

CIRCUIT CITY STORES INC

FORM 10-K (Annual Report)

Filed 5/26/1995 For Period Ending 2/28/1995

Address	9950 MAYLAND DR RICHMOND, Virginia 23233
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Industry	Retail (Technology)
Sector	Services
Fiscal Year	02/28

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended February 28, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission File No.: 1-5767

CIRCUIT CITY STORES, INC.

(Exact name of Registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
Incorporation or organization)

54-0493875
(I.R.S. Employer
Identification No.)

9950 Mayland Drive
Richmond, VA
(Address of Principal Executive Offices)

23233
(Zip Code)

Registrant's telephone number, including area code: (804) 527-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value \$.50	New York Stock Exchange
Rights to Purchase Preferred Stock, Series E, Par Value \$20.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [].

On May 5, 1995, the Company had 96,607,304 common shares outstanding. The aggregate market value of the common shares held by non-affiliates (without admitting that any person whose shares are not included in determining such value is an affiliate) was \$2,519,796,284 based upon the closing price of these shares as reported by the New York Stock Exchange on May 5, 1995.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in Parts I, II, III, and IV of this Form 10-K Report: (1) Pages 17 through 31 of the Company's Annual Report to Shareholders for the fiscal year ended February 28, 1995 (Parts I, II and IV) and (2) "Election of Directors," "Beneficial Ownership of Securities," "Executive Compensation," "Employment Agreements and Change-in-Control Arrangements," "Compensation of Directors" and "Section 16(a) Compliance" in the May 12, 1995 Proxy Statement, furnished to shareholders of the Company in connection with the 1995 Annual Meeting of such shareholders (Part III).

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PART I

Item 1. Business.

Circuit City Stores, Inc. (the Company) was incorporated under the laws of Virginia in 1949. Its corporate headquarters is located at 9950 Mayland Drive, Richmond, Va. The Company's retail operations consist of Circuit City Superstores, Circuit City electronics-only stores and mall-based Circuit City Express stores. Effective May 1, 1994, all Western region Superstore locations were transferred to and began operating as part of a wholly owned subsidiary called Circuit City Stores West Coast, Inc. The Company has a wholly owned credit card bank subsidiary, First North American National Bank, that extends consumer credit. In addition, the Company is testing CarMax, a retail Superstore format selling late-model used cars.

General. The Company is the nation's largest retailer of brand-name consumer electronics and major appliances and a leading retailer of personal computers and music software. It sells video equipment, including televisions, digital satellite systems, video cassette recorders and camcorders; audio equipment, including home stereo systems, compact disc players, tape recorders and tape players; mobile electronics, including car stereo systems and security systems; home office products, including personal computers, peripheral equipment and facsimile machines; other consumer electronics products, including telephones and portable audio and video products; entertainment software; and major appliances, including washers, dryers, refrigerators, microwave ovens and ranges. Music software, including compact discs and audio tapes, was introduced on a limited basis in fiscal 1993 and was available in almost two-thirds of the Superstores at April 30, 1995.

Each of the Company's store locations follows detailed operating procedures and merchandising programs. Included are procedures for inventory maintenance, advertising, customer relations, store administration, display of merchandise, security and demonstration and sale of products. Each store carries a standard line of products selected at the corporate level and supplied directly to the stores by the Company's regional warehouse distribution facilities.

Expansion. The Company's goal is to secure the leading market share in each market it serves. The benefits of this approach include maximizing competitive position and sales. This approach also maximizes net profit margins since costs, especially advertising, are reduced as a percentage of sales.

Merchandising. Because the Company believes that local markets have individual characteristics which vary greatly by the advertising, merchandising and pricing strategies of competitors, it has organized its marketing function to focus on markets with similar competitive conditions. The Company's operating regions benefit from a centralized buying organization. The central buying staff reduces costs by purchasing in large volumes, structures a sound basic merchandising program and is supported by advanced management information and distribution systems.

The Company's merchandising strategy emphasizes a broad selection of products, including introductory products, and a wide range of prices. Merchandise mix and displays are controlled centrally in an effort to ensure a high level of consistency from store to store. Merchandise pricing and selling strategies vary by market to reflect competitive conditions.

Although suggested retail prices are established by the Company's central merchandising departments, each store manager is responsible for shopping the local competition on a regular basis and has the authority to adjust retail prices to meet market conditions. As part of its competitive strategy, the Company advertises low prices and provides each customer with a low-price guarantee. The Company will beat any legitimate price from a local competitor stocking the same new item in a factory-sealed box. If a customer finds a lower price, including the Company's own sale price, within 30 days, the Company will refund 110 percent of the difference to the customer.

Suppliers. During fiscal 1995, the Company's 10 largest suppliers accounted for approximately 55 percent of merchandise purchased by the Company. The Company's major suppliers include Sony, Packard Bell, Thomson, JVC, Whirlpool, Panasonic, Zenith, Hitachi, General Electric and Kenwood. Brand-name advertised products are sold by all of the Company's retail locations. The Company has no significant long-term contracts for the purchase of merchandise.

In the past, the Company has not experienced any significant difficulty obtaining satisfactory sources of supply and believes that adequate sources of supply exist for the types of merchandise sold in its stores.

Advertising. The Company relies on considerable amounts of advertising and promotion to stimulate Superstore and electronics-only store sales. Expenditures for these items were 4.7 percent of sales in fiscal 1995 (5.1 percent and 5.3 percent in fiscal 1994 and 1993, respectively). The improvement in advertising as a percent to sales was primarily due to comparable store sales growth. Also, as the Company adds new stores in existing markets, the increased sales volume improves the efficiency of existing advertising expenditures. These same efficiencies will be evidenced in the Company's expansion into smaller trade areas, as existing television advertising in neighboring markets already reaches many of these areas. The Company primarily uses print advertising, including multi-page vehicles and run-of-press newspaper ads, for Superstore and electronics-only store advertising. The Company also emphasizes the use of multi-page vehicles to allow a more extensive presentation of the broad selection of products and price ranges it carries. These multi-page vehicles are generally distributed in newspapers but are, in some cases, mailed directly to residences outside the newspapers' area of circulation. Print advertising is supplemented in varying degrees in local markets by television and radio commercials.

Competition. The brand-name consumer electronics and major appliance business engaged in by the Company is highly competitive. The Company's competitors include other full-service retailers, self-service retailers, specialty retailers with differing product selections and services, general merchandise retailers and local independent operators. Over the past three years, the Company's competition has shifted to include more self-service retailers that often offer a more limited product selection but at highly competitive prices.

The Company uses pricing, selection and service to differentiate itself from the competition. As part of its competitive strategy, the Company strives to maintain highly competitive prices and offers every customer the low-price guarantee previously described. The Company's Superstores offer a broad product selection that includes 3,200 to 4,000 name-brand items (excluding music software), depending on the selling square footage of the Superstore. Professionally trained sales counselors, convenient credit options, factory-authorized product repair, home delivery, installation centers for automotive electronics, a toll-free product support line and a 30-day return policy reflect the Company's strong commitment to customer service.

Customer Satisfaction. Extensive market research is conducted to measure the Company's customer service record and to refine the Company's consumer offer. More than 300,000 random telephone surveys are conducted each year to track satisfaction among the Company's existing customer base. In fiscal 1995, the Company added random market share surveys of almost 10,000 consumers purchasing from Circuit City or competitors. These surveys, conducted in 15 markets, establish a benchmark for comparing the Company's performance to that of other retailers. Finally, to provide a detailed understanding of consumer preferences, the Company conducted focus groups with more than 1,000 consumers in four highly competitive markets during fiscal 1995. Statistically valid data collected in these studies clearly indicated that consumers want a high-quality shopping experience and that Circuit City has successfully met that demand.

Training. The Company staffs its stores with commissioned sales counselors, support personnel (cashiers and stockmen), a store manager, one or more sales managers and, in larger stores, an operations manager. In existing markets, all new sales counselors complete approximately two weeks of training, including at least one week of classroom-based sessions. Training in new markets lasts up to five weeks and adds coverage of store merchandising and operations. To successfully complete sales training, all sales counselors must pass a test demonstrating a high level of product knowledge.

Initial sales counselor training is generally conducted at one of seven regional training facilities. Each store includes a designated area for ongoing training that utilizes manuals, computer-based programs and videos developed by the Company's professional trainers. In fiscal 1995, the Company completed a 14,000-square-foot, state-of-the-art video facility designed for the production of high-quality audio, video and computer-based training materials.

Management development programs for store, sales and operations managers include in-store and classroom training. Sessions focus on human resource management, sales management and critical operating procedures. In fiscal 1995, these development programs enabled the Company to assign managers with prior Circuit City management experience to the majority of new-market store openings.

Consumer Credit. Because consumer electronics, personal computers and major appliances represent relatively large purchases for the average consumer, the Company's business is affected by consumer credit availability, which varies with the state of the economy and the location of a particular store. In fiscal 1995, approximately 19 percent of the Company's total sales were made through its private-label credit card and 41 percent through third-party credit sources.

The Company established a subsidiary, First North American National Bank (FNANB), in fiscal 1991 to handle its private-label credit card business. The credit card bank subsidiary is located in Marietta, Ga.

FNANB's credit extension and collection operations are fully automated with state-of-the-art technology. This technology aids FNANB's aggressive collection philosophy, which is comprised of early and frequent contact with delinquent customers.

In addition to increased credit availability, this credit program provides the Company with additional marketing opportunities, including direct mail campaigns to credit card customers and special financing programs for promotions. The new credit program also enhances the Company's customer service philosophy. Interfacing the credit card bank subsidiary with the Company's point-of-sale (POS) system has produced a rapid customer credit approval process. A customer's application can be electronically scored, and qualified customers receive approval in under five minutes.

FNANB sells receivables generated by the credit card programs to non-affiliated entities under asset securitization programs.

In fiscal 1995, the Company partnered with American General Finance, Inc. (AGF) to provide automated credit evaluation for customers who need another installment credit option.

Systems. The Company's in-store POS system maintains an on-line record of all transactions and allows performance to be tracked by region, store and individual sales counselor. The information gathered by the system supports automatic replenishment of in-store inventory from the regional distribution centers and is incorporated into the Company's product buying decisions. The POS system is interfaced with the credit approval systems of both FNANB and AGF.

The Company's proprietary Customer Service Information System maintains an on-line history of customer purchases and enables the Company to better assist individuals with future purchases by ensuring that new products can be integrated with existing products in the home. It also facilitates product returns and product repair. In addition, this system supports Answer City(R), a toll-free product support line. Answer City(R) provides the Company's customers with access to skilled product specialists. From their homes, customers can receive immediate answers to basic questions regarding product usage and installation. This service is only available to Circuit City customers.

Distribution. At April 30, 1995, the Company operated eight automated electronics distribution centers. These centers are designed to serve stores within a 500-mile range. They utilize conveyor systems with laser barcode scanners to reduce labor requirements, prevent inventory damage and maintain inventory control. The Company also operates smaller distribution centers handling primarily appliances and larger electronics products. The Company believes that the use of the distribution centers enables it to efficiently distribute a broad selection of merchandise to its stores, reduce inventory requirements at individual stores, benefit from volume purchasing and maintain accounting control. In addition, the Company operates a centralized distribution center for music software. Virtually all of the Company's Superstore and electronics-only store merchandise is distributed through its distribution centers.

Service. The Company offers service and repair for nearly all the products it sells. Customers are also able to purchase extended warranty plans on most of the merchandise the Company sells.

At April 30, 1995, the Company had 27 regional, factory-authorized repair facilities. To meet customer needs, merchandise needing service or repair usually is moved by truck from the stores to the Company's nearest regional service facility and is returned to the customer at the store after repair. The Company also has in-home technicians who service large items not conveniently carried to a store.

Extended warranty plans extend coverage beyond the normal manufacturer's warranty period, usually with terms of coverage (including the manufacturer's warranty period) between 12 and 60 months. In fiscal 1994, the Company introduced two third-party extended warranty programs. The first of these programs provides in-home service, rather than the in-shop service commonly available in the marketplace, for most personal computer products, including peripheral equipment. This program is provided by General Electric Company, which has a large-scale operation in place to honor these commitments, and is available in most major markets.

The second third-party program covers consumer electronics and major appliances and offers extended service programs backed by insurance from Virginia Surety Company, Inc., a subsidiary of AON Corporation. Virginia Surety carries an A.M. Best Company rating of superior (A+). This program was offered in approximately 65 percent of the Company's Superstores at April 30, 1995.

The Company sells its own extended warranty contracts in markets where the third-party programs are not available.

Seasonality. Like other retail businesses, the Company's sales are greater in the fourth quarter of the fiscal year than in other periods of the fiscal year because of holiday buying patterns. A corresponding pre-seasonal inventory build-up is associated with this sales volume. This increased sales volume results in a lower ratio of fixed costs to sales and produces a higher ratio of operating income to sales in the fourth fiscal quarter. The Company's sales for the fourth fiscal quarter (which includes the Christmas season) were \$1,910,235,000 in fiscal 1995, \$1,406,736,000 in fiscal 1994, and \$1,098,252,000 in fiscal 1993 and represented approximately 34 percent of sales in all three fiscal years.

Employees. On April 30, 1995, the Company had 18,519 hourly and salaried employees and 12,479 sales employees working on a commission basis. Additional personnel are employed during peak selling seasons. Management of the Company considers its relationship with its employees to be good. None of the Company's employees is subject to a collective bargaining agreement.

Item 2. Properties.

At April 30, 1995, the Company's retail operations were conducted in 356 locations. The Company operates four Circuit City Superstore formats with square footage and merchandise assortments tailored to the population and volume expectations for specific trade areas. The "D" format was developed in fiscal 1995 to serve the most populous trade areas. Selling space in the "D" format averages approximately 24,000 square feet with total square footage averaging approximately 42,000. The "D" stores offer the largest merchandise assortment of all the formats. The "C" format is designed to serve moderately smaller trade areas and provides a highly competitive merchandise assortment. New "C" stores typically have about 17,000 square feet of selling space; total square footage for all "C" stores averages approximately 34,000. The "B" format is often located in smaller markets or in trade areas that are on the fringes of larger metropolitan markets. Selling space in these stores averages approximately 10,000 square feet with an average total square footage of approximately 24,000. The "B" stores offer a broad merchandise assortment that maximizes returns in these less populated areas. The "A" format serves the least populated trade areas. Selling space in the existing stores averages approximately 8,000 square feet, and total square footage averages approximately 16,000. The "A" stores feature a layout, staffing levels and merchandise assortment that creates high productivity in the smallest markets.

The five electronics-only stores offer the Company's full line of consumer electronics and a limited selection of major appliances. Selling space in these stores averages approximately 4,000 square feet with an average total square footage of approximately 8,000. The Company's 33 mall-based Circuit City Express stores are located in regional malls, average approximately 3,000 square feet in size and sell small, gift-oriented items.

The following table summarizes the Company's stores as of April 30, 1995:

	D	Superstores		A	Electronics- Only	Mall Stores	Total
		C	B				
Alabama	-	5	-	-	-	-	5
Arizona	1	6	1	-	-	2	10
Arkansas	-	2	-	-	-	-	2
California	1	58	9	-	-	2	70
Delaware	-	1	-	-	-	1	2
District of Columbia	-	-	-	-	-	1	1
Florida	-	26	6	-	-	1	33
Georgia	1	9	3	-	-	-	13
Illinois	4	18	3	-	-	2	27
Indiana	-	1	1	-	-	-	2
Kansas	1	-	-	-	-	-	1
Kentucky	-	5	-	-	-	-	5
Louisiana	-	5	-	-	-	-	5
Massachusetts	1	7	3	-	-	5	16
Maryland	-	11	-	-	2	4	17
Minnesota	-	7	-	-	-	3	10
Missouri	1	8	-	-	-	1	10
Nevada	-	3	-	-	-	-	3
New Hampshire	-	4	-	-	-	1	5
New Jersey	-	4	-	-	-	-	4
New York	-	-	-	-	-	3	3
North Carolina	-	9	2	-	-	-	11
Ohio	3	3	-	-	-	1	7
Oklahoma	-	2	1	-	-	-	3
Oregon	1	3	-	-	-	-	4
Pennsylvania	-	7	-	-	-	1	8
Rhode Island	-	1	-	-	-	-	1
South Carolina	1	4	-	-	-	-	5
Tennessee	-	8	-	-	1	-	9
Texas	-	28	1	2	-	1	32
Utah	4	-	-	-	-	-	4
Virginia	-	11	5	3	-	4	23
Washington	1	2	-	-	-	-	3
West Virginia	-	-	-	-	2	-	2
	20	258	35	5	5	33	356

Of the stores open at April 30, 1995, the Company owns 17 stores (10 of which have land leases) and leases the remaining 339 stores. Three of the owned stores are financed by Industrial Development Revenue Bonds that are collateralized by the applicable land, building, and equipment.

For information with respect to obligations for leases, see note 7 of the Notes to Consolidated Financial Statements on pages 29 and 30 of the Company's 1995 Annual Report to Stockholders, which is incorporated herein by reference.

The Company owns the land but leases the building in which its corporate headquarters is located and leases another building on that site for additional office space. In addition, the Company owns one location used for additional office space and one location leased to others.

The Company owns a 388,000-square-foot consumer electronics/appliance distribution center in Doswell, Va., a 387,000 square-foot consumer electronics/appliance distribution center in Atlanta, Ga., and a 173,000- square-foot electronics/appliance distribution center in Chehalis, Wash. The Virginia and Georgia distribution centers have been financed with Industrial Development Revenue Bonds.

The Company leases space for all warehouse, service and office facilities except for the aforementioned properties.

Item 3. Legal Proceedings.

Because of the nature of the Company's businesses, the Company is a party to various legal proceedings that are incidental to its businesses. Management believes, after consultation with legal counsel, that the outcome of these proceedings will not have a material adverse effect upon the financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended February 28, 1995.

Executive Officers of the Company.

The following table identifies the present executive officers of the Company. The Company is not aware of any family relationship between any executive officers of the Company or any executive officer and any director of the Company. All executive officers are generally elected annually and serve for one year or until their successors are elected and qualify. The next general election of officers will occur in June 1995.

Name	Age	Office
Richard L. Sharp	48	Chairman of the Board, President and Chief Executive Officer
Richard S. Birnbaum	42	Executive Vice President - Operations
W. Stephen Cannon	43	Senior Vice President and General Counsel
Michael T. Chalifoux	48	Senior Vice President, Chief Financial Officer and Corporate Secretary
John A. Fitzsimmons	52	Senior Vice President - Administration
W. Austin Ligon	44	Senior Vice President - Corporate Planning and Automotive
W. Alan McCollough	45	Senior Vice President - Merchandising
William E. Zierden	56	Senior Vice President - Human Resources
Raymond M. Albers	53	Vice President and Chief Information Officer

Mr. Sharp is a director and a member of the Company's executive committee. He joined the Company in 1982 as executive vice president and was elected president in 1984, chief executive officer in 1986, and chairman of the board in 1994.

Mr. Birnbaum joined the Company in 1972. He was elected vice president in 1985, Central Division president in 1986, senior vice president - marketing in 1991, and executive vice president - operations in 1994.

Mr. Cannon joined the Company in April 1994 as senior vice president and general counsel. Prior to joining the Company, he had been since 1986 a partner in Wunder, Diefenderfer, Ryan, Cannon & Thelen, a Washington, D.C., law firm.

Mr. Chalifoux is a director and a member of the Company's executive committee. He joined the Company in 1983 as corporate controller and was elected vice president and chief financial officer in 1988. He was elected senior vice president in 1991 and became corporate secretary in 1993.

Mr. Fitzsimmons joined the Company in 1987 as senior vice president - administration.

Mr. Ligon joined the Company in 1990 as vice president - corporate planning and communications. He was elected senior vice president - corporate planning and communications in 1991. In 1994, Mr. Ligon assumed responsibility for the Company's automotive operations. Prior to joining the Company, he served in various capacities with Marriott Corporation.

Mr. McCollough joined the Company in 1987 as general manager of corporate operations. He was elected assistant vice president in 1989, vice president and Central Division president in 1991, and senior vice president - merchandising in 1994.

Mr. Zierden joined the Company in 1984 as vice president - human resources. He was elected senior vice president - human resources in 1989.

Mr. Albers joined the Company in 1989 as vice president and chief information officer.

Part II

With the exception of the information incorporated by reference from the 1995 Annual Report to Stockholders in Item 2 of Part I and Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV of this Form 10-K, the Company's 1995 Annual Report to Stockholders is not to be deemed filed as a part of this Report.

Item 5. Market for the Company's Common Equity and Related Stockholder Matters.

Incorporated herein by reference is the information appearing under the heading "Common Stock" on page 21 of the Company's 1995 Annual Report to Stockholders.

As of May 5, 1995, there were 8,009 shareholders of record of the Company's common stock.

Item 6. Selected Financial Data.

Incorporated herein by reference is the information appearing under the heading "Reported Historical Information" on page 17 of the Company's 1995 Annual Report to Stockholders.

The Company adopted FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts," as of March 1, 1990. The cumulative effect of adoption was a reduction in earnings of \$53,500,000, net of tax benefit, (\$0.58 per share) in fiscal 1991.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Incorporated herein by reference is the information appearing under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 17 through 21 of the Company's 1995 Annual Report to Stockholders, except for the information appearing on page 21 of such Annual Report under the heading "Common Stock."

Item 8. Financial Statements and Supplementary Data.

Incorporated herein by reference is the information appearing under the headings "Consolidated Statements of Earnings," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows," "Consolidated Statements of Stockholders' Equity," "Notes to Consolidated Financial Statements," and "Independent Auditors' Report," on pages 22 through 31 of the Company's 1995 Annual Report to Stockholders. Incorporated herein by reference is the information appearing under the heading "Note 10. Quarterly Financial Data (Unaudited)" on page 30 of the Company's 1995 Annual Report to Stockholders.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Part III

With the exception of the information incorporated by reference from the Company's Proxy Statement in Items 10, 11, and 12 of Part III of this Form 10-K, the Company's Proxy Statement dated May 12, 1995, is not to be deemed filed as a part of this Report.

Item 10. Directors and Executive Officers of the Company.

The information concerning the Company's directors required by this Item is incorporated by reference to the section entitled "Election of Directors" appearing at pages 1 through 3 of the Company's Proxy Statement dated May 12, 1995.

The information concerning the Company's executive officers required by this Item is incorporated by reference to the section in Part I hereof entitled "Executive Officers of the Company" appearing at page 8.

The information concerning compliance with section 16(a) of the Securities Exchange Act of 1934 required by this Item is incorporated by reference to the section entitled "Section 16(a) Compliance" appearing at pages 12 and 13 of the Company's Proxy Statement dated May 12, 1995.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the sections entitled "Executive Compensation," "Employment Agreements and Change-In-Control Arrangements," and "Compensation of Directors," appearing at pages 6 through 8 and pages 11 and 12 of the Company's Proxy Statement dated May 12, 1995.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item is incorporated by reference to the section entitled "Beneficial Ownership of Securities" appearing at pages 4 and 5 of the Company's Proxy Statement dated May 12, 1995.

Item 13. Certain Relationships and Related Transactions.

None.

Part IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.

(a) The following documents are filed as part of this Report:

1. Financial Statements. The following Consolidated Financial Statements of Circuit City Stores, Inc. and subsidiaries and the related Independent Auditors' Report are incorporated by reference to pages 22 through 31 of the Company's 1995 Annual Report to Shareholders:

Consolidated Statements of Earnings for the fiscal years ended February 28, 1995, 1994 and 1993.

Consolidated Balance Sheets at February 28, 1995 and 1994.

Consolidated Statements of Cash Flows for the fiscal years ended February 28, 1995, 1994 and 1993.

Consolidated Statements of Stockholders' Equity for the fiscal years ended February 28, 1995, 1994 and 1993.

Notes to Consolidated Financial Statements.

Independent Auditors' Report.

2. Financial Statement Schedule. The following financial statement schedule of Circuit City Stores, Inc. for the fiscal years ended February 28, 1995, 1994 and 1993 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Circuit City Stores, Inc.:

II Valuation and Qualifying Accounts and Reserves S-1

Independent Auditors' Report S-2

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits. The Exhibits listed on the accompanying Index to Exhibits immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Report.

(b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K during the last fiscal quarter covered by this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIRCUIT CITY STORES, INC.
(Registrant)

*By s/Richard L. Sharp
Richard L. Sharp
Chairman of the Board,
President and
Chief Executive Officer*

*By s/Michael T. Chalifoux
Michael T. Chalifoux
Senior Vice President,
Chief Financial Officer and
Corporate Secretary*

*By s/Keith D. Browning
Keith D. Browning
Vice President,
Corporate Controller and
Chief Accounting Officer*

May 26, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
Alan L. Wurtzel* Alan L. Wurtzel	Director	May 26, 1995
Michael T. Chalifoux* Michael T. Chalifoux	Director	May 26, 1995
Richard N. Cooper* Richard N. Cooper	Director	May 26, 1995
Douglas D. Drysdale* Douglas D. Drysdale	Director	May 26, 1995
Barbara S. Feigin* Barbara S. Feigin	Director	May 26, 1995
Theodore D. Nierenberg* Theodore D. Nierenberg	Director	May 26, 1995
Walter J. Salmon* Walter J. Salmon	Director	May 26, 1995
Mikael Salovaara* Mikael Salovaara	Director	May 26, 1995
s/Richard L. Sharp Richard L. Sharp	Director	May 26, 1995
Edward Villanueva* Edward Villanueva	Director	May 26, 1995

*By: s/Richard L. Sharp
Richard L. Sharp,
Attorney-In-Fact

The original powers of attorney authorizing Richard L. Sharp and Michael T. Chalifoux, or either of them, to sign this annual report on behalf of certain directors and officers of the Company are included as exhibit 24.

INDEX TO EXHIBITS

(3) Articles of Incorporation and Bylaws

(a) Amended and Restated Articles of Incorporation of the Company, effective January 26, 1990, filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) are expressly incorporated herein by this reference.

(b) Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company effective February 26, 1993, filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) are expressly incorporated herein by this reference.

(c) Bylaws of the Company, as amended and restated April 12, 1995, are filed herewith.

(4) Instruments Defining the Rights of Security Holders, Including Indentures

(a) Rights Agreement dated April 29, 1988, between the Company and Crestar Bank, as Rights Agent, filed as Exhibit (2) to the Company's Form 8-A Registration Statement (File No. 1-5767) filed on May 23, 1988, is expressly incorporated herein by this reference.

(b) \$100,000,000 Credit Agreement dated June 30, 1992, between the Company; Crestar Bank; NationsBank of Virginia, N.A.; Bank of America; N.T. & S.A.; and Signet Bank/Virginia. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, Registrant agrees to furnish a copy of such agreement to the Commission upon request.

(c) First Amendment to Credit Agreement dated September 14, 1994, to the \$100,000,000 Credit Agreement dated June 30, 1992, between the Company; Crestar Bank; NationsBank of Virginia, N.A.; Bank of America, N.T. & S.A.; and Signet Bank/Virginia. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, Registrant agrees to furnish a copy of such agreement to the Commission upon request.

(d) \$100,000,000 term loan agreement dated July 28, 1994, between the Company and the Long-Term Credit Bank of Japan, Limited, as agent. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, Registrant agrees to furnish a copy of such agreement to the Commission upon request.

(10) Material Contracts*

(a) Company's 1988 Stock Incentive Plan, filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1- 5767) is expressly incorporated herein by this reference.

(b) Amendments to the Company's 1988 Stock Incentive Plan filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 1990, (File No. 1-5767) is expressly incorporated herein by this reference.

- (c) Amendment to the Company's 1988 Stock Incentive Plan filed as Exhibit 4(h) to the Company's Registration Statement on Form S-8 (Registration No. 33-50144) filed on July 28, 1992, is expressly incorporated herein by this reference.
- (d) Company's Amended and Restated 1989 Non-Employee Directors' Stock Option Plan, filed as Exhibit A to the Company's Definitive Proxy Statement dated May 12, 1995, for the Annual Meeting of Stockholders to be held on June 13, 1995, is expressly incorporated herein by this reference.
- (e) Company's 1994 Stock Incentive Plan filed as Exhibit 99 to the Company's Registration Statement on Form S-8 (Registration No. 033-56697) filed on December 1, 1994, is expressly incorporated herein by this reference.
- (f) Amendment adopted February 10, 1995, to the Company's 1994 Stock Incentive Plan is filed herewith.
- (g) Employment agreement dated June 21, 1983, between the Company and Alan L. Wurtzel, filed as Exhibit 10(w) to the Company's Registration Statement on Form S-2 (Registration No. 2-83555), is expressly incorporated herein by this reference.
- (h) Amendment dated September 8, 1983, to employment agreement dated June 21, 1983, between the Company and Alan L. Wurtzel, filed as Exhibit 10(h) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) is expressly incorporated herein by this reference.
- (i) Amendment dated December 2, 1986, to employment agreement dated June 21, 1983, between the Company and Alan L. Wurtzel, filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1989, (File No. 1-5767) is expressly incorporated herein by this reference.
- (j) Amendment dated May 24, 1989, to employment agreement dated June 21, 1983, between the Company and Alan L. Wurtzel, filed as Exhibit 10(p) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1990, (File No. 1-5767) is expressly incorporated herein by this reference.
- (k) Amendment dated June 16, 1992, to employment agreement dated June 21, 1983, between the Company and Alan L. Wurtzel, filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) is expressly incorporated herein by this reference.
- (l) Employment agreement between the Company and Richard L. Sharp dated October 17, 1986, and amendment dated August 1, 1989, to the employment agreement, filed as Exhibit 10(m) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) is expressly incorporated herein by this reference.
- (m) Employment agreement dated June 1, 1988, between the Company and John A. Fitzsimmons, filed as Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1989, (File No. 1-5767) is expressly incorporated herein by this reference.

(n) Amendment dated August 1, 1989, to employment agreement dated June 1, 1988, between the Company and John A. Fitzsimmons, filed as Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) is expressly incorporated herein by this reference.

(o) Employment agreement dated June 1, 1988, between the Company and Walter Bruckart, filed as Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1989, (File No. 1-5767) is expressly incorporated herein by this reference.

(p) Amendment dated August 1, 1989, to employment agreement dated June 1, 1988, between the Company and Walter Bruckart, filed as Exhibit 10(q) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1993, (File No. 1-5767) is expressly incorporated herein by this reference.

(q) Amendment dated March 8, 1995, to employment agreement dated June 1, 1988, between the Company and Walter Bruckart is filed herewith.

(r) Employment agreement dated May 25, 1989, between the Company and Michael T. Chalifoux, filed as Exhibit 10(x) to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1991, (File No. 1- 5767) is expressly incorporated herein by this reference.

(s) Amended and restated employment agreement dated May 12, 1995, between the Company and Richard S. Birnbaum is filed herewith.

(t) Company's Annual Performance-Based Bonus Plan filed as Exhibit B to the Company's Definitive Proxy Statement dated May 13, 1994, for the Annual Meeting of Stockholders held on June 14, 1994, (File No. 1-5767) is expressly incorporated herein by this reference.

(13) Annual Report to Stockholders

(21) Subsidiaries of the Company

(23) Consents of Experts and Counsel

Consent of KPMG Peat Marwick LLP to Incorporation by Reference of Independent Auditors' Reports into the Company's Registration Statements on Form S-8.

(24) Powers of Attorney

(27) Financial Data Schedule

* All contracts listed under Exhibit 10 are management contracts, compensatory plans or arrangements of the Company required to be filed as an exhibit.

Schedule II

CIRCUIT CITY STORES, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves
(Amounts in thousands)

Description	Balance at Beginning of Year	Charged to Income	Charge-offs less Recoveries	Balance at End of Year
Reserves deducted from assets to which they apply:				
Year ended February 28, 1993: Allowance for doubtful accounts	\$3,331	\$2,498	\$ (580)	\$5,249
Year ended February 28, 1994: Allowance for doubtful accounts	\$5,249	\$4,604	\$(3,002)	\$6,851
Year ended February 28, 1995: Allowance for doubtful accounts	\$6,851	\$1,292	\$(1,406)	\$6,737

Independent Auditors' Report on Financial Statement Schedule

The Board of Directors
Circuit City Stores, Inc.:

Under date of April 5, 1995, we reported on the consolidated balance sheets of Circuit City Stores, Inc. and subsidiaries (the Company) as of February 28, 1995 and 1994, and the related consolidated statements of earnings, stockholder's equity and cash flows for each of the fiscal years in the three-year period ended February 28, 1995, as contained in the February 28, 1995 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended February 28, 1995. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in Item 14(a)2 of this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

s/KPMG Peat Marwick LLP

*Richmond, Virginia
April 5, 1995*

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Alan L. Wurtzel
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Richard N. Cooper
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Douglas D. Drysdale
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Barbara S. Feigin
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Theodore D. Nierenberg
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Mikael Salovaara
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Walter J. Salmon
Director

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux or Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Edward Villanueva
Director

POWER OF ATTORNEY

I hereby appoint Richard L. Sharp my true and lawful attorney-in-fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

*s/Michael T. Chalifoux
Michael T. Chalifoux, Chief
Financial Officer and Director*

POWER OF ATTORNEY

I hereby appoint Michael T. Chalifoux my true and lawful attorney-in- fact to sign on my behalf, as an individual and in the capacity stated below, the annual report on Form 10-K of Circuit City Stores, Inc. for its fiscal year ended February 28, 1995 and any amendment with such attorney-in-fact may be deemed appropriate or necessary.

s/Richard L. Sharp
Richard L. Sharp, Chief
Executive Office and Director

CIRCUIT CITY STORES, INC.

BY - L A W S

As Amended and Restated as of April 12, 1995

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20. Nominating and Structure Committee

21. Other Committees

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23. Election of Officers

24. Chairman of the Board

(a) Vice Chairman of the Board

25. President

26. Vice Presidents

27. Secretary

28. Assistant Secretary

29. Treasurer

30. Other Officers

31. Compensation

CIRCUIT CITY STORES, INC.

B Y - L A W S

OFFICES

1. **PLACE:** The principal office of the Corporation shall be in the County of Henrico, State of Virginia.

STOCKHOLDERS

2. **PLACE OF MEETING:** Meetings of the stockholders shall be held at the principal office of the Corporation or at such other place which shall be approved by the Board of Directors and designated in the notice of the meeting. Meetings may be held either within or without the State of Virginia.

3. **ANNUAL MEETING:** Commencing with the year 1979, the annual meeting of the stockholders of the Corporation shall be held on the third Wednesday in June of each year, or at such other time and place which shall be approved by the Board of Directors and designated in the notice of meeting. Such meetings may be held either within or without the State of Virginia. At the annual meeting the stockholders shall elect a Board of Directors and transact such other business as may properly be brought before them.

4. **SPECIAL MEETINGS:** Special meetings of the stockholders may be called by the Board of Directors, the Chairman of the Board and the President of the Corporation.

5. **NOTICES:** Written notice by mail shall be given in accordance with Section 36, stating the place, date and hour of a meeting of stockholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote at the meeting not less than ten (10) nor more than fifty (50) days before the date of the meeting, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting. The notice shall be deemed to be given when it is deposited with postage prepaid in the United States mail addressed to the stockholder at the address as it appears on the stock transfer books of the Corporation. Notice of a meeting to act on an amendment of the Articles of Incorporation or on reduction of stated capital or on a plan of merger, consolidation or exchange shall be given in the manner provided above not less than twenty-five (25) nor more than fifty (50) days before the date of the meeting. Such notice shall be

accompanied by a copy of the proposed amendment or plan of reduction or merger, consolidation or exchange.

6. **ADJOURNED MEETINGS:** If a meeting is adjourned for lack of a quorum, any matter which might have properly come before the original meeting may come before the adjourned meeting when reconvened.

7. **VOTING:** Each share of stock shall have one vote on all matters on which stockholders are entitled to vote. A stockholder may vote either in person or by proxy executed in writing by the stockholder or a duly authorized attorney-in-fact.

8. **STOCKHOLDERS ENTITLED TO VOTE:** In lieu of closing the stock transfer books, the Board of Directors shall fix a date which is not more than fifty (50) days in advance of the date on which the particular action is to be taken as the record date for any such determination of stockholders.

9. **QUORUM:** A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. Treasury shares and shares held by a corporation of which the Corporation owns a majority of the shares entitled to vote for the directors thereof shall not be entitled to vote or to be counted in determining the total number of outstanding shares entitled to vote. If a quorum is present, action on a matter, other than the election of directors, is approved if the votes cast favoring the action exceed the votes cast opposing the action. In the election of directors, those receiving the greatest number of votes shall be deemed elected even though not receiving a majority. At each election for directors, every stockholder entitled to vote shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected at that time and for whose election he has a right to vote.

DIRECTORS

10. **RESPONSIBILITY OF DIRECTORS:** The affairs and business of the Corporation shall be under the management of its Board of Directors and such officers and agents as the Board of Directors may elect and employ.

11. **NUMBER OF DIRECTORS:** Effective from April 12, 1995 until the 1995 annual meeting of stockholders, the number of directors shall be ten (10). Effective at the 1995 annual meeting of stockholders, the number of directors shall be nine (9). Except as provided in Section 12(b), directors shall be elected at the annual meeting of stockholders or at a special meeting of the stockholders called for such a purpose. The number of directors may be increased or

decreased from time to time by amendment to these by-laws to the extent permitted by law and by the Corporation's Articles of Incorporation. They shall be elected by the stockholders for terms of three (3) years in the manner set forth in the Articles of Incorporation and shall serve until the election of their successors.

12. (a) **DIRECTORS' NOMINATIONS:** Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders (other than the 1986 annual meeting), 120 days in advance of such meeting, (ii) with respect to an election to be held at the 1986 annual meeting, March 1, 1986 and (iii) with respect to a special meeting of stockholders 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 stockholders.

Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation 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; (c) a description of all arrangements or understandings between the stockholder 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 stockholder; (d) such other information regarding each nominee proposed by such stockholder 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 (e) the consent of each nominee to serve as a director of the Corporation if so elected. The Chairman may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

12. (b) **DIRECTORS' TERM:** No decrease in the number of directors shall have the effect of changing the term of any incumbent director. Unless a director resigns or is removed by the majority vote of the stockholders, every director shall hold office for the term elected or until a successor shall have been elected. Any

vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors; provided, however, that the aggregate number of vacancies resulting from increases in the number of directors which may be created and filled by action of the Board of Directors between annual meetings of stockholders shall be limited to two. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

13. **DIRECTORS' MEETING:** The annual meeting of the directors shall be held immediately after the annual meeting of the stockholders. The Board of Directors, as soon as may be convenient after the annual meeting of the stockholders at which such directors are elected, shall elect from their number a Chief Executive Officer (CEO) who shall be the Chairman of the Board or the President, as the Board shall designate. Special meetings may be called by the CEO, the Board of Directors or any two directors by giving notice of the time and place in accordance with Section 14. Special meetings of the Board of Directors (or any committee of the Board) may be held by telephone or similar communication equipment whereby all persons participating in the meeting can hear each other, at such time as may be prescribed, upon call of the CEO or any two members of the Board. A quorum shall be a majority of the directors. Action may be taken by the directors or a committee of the Board of Directors without a meeting if a written consent, setting forth the action, shall be signed by all of the directors or committee members either before or after such action. Such consent shall have the same force and effect as a unanimous vote.

14. **NOTICE OF MEETING:** At the annual meeting of the Board of Directors each year and at any meeting thereafter, the Board shall designate the dates, times and places of regular meetings of the Board for the ensuing calendar year, and no notice of any kind need be given thereafter with respect to such regular meetings. Notice of any special meeting of the Board shall be by oral, telegraphic or written notice duly given to each director not less than five (5) days before the date of the proposed meeting, but a waiver of notice of such meeting in writing, signed by a director of the Corporation before or after the time stated in such notice, shall be equivalent to the giving of such notice. Attendance at a meeting shall be deemed a waiver of notice of such meeting, unless the sole purpose of attending the meeting shall be to object to the transaction of any business.

15. **COMPENSATION:** Directors shall not receive a stated salary for their services, but directors may be paid a fixed sum and expenses for attendance at any regular or special meeting of the Board of Directors or any meeting of any Committee and such other compensation as the Board of Directors shall determine. A director

may serve or be employed by the Corporation in any other capacity and receive compensation thereafter.

16. **DIRECTOR EMERITUS:** The Board may appoint to the position of Director Emeritus any retiring director who has served not less than three years as a director of the Corporation. Such person so appointed shall have the title of "Director Emeritus" and shall be entitled to receive notice of, and to attend all meetings of the Board, but shall not in fact be a director, shall not be entitled to vote, shall not be counted in determining a quorum of the Board and shall not have any of the duties or liabilities of a director under law.

17. **EXECUTIVE COMMITTEE:** With the approval of a majority of the whole Board of Directors, two or more directors may be designated to constitute an Executive Committee. The Executive Committee may exercise all corporate powers of the Corporation and manage its business and affairs to the same extent as the Board of Directors, subject to the limitations set forth in Section 13.1-689 of the Virginia Stock Corporation Act and any successor legislation thereto. The Board of Directors may at any time, by resolution, limit the powers of the Executive Committee. The Executive Committee may meet at scheduled times or, upon notice to each member, hold a special meeting. The Executive Committee shall keep minutes of its meetings. Vacancies in the membership of the Executive Committee shall be filled by the Board of Directors.

18. **AUDIT COMMITTEE:** The Board of Directors shall appoint each year an Audit Committee, composed exclusively of outside directors, which shall perform such duties as they consider necessary and desirable to properly evaluate and generally supervise the Corporation's accounting procedures including but not limited to the following:

1. Recommend outside auditors to the Board.
2. Determine that the scope of the audit is adequate and approve the audit fee.
3. Review audit results with the outside auditors.
4. Review and approve the retention of the outside auditors to perform non-audit services and approve the fee therefor.
5. Recommend policy for the scope, frequency, and method of internal audit reports and review the results thereof. Develop a direct line of communication with internal auditors, if and when such are employed.

6. Review all filings with the Securities and Exchange Commission.

7. Review pending lawsuits.

8. Review insurance coverage.

The Audit Committee should develop and follow a comprehensive checklist so as to ensure that the Committee's inquiries of the outside auditors and management are systematic in scope. This Committee shall have free access to the outside auditors and to the Corporation's general counsel. Meetings of the Committee should be scheduled not less than three times each year, with a portion of each meeting being held without management representatives present. Minutes of such meetings should be kept and reports made to the entire Board of Directors.

19. **COMPENSATION AND PERSONNEL COMMITTEE:** The Board of Directors shall appoint each year a Compensation and Personnel Committee, which shall be composed of three outside directors, and shall have the following duties:

1. Review and recommend to the Board current management compensation programs including salaries, bonuses and fringe benefits and the creation of new officerships.

2. Review and report to the Board on the funding and adequacy of existing retirement programs, and recommend new programs, if appropriate. (This responsibility does not include investment policy and other responsibilities of the Trustees of the Profit Sharing Fund.)

3. Award and administer pursuant to existing authority, the Corporation's Stock Option and Performance Share Programs and review and recommend similar future programs, if any.

4. Review top management organization, assist the CEO in determining that the Corporation has adequate depth and breadth of management to carry out its expansion programs and to provide for succession in the event of retirement or the unanticipated departure of a key executive.

5. Review the Corporation's programs for attracting, developing and compensating management personnel at lower and middle levels.

20. **NOMINATING AND STRUCTURE COMMITTEE:** The Board of Directors shall appoint each year a Nominating and Structure Committee, which shall be composed of at least three members of the Board. A

majority of the members of the Nominating and Structure Committee shall be outside directors. The functions of this Committee shall include the following:

1. Review the performance and contribution of existing directors for the purpose of recommending whether they be nominated for a successive term.
2. Recommend policies with regard to the size, composition and function of the Board.
3. Suggest persons to fill vacancies on the Board and maintain files on names submitted.
4. Assist the Chairman of the Board in carrying out an orientation program for new directors.
5. Review and recommend to the Board changes and improvements in the functioning of the Board.
6. Review and recommend compensation levels for outside directors.

21. **OTHER COMMITTEES:** The Board of Directors may designate such other committees as it deems advisable. Each committee shall consist of at least two (2) directors and, to the extent provided by the resolution of the Board of Directors, shall have and exercise such powers of the Board of Directors in the management of the business and affairs of the Corporation as may be lawfully delegated.

OFFICERS

22. **OFFICERS:** The officers of the Corporation shall be a President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. In addition, the Board of Directors may elect or the President, if so authorized by the Board of Directors, may appoint one or more Vice Presidents and other officers or assistant officers as may be deemed necessary or advisable to carry on the business of the Corporation. The President shall be a member of the Board of Directors. Any two offices may be combined in the same person except the offices of President and Secretary.

23. **ELECTION AND REMOVAL OF OFFICERS, TERM:** Officers shall be elected at the annual meeting of the Board of Directors immediately following the annual meeting of stockholders or appointed at the time thereof, and may be elected or appointed at such other time or times as the Board of Directors or the persons authorized to make

appointments shall determine. All officers shall hold office, unless removed, until the time of the next annual meeting of the Board of Directors or until their successors are elected. Any officer may resign at any time upon written notice to the President or the Board of Directors, and such resignation shall be effective when notice is delivered unless the notice specifies a later effective date. Elected officers may be removed, with or without cause, at any time by the Board of Directors. Appointed officers may be similarly removed by the persons having the authority to appoint them or by the Board of Directors.

24. **CHAIRMAN OF THE BOARD:** The Chairman of the Board, if one is designated by the Board of Directors, shall preside at all meetings of the Board and of stockholders and perform such other duties as the Board shall assign from time to time.

(a) **VICE CHAIRMAN OF THE BOARD:** The Vice Chairman of the Board, if one is designated by the Board of Directors, shall at the request of or in the absence of the Chairman of the Board, preside at meetings of the Board and of stockholders and, when requested to do so, by the Board, shall perform all of the functions of the Chairman of the Board during the absence or incapacity of the latter.

25. **PRESIDENT:** The President, in the absence of the Chairman of the Board and the Vice Chairman of the Board, shall preside at all meetings of the Board of Directors and stockholders, shall have power to call special meetings of the stockholders and directors for any purpose; may hire, appoint and discharge, subject to the approval of the Board of Directors, employees and agents of the Corporation and fix their compensation; may make and sign deeds, mortgages, deeds of trust, notes, leases, contracts and agreements in the name and on behalf of the Corporation; shall have power to carry into effect all directions of the Board of Directors; and shall have general supervision of the business of the Corporation; and shall have general supervision of the business of the Corporation, except as may be limited by the Board of Directors, the Articles of Incorporation, or these bylaws.

26. **VICE PRESIDENT:** Such Vice Presidents, in the order designated by the Board of Directors from time to time, shall exercise all of the functions of the President during the absence or incapacity of the latter.

27. **SECRETARY:** The Secretary shall be the ex-officio clerk of the Board of Directors and shall give, or cause to be given, notices of all meetings of stockholders and directors, and all other notices required by law or by these by-laws. The Secretary shall record the proceedings of the meetings of the stockholders and directors in a book kept for that purpose and shall keep the seal of the

Corporation and attach it to all documents requiring such impression unless some other officer is designated to do so by the Board of Directors. The Secretary shall also perform such other duties as may be assigned by the Board of Directors.

28. ASSISTANT SECRETARY: There may be one or more Assistant Secretaries who shall exercise all of the functions of the Secretary during the absence or incapacity of the latter and such other duties as may be assigned from time to time by the Board of Directors.

29. TREASURER: The Treasurer shall keep or cause to be kept full and accurate books of account, and may make and sign deeds, mortgages, deeds of trust, notes, leases, contracts and agreements in the name and on behalf of the Corporation. Whenever required by the Board of Directors or the President, the Treasurer shall render a financial statement showing all transactions of the Treasurer and the financial condition of the Corporation.

30. OTHER OFFICERS: There may be one or more Assistant Vice Presidents, Assistant Treasurers, Controller or Assistant Controllers, who shall perform such duties as may be assigned from time to time by the Board of Directors.

31. COMPENSATION: The compensation of all officers of the Corporation shall be fixed by the Board of Directors.

RECORDS

32. FORM OF STOCK CERTIFICATE: The certificates of stock of the Corporation shall be numbered and entered in the books of the Corporation as they are issued. They shall be signed manually or by the use of a facsimile signature, by the Chairman of the Board, by the President or a Vice President designated by the Board of Directors and countersigned by the Secretary or an Assistant Secretary. They shall bear the corporate seal or a facsimile thereof. The Board of Directors of the Corporation may issue scrip in registered or bearer form, which shall entitle the holder to receive a certificate for a full share. Scrip shall not entitle the holder to exercise voting rights or to receive dividends thereon or to participate in any of the assets of the Corporation in the event of liquidation. The Board may cause scrip to be issued subject to the condition that it shall become void if not exchanged for certificates representing full shares before a specified date or subject to any other conditions that it may deem advisable. No fractional shares shall be issued.

33. LOST CERTIFICATES: The President or Secretary may direct a new certificate or certificates to be issued in place of any lost

or destroyed certificate or certificates previously issued by the Corporation if the person or persons who claim the certificate or certificates make an affidavit stating the certificates of stock have been lost or destroyed. When authorizing the issuance of a new certificate or certificates, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or the legal representative, to advertise the same in such manner as the Corporation shall require and/or to give the Corporation a bond, in such sum as the Corporation may direct, to indemnify the Corporation with respect to the certificate or certificates alleged to have been lost or destroyed.

34. **TRANSFER OF STOCK:** Upon surrender to the Corporation, or to the Transfer Agent of the Corporation, if any, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

35. **REGISTERED STOCKHOLDERS:** The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person. The Corporation shall not be liable for registering any transfer of shares which are registered in the name of a fiduciary unless done with actual knowledge of facts which would cause the Corporation's action in registering the transfer to amount to bad faith.

OTHER MATTERS

36. **NOTICES:** Each stockholder, director and officer shall furnish in writing to the Secretary of the Corporation the address to which notices of every kind may be delivered or mailed. If such person fails to furnish an address, and the Post Office advises the Corporation that the address furnished is no longer the correct address, the Corporation shall not be required to deliver or mail any notice to such person. Whenever notice is required by applicable law, the Articles of Incorporation or these by-laws, a written waiver of such notice signed before or after the time stated in the waiver or, in the case of a meeting, the attendance of a stockholder or director (except for the sole purpose of objecting) or, in the case of a unanimous consent, the signing of the consent, shall be deemed a waiver of notice.

37. **REGISTERED OFFICE AND AGENT:** The Corporation shall at all times have a registered office and a registered agent.

38. **CORPORATE RECORDS:** The Corporation shall keep correct and complete books and records of accounts and minutes of the stockholders' and directors' meetings, and shall keep at its registered office or principal place of business, or at the office of its transfer agent, if any, a record of its stockholders, including the names and addresses of all stockholders and the number, class, and series of the shares held by each. Any person who shall have been a stockholder of record for at least six months immediately preceding demand, or who shall be the holder of record of at least five percent (5%) of all the outstanding shares of the Corporation, upon written request stating the purpose therefor, shall have the right to examine, in person or by agent or attorney, at any reasonable time or times, for any proper purpose, the books and records of account of the Corporation, minutes and record of stockholders, and to make copies or extracts therefrom.

39. **REQUEST FOR FINANCIAL STATEMENT:** Upon the written request of any stockholder, the Corporation shall mail to the stockholder its most recent published financial statement.

40. **VOTING STOCK IN OTHER CORPORATIONS:** Unless otherwise provided by the Board of Directors, the President, in the name and on behalf of the Corporation, may appoint from time to time himself or any other person (or persons) proxy, attorney or agent for the Corporation to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, domestic or foreign, whose stock or securities are held by the Corporation, or to consent in writing to any action by such other corporation, or to exercise any or all other powers of this Corporation as the holder of the stock or other securities of such other corporation. The President may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of the Corporation and under its corporate seal such written proxies, consents, waivers, or other instruments as may be deemed necessary or proper. The President may attend any meeting of the holders of stock or other securities of any such other corporation and vote or exercise any or all other powers of this corporation as the holder of the stock or other securities of such other corporation.

41. **SEAL:** The seal of the Corporation shall be a flat faced circular die containing the word "SEAL" in the center and the name of the Corporation around the circumference.

42. **AMENDMENT OF BY-LAWS:** The power to alter, amend or repeal the by-laws or adopt new by-laws shall be vested in the Board of Directors unless otherwise provided in the Articles of Incorporation. By-laws adopted by the Board of Directors may be

repealed or changed or new by-laws adopted by the stockholders, and the stockholders may prescribe that any by-law adopted by them may not be altered, amended or repealed by the Board of Directors.

43. FISCAL YEAR: The fiscal year of the Corporation shall end on the last day of February in each year.

44. GENERAL: Any matters not specifically covered by these by-laws shall be governed by the applicable provisions of the Code of Virginia in force at the time.

EXHIBIT 21

CIRCUIT CITY STORES, INC.

Subsidiaries of the Company

Subsidiary	Jurisdiction of Incorporation or Organization
Acme Commercial Corporation	Virginia
CC Distribution Company of Virginia, Inc.	Virginia
Circuit City Stores West Coast, Inc.	California
First North American National Bank	National Bank Located in Georgia
Northern National Insurance Ltd.	Bermuda
Patapsco Designs, Inc.	Maryland

EXHIBIT 23

Consent of Independent Auditors

The Board of Directors
Circuit City Stores, Inc.:

We consent to incorporation by reference in the registration statements (Numbers 33-56697, 33-53185, 33-50144, 33-36650 and 33-22874) on Form S-8 of Circuit City Stores, Inc. of our report dated April 5, 1995, relating to the consolidated balance sheets of Circuit City Stores, Inc. and subsidiaries (the Company) as of February 28, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the fiscal years in the three-year period ended February 28, 1995, which report is incorporated by reference from the annual report to stockholders in the February 28, 1995 annual report on Form 10-K of Circuit City Stores, Inc. We also consent to the incorporation by reference in the foregoing registration statements of our report dated April 5, 1995, relating to the financial statement schedule of Circuit City Stores, Inc., which report appears as listed in Item 14(a)2 of this Form 10-K.

s/KPMG Peat Marwick LLP

*Richmond, Virginia
May 19, 1995*

March 8, 1995

Mr. Walter Bruckart
10813 Cherry Hill Drive
Richmond, VA 23060

Dear Mr. Bruckart:

This letter agreement will confirm our understanding effective March 1, 1995 concerning certain changes in the terms and conditions of the Employment Agreement entered into on June 1, 1988 by and between Circuit City Stores, Inc. (the "Company") and you (the "Employee"), as amended by letter agreement dated August 1, 1989 (the "Employment Agreement" or the "Agreement"). The changes are as follows:

Article I: - Delete the present text of this section and substitute the following:

Effective March 1, 1995, the Employee shall begin a new phase of his employment with the Company. During each year of the new phase, the Employee agrees to devote his time to the performance of such duties as may be assigned to him from time to time by the Company's Board or Chief Executive Officer. The Employee's title during this phase shall be "Consultant."

Article II: - Delete the present text of this section and substitute the following:

Effective March 1, 1995, the term of this Agreement shall be five years. The Agreement shall expire upon February 29, 2000 and may be terminated prior to its expiration by either the Company or the Employee. The consequences of such a termination are described in other provisions of this Agreement.

Article III: - Delete the present text of this section and substitute the following:

Effective March 1, 1995, the Employee's compensation shall

be:

March 8, 1995

- (1) Base salary of \$200,000.00 per year.
- (2) Participation in the Company's insurance plans and the Company's fringe benefit and executive compensation programs for senior management in accordance with the terms and provisions of those plans and programs, as they may be in effect from time to time; except, however, that the Employee shall not:
 - (a) receive any new grants under the Company's stock incentive programs.
 - (b) be eligible for the fiscal year bonus program after FY 1995.
 - (c) receive credit for service toward the retirement plan beyond March 2, 1995.
 - (d) be eligible for Long Term Disability insurance.

In addition, during the term of this Agreement the Company shall reimburse the Employee for all reasonable and necessary expenses incurred by the Employee in connection with the performance of his duties hereunder in accordance with corporate policies and procedures covering travel and business expense reimbursement, as they may be in effect from time to time.

Article VI(2): - Delete the present text of this section and substitute the following:

- (2) Without Cause. The Company may terminate the Employee's employment at any time prior to the expiration of this Agreement without cause ("cause being defined in Article VI(1)). In the event that after March 1, 1995: (a) the Employee's employment is terminated by the Company without cause; (b) the Employee resigns at the Company's request at a time when no cause for termination exists; or (c) the Employee voluntarily terminates his employment as a result of a reduction in compensation or benefits (which is not part of a prorata reduction in executive compensation or benefits for the Company's senior executives) or as a result of a significant reduction in the Employee's responsibilities, and the voluntary termination occurs

March 8, 1995

within 60 days after such reduction, the Employee shall forfeit the right to any compensation (other than deferred compensation) under this Agreement after the date of termination except:

- (i) The Employee shall continue to receive the base salary provided for in Article II of this Agreement until the date this Agreement would have expired had the termination not occurred; and
- (ii) Participation in the Company's insurance plans for 12 months after employment terminates to the extent permitted by the provisions of such plans, except as modified by Article III (2) above.

Article VI(3): - Delete the present text of this section and substitute the following:

(3) Death or Disability. If the Employee dies or becomes disabled during the term of this Agreement, the Employee's employment may be terminated by the Company. In such event, neither of Article VI(1) or (2) shall be applicable. The determination as to whether the Employee has suffered a disability and the date on which the disability commenced shall be made by the Committee, in its sole discretion, on the basis of competent evidence. In the event of termination because of disability or death, the Employee or the designated beneficiary of the Employee in the case of death, shall continue to receive the base salary provided for in Article II until the date when this Agreement would have expired had the termination not occurred. Any amounts the Employee receives under insurance or other programs (other than life insurance) provided by the Company in which the Employee may be a participant during such period of time shall be an offset to amounts which he would otherwise receive under this Article VI(3).

Article VII(2): - Delete the present text of this section and substitute the following:

(2) Voluntary Termination Following a Change in Control. The provisions of Article VII(1) notwithstanding, in the event that a Change in Control (as hereinafter defined) occurs and within one year

Mr. Walter Bruckart

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thereafter the Employee voluntarily terminates his employment (other than pursuant to provision (c) of Article VI(2)), the Employee shall be entitled to receive the entire of base salary which would have been payable to him until the date of expiration of this Agreement, payable to him over the same period of time as such payments would have been paid had this Agreement not been terminated.

Except as provided in this letter, after March 1, 1995, all of the provisions of the Employment Agreement shall remain in full force and effect. Until March 1, 1995, the present terms and conditions of the Employment Agreement shall remain in effect.

Please indicate your agreement and acceptance of the above by signing and returning a copy of this letter.

CIRCUIT CITY STORES, INC.

s/Richard L. Sharp

*Richard L. Sharp
Chairman, President and CEO*

ACCEPTED AND AGREED:

*s/Walter Bruckart
Walter Bruckart*

*March 9, 1995
Date*

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of May 12, 1995, by and between CIRCUIT CITY STORES, INC., (the "Company"), a Virginia Corporation, and Richard S. Birnbaum, (the "Employee").

The parties agree as follows:

ARTICLE I

Services

The Company agrees to employ the Employee as Executive Vice President during the term of this Agreement. The Employee agrees to devote his full time and attention to the business of the Company and to the faithful performance of his duties as Executive Vice President and to the performance of such additional duties as may be assigned to him from time to time by the Company's Board of Directors (the "Board") or Chief Executive Officer.

At any time and from time to time while this agreement is in force, the Employee may be appointed to such other executive positions and be given such other titles and executive responsibilities as the Board may determine.

ARTICLE II

Term

The Company agrees to employ the Employee and the Employee agrees to serve the Company for a term beginning as of May 12, 1995 and continuing through May 11, 1997. The term of this Agreement shall be automatically extended for additional one-year periods unless either party notifies the other in writing at least one year before the end of the then-current term that it does not wish to extend the term. For example, if such a notice is not given by May 12, 1996, the term of this Agreement shall extend through May 11, 1998. However, in order for the contract to expire on that date, notice must be given by May 12, 1997. If no such notice is given, the term shall extend through May 11, 1999. This Agreement may be terminated prior to its expiration by either the Company or the Employee. The consequences of such a termination are described in other provisions of this Agreement.

ARTICLE III

Compensation

The Employee's compensation shall include:

- (1) Base salary, as determined by the Board or the Compensation and Personnel Committee of the Board (the "Committee") following an annual review of the Employee's compensation. Until June 1, 1995, such base salary will be \$475,000.00/annually.
- (2) Cash bonuses in accordance with the Company's annual bonus program established by the Board or the Committee and on a basis no less favorable than that applicable to other senior management employees and such other cash bonuses as the Board or the Committee, in their discretion, may determine from time to time.
- (3) Participation in the Company's stock incentive programs to the extent the Board or the Committee, in their discretion determines is appropriate for senior management employees.
- (4) Participation in the Company's pension and other benefit plans and all of the Company's fringe benefit and executive compensation programs for senior management employees not otherwise provided for in this Agreement in accordance with the terms and provisions of those plans and programs, as they may be in effect from time to time.

In addition, the Company shall reimburse the Employee for all reasonable and necessary expenses incurred by the Employee in connection with the performance of his duties hereunder in accordance with corporate policies and procedures covering travel and business expense reimbursement, as they may be in effect from time to time.

The Employee may elect to defer all or any part of his salary or bonus by filing a written election (the "Election") to that effect with the Secretary of the Company. As to salary, the Election shall be effective only with respect to compensation for services performed after the Employee files the Election. As to bonuses, the Election shall be effective only with respect to bonuses determined and awarded to the Employee after the Employee files the Election. Any amounts deferred by the Employee will be credited to an account established for him on the books of the Company. This account will also be credited

as of the end of each fiscal year, until such time as no balance remains in the account, with an additional amount equal to the product of (a) the average balance credited to the account during that fiscal year and (b) a percentage which shall be the time weighted average of the prime rate announced by Signet Bank from time to time during such fiscal year. The total amount credited to this account will become payable to the Employee after his termination of employment upon such payment schedule as he may specify in the Election. If termination of employment occurs by reason of death, or if the Employee dies after payments have commenced, any remaining payments will be made to one or more beneficiaries designated by the Employee in a writing filed with the Secretary of the Company. If the Employee fails to designate a beneficiary, or if all the designated beneficiaries predecease him, payment of the remaining unpaid balance in the account will be made to the Employee's estate. The Company reserves the right to accelerate payments or to make payment of the amounts remaining unpaid in a lump sum. All determinations made and actions taken by the Company under this Article shall be binding upon the beneficiaries and the Employee's estate. The Employee's rights, or the rights of any beneficiary, are those of a general creditor of the Company.

ARTICLE IV

Confidential Information

The Employee recognizes that by virtue of his present position and his tenure with the Company in an executive capacity, he has and will continue to have access to Company trade secrets and other confidential information in whatever form as documents, software, C.D. Rom, firmware, brochures, data, materials, knowledge, graphs, pictures and the like including, but not limited to, the Company's business methods, expansion strategies, expansion plans, merchandising and marketing techniques or policies, training techniques, internal operations, supplier information, pricing information, internal corporate planning methods, systems and operating procedures and other business matters (the "Confidential Information").

The Employee recognizes and acknowledges that such Confidential Information, as may exist from time to time, is a valuable, special and unique asset of the Company, and that this Confidential Information and its use have been responsible for the rapid growth and nationwide expansion of the Company, and if known by an entity engaged in the "Business of the Company," would cause irreparable harm to the Company. The "Business of the Company", shall be defined as: (a) retail sales and service of consumer electronics or appliances (with or without after-sale service) or (b) the purchase or sale of motor vehicles (with or without providing after-sale service) or c) any other line of business in which the

Company becomes engaged before the date the Employee's employment terminates.

Therefore, except in performing his duties as an employee of the Company, the Employee shall not:

- (1) Make or cause to be made any reproductions of any Confidential Information belonging to or in the possession of the Company; or
- (2) Remove any Confidential Information from the premises of the Company or fail or refuse to surrender the same to the Company immediately upon the termination of his employment or at any prior time upon the Company's request; or
- (3) Use for his own benefit or purposes or disclose to or use for the benefit or purposes of anyone other than the Company, both during his employment and after the termination of his employment, any trade secrets or other Confidential Information, whether he learned the information before or after signing this Agreement.

ARTICLE V

Non-competition and Non-solicitation

(1) Non-competition. Except as hereinafter provided, the Employee agrees that he will not, without the prior written consent of the Company, engage in competition with the Company by being associated with any Competing Business (as hereinafter defined) during the term of this Agreement and for a period of one year following its termination or expiration. For purposes of this Article, the Employee will be deemed to have associated with a Competing Business if he: (1) directly or indirectly, alone or as a member of a partnership, owns greater than a 5% interest in; or (2) manages, operates, controls, or acts as a consultant to; or (3) serves as an officer or director or in any managerial or executive position; with any Competing Business.

A "Competing Business" is any business entity which engages in the Business of the Company and engages in Substantial Competition with the Company in one or more Metropolitan Statistical Areas ("MSA"), in which the Company has its operation, or in which, at the date the Employee's employment terminates, the Company is engaged in real estate site selection or has taken further steps toward the commencement of operation in the future, either alone or in association with another entity ("Future Statistical Areas"), and in which the Company collectively produced, or, in the case of Future Statistical Areas, is projected to produce in the first year of operations, more than \$5 million of gross sales.

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business will not be considered to be in "Substantial Competition" with the Company if: (1) the business or the operating unit of the business in which the Employee is employed or with which the Employee is associated (the "Business Unit") is not engaged in the Business of the Company; or (2) if sales of the Business Unit's products or services in the Business of the Company constitute less than 10% of such Business Unit's sales; or (3) if the sales of the Business Unit in the Business of the Company do not constitute more than 10% of the sales of the Business Unit, but there is not significant geographic overlap between such Business Unit and the Company's business locations. For the purposes of this provision, there will not be a significant geographic overlap if less than 10% of the sales of such Business Unit and less than 10% of the Company's sales (i) are in the same MSA or (ii) are projected to be in the same MSA within the first year of operations in the case of Future Statistical Areas. The term "Business of the Company" is defined in Article IV. In every case, the good faith judgement of the Committee shall be conclusive as to whether the Employee is associated with a Competing Business.

(2) Non-solicitation. The Employee agrees that during the term of this Agreement and for a period of two years following its termination, he will not, without the prior written consent of the Company, directly or indirectly engage in efforts to induce the Company's employees to terminate their employment for the purpose of being employed by another business entity.

(3) Change of Control. In the event that the Employee's employment is terminated within two years following a Change of Control (Change of Control being defined in Article VII) under circumstances described in Article VI(2), the Employee shall not be bound by the provisions of this Article.

ARTICLE VI

Termination by the Company

(1) For Cause. The Company may immediately terminate the Employee's employment at any time prior to the expiration of this Agreement for "cause". For purposes of this Agreement, the following shall be "cause" for termination.

(a) continued and deliberate neglect by the Employee of his employment duties; or

(b) criminal misconduct of the Employee in connection with the performance of any of his duties, including, by way of example but not limitation, misappropriation of funds or property of the Company or accepting bribes

or kickbacks in connection with any transaction entered into on behalf of the Company; or

(c) failure of the Employee to disclose to the Board a conflict of interest, of which he knew or, with reasonable diligence, would have known, in connection with any transaction entered into on behalf of the Company; or

(d) conduct by the Employee that would result in material injury to the reputation of the Company if he were retained in his position with the Company; or

(e) the Employee's conviction of a felony; or

(f) a preliminary or permanent injunction or similar remedy is entered against the Employee, the Company or both preventing the Employee or the Company from performing all or part of this Agreement; or

(g) breach by the Employee of the provisions of Articles IV or V of this Agreement; or

(h) deliberate actions by the Employee which are contrary to the best interests of the Company.

In every case, the good faith judgement of the Committee shall be conclusive as to whether cause for termination exists. In the event of a termination for cause, which shall include resignation by the Employee at the Company's request at a time when cause for termination exists, the Employee shall forfeit the right to any compensation (other than deferred compensation) under this Agreement after the date of termination, except to the extent that the terms of any plans or programs referred to in Article III

(4) or any applicable law require otherwise.

(2) Without Cause. The Company may terminate the Employee's employment agreement at any time prior to the expiration of this Agreement without cause ("cause" being defined in Article VI(1)). In the event: (a) the Employee's employment is terminated by the Company without cause; (b) the Employee resigns at the Company's request at a time when no cause for termination exists; or (c) the Employee voluntarily terminates his employment as a result of a reduction in compensation or benefits (which is not part of a prorata reduction in executive compensation or benefits for the Company's senior executives) or as a result of a significant reduction in the Employee's responsibilities, and the voluntary termination occurs within 60 days after such reduction, the Employee shall forfeit the right

to any compensation (other than deferred compensation) under this Agreement after the date of termination except:

- (i) 12 months of base salary, payable in biweekly installments over the following 12 months; and, in the event that the termination of employment occurs within two years following a Change of Control (Change of Control being defined in Article VII), an additional 12 months of base salary, payable in biweekly installments over the second 12-month period immediately following such termination; and
- (ii) a pro-rated bonus for the fiscal year in which the Employee's employment is terminated, if the termination occurs on or after September 1st of that fiscal year. The proration will be based on the number of complete months the Employee worked in that fiscal year, will be in accordance with the bonus program for such fiscal year, and will be payable within two weeks of when bonuses are distributed, and
- (iii) a prorated bonus for the prior fiscal year, if the Employee worked six or more months in the prior fiscal year, and if the Employee's termination date is between March 1st and the date bonuses are distributed for the prior fiscal year (if bonuses are awarded for the prior fiscal year). In this event, the bonus will be prorated for the number of complete months the Employee worked in the prior fiscal year, and
- (iv) Continued participation, as if still employed, in the Company's medical and dental insurance plans through the end of the month in which the Employee's severance payments end to the extent permitted by the provisions of such plans; provided, however, the Company's obligation to continue participation in these plans, ends on the last day of the month in which the Employee becomes eligible to participate in such benefits at his new place of employment. However, the Company will continue to provide benefit continuation to the extent required by federal law.

Notwithstanding the foregoing, the Employee shall have the obligation to seek alternative employment following a termination of employment under Article VI(2). Any remuneration the Employee receives for the performance of personal services during the year following termination of his employment pursuant to this Article VI(2) will be an offset to the Company's obligations to pay the amounts referred to in subparagraph (i) above; provided, however, that such an offset will not reduce below one-half the remaining biweekly

payments the Company is obligated to pay under subparagraph (i) above; and provided, further, that the Employee shall not have any obligation to seek other employment and no such offset will be allowed the Company if such a termination of employment occurs within two years following a Change of Control (Change of Control being defined in Article VII).

(3) Death or Disability. If the Employee dies or becomes disabled during the term of this Agreement, the Employee's employment will terminate as of the date of the Employee's death or the determination of the Employee's disability. In such event, neither of Article VI (1) or (2) shall be applicable. The determination as to whether the employee has suffered a disability and the date on which the disability commenced shall be made by the Committee, in its sole discretion, on the basis of competent evidence; provided, however, that the inability of the Employee to perform each of the material duties of his employment for 6 consecutive months because of a medically determined physical or mental condition shall be conclusive evidence of disability unless the Company is provided with competent medical evidence that the condition will not continue to prevent the Employee from performing his duties for more than six additional months. Two consecutive weeks of full ability to perform each of the material duties of the position shall be required to interrupt the running of the six-month period.

In the event of termination because of disability, the Employee shall receive his base salary (pursuant to Article III (1)) for the first 12 months after the first date on which the Employee was unable to perform, after which he shall be entitled only to such amounts, if any, as may be available any employment-related benefit plans or programs in which the Employee may be a participant (except those which are totally paid for by the Employee through a private company). Any amounts the Employee receives under such plans or programs during the 12 months referred to above shall be an offset to amounts which he would otherwise receive under Article VI (3).

In the event of the Employee's death, the designated beneficiary of the Employee shall continue to receive the Employee's base salary for a period of 3 months following his death.

ARTICLE VII

Termination by Employee

(1) General Rule. The Employee may voluntarily terminate his employment prior to the expiration of this Agreement upon 60 days written notice to the Company. If the Employee does so for reasons other than those set forth in provision (c) of Article VI (2) or

for such reasons, but after the time period set forth in such provision has expired, he shall forfeit the right to any compensation (other than deferred compensation) under this Agreement after the date of termination.

(2) Voluntary Termination Following a Change of Control. The provision of Article VII (1) notwithstanding, in the event that a Change of Control (as hereinafter defined) occurs and within one year thereafter the Employee voluntarily terminates his employment (other than pursuant to provision (c) of Article VI (2)), the Employee shall be entitled to receive, in addition to any other amounts he may be entitled to receive under this Agreement and subject to any applicable payroll or other taxes required to be withheld, an amount equal to one year's base salary, in addition to the continuation of his medical and dental benefits (as if still employed) during the pay-out period. This severance amount shall be payable in biweekly installments over the 12 months immediately following termination.

In such event, fiscal year-end bonuses will be handled in the following manner:

(i) If the Employee's termination date is on or after September 1st: any bonus awarded for that year will be prorated for the number of complete months the Employee worked in the fiscal year.

(ii) If the termination occurs prior to September 1st, no bonus will be due.

(iii) If the Employee's termination date is between March 1 and May 15: the Employee shall also be entitled to a bonus for the prior fiscal year, prorated for the number of complete months the Employee worked in the prior fiscal year, provided the number of months employed in that year was equal to or greater than six.

(3) Change of Control Definition. In this Agreement, "Change of Control" shall mean:

(i) a third person, including a "group" as defined in

Section 13(d)(3) of the Securities Exchange Act of 1934, becomes, or obtains the right to become, the beneficial owner of Company securities having 20% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or

(ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transactions shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

ARTICLE VIII

Benefits Upon Termination

Upon termination of employment, benefits are terminated as described below:

1) Medical and Dental Plans: The Employee's participation in the Medical and/or Dental plans terminates as of the last day of the month in which the Employee's employment ends, unless specifically continued during a severance payment period as noted in Article VI or Article VII (2) above. Continuation of coverage other than as provided in Article VI or Article VII(2) above, will be available in accordance with federal law and each plan's provisions.

2) Retirement Plan: The Employee's termination of employment will not affect Retirement Plan benefits earned as of the date of termination.

3) Other Benefit Programs: Participation in all other benefit programs ends as of the date of termination, except as noted below. Benefit programs include, but are not limited to, Group Life Insurance, Long Term Disability, Employee Discount Program, car allowance or company car program, the Restricted Stock and Stock Option Plans, the Officer Merchandise Evaluation Program, and the tax preparation and financial counseling programs. The ability to exercise options ends on the date of termination of employment. Participation in the fiscal year-end bonus program ends as of the date of termination unless the termination of employment is without cause as defined in Article VI (2) above.

If the Employee is released, without cause, under the terms of this agreement, and the

Employee has vested but unexercised stock options, or has stock options or restricted stock which are due to vest within one month of the date of termination, the Employee shall have the option to delay the termination for up to one month, to allow for any restricted stock or stock options to vest, or for the Employee to have time to exercise options. If the Employee elects this option, the severance pay-out period would be reduced by a like period of time (e.g., if the Employee delays his termination for one month in order for stock to vest, the Employee would receive 11 months of severance payments and medical and dental plan continuation, instead of 12 months). If termination is for "cause," participation in all benefits, including stock options and restricted stock ends either on the date of termination or the end of the month in which the termination occurred, according to the provisions of each benefit program. If termination of employment is due to death, the right to exercise vested but unexercised stock options is in accordance with the terms of the stock option plans. All of the above is subject to the laws, regulations and plan provisions in effect at the time of the Employee's termination.

ARTICLE IX

Monies Owed

To the extent that the Employee owes the Company any monies at the time of termination of employment, or to the extent that taxes are due on any Circuit City benefits, the Employee authorizes the Company to withhold such amounts from his final paycheck or severance payment(s), or from reimbursements or any other monies due to the Employee.

ARTICLE X

Notices

Any notice or other communication ("Notice") required under this Agreement shall be in writing and shall be deemed to have been given or made when personally delivered, or when mailed by registered or certified mail, postage prepaid, return receipt requested, to the other party. In the case of the Company, any Notice shall be delivered or mailed to its principal office to the attention of the Secretary. In the case of the Employee, any Notice shall be delivered or mailed to his last known address as reflected in the records of the Company.

ARTICLE XI

Assignment

This agreement is one for personal service and shall not be assignable by Employee. However, Company may assign this agreement to an entity under common control with Company or to an entity which succeeds to the portion of the Company's business in which the Employee is employed.

ARTICLE XII

Survival of Covenants

Except to the extent expressly provided otherwise in this Agreement, the covenants and agreements of the Employee and the Company, including but not limited to those set forth in Articles IV and V, shall survive the termination or expiration of this Agreement.

ARTICLE XIII

Entire Agreement; Amendments

This Agreement constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, express or implied, with respect to the subject matter of this Agreement. This Agreement may be amended only by a writing executed by the parties.

ARTICLE XIV

Governing Law

This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Virginia.

ARTICLE XV

Waiver

Failure to insist upon strict compliance with any term or condition of this Agreement shall not constitute a waiver of the term or condition, nor shall any waiver or relinquishment of any right or power under this Agreement at any one or more times be deemed a waiver or relinquishment of such right or power at any other time.

ARTICLE XVI

Severability

If any Article, paragraph, sentence, or clause hereof, including, without limitation, Article IV and V ("Provision"), is deemed invalid or unenforceable in whole or in part in any jurisdiction, all the other Provisions in this Agreement including the affected Provision, to the extent it is not deemed invalid or unenforceable, shall remain in full force and effect in that, and any other, jurisdiction and shall be liberally construed in order to effectuate the purpose and intent of the Agreement. The invalidity or unenforceability of any Provision of this agreement in any jurisdiction shall not affect the validity or enforceability of that Provision in any other jurisdiction.

ARTICLE XVII

Arbitration

(1) Any disagreement or controversy between the parties concerning this Agreement (other than disagreements or controversies concerning Articles IV and V of this Agreement) shall be settled by arbitration in accordance with Commercial Arbitration Rules of the

American Arbitration Association ("AAA") and this Article. In the event of any inconsistency between such Rules and this Agreement, this Agreement shall control. The decision in writing of the sole arbitrator or of a majority of the arbitrators, as the case may be, designated or selected in accordance with this Article shall be final and binding on both parties and may be enforced in a court of law or equity. The parties recognize that they wish to use arbitration to settle disagreements or controversies concerning this Agreement other than those excluded above and both parties waive their right to appeal the arbitrators' decision to any court. The cost of arbitration, including arbitrators' fees and expenses of hearings and conferences, shall be shared equally by the parties. Each party shall pay its own attorney's and experts' fees and related expenses.

(2) Notice of intent to arbitrate must be given within six months after the aggrieved party knows or, with reasonable diligence, would have known of the existence of the disagreement or controversy, unless the parties agree in writing to extend such six months period.

(3) Disagreements and controversies submitted to arbitration hereunder shall be decided by a sole arbitrator appointed by the AAA; provided, however, that each party shall have the right, but not the obligation, to designate one additional arbitrator. If a party wishes to avail himself of such right, such party shall give written notice naming such additional arbitrator to the other party within 30 days after the notice of intent to arbitrate is given.

(4) If the Employee breaches the provisions of Articles IV or V, he shall not be entitled to receive any amounts due under this Agreement that have not been previously paid to him.

(5) The Employee recognizes and acknowledges that in the event of any default in or breach of any of the terms, conditions, and provisions of Articles IV or V of this Agreement (either actual or threatened) by the Employee, the Company will suffer irreparable harm and its remedies at law will be inadequate. Accordingly, the Employee agrees that, in such event, the Company shall have the right to specific performance and injunctive relief in addition to any and all other remedies and rights available to the Company under this Agreement, or at law or in equity, and all rights and remedies shall be cumulative.

(6) Disagreements or controversies concerning Articles IV or V of this Agreement may be settled by arbitration in accordance with this Article if both parties so agree in writing.

The offer contained herein remains open until 5 p.m. on May 17, 1995. To confirm that this letter states our agreement, please sign the enclosed copy on the line above your name, date it, initial each page in the space provided for that purpose, and return the copy to Wanda Moser, Personnel Operations Manager, in the enclosed envelope by May 17, 1995. This agreement is not effective until received by Wanda Moser, who will sign it to verify receipt and will send you a fully executed copy for your records,

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and the year first written below.

CIRCUIT CITY STORES, INC.

<i>By:</i>	<i>s/Richard L. Sharp Richard L. Sharp, President and Chief Executive Officer</i>	<i>May 16, 1995 Date</i>
<i>AGREED:</i>	<i>s/Richard S. Birnbaum Richard S. Birnbaum SS# 143-46-8951</i>	<i>May 14, 1995 Date</i>
<i>RECEIVED:</i>	<i>s/Wanda Moser Wanda Moser</i>	<i>May 17, 1995 Date</i>

EXHIBIT 10(f)

**AMENDMENT NO. 1
1994 STOCK INCENTIVE PLAN**

The following resolutions containing amendments to the 1994 Stock Incentive Plan were adopted on February 10, 1995, by the Board of Directors of Circuit City Stores, Inc.:

RESOLVED, that Section 4 of the Company's 1994 Stock Incentive Plan, as adopted February 15, 1994 (the "Plan"), be amended by inserting the word "one" before the word "employee" on line 4.

RESOLVED, that Section 6(c) of the Plan be amended by inserting after the last sentence in this Section the sentence:
"If shares of Restricted Stock are issued without certificates, notice of the restrictions set forth in the Plan and the Participant's Award Agreement must be given to the shareholder in the manner required by law."

RESOLVED, that Section 6(f) of the Plan be amended by inserting after the first sentence the following sentence:
"Arrangements satisfactory to the Company may, in the sole discretion of the Company, include the obtaining of a loan from the Company to pay such taxes."

RESOLVED, that Section 6(f) of the Plan be further amended by inserting after the word "Participant" at the end of the present second sentence, the following sentence: "If Restricted Stock is being issued to a Participant without the use of a stock certificate, the restrictions set forth in paragraph (b) shall be communicated to the shareholder in the manner required by law."

RESOLVED, that Section 6(f) of the Plan be amended by inserting after the last sentence in this Section the sentence, "The Committee has the express authority to change any election procedure it establishes at any time."

RESOLVED, that Section 7(d)(iii) of the Plan be amended by inserting after the phrase "(the `Limitation Amount')" on line 4 the sentence:
"The foregoing Limitation Amount is intended to comply with Section 422 of the Internal Revenue Code; if the Internal Revenue Code should be amended to increase the limitation contained in Section 422, the foregoing Limitation Amount shall also be automatically increased."

RESOLVED, that Section 9 of the Plan be amended by adding the following sentence at the end of that Section: "The employee shall not be entitled to make payment of the exercise price other than in cash unless provisions for an alternative payment method are included in the employee's stock option agreement or are agreed to in writing by the Company with the approval of the Committee prior to exercise of the Option."

Reported Historical Information

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)	1995	1994	1993	1992	1991
Net sales and operating revenues	\$5,582,947	\$4,130,415	\$3,269,769	\$2,790,232	\$2,366,901
Net earnings	\$ 167,875	\$ 132,400	\$ 110,250	\$ 78,223	\$ 3,151
Net earnings per share	\$ 1.72	\$ 1.36	\$ 1.15	\$ 0.82	\$ 0.03
Total assets	\$2,004,055	\$1,554,664	\$1,262,930	\$ 999,582	\$ 874,063
Long-term debt, excluding current installments	\$ 178,605	\$ 29,648	\$ 82,387	\$ 85,415	\$ 94,350
Deferred revenue and other liabilities	\$ 241,866	\$ 268,360	\$ 232,054	\$ 187,158	\$ 151,806
Cash dividends per share paid on common stock	\$ 0.10	\$ 0.08	\$ 0.06	\$ 0.05	\$ 0.05

Management's Discussion and Analysis of Results of Operations and Financial Condition

Our objective is to manage Circuit City's resources to create maximum long-term value for the Company's shareholders. We achieve this objective by adhering to the following policies:

- 1) We manage our existing business, primarily the current Superstore markets, to produce the highest possible long-term returns.
- 2) We make new investments that we believe will increase our earnings and produce returns above our cost of capital.

The results generated by current operations and by the Company's fiscal 1995 investments are reviewed below.

Results of Operations

SALES GROWTH

Total sales increased 35 percent in fiscal 1995, to \$5.58 billion. In fiscal 1994, total sales were \$4.13 billion, a 26 percent increase from \$3.27 billion in fiscal 1993.

PERCENTAGE SALES CHANGE FROM PRIOR YEAR

Circuit City

FISCAL	All Stores	Comparable Stores	Industry Sales*
1995	35%	15 %	11 %
1994	26%	8 %	7 %
1993	17%	7 %	7 %
1992	18%	1 %	0 %
1991	14%	(3)%	(1)%

*The industry sales rates are derived from Electronic Industries Association, Association of Home Appliance Manufacturers, Recording Industry Association of America and Company estimates of audio, video, home office, telecommunications, appliance and music software sales. Home office and telecommunications products are not included in industry sales for fiscal 1991; music software is not included in industry sales prior to fiscal 1995. In those years, Circuit City was not a significant participant in these categories.

Circuit City's total sales growth reflects continued expansion of the Superstore base and strong comparable store sales growth for the last three years. In fiscal 1995, the Company increased its rate of expansion, opening a net of 59 Superstores compared with 39 stores in the previous fiscal year. The Company entered the following major metropolitan markets:

Minneapolis, New Orleans, Little Rock, Kansas City, Cleveland, Portland and Seattle. The Company also opened stores in smaller markets and added stores to existing markets.

Today, the Company operates four Circuit City Superstore formats with square footage and merchandise assortments tailored to the population and volume expectations for specific trade areas. The "D" format was developed in fiscal 1995 to serve the most populous trade areas. Selling space in the "D" format averages about 22,000 square feet with total square footage averaging 40,698. The "D" stores offer the largest merchandise assortment of all the formats. The "C" format is designed to serve moderately smaller trade areas and provides a highly competitive merchandise assortment. New "C" stores typically have about 17,000 square feet of selling space; total square footage for all "C" stores averages 33,814. The "B" format often is located in smaller markets or in trade areas that are on the fringes of larger metropolitan markets. Selling space in these stores averages approximately 10,000 square feet with an average total square footage of 23,293. They offer a broad merchandise assortment that maximizes returns in these less populated areas. The "A" format serves the least populated trade areas. Selling space in the existing stores averages approximately 7,000 square feet, and total square footage averages 15,875. The "A" stores feature a layout, staffing levels and merchandise assortment that creates high productivity in the smallest markets. In fiscal 1996, we expect to replace approximately 20 "B" and "C" stores that are located in the most highly populated trade areas with the new "D" format.

The Company also operates 35 mall-based Circuit City Express stores. These stores are located in regional malls, average approximately 3,000 square feet in size and sell small, gift-oriented items. During fiscal 1995, the Company opened four Circuit City Express stores and closed three stores located in underperforming malls. The Company expects to open additional locations in fiscal 1996.

Store Mix

FISCAL	Retail Units at Year End				
	1995	1994	1993	1992	1991
Superstore					
"D" Superstore	12	-	-	-	-
"C" Superstore	257	219	188	170	150

"B" Superstore	37	30	24	11	5
"A" Superstore	6	4	2	2	2
Electronics-Only	5	7	7	11	14
Circuit City Express	35	34	39	34	14
TOTAL	352	294	260	228	185

Throughout fiscal 1995, comparable store sales growth exceeded management's expectations. The strong growth resulted from the rapid growth of personal computer sales for the Company and for the industry, a healthy economic climate for hard goods sales, effective execution of the Company's marketing programs and the recent addition of music software to the merchandise assortment.

During most of the past three years, Circuit City's comparable store sales growth has been similar to or better than the industry's growth. The fiscal 1995 acceleration in industry growth reflects dramatic home office product sales and the strong hard goods retail climate, both of which also benefited Circuit City. Management believes that the more rapid increase in the Company's comparable store sales indicates market share gains resulting from the strong appeal of the Circuit City consumer offer. For the Company's core retail business, gross dollar sales from all extended warranty programs were 5.8 percent of sales in fiscal year 1995, 5.8 percent in fiscal year 1994 and 6.0 percent in fiscal 1993. Total extended warranty revenue, which is reported in total sales, was 5.4 percent of sales in fiscal year 1995, 4.8 percent in fiscal year 1994 and 4.6 percent in fiscal year 1993. The gross profit margins on products sold with extended warranties are higher than the gross profit margins on products sold without extended warranties. Late in fiscal 1994, the Company began selling two new extended warranty programs on behalf of unrelated third parties that issue these plans for merchandise sold by the Company and other retailers. One of these programs is sold in most major markets and features in-home service for personal computer products. Repairs to the products covered are provided by General Electric Company. The second program is an insured product provided by Virginia Surety Company, Inc., a subsidiary of AON Corporation. Virginia Surety carries an A. M. Best Company rating of superior (A+). This program covers electronics and major appliances and at year-end was offered by approximately 50 percent of the Superstores. The Company's after-market solicitation operation also sells a Virginia Surety insured product. Under the third-party programs, Circuit City acts as seller for the unrelated third parties and has no contractual liability to the customer under the extended warranty plans. Commission revenue from the third-party extended warranty plans is recognized immediately while revenue from Circuit City extended warranties is deferred and amortized on a straight-line basis over the life of the contracts. The increase in third-party warranty sales contributed to the growth in total extended warranty revenue. Third-party extended warranty revenue was 2.3 percent of total sales in fiscal 1995 and 0.7 percent in fiscal 1994. The Company expects third-party extended warranty revenue to continue increasing in fiscal 1996.

SUPERSTORE SALES PER TOTAL SQUARE FOOT FISCAL

1995	\$584
1994	\$523
1993	\$487
1992	\$460
1991	\$469

Superstore Sales Per Total Square Foot. Over the last five years, the Company's new store designs and remodels and replacements of existing stores have significantly increased the percentage of store square footage devoted to selling space. This increase has allowed Circuit City to expand the merchandise assortment in each store, adding product categories such as personal computers and music software and strengthening the selection in areas such as home theater. As a result, Superstore sales per total square foot have increased. The rise has been limited by the Company's continuing strategy of adding stores in existing markets and by the introduction of "A" and "B" stores for smaller trade areas. Market additions draw sales from existing stores in the market but enhance market share and advertising leverage.

SALES BY MERCHANDISE CATEGORIES*					
FISCAL	1995	1994	1993	1992	1991
TV	19%	20%	23%	23%	24%
VCR/Camcorders	14%	17%	19%	20%	22%
Audio	20%	21%	20%	21%	22%
Home Office	20%	12%	7%	5%	NA
Appliances	15%	18%	19%	19%	18%
Other	12%	12%	12%	12%	14%
TOTAL	100%	100%	100%	100%	100%

* "Home Office" electronics are included in the "Other" category in fiscal year 1991.

Sales by Merchandise Categories. Home office products, primarily personal computers, have increased dramatically as a percentage of the Company's sales during the past five years. This growth reflects rapid increases in household penetration of this product and the strength of Circuit City's consumer offer in the category. Within the consumer electronics categories, the greatest sales growth has occurred among the fully featured products such as large-screen televisions and SurroundSound audio systems. A lack of new product features and declining retail prices for camcorders have limited sales growth in the video cassette recorder/camcorder category. The lower percentage of sales produced by the audio, video and appliance categories reflects the rate of growth in home office in relation to the other categories. The addition of music software to the product assortment in 208 stores is reflected in the "Other" product category.

Impact of Inflation. Inflation has not been a significant contributor to industry growth or to Circuit City's sales growth during the last five years. The Company expects no significant change in this trend. Because the Company purchases substantially all products, including consumer electronics, in U.S. dollars, prices are not directly impacted by the value of the dollar in relation to other foreign currencies, including the Japanese yen.

COST OF SALES, BUYING AND WAREHOUSING

The gross profit margin declined to 24.8 percent of sales in fiscal 1995 compared with 26.8 percent in fiscal 1994 and 28.3 percent in fiscal 1993. The gross profit margin trend reflects increased competition in many of the Company's markets and the shift in the sales mix to include a larger percentage of personal computer products and music software. Both of these product categories produce gross profit margins lower than the Company's average.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Company's lower gross profit margin has been largely offset by improvements in selling, general and administrative expenses as a percent of sales. The expense ratio was 19.8 percent of sales in fiscal 1995, 21.6 percent in fiscal 1994 and 22.8 percent in fiscal 1993. The improvement in the expense ratio primarily reflects comparable store sales growth achieved throughout the three-year period, productivity gains at the store level and a net contribution from the credit card program.

A principal contributor to the store-level productivity improvements has been one-stop shopping. Introduced in fiscal 1994, one-stop shopping allows the sales counselor to complete the entire transaction for the customer and further improves store operating efficiency. Operating profits generated by the Company's credit card bank subsidiary are recorded as a reduction to SG&A expenses. In fiscal 1994 and 1993, the subsidiary benefited from a generally low interest rate environment and, therefore, a lower-than-anticipated cost of funds. In fiscal 1995, the Company entered into interest rate swap agreements, as explained in Note 9 to the Consolidated Financial Statements, to better match funding costs with the credit portfolio's variable-rate receivables.

INTEREST EXPENSE

Interest expense was 0.2 percent of sales in fiscal 1995, 0.1 percent in fiscal 1994 and 0.1 percent in fiscal 1993. The increase from fiscal 1994 to fiscal 1995 reflects higher interest rates, the addition of \$100 million of long-term debt late in the second quarter and a greater level of seasonal borrowings resulting from the Company's growth.

INCOME TAXES

The Company's effective income tax rate was 37.5 percent in fiscal 1995, 36.7 percent in fiscal 1994 and 37.0 percent in fiscal 1993. An increase in the federal statutory income tax rate in fiscal 1994 required a revaluation of the Company's deferred tax asset. That revaluation had a favorable impact on the fiscal 1994 provision for income taxes and resulted in the lower effective tax rate for that fiscal year. The higher federal statutory income tax rate produced an increase in the Company's effective tax rate in the latter half of fiscal 1994 and throughout fiscal 1995.

NET EARNINGS

Net earnings rose 27 percent to \$167.9 million in fiscal 1995. In fiscal 1994, net earnings were \$132.4 million, a 20 percent increase from \$110.3 million in fiscal 1993. Net earnings per share rose 26 percent in fiscal 1995, to \$1.72, and 18 percent in fiscal 1994, to \$1.36 from \$1.15 in fiscal 1993.

RETURN ON SALES

Return on sales was 3.0 percent in fiscal 1995 compared with 3.2 percent in fiscal 1994 and 3.4 percent in fiscal 1993.

OPERATIONS OUTLOOK

Management believes that continued investment in Superstore expansion will maximize long-term shareholder value. Management estimates that in fiscal 1996 the remaining markets suitable for Superstore expansion will represent \$39 billion of the consumer electronics, home office, major appliance and music software industry's total retail sales potential of \$91 billion. Before the end of the decade, Circuit City expects to expand the Superstore base into most of these markets and to expand its average market shares in all product categories. In fiscal year 1996, the Company expects to open an estimated 65 Superstores, including approximately 35 "D" stores, 15 "C" stores, 10 "B" stores and five "A" stores. Approximately two-thirds of the new Superstores will open in new markets. The Company also plans to replace approximately 20 "B" and "C" stores with the larger format "D" stores. Management expects that comparable store sales growth, and thus total sales growth, will moderate from the higher-than-anticipated levels achieved in fiscal 1995. A continuation of the Company's aggressive marketing approach in highly competitive markets and continued growth in the Company's personal computer and music software sales are expected to again reduce the gross profit margin. Management anticipates that comparable store sales growth, improvements in store operating efficiency and increased leverage of overhead expenses will reduce the expense ratio and partially offset the lower gross profit margin. Although the Company expects lower pre-tax and net profit margins in fiscal 1996, management believes that the Company's financial performance and market research indicate that the Company is well-positioned competitively and financially to produce strong long-term returns and that its expansion plans will further increase long-term earnings potential.

Financial Condition

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow. For the past three years, Circuit City's Superstore operations have generated significant resources to support the Company's continued growth. Net cash provided by operating activities in fiscal 1995 was \$47.0 million, compared with \$108.3 million in fiscal 1994 and \$150.0 million in fiscal 1993. The fiscal 1995 decrease principally reflects a decrease in deferred revenue and increases in merchandise inventory and accounts receivable that were partly offset by increases in accounts payable and the provision for deferred income taxes and by higher net earnings. The inventory growth reflects inventory for new stores opened in fiscal 1995; store openings planned for early fiscal 1996; and inventory for CarMax, the Company's test concept selling used cars. The rise in accounts receivable principally includes credit card receivables generated by the Company's wholly owned credit card bank subsidiary and auto loan receivables related to the CarMax concept. The decrease in deferred revenue primarily reflects an increase in the sale of third-party warranties, for which commission revenue is

recognized immediately, and a decrease in the sale of Circuit City warranties, for which the revenue is deferred and amortized over the life of the contracts. The change in deferred income taxes resulted from the lower deferred revenue and a reduction in the difference between tax and financial statement recognition of deferred revenue.

The Company funded capital expenditures of \$375.4 million in fiscal 1995 with \$151.5 million in proceeds from sales of property and equipment, proceeds from a seven-year, \$100 million unsecured bank term loan and with cash flows from operations. The proceeds from sales of property and equipment include \$86.0 million from sale-leaseback transactions, \$33.9 million related to landlord reimbursements for improvements on leased land and \$31.6 million from other sources. Capital expenditures in fiscal 1995 principally reflect Superstores opened during the year and a portion of the new Superstores opening in fiscal 1996. The sale-leaseback transactions completed in fiscal 1995 are largely related to real estate purchased in fiscal years 1995 and 1994. The Company expects to complete additional sale-leaseback transactions in fiscal 1996. Capital expenditures of \$252.3 million in fiscal 1994 and \$189.6 million in fiscal 1993 largely were incurred in connection with the Superstore expansion program. The expenditures were funded primarily with net cash provided by operating activities, sale-leaseback arrangements, and landlord reimbursements. The Company's credit card bank subsidiary primarily funds the credit card program by selling the receivables through several securitization programs. Under the terms of these programs, the bank subsidiary is able to sell the receivables it generates while retaining a small interest in the receivables. In fiscal 1995, the Company's credit card bank subsidiary converted two asset securitization structures for its private-label credit card into a single master trust that allows the transfer of up to \$760 million in receivables through private placement and the public market. As explained in Note 9 to the Consolidated Financial Statements, the Company entered into interest rate swap agreements, which total \$300 million and which are related to the public issuance of securities by the master trust. The issuance included \$344 million of five-year, fixed-rate certificates to fund the consumer credit receivables. The interest rate swaps enable the Company to better match funding costs to the underlying variable-rate receivables. The Company's credit card bank subsidiary also has in place an asset securitization program that allows the transfer of up to \$300 million in receivables related to its other bank card programs. The Company expects that all securitization programs will be expanded to accommodate future receivables growth. The Company also believes that it can utilize securitization transactions to finance receivables related to the automobile business.

Capital Structure. Total assets at February 28, 1995, were \$2.00 billion, up \$449.4 million, or 29 percent since February 28, 1994. The rise in assets includes increases of \$314.4 million in inventory, \$154.9 million in net property and equipment and \$75.6 million in net receivables, which were partly offset by a \$73.7 million decrease in deferred income taxes.

The Company has funded expansion with internally generated funds, sale-leaseback transactions, operating leases and long-term debt. The Company has funded consumer receivables through securitization transactions. In fiscal 1995, the Company replaced \$60 million in subordinated debt that matured in fiscal 1994 with the seven-year, \$100 million unsecured bank term loan. Average short-term debt rose in fiscal 1995 as the Company utilized seasonal borrowing lines primarily to finance higher inventory needs resulting from more rapid store expansion and the expansion of the CarMax test concept.

During the period from fiscal year 1991 to 1995, stockholders' equity grew substantially in both absolute dollars and as a percentage of total capitalization. From fiscal 1994 to 1995, stockholders' equity increased 24 percent to \$877.4 million. Capitalization for the past five years is illustrated below:

FISCAL (DOLLAR AMOUNTS IN MILLIONS)	1995		1994		1993		1992		1991	
	\$	%	\$	%	\$	%	\$	%	\$	%
Long-term debt, excluding current installments	178.6	14	29.6	3	82.4	9	85.4	12	94.3	15
Deferred revenue and other liabilities	241.9	19	268.4	27	232.1	26	187.1	26	151.8	25
Total stockholders' equity	877.4	67	710.4	70	575.5	65	448.0	62	366.9	60
TOTAL CAPITALIZATION	1,297.9	100	1,008.4	100	890.0	100	720.5	100	613.0	100

Increases in net earnings contributed to a return on equity of 21.1 percent in fiscal 1995 and 20.6 percent in fiscal 1994, meeting the Company's long-term objective of 20 percent.

The Company expects to maintain its existing long-term capitalization strategy in fiscal 1996. Management anticipates that capital expenditures of approximately \$575 million will be funded through a combination of internally generated funds, sale-leaseback transactions and operating leases and that securitization transactions will finance the increase in credit card receivables. In fiscal 1996, management expects to refinance \$53 million of short-term debt on a long-term basis by entering into a \$100 million multi-year term loan with a group of banks. At the end of fiscal 1995, the Company maintained a multi-year, \$100 million unsecured revolving bank credit facility and \$285 million in seasonal lines that are renewed annually with various banks.

Common Stock

The Company's common stock is traded on the New York Stock Exchange. Quarterly market price and dividend data are shown below:

FISCAL	MARKET PRICE OF COMMON STOCK				DIVIDENDS	
	1995		1994		1995	1994
	HIGH	LOW	HIGH	LOW		
1st	\$23.00	\$17.25	\$33.88	\$23.50	\$.020	\$.020
2nd	\$24.63	\$19.50	\$33.75	\$24.75	\$.025	\$.020
3rd	\$27.50	\$23.13	\$29.13	\$24.13	\$.025	\$.020
4th	\$25.13	\$21.00	\$26.00	\$16.63	\$.025	\$.020
TOTAL					\$.095	\$.080

Consolidated Statements of Earnings

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)	Years Ended February 28					
	1995	%	1994	%	1993	%
NET SALES AND OPERATING REVENUES	\$5,582,947	100.0	\$4,130,415	100.0	\$3,269,769	100.0
Cost of sales, buying and warehousing	4,197,947	75.2	3,024,759	73.2	2,346,049	71.7
GROSS PROFIT	1,385,000	24.8	1,105,656	26.8	923,720	28.3
Selling, general and administrative expenses [NOTE 8]	1,106,370	19.8	891,865	21.6	744,650	22.8
Interest expense [NOTE 3]	10,030	0.2	4,791	0.1	3,820	0.1
TOTAL EXPENSES	1,116,400	20.0	896,656	21.7	748,470	22.9
Earnings before income taxes	268,600	4.8	209,000	5.1	175,250	5.4
Provision for income taxes [NOTE 4]	100,725	1.8	76,600	1.9	65,000	2.0
NET EARNINGS	\$ 167,875	3.0	\$ 132,400	3.2	\$ 110,250	3.4
Weighted average common shares and common share equivalents	97,369		97,391		96,140	
NET EARNINGS PER SHARE	\$1.72		\$1.36		\$1.15	
See accompanying notes to consolidated financial statements.						

Consolidated Balance Sheets

	At February 28	
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)	1995	1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 46,962	\$ 75,194
Net accounts and notes receivable [NOTE 9]	264,565	188,990
Merchandise inventory	1,035,776	721,348
Deferred income taxes [NOTE 4]	25,696	26,700
Prepaid expenses and other current assets	14,162	11,476
TOTAL CURRENT ASSETS	1,387,161	1,023,708
Property and equipment, net [NOTES 2 AND 3]	592,956	438,096
Deferred income taxes [NOTE 4]	5,947	78,688
Other assets	17,991	14,172
TOTAL ASSETS	\$2,004,055	\$1,554,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current installments of long-term debt [NOTES 3 AND 7]	\$ 2,378	\$ 1,819
Accounts payable	576,578	419,037
Accrued expenses and other current liabilities	113,631	86,826
Accrued income taxes	13,533	38,582
TOTAL CURRENT LIABILITIES	706,120	546,264
Long-term debt, excluding current installments [NOTES 3 AND 7]	178,605	29,648
Deferred revenue and other liabilities	241,866	268,360
TOTAL LIABILITIES	1,126,591	844,272
STOCKHOLDERS' EQUITY [NOTE 5]:		
Common stock, \$0.50 par value; 150,000,000 shares authorized; 96,476,000 shares issued and outstanding (96,080,000 in 1994)	48,238	48,040
Capital in excess of par value	72,639	64,485
Retained earnings	756,587	597,867
TOTAL STOCKHOLDERS' EQUITY	877,464	710,392
Commitments [NOTES 6, 7 AND 9]		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,004,055	\$1,554,664

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(AMOUNTS IN THOUSANDS)	Years Ended February 28		
	1995	1994	1993
OPERATING ACTIVITIES:			
Net earnings	\$167,875	\$132,400	\$110,250
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	66,866	55,012	41,705
Loss on sales of property and equipment	2,199	1,910	993
Provision for deferred income taxes	73,745	(17,800)	(19,478)
(Decrease) increase in deferred revenue and other liabilities	(26,494)	36,306	44,896
Increase in net accounts and notes receivable	(75,575)	(68,542)	(26,932)
Increase in merchandise inventory, prepaid expenses and other current assets	(317,114)	(203,783)	(96,607)
(Increase) decrease in other assets	(3,819)	(522)	1,117
Increase in accounts payable, accrued expenses and other current liabilities, and accrued income taxes	159,297	173,300	94,064
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,980	108,281	150,008
INVESTING ACTIVITIES:			
Purchases of property and equipment	(375,406)	(252,256)	(189,649)
Proceeds from sales of property and equipment	151,481	128,029	95,464
NET CASH USED IN INVESTING ACTIVITIES	(223,925)	(124,227)	(94,185)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	153,000	-	-
Principal payments on long-term debt	(3,484)	(52,748)	(3,127)
Proceeds from issuance of common stock, net	8,352	10,150	22,698
Dividends paid	(9,155)	(7,674)	(5,433)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	148,713	(50,272)	14,138
(Decrease) increase in cash and cash equivalents	(28,232)	(66,218)	69,961
Cash and cash equivalents at beginning of year	75,194	141,412	71,451
Cash and cash equivalents at end of year	\$ 46,962	\$ 75,194	\$141,412
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	\$ 8,150	\$ 5,297	\$ 5,526
Income taxes	\$ 98,894	\$ 81,773	\$ 70,890

See accompanying notes to consolidated financial statements.

Consolidated Statement of Shareholders' Equity

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Total
BALANCE AT MARCH 1, 1992	93,867	\$46,934	\$32,743	\$368,324	\$448,001
Net earnings	-	-	-	110,250	110,250
Exercise of common stock options [NOTE 5]	1,982	991	15,031	-	16,022
Shares issued under Employee Stock Purchase Plan [NOTE 5]	67	33	1,202	-	1,235
Shares issued under the 1988 Stock Incentive Plan [NOTE 5]	220	110	3,350	-	3,460
Tax benefit from stock issued	-	-	12,700	-	12,700
Shares cancelled upon reacquisition by Company	(466)	(233)	(9,917)	-	(10,150)
Unearned compensation-restricted stock [NOTE 5]	-	-	(569)	-	(569)
Cash dividends-common stock (\$0.06 per share)	-	-	-	(5,433)	(5,433)
BALANCE AT FEBRUARY 28, 1993	95,670	47,835	54,540	473,141	575,516
Net earnings	-	-	-	132,400	132,400
Exercise of common stock options [NOTE 5]	316	158	2,994	-	3,152
Shares issued under Employee Stock Purchase Plan [NOTE 5]	76	38	1,895	-	1,933
Shares issued under the 1988 Stock Incentive Plan [NOTE 5]	146	73	3,589	-	3,662
Tax benefit from stock issued	-	-	3,367	-	3,367
Shares cancelled upon reacquisition by Company	(128)	(64)	(2,014)	-	(2,078)
Unearned compensation-restricted stock [NOTE 5]	-	-	114	-	114
Cash dividends-common stock (\$0.08 per share)	-	-	-	(7,674)	(7,674)
BALANCE AT FEBRUARY 28, 1994	96,080	48,040	64,485	597,867	710,392
NET EARNINGS	-	-	-	167,875	167,875
EXERCISE OF COMMON STOCK OPTIONS [NOTE 5]	260	130	2,519	-	2,649
SHARES ISSUED UNDER EMPLOYEE Stock Purchase Plan [NOTE 5]	87	43	1,868	-	1,911
Shares issued under the 1994 Stock Incentive Plan [NOTE 5]	211	106	3,740	-	3,846
Tax benefit from stock issued	-	-	3,272	-	3,272
Shares cancelled upon reacquisition by Company	(162)	(81)	(3,089)	-	(3,170)
Unearned compensation-restricted stock [NOTE 5]	-	-	(156)	-	(156)
Cash dividends-common stock (\$0.10 per share)	-	-	-	(9,155)	(9,155)
BALANCE AT FEBRUARY 28, 1995	96,476	\$48,238	\$72,639	\$756,587	\$877,464

See Accompanying Notes to Consolidated Financial Statements.

Notes to Consolidates Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (A) Principles of Consolidation: The consolidated financial statements include the accounts of Circuit City Stores, Inc. and its subsidiaries (the Company), all of which are wholly owned. All significant intercompany balances and transactions have been eliminated in consolidation. (B) Cash and Cash Equivalents: Cash equivalents of \$18,719,000 and \$35,800,000 at February 28, 1995 and 1994, respectively, consist of highly liquid debt securities with original maturities of three months or less.

(C) Fair Value of Financial Instruments: The carrying value of the Company's financial instruments, excluding interest rate swap agreements, approximates fair value due to the short-term maturities of the assets and liabilities. As discussed in Note 9, interest rate swaps are not held for trading purposes, and accordingly, are not carried at fair value. (D) Merchandise Inventory: Inventory is stated at the lower of cost or market. Cost is determined by the average cost method. (E) Property and Equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives, which range from three to 25 years. Property held under capital leases is stated at the lower of the present value of the minimum lease payments at the inception of the lease or market value and is amortized straight-line over the lease term or the estimated useful life of the asset, whichever is shorter. (F) Pre-opening Expenses: Expenses associated with the opening of new stores are deferred and amortized ratably over the period from the date of the store opening to the end of the fiscal year. (G) Income Taxes: The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes, measured by applying currently enacted tax laws. The Company recognizes deferred tax assets if it is more likely than not that a benefit will be realized. (H) Deferred Revenue: The Company sells its own extended warranty contracts and extended warranty contracts on behalf of unrelated third parties. The contracts extend beyond the normal manufacturer's warranty period, usually with terms of coverage (including the manufacturer's warranty period) between 12 and 60 months. All revenue from the sale of the Company's own extended warranty contracts is deferred and amortized on a straight-line basis over the life of the contracts. Incremental direct contract costs related to the sale of contracts are deferred and charged to expense in proportion to the revenue recognized. All other costs are charged to expense as incurred. Commission revenue for the unrelated third-party extended warranty plans is recognized at the time of sale.

(I) Earnings Per Share: Earnings per share is computed using the weighted average number of shares of common stock and common stock equivalents outstanding during the year. (J) Reclassifications: Certain amounts in prior years have been reclassified to conform to classifications adopted in fiscal 1995.

2. PROPERTY AND EQUIPMENT Property and equipment, at cost, at February 28 is summarized as follows:

(AMOUNTS IN THOUSANDS)	1995	1994
Land and buildings	\$ 83,109	\$ 78,426
Construction in progress	122,446	40,543
Furniture, fixtures and equipment	344,923	282,811
Leasehold improvements	286,610	221,094
Capital leases (primarily buildings)	13,679	13,679
	850,767	636,553
Less accumulated depreciation and amortization	257,811	198,457
Property and equipment, net	\$592,956	\$438,096

3. DEBT Long-term debt at February 28 is summarized as follows:

(AMOUNTS IN THOUSANDS)	1995	1994
Term loan	\$100,000	\$ -
Short-term debt expected to be refinanced	53,000	-
Industrial Development Revenue		
Bonds due through 2006 at various prime-based rates of interest ranging from 5.9% to 7.3%	14,698	18,000
Obligations under capital leases [NOTE 7]	13,285	13,467
Total long-term debt	180,983	31,467
Less current installments	2,378	1,819
Long-term debt, excluding current installments	\$178,605	\$ 29,648

In July 1994, the Company entered into a seven-year, \$100,000,000, unsecured bank term loan. Principal is due in full at maturity with interest payable periodically at LIBOR plus 0.5 percent.

The Company has the intent and ability to refinance the \$53,000,000 of short-term committed and uncommitted bank borrowings on a long-term basis by entering into a multi-year term loan with a group of banks. Consequently, the Company has classified the short-term debt as long-term for financial reporting purposes.

The Industrial Development Revenue Bonds are collateralized by land, buildings and equipment with an aggregate carrying value of approximately \$15,400,000 at February 28, 1995, and \$19,000,000 at February 28, 1994. The Company maintains a \$100,000,000 unsecured revolving credit agreement with four banks. The agreement calls for interest based on certain money market rates and a commitment fee of 0.24 percent per annum. The agreement terminates June 30, 1996; however, it provides for annual one-year extensions on or before June 30 of each succeeding year. Upon termination of the agreement, so long as the balance outstanding is a minimum of \$10,000,000, the agreement converts to a term loan payable in 16 equal quarterly installments. No amounts were outstanding under the revolving credit agreement at February 28, 1995 or 1994.

The scheduled aggregate annual principal payments on long-term obligations for the next five years are as follows: 1996 - \$2,378,000; 1997 - \$1,436,000; 1998 - \$1,489,000; 1999 - \$1,586,000; 2000 - \$1,743,000. Under certain of the debt agreements, the Company must meet financial covenants relating to minimum tangible net worth, current ratios and debt- to-capital ratios. The Company was in compliance with all such covenants at February 28, 1995 and 1994.

Short-term debt includes committed lines of credit and informal credit arrangements. Amounts outstanding and committed lines of credit available are as follows:

(AMOUNTS IN THOUSANDS)	Years Ended February 28		
	1995	1994	1993
Average short-term debt outstanding	\$134,022	\$77,392	\$18,333
Maximum short-term debt outstanding	\$465,000	\$355,000	\$148,000
Aggregate committed lines of credit available	\$285,000	\$145,000	\$160,000

The weighted average interest rate on the outstanding short-term debt was 5.3 percent during fiscal 1995 and 3.3 percent during fiscal 1994 and fiscal 1993.

The Company capitalizes interest in connection with the construction of certain facilities. In fiscal 1995, interest capitalized amounted to \$3,846,000 (\$2,626,000 and \$2,986,000 in fiscal 1994 and 1993, respectively).

4. INCOME TAXES The Company files a consolidated federal income tax return. The components of the provision for income taxes on earnings before income taxes follow:

(AMOUNTS IN THOUSANDS)	Years Ended February 28		
	1995	1994	1993
Current:			
Federal	\$21,250	\$85,680	\$75,130
State	5,730	8,720	9,348
	26,980	94,400	84,478
Deferred:			
Federal	69,035	(14,790)	(15,550)
State	4,710	(3,010)	(3,928)
	73,745	(17,800)	(19,478)
Provision for income taxes	\$100,725	\$76,600	\$65,000

The enactment of the Omnibus Tax Reconciliation Act of 1993 on August 10, 1993, increased the federal statutory income tax rate for corporations from 34 percent to 35 percent effective January 1, 1993. This change in the federal tax rate and the resulting revaluation of the Company's deferred tax asset had a favorable impact on the fiscal 1994 provision for income taxes. The effective income tax rates of 37.5 percent in fiscal 1995, 36.7 percent in fiscal 1994 and 37.0 percent in fiscal 1993 differ from the federal statutory income tax rates of 35 percent in fiscal 1995 and 1994 and 34 percent in fiscal 1993 because of state income taxes, federal and state income tax credits and the revaluation of the deferred tax asset in fiscal 1994.

In accordance with SFAS No. 109, the tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at February 28, 1995 and 1994, are as follows:

(AMOUNTS IN THOUSANDS)	1995	1994
Deferred Tax Assets:		
Deferred revenue	\$32,049	\$ 99,364
Inventory capitalization	6,482	5,815
Accrued expenses	31,815	26,082
Other	5,114	4,335
Total gross deferred assets	75,460	135,596
Deferred Tax Liabilities:		
Depreciation and amortization	30,510	20,691
Prepaid benefit programs	2,892	2,620
Other prepaid expenses	5,347	1,960
Other	5,068	4,937
Total gross deferred tax liabilities	43,817	30,208
Net Deferred Tax Asset	\$31,643	\$105,388

The decrease in the net deferred tax asset during fiscal 1995 is due to a reduction in deferred revenue and a more closely matched recognition of deferred revenue for financial and tax reporting purposes. Of the gross deferred tax assets at February 28, 1995 and 1994, approximately \$66 million and \$119 million, respectively, can be realized by carrybacks or offsetting of deferred tax liabilities. Based on the Company's historical and current pre-tax earnings, management believes the remaining amount will be realized through future taxable income, therefore, no valuation allowance is necessary.

5. CAPITAL STOCK AND STOCK INCENTIVE PLANS

(A) Preferred Stock: In conjunction with the adoption in fiscal 1989 of a Shareholders Rights Plan, preferred stock purchase rights were

distributed as a dividend at the rate of one right for each share of the Company's common stock. The rights are exercisable only upon the attainment of, or the commencement of a tender offer to attain, a specified ownership interest in the Company by a person or group. When exercisable, each right would entitle shareholders to buy one four-hundredth of a newly issued share of Cumulative Participating Preferred Stock, Series E, \$20 par value, at an exercise price of \$140 per share. A total of 500,000 shares of such preferred stock, which have preferential dividend and liquidation rights, have been authorized; 250,000 shares have been reserved. No such shares are outstanding. In the event that an acquiring person or group engages in certain transactions with the Company after the rights become exercisable, each right will be converted into a right to purchase, for half the current market price at that time, shares of the Company's common stock valued at two times the exercise price.

The Company also has 1,500,000 shares of Undesignated Preferred Stock authorized of which no shares are outstanding.

(B) Restricted Stock: The Company has issued restricted stock under the provisions of the 1994 and 1988 Stock Incentive Plans whereby key employees are granted restricted shares of the Company's common stock. Shares are awarded in the name of the employee, who has all the rights of a stockholder, subject to certain restrictions or forfeitures. Restrictions on the awards generally expire three years from the date of grant. In fiscal 1995, restricted stock awards for 211,404 shares were granted to eligible employees. The market value of these shares has been recorded as unearned compensation and is a component of stockholders' equity. Unearned compensation is expensed over the restriction periods. In fiscal 1995, a total of \$2,552,500 was charged to operations (\$2,955,400 in 1994 and \$2,955,900 in 1993). As of February 28, 1995, 447,879 restricted shares were outstanding.

(C) Employee Stock Purchase Plan: The Company has an Employee Stock Purchase Plan for all employees meeting certain eligibility criteria. Under the Plan, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at 85 percent of its market value. Purchases are limited to 10 percent of an employee's eligible compensation, up to a maximum of \$7,500 per year. At February 28, 1995, a total of 537,295 shares remained available under the Plan. During fiscal 1995, 537,467 shares were issued to or purchased on the open market for employees (436,400 and 407,990 in fiscal 1994 and 1993, respectively). The average price per share was \$22.23, \$26.20 and \$18.78 in fiscal 1995, 1994 and 1993, respectively. The purchase price discount is charged to operations and totalled \$1,760,200, \$1,653,700 and \$1,135,900 in fiscal 1995, 1994 and 1993, respectively. (D) Stock Incentive Plans: Under the Company's stock incentive plans, incentive and non-qualified stock options may be granted to management, key employees and outside directors to purchase shares of the Company's common stock. The exercise price for incentive stock options for employees and non-qualified options for outside directors is the market value at the date of grant; for non-qualified options granted under the 1988 Plan for employees it is at least 85 percent of the market value at the date of grant (100 percent under the 1994 Plan). Options are generally exercisable over a period of from one to 10 years from the date of grant. Changes in stock options outstanding (and option exercise prices for such options) are as follows:

	Years Ended February 28		
	1995	1994	1993
Options outstanding at beginning of year (\$5.72 to \$33.00)	3,593,745	3,494,626	4,017,342
Granted (\$15.69 to \$33.00)	750,500	562,425	1,593,806
Exercised (\$5.72 to \$25.00)	(260,234)	(316,243)	(1,981,362)
Cancelled (\$6.25 to \$33.00)	(374,740)	(147,063)	(135,160)
Options outstanding at end of year (\$5.94 to \$33.00)	3,709,271	3,593,745	3,494,626
Options exercisable at end of year (\$5.94 to \$29.13)	2,070,319	1,662,032	743,268
Shares available for grant at end of year (options and restricted stock)	3,276,544	1,010,488	1,519,754

The stock incentive plans provide for the granting of stock appreciation rights (SARs) in tandem with non-qualified stock option grants at the discretion of the board of directors' compensation and personnel committee. The SARs granted to date become fully exercisable only upon a change of control, as defined, of the Company, notwithstanding other conditions of exercisability of the options. The SARs permit the optionee to surrender an exercisable SAR for an amount equal to the excess of the market price of the common stock over the option price when the right is exercised. Market value is defined as the greater of the highest closing price of the Company's stock during the 90 days preceding the change of control or the closing price on the date preceding the exercises. As of February 28, 1995, 5,417,163 non-qualified options with related SARs had been granted with such terms (4,888,333 in 1994 and 4,506,688 in 1993).

6. PENSION PLAN The Company has a non-contributory defined benefit pension plan covering the majority of full-time employees who are at least age 21 and have completed one year of service. The cost of this program is being funded currently. Plan benefits are generally based on years of service and average compensation. Plan assets consist primarily of equity securities and included 80,000 shares of the Company's common stock at February 28, 1995 and 1994. The components of net pension expense are as follows:

(AMOUNTS IN THOUSANDS)	Years Ended February 28		
	1995	1994	1993
Service cost of benefits earned during the year	\$4,485	\$3,916	\$3,286
Interest cost on projected benefit obligation	2,715	2,351	1,851

Actual return on plan assets	(102)	(3,632)	(1,936)
Net amortization	(3,452)	1,212	61
Net pension expense	\$3,646	\$3,847	\$3,262

Contributions of \$3,710,000, \$4,503,000 and \$4,883,000 were required in fiscal 1995, 1994 and 1993, respectively. Assumptions used in the accounting for the pension plan were:

	Years Ended February 28		
	1995	1994	1993
Weighted average discount rate	8.0%	7.5%	8.0%
Rate of increase in compensation levels	6.5%	6.0%	6.5%
Rate of return on plan assets	8.0%	9.0%	8.0%

The following table sets forth the plan's financial status and amounts recognized in the consolidated balance sheets as of February 28:

(AMOUNTS IN THOUSANDS) 1995 1994 Actuarial present value of benefit obligation:

Accumulated benefit obligation		
Vested	\$25,983	\$22,549
Non-vested	3,720	2,420
Total benefits	29,703	24,969
Additional amounts related to projected salary increases	15,910	11,414
Projected benefit obligation for services rendered to date	45,613	36,383
Plan assets at fair value	(37,046)	(33,564)
Projected benefit obligation in excess of plan assets	8,567	2,819
Unrecognized loss from past experience	(8,102)	(2,597)
Unrecognized prior service cost	981	1,086
Unrecognized net obligation being recognized over 15 years	1,414	1,616
Accrued pension cost	\$2,860	\$2,924

7. LEASE COMMITMENTS The Company conducts a substantial portion of its business in leased premises. The Company's lease obligations are based upon contractual minimum rates. For certain locations, amounts in excess of these minimum rates are payable based upon specified percentages of sales. Rental expense and sublease income for all operating leases are summarized as follows:

(AMOUNTS IN THOUSANDS)	Years Ended February 28		
	1995	1994	1993
Minimum rentals	\$118,042	\$96,110	\$78,184
Rentals based on sales volume	2,513	1,910	1,686
Sublease income	(8,875)	(8,441)	(7,695)
Net	\$111,680	\$89,579	\$72,175

The Company computes rent based on a percentage of sales volumes in excess of defined amounts in certain store locations. Most of the Company's other leases are fixed dollar rental commitments, many with rent escalations based on the Consumer Price Index. Most provide that the Company pay taxes, maintenance, insurance and certain other operating expenses applicable to the premises. The initial term of real property leases will expire within the next 25 years; however, most of the leases have options providing for additional lease terms of from five to 25 years at terms substantially the same as the initial terms. Future minimum fixed lease obligations, excluding taxes, insurance, and other costs payable directly by the Company, as of February 28, 1995, were:

FISCAL	Capital Leases	Operating Lease Commitments	Operating Sublease Income
(AMOUNTS IN THOUSANDS)			
1996	\$ 1,502	\$ 128,946	\$(9,509)
1997	1,541	\$ 129,002	(8,748)
1998	1,541	\$ 129,266	(7,472)
1999	1,579	\$ 127,072	(5,891)
2000	1,662	\$ 124,625	(5,358)
After 2000	\$23,364	\$1,392,326	(33,503)
Total minimum lease payments	\$31,189	\$2,031,237	\$(70,481)
Less amounts representing interest	17,904		
Present value of net minimum capital lease payments [NOTE 3]	\$13,285		

In fiscal 1995, the Company entered into sale-leaseback transactions with unrelated parties at an aggregate selling price of \$85,970,000 (\$87,980,000 in fiscal 1994 and \$69,195,000 in fiscal 1993). The Company does not have continuing involvement under the sale-leaseback transactions.

8. SUPPLEMENTARY INCOME STATEMENT INFORMATION Advertising expense, which is included in selling, general and administrative expenses in the accompanying consolidated statements of earnings, amounted to \$262,969,000, \$211,022,000 and \$174,167,000 (4.7 percent, 5.1 percent and 5.3 percent of net sales and operating revenues) in fiscal years 1995, 1994 and 1993, respectively.

9. CREDIT CARD RECEIVABLES AND OFF BALANCE SHEET RISK The Company uses securitization transactions, which allow for the sale of receivables to unrelated entities, to finance the consumer revolving credit receivables generated by First North American National Bank, its wholly owned credit card bank subsidiary. No gain or loss has been recorded on these sales. At February 28, the following amounts were outstanding:

(AMOUNTS IN THOUSANDS)	1995	1994
Gross receivables transferred	\$1,181,954	\$727,966
Interest retained by Company	(124,206)	(98,606)
Net transferred amount	\$1,057,748	\$629,360
Program capacity	\$1,060,000	\$630,000

During fiscal 1995, the Company's credit card bank subsidiary converted two asset securitization structures for its private-label credit card into a single master trust that allows the transfer of up to \$760 million in receivables through private placement and the public market. The master trust vehicle permits further expansion of the securitization programs to meet future needs. In addition, the Company's credit card bank subsidiary has an asset securitization program in place for its other bank card programs that allows the transfer of up to \$300 million in receivables. The finance charges from the transferred receivables are used to fund interest costs, charge-offs and servicing fees. Certain of the securitization agreements state that there is recourse to the Company for any cash flow deficiencies if the monthly credit card cash flows from finance charges are inadequate to cover the aforementioned expenses. The Company believes that as of February 28, 1995, no liability existed under the recourse provision.

In October 1994, the Company entered into interest rate swap agreements totalling \$300 million relating to the public issuance of securities by the master trust. As part of this issuance, five-year, fixed-rate certificates totalling \$344 million were issued to fund consumer credit card receivables. First North American National Bank is servicer for the accounts, and as such, receives their monthly cash portfolio yield after deducting interest, charge-offs and other related costs. Because the underlying receivables are issued with a variable-rate finance charge, interest rate swaps were put in place to better match funding costs to the receivables being securitized and to preserve net portfolio yield. As a result, the master trust pays fixed-rate interest while the Company utilizes the swaps to convert the fixed-rate obligation to a floating-rate, LIBOR-based obligation.

The fair value of the interest rate swap agreements is the amount at which they could be settled based on estimates obtained from the counterparties, which are two banks highly rated by several financial rating agencies. The fair value of the swaps at February 28, 1995, exceeded face value by \$6,300,000.

10. QUARTERLY FINANCIAL DATA (UNAUDITED)

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
Net sales and operating revenues	\$1,048,695	\$798,950	\$1,218,572	\$906,678	\$1,405,445	\$1,018,051	\$1,910,235	\$1,406,736	\$5,582,947	\$4,130,415
Gross profit	\$ 263,677	\$215,066	\$ 309,617	\$240,764	\$ 336,049	\$ 262,578	\$ 475,657	\$ 387,248	\$1,385,000	\$1,105,656
Net earnings	\$ 19,688	\$ 17,230	\$ 36,055	\$ 27,967	\$ 28,442	\$ 19,460	\$ 83,690	\$ 67,743	\$ 167,875	\$ 132,400
Net earnings per share	\$ 0.20	\$ 0.18	\$ 0.37	\$ 0.29	\$ 0.29	\$ 0.20	\$ 0.86	\$ 0.70	\$ 1.72	\$ 1.36

Independent Auditors' Report

The Board of Directors and Stockholders of Circuit City Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Circuit City Stores, Inc. and subsidiaries as of February 28, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended February 28, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Circuit City Stores, Inc. and subsidiaries as of February 28, 1995 and 1994, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 28, 1995, in conformity with generally accepted accounting principles.

s/KPMG Peat Marwick LLP

*Richmond, Virginia
April 5, 1995*

Management's Report

The Board of Directors and Stockholders of Circuit City Stores, Inc.:

The consolidated financial statements of Circuit City Stores, Inc. and subsidiaries have been prepared under the direction of management, which is responsible for their integrity and objectivity. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts that are the best estimates and judgments of management with consideration given to materiality.

Management is responsible for maintaining an internal control structure, designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that its established policies and procedures are carefully followed. Because of inherent limitations in any system, there can be no absolute assurance that errors or irregularities will not occur. Nevertheless, management believes that the internal control structure provides reasonable assurance that assets are safeguarded and that financial information is objective and reliable. The Company's consolidated financial statements have been audited by KPMG Peat Marwick LLP, independent auditors. Their Independent Auditors' Report, which is based on audits made in accordance with generally accepted auditing standards, expresses an opinion as to the fair presentation in conformity with generally accepted accounting principles of the consolidated financial statements. In performing its audit, KPMG Peat Marwick LLP considers the Company's internal control structure to the extent it deems necessary in order to issue its opinion on the consolidated financial statements.

The audit committee of the board of directors is composed solely of outside directors. The committee meets periodically with management, the internal auditors and the independent auditors to assure each is properly discharging its responsibilities. KPMG Peat Marwick LLP and the internal auditors have full and free access to meet privately with the audit committee to discuss accounting controls, audit findings and financial reporting matters.

s/Richard Sharp

*Richard L. Sharp
Chairman and Chief Executive Officer*

s/Michael T. Chalifoux

*Michael T. Chalifoux
Senior Vice President, Chief Financial Officer and Corporate Secretary
April 5, 1995*

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	FEB 28 1995
PERIOD END	FEB 28 1995
CASH	46,962
SECURITIES	0
RECEIVABLES	264,565
ALLOWANCES	0
INVENTORY	1,035,776
CURRENT ASSETS	1,387,161
PP&E	850,767
DEPRECIATION	257,811
TOTAL ASSETS	2,004,055
CURRENT LIABILITIES	706,120
BONDS	178,605
COMMON	48,238
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	829,226
TOTAL LIABILITY AND EQUITY	2,004,055
SALES	5,582,947
TOTAL REVENUES	5,582,947
CGS	4,197,947
TOTAL COSTS	4,197,947
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	10,030
INCOME PRETAX	268,600
INCOME TAX	100,725
INCOME CONTINUING	167,875
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	167,875
EPS PRIMARY	1.72
EPS DILUTED	1.72

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