-qualified 401(k) plan. It is not designed to provide any additional benefit features to these executives beyond those available under the qualified plan.

The Supplemental 401(k) Plan is an unfunded, non-qualified deferred compensation plan, under which executives may defer up to 40 percent of their compensation and are eligible to receive a matching contribution of up to 4 percent of their compensation less any matching contribution received under the tax-qualified 401(k) plan. These deferral and matching contribution percentages are the same as the percentages under our regular 401(k) plan.

Matching contributions are made following the same formula used for safe harbor matching contributions under the qualified plan and the investment choices are substantially equal to those offered in the qualified plan. For fiscal year 2007, Mr. Schoonover, Mr. Foss and Mr. Jonas participated in the Supplemental 401(k) Plan.

## **Perquisites & Fringe Benefits**

We provide perquisites to the executive officers, as outlined in the chart following the Summary Compensation Table.

Senior Vice Presidents and above are eligible for:

a car allowance of \$858 per month,

a financial planning allowance of up to \$6,000 per year, and

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participation in the Officer Evaluation Program which provides consumer electronics to the executive for personal use and evaluation of the merchandise.

Additionally, the Chief Executive Officer and the Chief Financial Officer are allowed limited personal use of our aircraft. The Chief Executive Officer may use up to 50 hours per year and the Chief Financial Officer may use up to 30 hours per year. These executives are taxed for their personal use of the aircraft based on a standard industry fare level formula, which equates to roughly the cost of first-class airfare. The aggregate incremental cost of the use of the aircraft for these executives is described further under the Summary Compensation Table in the Executive Compensation section.

The Officer Evaluation Program is designed to provide the company with feedback and evaluations concerning merchandise we sell to consumers. In addition, it helps us become more familiar with these products. Executives are allowed to use merchandise with a discounted retail value of up to \$8,000 at any given time under the program. After evaluating a product for 18 months, they must then either return it to us or purchase it at its then current-value. The aggregate incremental cost of this program is described further under the Summary Compensation Table in the 2007 Executive Compensation section.

Senior Vice Presidents and above may also receive:

relocation benefits

merchandise, and

other fringe benefits

We offer relocation benefits to employees when they join the Company. In some cases, the relocation benefits offered to executives are more generous than the relocation benefits that are generally available to other salaried employees.

We incur the cost of travel expenses and merchandise gifts for executives and their spouses in connection with an annual recognition event for our top performing store directors and field personnel. On occasion, we may gross-up the employee's pay for taxes related to imputed income on these gifts. We consider each of these fringe benefits to be business-related but are reporting them as perquisites to provide full disclosure for investors.

We also provide certain benefits to all employees and/or all full-time employees that are not included as perquisites in the Summary Compensation Table for the named executive officers because they are broadly available. This includes health and welfare benefits, an Associate Discount Program on merchandise, adoption assistance, credit union membership, matching gift contributions to qualifying educational and cultural organizations and an employee stock purchase plan.

### **Post-Termination Compensation**

Under our employment agreements and certain plan documents, the named executive officers may be entitled to post-termination compensation in certain cases. These provisions are detailed further and quantified in the section of this proxy statement titled Potential Payments Upon Termination or Change-In-Control.

We provide these benefits to executives because we want their focus to be directed toward business objectives and not disrupted by an actual or rumored change-in-control of the company. Further, we believe that these provisions are necessary to retain key employees during the volatility of our business turnaround and in light of past situations where we were the target of unsolicited offers to acquire the Company. In the event a corporate transaction was being considered, we believe that these provisions would cause the executives to act in the best interest of shareholders without undue concern over how a transaction might affect their personal employment.

To ensure this post-termination compensation is reasonable, the Board of Directors has adopted a policy with respect to employment agreements



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with executive officers that limits benefits payable in the event of a change-in-control. For employment agreements with executive officers entered into after June 21, 2005 (including written amendments to, but excluding automatic renewals of, existing employment agreements), the value of change-in-control severance benefits payable under the agreements, determined as set forth below, may not exceed 2.99 times the sum of the executive officer's base salary plus the most recent bonus paid to the executive officer (or, if no bonus has been paid to the executive officer in the executive officer's current position, the executive officer's target bonus at a 100% payout).

Of the named executive officers, only Mr. Hedgebeth joined us after this provision was implemented, but it applies to all executive officers who enter into new employment agreements with us.

The following are subject to the 2.99x limit:

lump sum severance payments

periodic cash payments

consulting fees (other than fees paid on an hourly or per diem basis for work actually performed)

the value of post-termination employee benefit plan and fringe benefit continuation

additional service credit under our frozen non-qualified defined benefit plan

The value of accelerated vesting of stock options and other long-term incentive awards is not subject to the 2.99x limit, nor is accelerated payment of an amount that would otherwise be due to the executive officer at a later date. We believe that accelerated vesting protects an existing award under a stock incentive plan and does not provide an additional severance benefit. Acceleration of payment is only a timing change and we do not view it as providing an additional severance benefit.

Because excise taxes may be imposed on a portion of change-in-control benefits in some cases, excise tax reimbursement and gross-up payments may still apply in these situations. Such payments do not increase the after tax value of benefits to the executive officer, and therefore, we do not count them for purposes of our 2.99x limit.

Our employment agreements also provide for severance payments in the event of the executive's termination. In the event of a termination without cause or termination by the executive for Good Reason, we will provide cash severance in amounts that range from one times base salary and target bonus up to two times base salary and target bonus plus a pro-rata share of target bonus for the fiscal year in which the termination occurs. Other severance provisions include accelerated vesting of stock that would have vested during the then-current term of the agreement, outplacement services and continuation of employee benefits for up to two years.

**OTHER COMPENSATION POLICIES & PRACTICES**

**Stock Ownership Guidelines**

Our stock ownership guidelines require executives to hold specific levels of our stock in order to ensure focus on long-term success and shareholder value. Consistent with this philosophy, the Committee has implemented stock ownership guidelines for the senior executives as follows:

<b>Job Level</b>	<b># Shares</b>
Chief Executive Officer	325,000
Executive Vice President*	165,000

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Senior Vice President (Management Executive Committee)	85,000
Other Senior Executives	45,000

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\* *includes Chief Financial Officer*

The guidelines were effective July 1, 2004. Executives in their positions at that time have until July 1, 2009 to attain the required minimum level. New executives or those promoted into a new position have five years from their date of hire or promotion to attain the required level.

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Under the guidelines, non-vested restricted stock and stock options do not count toward ownership until all restrictions lapse or options are exercised. Each year, the Committee evaluates management's progress in meeting the target levels.

The guidelines are designed to further align management's long-term interests with that of shareholders by encouraging executives to make a commitment to hold a minimum amount of Circuit City stock. The Committee takes these guidelines into account when making decisions about equity awards to senior executives. Long-term incentive awards are designed to ensure that each executive has the ability to meet their target ownership levels.

Executives who fail to meet these guidelines by the specified date will be expected to hold all shares acquired through stock option exercises, (or the net number of shares remaining after a cashless exercise) until they reach their target level. In addition, these executives will be expected to invest between 25% to 30% of the proceeds from their annual bonus payment until they reach their target level.

## **Stock Option Practices**

We award stock options to senior executive officers. A limited number of non-executives in key roles may also receive options in connection with an employment offer.

Stock option grants and restricted stock awards to senior executives are made at regularly scheduled Committee meetings, which occur every two months. Our Senior Vice President of Human Resources, in consultation with the Chief Executive Officer and the Chief Financial Officer provides the Committee with a recommendation concerning the recipients, the reason for the award and the number of options to be awarded. The Committee is also provided with information concerning stock utilization and the number of shares available under our stock plans. The grant date is the date of the meeting when the options are approved by the Committee. We communicate the fact of the award promptly to the executive and we issue a written award letter setting forth our obligations under the award.

Stock option grants to non-executives in connection with hiring or promotion are granted on the first day of the month following the hire date or effective date of a promotion. The Board delegates authority to the CEO to grant a limited number of equity awards for that purpose and the awards are reported to the Committee at the next regular meeting. We do not use written consents in connection with stock option awards.

We do not coordinate the issuance of stock options with the release or withholding of material non-public information. The date of our regular Committee meetings is established at least one-year in advance without regard to the expected release dates for earnings or other announcements.

Other stock awards are generally made as part of a long-term or annual stock incentive award program and approved by the Committee, with the grant date specified in advance as part of the proposed Committee resolutions.

Stock options are awarded at the fair market value of our stock on the grant date, as defined in the stock incentive plan; no discounted options are awarded. Until December 2006, fair market value was defined in the stock incentive plan as the average of the high and low prices of our stock on the grant date. Effective December 14, 2006, fair market value is now defined in the plan as the closing price on the grant date. This change was made to simplify disclosure for investors under the new proxy statement rules.

## **Prohibition on Repricing and Reloads**

As a matter of policy, our stock incentive plans prohibit the surrender of a stock option in consideration for the grant of a new option with a lower exercise price or for another equity award. We are not allowed to make changes to the plan that would permit this practice without shareholder approval. In addition, the Committee cannot take any action which would reduce the exercise price of a stock option or stock appreciation right, whether by amendment, cancellation or otherwise, after such award is granted.

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### **Executive Compensation Recovery Policy**

It is our policy that we will, to the extent permitted by governing law, require reimbursement of a portion of any performance-based bonus paid to any senior executive officer after March 1, 2007 where

the payment was based on the achievement of certain financial results that were subsequently the subject of a substantial financial restatement, as determined by the non-management members of the Board;

in the view of the non-management members of the Board, the officer personally engaged in fraud or misconduct that caused or partially caused the need for substantial financial restatement; and

a lower payment would have been made to the officer based upon the restated financial results.

In each such instance we will, to the extent practicable, seek to recover the amount by which the individual officer's annual bonus for the relevant period exceeded the lower payment that would have been made to the officer based upon the restated financial results, plus a reasonable rate of interest; provided that we will not seek to recover bonuses paid more than three years prior to the date the applicable restatement is disclosed.

### **Accounting & Tax Considerations**

The Committee considers accounting and tax implications when making compensation decisions.

Under Section 162(m) of the Internal Revenue Code, non-performance based compensation paid to the named executive officers in excess of \$1 million dollars is not tax-deductible. Certain other criteria apply for performance-based compensation to be deductible. Where possible, we try to preserve the tax deductibility of executive compensation. From time to time, we may award compensation that is not fully deductible when deemed necessary by the Committee, balancing tax efficiency with the objectives of our executive compensation philosophy.

In addition, our deduction for personal use of the corporate aircraft by the CEO and CFO is limited because we report this compensation as income to them using a standard industry fare level calculation, but we are required by the Internal Revenue Service to compute the cost of this perquisite to us on a higher non-deductible basis.

**Table of Contents****2007 EXECUTIVE COMPENSATION**

**Summary Compensation Table for Fiscal 2007.** The table below sets forth for the fiscal year ended February 28, 2007, the compensation earned by the Chief Executive Officer, the Chief Financial Officer, the three other most highly compensated executive officers and one individual for whom disclosure would have been required but who was not serving as an executive officer at the end of the fiscal year. We refer to these individuals as our named executive officers.

Name and Principal Position (1)	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (2)	Option Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Non-Qualified Deferred Compensation Earnings (\$) (3)	All Other Compensation (\$) (4)	Total (\$)
<b>Philip J. Schoonover</b>									
<i>Chairman, President &amp; CEO</i>	2007	894,615	0	1,074,852	4,777,004	0		208,477	6,954,948
<b>Michael E. Foss</b>									
<i>EVP, Chief Financial Officer</i>	2007	570,192	0	544,120	504,513	0	713	56,355	1,675,893
<b>George D. Clark, Jr.</b>									
<i>EVP, Multi-channel Sales</i>	2007	523,462	0	517,800	314,557	0	179,865	25,838	1,561,521
<b>Reginald D. Hedgebeth</b>									
<i>SVP, General Counsel &amp; Secretary</i>	2007	337,115	0	307,130	440,326	0		24,559	1,109,129
<b>Eric A. Jonas, Jr.</b>									
<i>SVP, Human Resources</i>	2007	370,192	0	288,058	390,492	0	68,591	49,947	1,167,281
<b>Brian E. Levy</b>									
<i>Former SVP &amp; CEO of InterTAN</i>	2007	215,124	71,433	(199,922)	576,728	0		2,493,442(5)	3,156,805

- (1) Mr. Levy resigned effective March 23, 2006. In addition, Mr. Foss provided notice on February 19, 2007 that he would resign in April 2007. The stock awards and option awards shown for Mr. Levy in the table above reflect the reversal of stock-based compensation expense recognized by the company in fiscal 2007 as a result of his resignation.
- (2) Amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended February 28, 2007, in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 123R, Share-Based Payments, of awards pursuant to the Circuit City Stores, Inc. 2003 Stock Incentive Plan and thus may include amounts from awards granted in and prior to fiscal 2007. See Note 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2007 and Note 16 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2006 for a description of assumptions underlying valuation of equity awards. Unlike the amount reflected in the consolidated financial statements, this amount does not reflect any estimate of forfeitures related to service-based vesting. Instead, it assumes that the executive will perform the requisite service to vest in the award.
- (3) Mr. Schoonover, Mr. Hedgebeth and Mr. Levy are not eligible to participate in the frozen defined benefit plans. Mr. Foss has a frozen pension benefit based on two years of service which would have become vested if he had

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earned five years of service; he is not eligible to receive benefits under the non-qualified benefit restoration plan. Mr. Clark and Mr. Jonas each have a frozen vested pension benefit and are sustained participants in the non-qualified benefit restoration plan. The aggregate annual change in the actuarial present value of accumulated benefits under these plans for Mr. Foss, Mr. Clark and Mr. Jonas are shown above and comprised of the following amounts:

	Change in Pension Benefit Value (\$)	Change in Benefit Restoration Plan Value (\$)
Michael E. Foss	713	0
George D. Clark, Jr.	6,609	173,256
Eric A. Jonas, Jr.	3,107	65,484

(4) All Other Compensation for the named executive officers includes the following:

Name	Year	Company Match Under Defined Contribution Plans	Cost of Basic Life Insurance	Relocation Payment	Company Contribution to Stock Purchase Plan	Payment in Connection with Termination	Matching Contributions by Circuit City Foundation	Perquisites and Other Personal Benefits	Total
		(\$)	(\$)	(\$) (a)	(\$)	(\$)	(\$)	(\$)	(\$)
Schoonover	2007	35,785	1,051	50,000			5,000	116,641(b)	208,477
Foss	2007	22,808	471				2,000	31,077(c)	56,355
Clark	2007	4,554	845				2,500	17,939(d)	25,838
Hedgebeth	2007	2,092	297				1,000	21,169(e)	24,559
Jonas	2007	24,048	4,059				3,250	18,590(e)	49,947
Levy	2007	3,474			3,641	2,483,316	0	3,011(f)	2,493,442

- (a) In connection with his promotion to CEO, Mr. Schoonover was provided with a payment of \$50,000 for relocation expenses that are not otherwise reimbursable by the Company.
  - (b) The amount shown for Mr. Schoonover includes: \$92, 971 representing the incremental cost to Circuit City for personal use of the corporate aircraft. The amount also includes an aggregate of \$23,670 for car allowance, financial planning reimbursement, value of merchandise acquired in fiscal year 2007 through the officer evaluation program and gifts of merchandise.
  - (c) The amount shown for Mr. Foss includes: the incremental cost to Circuit City for personal use of the corporate aircraft (which was less than \$25,000), car allowance, value of merchandise acquired in fiscal year 2007 through the officer evaluation program and gifts of merchandise.
  - (d) The amount shown for Mr. Clark includes: car allowance, value of merchandise acquired in fiscal year 2007 through the officer evaluation program and gifts of merchandise.
  - (e) The amounts shown for Mr. Hedgebeth and Mr. Jonas includes: car allowance, financial planning reimbursement, value of merchandise acquired in fiscal year 2007 through the officer evaluation program and gifts of merchandise.
  - (f) The amount shown for Mr. Levy includes car allowance.
- (5) In connection with his employment agreement, Mr. Levy was entitled upon his termination to receive payments for liabilities assumed by InterTAN Canada, Ltd and guaranteed by Circuit City under the InterTAN, Inc. Deferred Compensation Plan. This deferred compensation was accelerated and paid in a one-time payment of \$2,483,316 on May 30, 2006.

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### **Perquisites**

In accordance with SEC rules, we report the amount of each perquisite that exceeds the greater of \$25,000 or 10% of the aggregate perquisites granted to each named executive officer.

In fiscal 2007, the executive officers were eligible for a car allowance of \$858 per month, reimbursement of financial planning expenses of up to \$6,000 and participation in the officer evaluation program. Under the officer evaluation program, executives may select merchandise for evaluation and personal use. Participants may have a maximum of \$8,000 worth of merchandise at a time. After eighteen months, executives may return the merchandise or purchase the merchandise at a discounted rate. The incremental cost to us is calculated by summing the discounted retail price of each product acquired in fiscal year 2007 by the named executive officer.

We calculate the incremental cost of personal use of our aircraft by calculating fuel cost per mile and adding expenses such as crew expenses, ramp fees, landing fees and catering. We also include the incremental tax expense that is incurred because these executives are taxed for their personal use of the corporate aircraft based on a standard industry fare level formula rather than the full cost of operating the aircraft. We do not include in our calculation non-variable items such as maintenance, labor, parts, engine restoration, crew salaries, hangar, insurance, training and weather monitoring services.

### **2007 Salary Information**

Mr. Schoonover was named Chief Executive Officer effective March 1, 2006 and Chairman of the Board effective June 27, 2006, upon the retirement of former Chairman and CEO, W. Alan McCollough. The Committee approved an increase in Mr. Schoonover's base salary from \$725,000 to \$900,000. The size of the increase reflects the significant increase in his responsibilities as CEO. This amount is approximately \$75,000 less than the base salary of the former CEO, however, reflecting the fact that Mr. Schoonover is new to this position.

As part of the annual performance review in April 2006, Mr. Foss received a base salary increase from \$550,000 to \$575,000, an increase of 4.5%, reflecting his strong performance as CFO and his additional responsibilities for oversight of the international segment operations.

Mr. Clark was promoted to the level of Executive Vice President effective March 1, 2006. He received a base salary increase in connection with this promotion. Mr. Clark's base salary increased to \$525,000 from \$475,000 or 10.5%.

As part of the annual performance review in April 2006, Mr. Jonas received a 7.0% base salary increase from \$350,000 to \$375,000, and Mr. Hedgebeth received a 4.6% base salary increase from \$325,000 to \$340,000.

### **Employment Agreements**

We have employment agreements with each of the named executive officers. Generally, the employment agreements provide for annual salary review and participation in our bonus, stock incentive and other employee benefit programs. Each agreement contains provisions confirming the executive's obligation to maintain confidentiality of our information and not to compete with Circuit City for a specified period of time after his or her employment ends.

These employment agreements address the following termination scenarios:

Termination due to Death or Disability

Termination for Cause

Involuntary Termination by the Company Without Cause

Termination by Executive with Good Reason





