

Douglas M. Foley (VSB No. 34364)
 Sarah B. Boehm (VSB No. 45201)
 McGUIREWOODS LLP
 One James Center
 901 E. Cary Street
 Richmond, Virginia 23219
 (804) 775-1000

Counsel to the Debtors and
 Debtors in Possession

UNITED STATES BANKRUPTCY COURT
 EASTERN DISTRICT OF VIRGINIA
 RICHMOND DIVISION

----- X
 In re: : Chapter 11
 :
 CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
 :
 Debtors. : Jointly Administered
 ----- X -----
 :
 CIRCUIT CITY STORES, INC., :
 :
 Plaintiff, :
 :
 v. : Adv. Pro. Case No. 10-03094
 :
 AVENUES IN LEATHER, INC., :
 :
 Defendant. :
 :
 ----- X

**SETTLEMENT AGREEMENT AND STIPULATION BY AND
 AMONG THE DEBTORS AND AVENUES IN LEATHER, INC.**

This settlement agreement and stipulation (this
 "Settlement Agreement") is entered into by and among the
 above-captioned debtors and debtors in possession (the
 "Debtors") and Avenues in Leather, Inc. ("Avenues" and

together with the Debtors, the "Parties" and each of which is a "Party").

GENERAL BACKGROUND

WHEREAS, on November 10, 2008 (the "Petition Date"), the Debtors each filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code");

WHEREAS, the Debtors have continued as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, on November 12, 2008, the Office of the United States Trustee for the Eastern District of Virginia appointed a statutory committee of unsecured creditors (the "Creditors' Committee");

WHEREAS, to date, no trustee or examiner has been appointed in these chapter 11 cases;

WHEREAS, on January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business

sales pursuant to the Agency Agreement at the Debtors remaining stores. As of on or about March 8, 2009, the going out of business sales concluded; and

WHEREAS, the Debtors are authorized under the Court's Order under 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006 and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-petition and Post-petition Claims and Causes of Action Without Further Court Approval dated August 7, 2009, 2009 (Docket No. 4401) (the "Settlement Procedures Order")¹ to enter into this Settlement Agreement, subject to the Notice Procedures.

SETTLEMENT BACKGROUND

WHEREAS, the Debtors and Avenues were parties to a certain letter agreement for the purchase of certain goods produced by Avenues for sale in the Debtors' stores (as supplemented and amended, the "Written Contract"), which was terminated by the Debtors prior to the Petition Date;

WHEREAS, on May 10, 2010, the Debtors filed a complaint (the "Complaint") against Avenues initiating the above-captioned adversary proceeding (the "Adversary Proceeding");

¹ All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Settlement Procedures Order.

WHEREAS, after extensive, good faith negotiations, the Parties now desire to consensually resolve all claims, matters, and disputes by and between the Parties; and

NOW THEREFORE, subject to and in accordance with the Settlement Procedures Order, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby STIPULATE AND AGREE AND IT IS HEREBY ORDERED that:

1. **Settlement Amount.** On or before the fifth (5) business day from the date this Settlement Agreement is deemed a final order of the Court as provided under the Settlement Procedures Order, Avenues shall wire to the Debtors the total sum of one hundred and fifty thousand dollars (\$150,000) (the "Settlement Amount") in full and complete settlement of the Adversary Proceeding, including attorneys' fees and costs, and all other matters of dispute or potential dispute between the Parties, past and present, contingent and fixed, whether or not known or asserted by either Party at the time of signing this Settlement Agreement. The date of actual receipt of payment in full, shall be the "Effective Date". The Settlement Amount shall be wired to the Debtors as follows:

Wiring Instructions:

Account Name: Circuit City Stores, Inc.
ABA/Routing Number: 051400549
Account Number: 2055275431509
Bank: Wachovia Bank
10401 Deerwood Park Blvd, Building 1
Jacksonville, Florida 32256

2. **Adversary Proceeding.** On the Effective Date, the Adversary Proceeding shall be dismissed with prejudice.

3. **Contracts.** Any and all contracts by and between the Parties, including but not limited to the Written Contract, not previously terminated or rejected, shall be deemed rejected as of the Effective Date.

4. **Resolution of All Claims and Disputes.** The Parties are entering into this Settlement Agreement to resolve all matters of dispute or potential dispute arising out of claims related to or asserted in the Complaint and any other claims by and between the Parties, whether or not such claims are known or unknown to the Parties, and whether or not such claims have been asserted by the Parties. Any and all other claims against the Debtors and/or their estates, collectively or individually, by or on behalf of Avenues are hereby irrevocably withdrawn, disallowed, and expunged in their entirety. Any and all other claims against Avenues, collectively or individually, by or on behalf of the Debtors and their estates are hereby

irrevocably withdrawn, released, and expunged in their entirety.

5. **Debtors' Release.** Effective on the Effective Date, the Debtors, without the need for additional documentation or the entry of any additional orders, except as expressly provided in this Settlement Agreement, on behalf of themselves and their estates, together with each of their affiliates, parents, agents, subsidiaries, and the successors and assigns of any of them, and any other person or entity that claims or might claim through, on behalf of or for the benefit of any of the foregoing (collectively, the "Debtors Releasers"), shall be deemed to have irrevocably and unconditionally, fully, finally and forever waived, released, acquitted and discharged Avenues, its past or present affiliates, attorneys, directors, employees, officers, parents, agents, subsidiaries, and the successors and assigns of any of them (the "Avenues Releasees"), from any and all manner of actions, causes of action, suits, costs, debts, liabilities, obligations, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, of whatever kind or nature, whether

known or unknown, suspected or unsuspected, in law or equity, which the Debtors Releasors, or any of them, from the beginning of time through the Effective Date, have, have had, may have or may claim to have against any Avenues Releasee, including, without limitation, any and all claims asserted in or which could have been asserted in, or which relate to the subject matter of, the Complaint, the Written Contract, as well as any and all claims that may have arisen or may relate to any other events, activities, or occurrences that have taken place or take place on or before the Effective Date (collectively, the "Debtors' Released Claims"). The Parties intend that this release shall be a general release, subject only to any exclusions set forth herein, and the inclusion of the foregoing specifically included released matters shall not be construed as detracting from the purposefully general nature of this release.

6. **Avenues' Release.** Effective on the Effective Date, Avenues, without the need for additional documentation or the entry of any additional orders, except as expressly provided in this Settlement Agreement, on behalf of itself and each of its affiliates, parents, agents, subsidiaries, and the successors and assigns of any of them, and any other person or entity that claims or might claim through, on

behalf of or for the benefit of any of the foregoing (collectively, the "Avenues Releasors"), shall be deemed to have irrevocably and unconditionally, fully, finally and forever waived, released, acquitted and discharged the Debtors, their past or present affiliates, attorneys, directors, employees, officers, parents, agents subsidiaries, and the successors and assigns of any of them (collectively, the "Debtors Releasees"), from any and all manner of actions, causes of action, suits, costs, debts, liabilities, obligations, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, of whatever kind or nature, whether known or unknown, suspected or unsuspected, in law or equity, which the Avenues Releasors, or any of them, from the beginning of time through the Effective Date, have, have had, may have or may claim to have against any Debtors Releasee, including, without limitation, any and all claims asserted in or which could have been asserted in, or which relate to the subject matter of, the Complaint or the Written Contract, as well as any and all claims that may have arisen or may relate to any other events, activities, or occurrences that have taken

place or take place on or before the Effective Date (collectively, the "Avenues Released Claims"). The Parties intend that this release shall be a general release, subject only to any exclusions set forth herein, and the inclusion of the foregoing specifically included released matters shall not be construed as detracting from the purposefully general nature of this release.

7. As to the mutual releases contained herein, the Debtors Releasers and Avenues Releasers hereby expressly waive and relinquish, to the fullest extent permitted by law, the benefits of California Civil Code section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

or any similar law in any other jurisdiction.

8. Notwithstanding anything to the contrary in this Settlement Agreement, Avenues and the Debtors specifically acknowledge and agree that this Settlement Agreement is not intended to, and does not, release or

otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding") that (i) the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns, have or may have against the now named or hereinafter named parties in the MDL Proceeding and (ii) Avenues and its subsidiaries and affiliates and each on behalf of their respective successors, and assigns, have or may have against the now named or hereinafter named parties in the MDL Proceeding.

9. **No Admissions.** This Settlement Agreement is not and shall not in any way be construed as an admission by the Parties of any allegations contained in the Complaint.

10. **Expenses.** The Parties shall bear their own costs, expenses and attorneys' fees incurred in connection with the Debtors Released Claims, the Avenues Released Claims and this Settlement Agreement. In the event of any dispute in connection with the enforcement of this Settlement Agreement, the prevailing Party shall be entitled

to its reasonable attorneys' fees, costs and all necessary disbursements and out-of-pocket expenses, whether statutorily approved or non-approved costs, incurred in connection with such action or proceeding, as determined by this Court.

11. **No Other Obligations.** The Parties agree that the Parties have no obligation to one another other than as set forth herein.

12. **Severability.** The Parties agree that if any provision of this Settlement Agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall not be a part of this Settlement Agreement. The legality, validity and enforceability of the remaining provisions shall not be affected by a provision of this Settlement Agreement that is illegal, invalid or unenforceable.

13. **Miscellaneous.**

(a) Nothing contained herein shall be deemed an admission of liability on the part of the Debtors or Avenues.

(b) Neither this Settlement Agreement, nor any statement made or action taken in connection with the negotiation of this Settlement Agreement, shall be offered

or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the parties hereto, other than as may be necessary (i) to obtain approval of and to enforce this Settlement Agreement (including the mutual releases contained herein) or (ii) to seek damages or injunctive relief in connection therewith.

(c) Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary or appropriate in conjunction with the performance of their respective obligations hereunder.

(d) No provision of this Settlement Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than the Parties hereto and their respective successors.

(e) This Settlement Agreement shall be governed by and construed in accordance with the law of the Commonwealth of Virginia without regard to any choice of law provisions.

(f) This Settlement Agreement may be signed in counterpart originals and delivered by facsimile or email, which, when fully executed and so delivered, shall constitute a single original.

(g) The United States Bankruptcy Court for the Eastern District of Virginia shall retain exclusive jurisdiction (and the Parties consent to such retention of jurisdiction) with respect to any disputes arising from or related to, or other actions to interpret, administer or enforce the terms and provisions of, this Settlement Agreement.

(h) Each person or entity who executes this Settlement Agreement on behalf of another person or entity represents and warrants that he, she, or it is duly authorized to execute this Settlement Agreement on behalf of such person or entity, has the requisite authority to bind such person or entity, and such person or entity has full knowledge of and has consented to this Settlement Agreement. The representations and warranties set forth in this Paragraph shall survive execution of this Settlement Agreement.

(i) This Settlement Agreement is effective upon the Effective Date.

(j) This Settlement Agreement shall not be modified, altered, amended or vacated without the written consent of all parties hereto or order of the Bankruptcy Court.

IN WITNESS WHEREOF, this Settlement Agreement is
hereby executed as of the later of the dates set forth below.

Dated: July 21, 2010
Richmond, Virginia

ACCEPTED AND AGREED TO BY:

/s/ Douglas M. Foley
Douglas M. Foley (VSB No. 34364)
Sarah B. Boehm (VSB No. 45201)
McGUIREWOODS LLP
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

*Counsel for Debtors and Debtors
in Possession*

Dated: July 21, 2010

ACCEPTED AND AGREED TO BY:

/s/ Paul J. Labov

Paul J. Labov

EDWARDS ANGELL PALMER &

DODGE LLP

750 Lexington Avenue

New York, New York 10022

(212) 308-4411

*Counsel for Avenues in
Leather, Inc.*

Dated: _____, 2010

SEEN AND APPROVED BY:

Avenues in Leather, Inc.

\12693890.2

Dated: _____, 2010

ACCEPTED AND AGREED TO BY:

Paul J. Labov
EDWARDS ANGELL PALMER &
DODGE LLP
750 Lexington Avenue
New York, New York 10022
(212) 308-4411

*Counsel for Avenues in
Leather, Inc.*

Dated: 7/20/10, 2010

SEEN AND APPROVED BY:

Oh. S.

Avenues in Leather, Inc.

\\2693890.1
\\2693890.2