SN VALUATION
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Circuit City

We would like to keep in mind Best Buy and Mr. Schulze's attempt to revitalize a staple, yet weakening brand. Circuit City maintained a 60 year history before it filed for Ch.11. Were the headwinds, which Circuit City faced, a secular and temporary situation? Does Best Buy have a broken business model that will turn into obsolescence as e-based retailers revolutionize digital goods retailing?

Circuit City operated 712 stores in the U.S. and separately, operated 770 stores in Canada, which are not affiliated with the Ch. 11. The prepretition revolving credit limit was $1.3 BB, which was secured by goods, intangibles, accounts, inventory and the balance drawn was $900 MM. Vendor relations deteriorated to the point where the vendors asked for cash in advance for the goods. On top of the internal liquidity issue, the credit market was not available to supply capital due to the credit crisis. 70% of sales were generated from credit card purchases, which hindered sales on the end customer's end. The co. received court approval to pursue a stalking horse bid, but none were suffice, so the co. proceeded to liquidate the assets.

General unsecured claims (GUC) with claims running from $1.8 to $2 BB are impaired. 2008, revenues were $11 BB, but op. loss was $350MM. $3BB in assets and $2.28 BB in liabilities, which creates a $800MM book value. Double digit decline in revenue led to consistent losses. The co. pursued a turnaround by hiring a new management team, and liquidating 155 unprofitable stores from Nov. 2008 to Dec. 2008. All related employees, and an additional 1,300 employees were laid off. Vendor relations were turning cold and eventually, vendors refused to provide favorable trade credit and terms. Eventually, the co. resorted to drawing on the revolver, but the co. purchased less goods than before. The Catch 22 was the revolver credit line was based off the inventory level, so the credit line was also reduced. Eventually, the co. couldn't stock the shelves with new products, nor provide liquidity for other operational usage.

Court approved DIP financing up to $1.1 BB. The co. would essentially run the same, but be burdened with less debt and interest payments. For the $1.3 BB, if interest rate was near 10%, then that was $130 MM in interest payments going out the door annually. Although offsetting the debt wouldn't have reversed the cumulative net income from a loss to a gain, it would still have been in the co.'s favor when negotiating with vendors. The vendors were probably very concerned about the co's liquidity, which caused them to pull the financing. We remember going into a Circuit City around 2006 and the lights were very dim, the shelves weren't well stocked, carried a lot of lower brand names, and overall, a really drab store atmosphere. No vendor would in their right mind do business with such a co.

As a result, Circuit City closed all the remaining stores by March 2009 and distributed the proceeds to the creditors accordingly. Systemax purchased the brand name and website for $14 MM. Seems management was planning on ramping growth to 200-300 store openings in 2008, and a large contributor to the failure was the growing lease payments.

APPENDIX C
LIQUIDATION ANALYSIS

This analysis has been prepared by management based on the Company's best estimates and knowledge of events as of 8/24/09. Although the estimates and assumptions that were made in preparing the analysis are considered reasonable by management, they are inherently subject to significant uncertainties and contingencies. Accordingly, there can be no assurance that the estimates shown below will be realized. Actual results may therefore vary materially from those presented.

			Chapter 7 Estimated Proceeds Available to be Distributed under Chapter 7	
$ in 000's		***Note***	**Low**	**High**
A.	**ESTIMATED PROCEEDS FROM SALE OF ASSETS**			
	Cash and cash equivalents	*1*	275,000	275,000
	Accounts receivable, net	*2*	59,700	83,000
	Income tax receivables	*3*	52,900	60,400
	Prepaid expenses and other current assets	*4*	2,200	3,000
	Net PP&E	*5*	11,500	24,400
	Intercompany receivables & inv. in subs	*6*	72,900	78,100
	Estate causes of action	*7*	14,600	24,300
	Total Estimated Proceeds from Sale of Assets		488,800	548,200
B.	**WIND DOWN EXPENSES**			
	Estimated professional fees	*8*	13,000	10,000
	Estimated Chapter 7 trustee fees	*9*	14,700	16,400
	Estimated operating expenses	*10*	25,000	23,100
	Total Wind Down Expenses		52,700	49,500
	NET ESTIMATED PROCEEDS BEFORE DISTRIBUTION		**436,100**	**498,700**
C.	**SECURED CLAIMS**	*11*	20,000	5,000
	% Recovery for Secured Claims		***100%***	***100%***
	AMOUNT AVAILABLE FOR ADMINISTRATIVE CLAIMS		**416,100**	**493,700**
D.	**ADMINISTRATIVE CLAIMS**	*12*		
	503(b)(9)		200,000	170,000
	General Administrative Claims		90,000	50,000
	Total Administrative Claims		290,000	220,000
	% Recovery for Administrative Claims		***100%***	***100%***
	AMOUNT AVAILABLE FOR PRIORITY CLAIMS		**126,100**	**273,700**
E.	**PRIORITY CLAIMS**	*13*	125,000	50,000
	% Recovery for Priority Claims		***100%***	***100%***
	AMOUNT AVAILABLE FOR UNSECURED CLAIMS		**1,100**	**223,700**
F.	**UNSECURED CLAIMS**	*14*	2,000,000	1,800,000
	% Recovery for Unsecured Claims		***0%***	***12%***

Assumptions

The following notes describe the significant assumptions that were applied to individual assets within the broader asset categories.

Note 1

The Debtors' estimated cash and cash equivalents are $275 million.

Note 2

The Debtors' accounts receivable represent vendor receivables and warranty recovery.

Note 3

The Debtors' income tax receivables as of the liquidation date are approximately $75.5M. This analysis assumes between 70% and 80% recovery of the book value of income tax receivables per the monthly operating report as of 6/30/09.

Note 4

The Debtors' prepaid and other current assets consist of prepaid taxes, insurance receivables and other deposits. This analysis assumes between 30% and 40% recovery of the book value of prepaid assets and other current assets per the monthly operating report as of 6/30/09.

Note 5

The estimate for property and equipment is based upon management's estimate of value.

Note 6

The Debtors' estimated intercompany receivables and investments in subs relate to proceeds from the sale of the Canadian subsidiary to Bell Canada and return of equity from liquidation of Northern National Insurance Limited subsidiary.

Note 7

The estimate of recoveries from Estate Causes of Action is based upon a preliminary analysis of potential recoveries on Preference Actions taking into account various defenses available to recipients of pre-filing payments as well as the costs and expenses associated with prosecuting such Preference Actions

Note 8

Estimated professional fees represent the costs for financial advisors, attorneys and other professionals.

Note 9

Chapter 7 trustee fees are estimated at 3% of the all moneys disbursed to parties in interest.

Note 10

Operating expenses assume a wind down period of approximately twelve months following the appointment or election of a Chapter 7 trustee. Operating expenses also include remaining payout on management incentive plan, remaining payment of $12.2M for November stub rent and pre-GOB sales tax accrual of $4.0M.

Note 11

Estimates for the senior secured claims include potential liens against the Company.

Note 12

Estimates for administrative claims include estimated post-petition accounts payable, 503(b)(9) claims, and miscellaneous liabilities. Claim amounts are estimates only and are subject to change.

Note 13

Estimates for priority claims primarily consist of estimated tax-related and employee related priority claims.

Note 14

The unsecured claim estimate is comprised of known pre-petition liabilities on the Company's books as well as estimated lease rejection claims. Lease rejection claims are calculated as the greater of (i) one year's rent or (ii) 15% of the remaining term of the lease not to exceed three years. All unsecured claim amounts are estimates only and the amounts may be materially different after a claims reconciliation process is completed.