

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF INTERTAN CANADA LTD. AND
TOURMALET CORPORATION

APPLICANTS

**AFFIDAVIT OF MARK J. WONG
(Sworn November 10, 2008)**

I, Mark J. Wong, of the Town of Caledon, in the Province of Ontario, the Vice-President, General Counsel and Secretary of the Applicant, InterTAN Canada Ltd. ("InterTAN"),
MAKE OATH AND SAY:

Introduction

1. This Affidavit is made in support of an Application by InterTAN, and its related company Tourmalet Corporation ("Tourmalet", collectively the "Applicants") for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").

2. I am a lawyer called to the Bar of Ontario. I joined InterTAN in 2005 as Vice-President, General Counsel and Secretary. My duties include managing legal and corporate governance matters for InterTAN. In addition to my legal duties, I am also responsible for the Health and Safety department and the sourcing compliance function at InterTAN. I have also been a director of InterTAN since 2005. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have specifically referred to such sources and verily believe them to be true. In preparing this affidavit I have also consulted with other members of InterTAN's senior management team.

3. InterTAN is a leading specialty retailer of consumer electronics in Canada and is the operating Canadian subsidiary of the major United States based electronics retailer Circuit City Stores, Inc. ("Circuit City"). Circuit City, based in Richmond, Virginia, is a leading specialty retailer of consumer electronics and operates large nationwide electronics stores that sell, among other things, televisions, home theatre systems, computers, camcorders, furniture, software, imaging and telecommunications products, and other audio and video electronics. It also maintains a website - www.circuitcity.com - for online product sales, product information, and customer service.

4. InterTAN operates retail stores and licenses dealer operated stores selling brand-name and private label consumer electronics throughout Canada under the trade name, "The Source by Circuit City" ("The Source"). InterTAN currently has 772 retail stores in Canada including 270 dealer-operated stores. InterTAN's corporate headquarters are located in Barrie, Ontario, it has three regional offices, with one in Concord, Ontario, one in St. Laurent, Québec and one in Calgary, Alberta (the "Regional Offices"), and 21 district sales areas across Canada. InterTAN also operates a website at www.thesourcecc.com.

5. As at September 30, 2008, InterTAN had approximately 3,130 employees who rely on the continued existence of InterTAN for their livelihoods. In addition, numerous suppliers, primarily located in Asia and North America, supply InterTAN with products and rely on the continued operation of InterTAN's stores to sell their goods. Furthermore, InterTAN's dealers and their employees also rely on InterTAN as a component of their retail operations.

6. Circuit City is InterTAN's ultimate parent company. Founded in 1949, Circuit City is a publicly-held Virginia corporation trading on the New York Stock Exchange (CC). On November 10, 2008, Circuit City and certain of its affiliates (the "U.S. Debtors") filed for bankruptcy protection (the "Chapter 11 Proceedings") pursuant to Chapter 11 of title 11 of the *United States Code* in the United States Bankruptcy Court for the Eastern District of Virginia (the "US Bankruptcy Court").

7. InterTAN's sole credit facility is a facility that covers both Canadian and U.S. operations. It was established under an agreement between Circuit City, certain U.S. affiliates, InterTAN and Bank of America N.A. as agent, together with other loan parties (the "Secured Credit Facility"). InterTAN has historically relied on the Secured Credit Facility in order to

maintain a consistent cash-flow. Access to credit is of particular importance to InterTAN over the key late fall/early winter season, when InterTAN must acquire significantly higher levels of inventory in order to service its holiday business, which is crucial to its survival. Last year's holiday season accounted for approximately 36.8% of InterTAN's total annual sales for the fiscal year ended February 29, 2008 (i.e. fiscal 2008).

8. As a result of the commencement of the Chapter 11 Proceedings, the Secured Credit Facility was terminated and the parties to that loan agreement entered into a debtor-in-possession loan facility (the "DIP Facility") that replaced the existing loan arrangements. The DIP Facility is the result of intense and difficult negotiations between InterTAN, Circuit City and the parties to the Secured Credit Facility, to enable the Canadian and U.S. entities to have sufficient liquidity to operate as going concerns as they attempt to restructure.

9. The DIP Facility provides that (unlike the situation as it had existed under the Secured Credit Facility) credit would only be advanced to Circuit City on the condition that all of InterTAN's assets be pledged as security for those funds. Furthermore, the lenders providing the DIP Facility will only extend credit to InterTAN if it is a borrower under the DIP Facility and obtains an Initial Order of this Honourable Court under the CCAA providing for a super-priority charge on all of the assets and property of InterTAN (subject only to certain court-ordered charges) as security for the DIP Facility.

10. Without the DIP Facility and the pledge by InterTAN of its assets as security for the funds to be advanced to InterTAN and the U.S. Debtors pursuant to the DIP Facility, InterTAN would: (a) have no access to operating credit; (b) not be able to operate in the ordinary course; and (c) not be able to satisfy its ongoing obligations to its employees, dealers, landlords, suppliers and other stakeholders. Thus, InterTAN is insolvent.

11. InterTAN is facing the stark reality that it is unable to continue going concern operations to preserve enterprise value without access to the credit market. In the current situation of unprecedented volatility in the global financial markets, it is not practicable for InterTAN to find a replacement to the current Secured Credit Facility. Any replacement lender in this proceeding would need, at the very least, to:

- (a) repay the entire amount of InterTAN's outstanding indebtedness under the Secured Credit Facility in the amount of approximately \$42.5 million as at November 7, 2008;
- (b) provide liquidity of at least an additional \$20 million to allow for inventory purchases during the holiday shopping season;
- (c) take into account the court-ordered charges proposed to be created in this proceeding in the amount of approximately \$22 million; and
- (d) conduct the necessary due diligence to conclude such a transaction.

12. In a situation where its parent company has commenced the Chapter 11 Proceedings, there is simply not time to negotiate and close a transaction for replacement financing to fund this proceeding, even if such a transaction would be available in the current credit environment. It is my belief that the DIP Facility is the only available option for InterTAN to keep its workers employed and maintain its enterprise value for the benefit of its stakeholders.

13. It is my belief that InterTAN is a viable business with significant future growth potential. In order to continue going concern operations during InterTAN's most important selling season and to access the only credit available to it in the circumstances, the Applicants require a stay of proceedings and related relief under the CCAA. Therefore, the Applicants seek a stay under the CCAA to enable InterTAN to continue to operate as a going concern. A stay will enable the Applicants, together with their ultimate parent, Circuit City, to evaluate restructuring options concurrently with a potential sale of all or a portion of the InterTAN business, with the ultimate goal of developing a plan of arrangement or compromise to restructure the business in a manner designed to maximize value to the extent possible for its stakeholders.

Corporate Structure of the Applicants

14. In May 2004, for consideration of approximately \$260 million, Circuit City completed the acquisition of 100% of the common stock of InterTAN, Inc., a company incorporated pursuant to the laws of Delaware and owner of 100% of the common shares of InterTAN. InterTAN, Inc. is a U.S. Debtor. The acquisition gave Circuit City its first retail

presence in the Canadian consumer electronics market and enhanced Circuit City's product sourcing capacity.

15. InterTAN's current corporate structure results from that 2004 acquisition by Circuit City. InterTAN is a privately held Ontario corporation and the sole direct subsidiary of InterTAN, Inc., which is owned by the Delaware corporation Ventoux International Inc. ("Ventoux") (also a U.S. Debtor), and the Applicant, Tourmalet Corporation ("Tourmalet"), a Nova Scotia unlimited liability company. Tourmalet is in turn wholly owned by Ventoux, which is wholly owned by Circuit City. As such, InterTAN is an indirect wholly-owned subsidiary of Circuit City. Tourmalet is an affiliate non-operating, holding company whose sole asset is the preferred stock of InterTAN, Inc. which has sought insolvency protection. It is a requirement of the DIP Facility that Tourmalet pledge its assets and guarantee the obligations of the borrowers under such facility. A copy of a chart showing the organizational structure of the Applicants and related companies is attached as Exhibit "A".

16. On October 7, 2008, InterTAN, Inc., in its capacity as sole shareholder of InterTAN, executed a unanimous shareholder declaration pursuant to the *Business Corporations Act* (Ontario) wholly relieving the board of directors of InterTAN (the "Board of Directors") of its directorial powers and assuming those powers unto itself (the "Unanimous Shareholder Declaration"). Members of the Board of Directors of InterTAN have been functioning solely in a managerial role since that time. A copy of the Unanimous Shareholder Declaration is attached as Exhibit "B".

17. On November 9, 2008 InterTAN Inc., in its capacity as sole shareholder of InterTAN and pursuant to and in accordance with the Unanimous Shareholder Declaration, passed a resolution authorizing this Application under the CCAA. A copy of the resolution is attached as Exhibit "C".

The Canadian Consumer Electronics Industry

18. According to Environics, the Canadian consumer electronics industry is estimated to have \$17.3 billion in annual revenue. It is also highly competitive. The largest Canadian retailer with a product line similar to, or competitive with, the products offered by InterTAN is Best Buy Canada Ltd. ("Best Buy Canada"), which operates branded retail locations under both

the Future Shop and Best Buy banners. Additionally, InterTAN competes with large discount retailers, such as Wal-Mart, for value-conscious consumers. InterTAN's other main competitors are department stores, computer and business product specialty retailers, general retailers and other consumer electronics retailers.

19. For the period beginning on January 1, 2008 and ended September 30, 2008, InterTAN captured 3.4% of the claimed total consumer spend on electronics in Canada. This represents an increase in market share from 3.2% for the comparable period in 2007.

The Business of Circuit City

20. While Circuit City is a publicly-held Virginia corporation, the other U.S. Debtors are all privately held corporations, limited liability companies and limited partnerships organized under the laws of the States of Virginia and Delaware. Circuit City is a direct or indirect parent or owner of all of the U.S. Debtors.

21. As of October, 2008, Circuit City operated approximately 705 Superstores and nine outlet stores under the Circuit City banner in all fifty U.S. states and Puerto Rico. As of October, 2008, the U.S. Debtors employed approximately 36,000 full and part-time employees in their retail store locations, their corporate headquarters in Richmond, Virginia and their distribution centres.

22. On November 3, 2008, Circuit City announced that due to an impaired liquidity position, it was closing 155 of its stores, reducing its workforce, reducing future store openings and aggressively renegotiating certain leases.

The Business of InterTAN

23. InterTAN and its predecessor companies have had a long corporate history as an electronics product retail destination for Canadian consumers. Prior to the 2004 acquisition by Circuit City, InterTAN operated as a small-store consumer electronics retailer selling brand-name and private label consumer electronics at branded retail locations under four banners: 1) Radio Shack; 2) Battery Plus; 3) G-Whiz and 4) Rogers Plus. The first Radio Shack outlet in Canada was opened in 1970.

24. In 2005, InterTAN began re-branding the stores under “The Source” brand-name. Re-branding initiatives included the removal of Radio Shack branded products, the introduction of new products, a national advertising campaign and updating interior and exterior store signage. In 2006, in response to shorter product life cycles, rapid changes in technology and the demands of more brand-conscious consumers, InterTAN began adjusting its product mix to include a wider range of branded products in higher growth categories including GPS, digital cameras, MP3s and televisions. Recently, InterTAN has re-focused its efforts to continue offering complementary private label products marketed under the Nexxtech, Centrios, Fluid, Sector 7, Gnarly Fish, Inspired Solutions, Home Guardian and Head Rush brand names.

25. InterTAN’s current product mix at The Source locations includes a wide range of consumer electronics such as telecommunications products, direct-to-home satellite, personal electronics, computers, televisions, batteries, parts and accessories, video games and equipment, GPS devices, audio/video equipment and cellular phones. Consumers can also purchase gift cards to be redeemed for merchandise at Corporate Stores and Dealer Stores (defined below). These gift cards are managed through a master service agreement with Ernex, a division of Moneris Solutions Corporation.

26. In addition to selling consumer electronics products, InterTAN also offers after-sale services for many of its products. InterTAN provides in-warranty repair services for the private label products it sells and is an authorized repair centre for in-warranty repairs for certain branded products. InterTAN also underwrites its own extended warranty plan, offering repair or replacement of certain defective products for a period of up to three years following the expiration of the normal warranty period. InterTAN also offers out-of warranty repair services, for certain products, to its customers.

27. InterTAN estimates that The Source has approximately 100 million individual customer visits annually.

A. Store Formats & Locations

28. The typical format for The Source is a small, strategically located store in a mall, a well-positioned power centre or a shopping centre. The average store size is approximately 2,100 square feet. A typical The Source location is significantly smaller than the big-box retail

stores operated by Best Buy Canada, which have a typical store size in the range of 20,000 to 35,000 square feet.

29. As of August 31, 2008, InterTAN conducted business through 772 retail locations, comprised of 502 company-operated stores (the "Corporate Stores") and 270 dealer-operated stores (the "Dealer Stores"). Approximately 69 of the Corporate Stores are operated by independent third parties (each, a "JV Manager") pursuant to joint venture agreements (the "JV Agreements"). InterTAN also maintains three product repair and servicing locations (the "Repair Locations").

(i) Corporate Stores

30. InterTAN's Corporate Stores operate under The Source trade name, and sell InterTAN private label products as well as other brand name consumer electronic products.

31. Approximately 70% of InterTAN's Corporate Stores are located in convenient, heavily-trafficked malls including virtually all of the approximately 170 major malls in Canada.

(ii) Corporate Stores under Joint Venture Agreements

32. As noted above, approximately 69 of the Corporate Stores are operated by JV Managers pursuant to JV Agreements (the "JV Stores").

33. Under each of the JV Agreements:

- (a) The JV Manager operates the respective JV Store;
- (b) the JV Manager shares in certain operating costs and expenses of that JV Store, as specified under the terms of the JV Agreement;
- (c) InterTAN owns all of the JV Store inventory;
- (d) InterTAN is the lessee on the JV Store lease;
- (e) the JV Manager receives approximately 48% of the adjusted gross profit generated by the relevant JV Store (the "JV Manager Share"); and
- (f) InterTAN receives the balance of the JV Store's revenue.

34. Upon entering into a JV Agreement, a JV Manager is required to pay a deposit to InterTAN in respect of inventory shrinkage and other potential losses in the business (the "JV Deposit Funds"). In addition to the initial deposit, a portion of the distribution to the JV Manager is held back and added to the then current JV Deposit Funds. The JV Deposit Funds are only to be returned to the JV Manager if the JV Agreement is terminated.

35. The JV Agreements are for one-year terms, and renew automatically for successive one-year periods. Either party can terminate a JV Agreement upon written notice provided one month prior to the renewal date, or within one month's written notice given previous to the prior month's end. InterTAN can terminate a JV Agreement immediately upon written notice if a JV Manager: a) breaches the JV Agreement; b) acts dishonestly or uncooperatively; or c) fails to follow banking and accounting procedures or operating and merchandising policies and procedures. The JV Manager has a corresponding right to terminate if InterTAN breaches the JV Agreement or acts dishonestly. The JV Agreements provide that the JV Manager and its store employees are not employees of InterTAN.

36. InterTAN generally pays the JV Manager Share to the JV Manager six weeks in arrears. The JV Manager requires these payments to operate the store in the ordinary course. Many of InterTAN's best performing stores are operated by JV Managers. Thus, in order to ensure minimum disruption to the JV Stores as a result of the CCAA proceedings and to maintain InterTAN's enterprise value, InterTAN is proposing to pay the JV Manager Shares currently owing to the JV Managers in accordance with customary payments practices.

(iii) Dealer Stores

37. InterTAN's Dealer Stores are independent retail businesses which enter into dealer agreements to designate their consumer electronics department or retail store as a The Source department or store. Dealer Stores may purchase, and sell at their locations, the same InterTAN products sold by the Corporate Stores and are required to maintain minimum inventory levels pursuant to the dealer agreements. The Dealer Store network enables InterTAN to access smaller markets that generally do not have a population base large enough to support a Corporate Store.

(iv) *Geographic Distribution of InterTAN Corporate and Dealer Stores*

38. InterTAN has Corporate and/or Dealer Stores in all of Canada's provinces and territories. Approximately 70% of all Canadian households are within five kilometres of an InterTAN location.

39. The following chart sets out InterTAN's retail store locations by geographical region as at August 31, 2008:

Location	Corporate Store	Dealer Store	Total
<i>Alberta</i>	49	46	95
<i>British Columbia</i>	53	37	90
<i>Manitoba</i>	13	15	28
<i>New Brunswick</i>	12	10	22
<i>Newfoundland & Labrador</i>	7	13	20
<i>Northwest Territory</i>	1	3	4
<i>Nova Scotia</i>	19	6	25
<i>Nunavut</i>	0	1	1
<i>Ontario</i>	217	74	291
<i>P.E.I.</i>	3	4	7
<i>Québec</i>	113	43	156
<i>Saskatchewan</i>	14	17	31
<i>Yukon Territory</i>	1	1	2
Total	502	270	772

B. Store Operations and Distribution

40. InterTAN owns a 402,000 square foot building in Barrie, Ontario, which contains InterTAN's corporate headquarters, warehouse space and the InterTAN distribution centre (the

“Distribution Centre”). With the exception of the retail store located on the Distribution Centre property, all of InterTAN’s retail and other operations are conducted in facilities leased from third party landlords. InterTAN is the lessee for the leased facilities for Corporate Stores (including Corporate Stores under JV Agreements), Repair Locations and Regional Offices. InterTAN is not the lessee for the Dealer Store locations.

41. Many of InterTAN’s Corporate Store leases are with large retail landlords who lease several locations to InterTAN. The leases for the Corporate Stores are generally for terms of five to ten years with some granting InterTAN options to renew beyond such five or ten year term.

42. InterTAN’s Corporate Stores and Dealer Stores are replenished and stocked with InterTAN products through the Distribution Centre. Each Corporate Store has one or more computers that serve as point-of-sale terminals linked to the store support centre in Barrie via a digital subscriber line or cable. InterTAN uses this point-of-sale information network to monitor inventory on a store by store basis and across the company. Through the information network, InterTAN updates its customer database and generates detailed store-level sales and margin information daily. The point-of-sale systems are also linked to the Distribution Centre through a system that automatically moves to replenish a store’s stock as inventory is sold.

43. InterTAN transports inventory from the Distribution Centre to Corporate Stores and Dealer Stores through third-party transportation companies. InterTAN does not have its own transportation capability. Purolator Courier is InterTAN’s primary third-party transportation provider whose continued services are critical to the company’s ongoing operations. Based on Purolator Courier’s historical integration into InterTAN’s business, it is InterTAN’s belief that it would be unable to transition its business to a different third-party transportation provider in time to service InterTAN’s needs during the current holiday shopping season. InterTAN also must pay customs brokers and other supply chain providers for costs incurred in transporting product from source to the Distribution Centre. In order to ensure the ordinary flow of inventory through its supply chain during the CCAA proceedings and to preserve InterTAN’s enterprise value, InterTAN is proposing to pay its transportation and logistics providers, customs brokers and other supply chain providers for costs incurred before and after the commencement of these proceedings.

C. Internet Business

44. InterTAN operates a consumer direct website under the www.thesourcecc.com domain name. Customers shopping on the website are able to access and purchase a variety of products for delivery or in-store pick-up at a Corporate Store or Dealer Store location. In addition, if a customer wishes to purchase a product at a particular Corporate Store location, he or she can use the website to confirm whether the product is available at that location. Traffic to the InterTAN website has increased substantially over the past two years, and it is expected that the website will be an increasingly important sales tool and distribution channel in the future. In 2008, the website has averaged approximately 77,000 distinct daily visitors. InterTAN also continues to operate an order-by-phone call centre.

D. Merchandising and Sourcing

(i) *Branded Merchandise*

45. As set out above, InterTAN is a leading retailer of branded and private label consumer electronics. Key brands currently sold by InterTAN include Sony, HP, Panasonic, Blackberry, Nintendo, Motorola, Garmin, Magellan, Rogers Wireless, Acer, Apple, Toshiba and Canon.

(ii) *Private Label Products*

46. InterTAN also offers complementary private label products. These private label products command a lower average overall price point, provide consumers with an enhanced value proposition, and thereby represent a significant percentage of InterTAN's total sales and gross profit.

47. InterTAN sources private label products from factories in Asia and leverages Circuit City Global Sourcing, Limited, a subsidiary of Circuit City ("CCGS"), which has offices in Hong Kong, Shenzhen, China and Taipei, Taiwan for sourcing, merchandising and quality control. InterTAN provides managerial and back-office services to CCGS. CCGS sourced products represent a substantial percentage of InterTAN's total sales and gross profit dollars. During fiscal 2007, CCGS sourced or maintained over 1,600 SKUs for InterTAN representing approximately 30% of InterTAN's total merchandising sales.

48. InterTAN's best selling private label brands include Nexxtech, which extends across the majority of its product categories, Centrios, Fluid, Gnarly Fish, Inspired Solutions, Home Guardian and Head Rush which tend to be focused towards premium categories, and Sector 7, which produces private label accessories for well-known gaming systems.

49. Continued supply from Asian suppliers of both InterTAN's branded and private label merchandise is crucial to the success of this restructuring and the ordinary course operations of The Source and the dealer network. Thus, in order to ensure continued supply from Asian suppliers during the CCAA proceedings and to preserve InterTAN's enterprise value, InterTAN is proposing to pay such suppliers for amounts incurred before and after the commencement of these proceedings.

E. Wireless Products and Services

50. Wireless products and services have been a historical focus of The Source's sales efforts. InterTAN operated Rogers Plus™ stores for more than ten years for Rogers Wireless Communications, Inc. ("Rogers Wireless"), a leading Canadian wireless service provider. Although the management of the Rogers Plus™ stores reverted back to Rogers Wireless in 2007, InterTAN maintains an arrangement to sell Rogers Wireless products and services at The Source.

F. Employees

51. A typical Corporate Store is staffed by four to eight employees, including both full and part-time sales associates and a store manager. As at September 30, 2008, InterTAN had approximately 3,130 hourly and salaried employees, approximately 400 of whom are located at the headquarters in Barrie. These employment figures do not include individuals working at the JV Stores. In addition, InterTAN plans to hire an additional 300 employees for the 2008 holiday shopping season. The vast majority of InterTAN's workforce consists of short-tenure, non-union retail employees.

52. As at September 30, 2008, approximately 125 of InterTAN's employees worked in the Distribution Centre and are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 6709 ("Local 6709"). InterTAN is subject to a Collective Agreement with Local 6709, dated May 1, 2006, with regard to these employees. The current agreement expires on April 30, 2009.

53. InterTAN's retail sales associates are compensated through base salary and company-paid benefits. In addition, some of these individuals are eligible to receive commissions and bonuses. InterTAN has also established a group RRSP and a Stock Purchase Program for certain employees.

54. In addition to the above, a number of InterTAN executives have contractual entitlements to participate in a stock option program, retirement benefit plan and executive compensation plan.

55. There are no registered pension plans for InterTAN management or other employees.

G. Key Employee Retention Plan

56. In order to ensure the continued participation of InterTAN's senior management in the business, and so that senior management will guide the business through a restructuring and preserve enterprise value, InterTAN has agreed to a key employee retention plan (the "KERP") with certain key management employees.

57. Under the KERP, the following InterTAN senior management personnel are eligible for payments: the President, the Senior Vice-President of Merchandising, the Chief Financial Officer, the Vice-President and General Counsel, and the Vice-President of Retail Operations.

58. All payments under the KERP are to be made under the following schedule: 15% at six months; 35% at nine months; 50% at twelve months. Assuming InterTAN retains all of its key employees, the total amount payable after one year would be approximately \$838,000. InterTAN is seeking a charge (the "KERP Charge") to secure the amounts payable under the KERP.

H. Credit Card Program

59. InterTAN offers a branded credit card program called "The Source by Circuit City Credit Card" (the "Credit Card"). The Credit Card includes a points program, whereby each time a cardholder uses a Credit Card, "Source Points" are accumulated. Various credit plans are offered to potential customers.

60. InterTAN offers the Credit Card to its Corporate Store customers through a private label credit card agreement (the "Credit Card Agreement") with VFC Inc. ("VFC"). There is a separate agreement with VFC that enables the Credit Card to be offered to Dealer Store customers. The Credit Card Agreement was entered into on October 1, 2007 and has an initial five-year term with automatic renewals for one year periods thereafter. VFC in its sole discretion establishes the terms by which customers of InterTAN are eligible to receive the Credit Card subject to certain restrictions in the Credit Card Agreement.

The Financial Position of InterTAN

61. InterTAN submits summaries of its financial information and results to Circuit City on a monthly basis for use in Circuit City's consolidated financial statements. These summaries are called "Corporate Packs". As a private company, there are no stand-alone audited financial statements for InterTAN. A copy of InterTAN's internal financial statements for the fiscal year ended February 29, 2008 is attached as Exhibit "D". A copy of InterTAN's financial statements as of September 30, 2008 is attached as Exhibit "E". A review of the information contained in the September 30, 2008 financial statements is summarized below. All amounts in this section are in Canadian Dollars.

A. Assets

62. As at September 30, 2008, InterTAN had total assets of \$366,819,027. InterTAN's current assets represented \$216,343,265 of its total assets and consisted of:

- (a) Inventory - \$148,131,256;
- (b) Current Accounts and Notes Receivable - \$51,796,656;
- (c) Cash - \$5,798,376;
- (d) Current Deferred Taxes - \$3,391,859;
- (e) Other Current Assets - \$7,225,118.

(i) *Current Assets*

63. As set out above, the vast majority of InterTAN's current assets consisted of inventory and current accounts and notes receivable. The inventory figure primarily consisted of Corporate Store inventory (\$121,934,366), merchandise in transit (\$3,569,742) and warehouse inventory (\$30,675,758), which is inventory located at the Distribution Centre, with deductions taken for vendor allowances and obsolete merchandise. Closing inventory as at October 31, 2008 was approximately \$160 million, which is an amount consistent with historical seasonal levels.

64. InterTAN's current accounts and notes receivable (as at September 30, 2008) included dealer receivables (\$21,919,386), Vendor Co-op funds receivable (\$6,998,521), cellular revenue receivable (\$6,009,926), trade accounts receivable (\$4,909,584), vendor price protection (\$1,228,529) and satellite revenue receivable (\$1,096,045).

(ii) *Non-Current Assets*

65. InterTAN's non-current assets (as at September 30, 2008) included:

- (a) Notes Receivable - \$90,862,414;
- (b) Property & Equipment (net of accumulated depreciation) - \$44,936,936;
- (c) Goodwill - \$8,729,887;
- (d) Deferred Income Taxes - \$5,054,306; and

The majority of InterTAN's non-current assets are made up of property and equipment and notes receivable. Notes receivable represent promissory notes from InterTAN, Inc. and Tourmalet that relate to the 2004 acquisition of InterTAN by Circuit City.

B. Liabilities

66. As at September 30, 2008, InterTAN's total liabilities were approximately \$105,876,793. These liabilities consisted of current liabilities of approximately \$87,436,796, and miscellaneous long-term liabilities of approximately \$18,439,997.

67. Current liabilities as at September 30, 2008 included the following:

- (a) Trade Accounts Payable - \$49,723,903;
- (b) Accrued Expenses - \$22,215,186 (over \$8.7 million of the accrued expenses related to employee obligations and approximately \$2.7 million represent the JV Deposits);
- (c) Short Term Bank Borrowings (i.e. amounts drawn under Secured Credit Facility) - \$7,500,000;
- (d) Deferred Service Contract Revenue - \$7,521,775; and
- (e) Accounts Payable to CCGS - \$224,882.

68. Long-Term liabilities included amounts related to deferred service contract revenue, rent and other non-current liabilities.

69. InterTAN has experienced reasonably stable financial results over the past several years. Net revenue increased from \$643.9 million in fiscal 2006 to \$648.5 million in fiscal 2007 and decreased to \$621.6 million in fiscal 2008. Net revenue increased from \$311.7 million for the seven months ended September 30, 2007 to \$338.7 million for the seven months ended September 30, 2008. The first seven months of fiscal 2009 (i.e. year ending February, 2009) saw a 11.0% increase in revenue at the Corporate Stores. Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) decreased from \$39.8 million in fiscal 2006 to \$17.5 million in fiscal 2007 and increased to \$33.8 million in fiscal 2008. EBITDA for the seven months ended September 30, 2008 was \$9.0 million as compared to \$9.7 million for the seven months ended September 30, 2007.

C. Secured Debt & Credit Facility

(i) *Credit Agreement*

70. Circuit City as lead borrower for Circuit City, Circuit City Stores West Coast, Inc., Circuit City Stores PR, LLC (the "Circuit City Borrowers") and InterTAN (collectively "the Borrowers") entered into a Second Amended and Restated Credit Agreement (the "Credit

Agreement”) dated as of January 31, 2008 with Bank of America, N.A. (as Administrative Agent and Collateral Agent), Bank of America, N.A. (acting through its Canadian branch, as Canadian Administrative Agent and Canadian Collateral Agent) Banc of America Securities LLC, Wells Fargo Retain Finance, LLC, General Electric Capital Corporation, JP Morgan Chase Bank, N.A. and Wachovia Capital Finance Corporation (collectively the “Secured Lenders” and in connection with the DIP Facility described below, the “DIP Lenders”). The Credit Agreement provided the Borrowers with access to the Secured Credit Facility, a US\$1.3 billion credit facility which includes a US\$1.25 billion commitment for the Circuit City Borrowers (the “US Facility”) and a US\$50 million commitment for InterTAN (the “Canadian Facility”). A copy of the Credit Agreement (without schedules) is attached as Exhibit “F”.

71. Under the Credit Agreement, the maximum amount of borrowings, including loans and outstanding letters of credit, may not exceed the lesser of a borrowing base calculated as a percentage of the Circuit City Borrowers’ eligible inventory and credit card receivables or 90% of US\$1.3 billion. There is no borrowing base linked to InterTAN’s assets or other inventory. The Borrowers are required to maintain a minimum level of available borrowings under the Secured Credit Facility. The Secured Lenders may require that proceeds from the sale of inventory be applied on a daily basis to payment of amounts owed under the facility if available borrowings are less than 15% of the lesser of US\$1.3 billion and the borrowing base for five consecutive days.

(ii) Security

72. The amounts outstanding from time to time on the Canadian Facility are secured by liens against certain assets of InterTAN and substantially all of the assets of the Circuit City Borrowers. The amounts outstanding from time to time on the US Facility are not secured against the assets of InterTAN. Obligations with respect to the Canadian Facility are secured through an amended and restated general security agreement (the “GSA”) and a deed of hypothec on movable property (the “Hypothec”) granted by InterTAN. The GSA and the Hypothec create a security interest in InterTAN’s presently owned and subsequently acquired Collateral (as defined in the GSA and Hypothec), including accounts receivable, inventory, intellectual property, deposit accounts and chattel paper. Copies of the GSA and Hypothec are attached as Exhibits “G” and “H” respectively.

(iii) *Default Under the Credit Agreement*

73. An event of default under the Credit Agreement occurs when any borrowing party files for relief under the US Bankruptcy Code. Thus, the commitment to lend under the Credit Agreement would be at an end as a result of the Chapter 11 Proceedings. The result of this default is the termination of the Credit Agreement with all obligations under the Canadian Facility becoming automatically due and payable without presentment, demand, protest or other notice of any kind.

(iv) *InterTAN's Current Borrowings Under the Credit Facility*

74. As at November 7, 2008, InterTAN had outstanding borrowings on the Secured Credit Facility of approximately \$42.5 million. It is anticipated that InterTAN will require approximately \$20 million in additional funding to allow for inventory purchases for the holiday shopping season for both its Corporate and Dealer Stores.

D. Trade Creditors

75. Over the past few months, as a result of public reports concerning potential liquidity concerns at Circuit City, several of InterTAN's significant suppliers of branded products have shortened their credit terms, requiring cash in advance or on delivery. As well, in order to maintain adequate cash-flow, InterTAN has been forced to adjust its payment terms generally with other vendors.

76. As at October 31, 2008, InterTAN had approximately \$45 million in outstanding and accrued accounts payable. We are currently at the beginning of InterTAN's crucial sales period, which is the late-fall/early-winter holiday season. Meeting the needs of InterTAN's customers over the holiday season requires a significantly higher seasonal stocking of inventory. It is essential that InterTAN's suppliers continue to supply InterTAN through this period and that InterTAN has access to sufficient credit to obtain holiday season levels of inventory.

(i) *Foreign Trade Creditors*

77. Of the total amount owing to trade creditors as at October 31, 2008, approximately \$2 million was owing to trade creditors located outside of North America. As set out above, the ability of InterTAN to secure continued supply to both Corporate and Dealer

Stores from Asian and other suppliers is a crucial aspect of The Source's ongoing operations and the preservation of enterprise value.

78. In order to ensure the continuity of InterTAN's supply chain from outside of North America (where the stay of proceedings under this application and the Chapter 11 Proceedings and any ancillary proceedings will not readily apply) and to preserve InterTAN's enterprise value, InterTAN is proposing to continue to pay foreign trade creditors and suppliers in the ordinary course both before and after the date of filing.

(ii) North American Trade Creditors

79. With respect to North American suppliers, InterTAN is proposing to freeze all pre-filing trade claims (estimated at approximately \$43 million) until further order of this Court, subject however to InterTAN having the right to pay Purolator Courier, customs brokers and other logistics or supply chain providers, and i) with the approval of the Monitor, to make critical supplier payments for pre-filing amounts not to exceed \$4 million (subject to further order of this Court) and (ii) with approval of the Monitor, to pay any other costs and expenses that are deemed necessary for the preservation of InterTAN's property and business.

Restructuring of the U.S. Debtors

80. I have reviewed the declaration of Bruce H. Besanko, the Executive Vice President and Chief Financial Officer of Circuit City, and filed in support of the Chapter 11 Proceedings (the "Besanko Declaration"), and the information contained in this section is derived from my review and understanding of that document. A copy of the Besanko Declaration is attached as Exhibit "T".

A. Events Leading to the Chapter 11 Proceedings

81. The U.S. Debtors have experienced operational losses for the past several years. These losses, in turn, have been funded by borrowings under the Secured Credit Facility and trade credit. The U.S. Debtors' long-term operating losses are attributable to various factors, not the least of which has been the consistent tightening of the U.S. economy and decreased consumer confidence and spending.

82. As the effect of the mortgage and credit crises has spread throughout the U.S. economy, the U.S. Debtors have been negatively affected. These effects have come from both the U.S. Debtors' supply chain (in the form of strained vendor relations) and the sales chain (in the form of decreased customer traffic in stores and on the internet).

83. As credit markets tightened, the U.S. Debtors' merchandise suppliers and vendors altered their relationships with the U.S. Debtors in a way that was detrimental to their business. Various vendors that provide merchandise and other products and services restricted the U.S. Debtors' available trade credit and reduced payment terms.

84. Decreased trade credit, in terms of both availability and the shortening of payment terms, also negatively impacted the U.S. Debtors' availability under the Secured Credit Facility in two ways:

- (a) they were forced to borrow money under the facility to purchase merchandise and pay for products and services that were previously paid for using trade credit; and
- (b) they were unable to replenish inventory in a manner consistent with historic levels.

85. The U.S. Debtors have also been affected by the fact that consumers became unable to borrow funds through credit cards to purchase household and other electronics products. The tightening of credit terms by vendors and the liquidity crunch facing the Company have collided to create a serious risk that Circuit City could not receive goods for the current holiday season.

86. On November 3, 2008, Circuit City issued a press release regarding its liquidity position. The press release states that Circuit City's liquidity position had been severely impacted by waning consumer confidence, a significantly weakened retail environment, and restrictive actions taken by some of Circuit City's vendors. A copy of the press release is attached as Exhibit "J".

87. In the press release, Circuit City announced that it was closing 155 of its stores. This represents a reduction of approximately 17% of Circuit City's U.S. workforce. Circuit City further announced that it was reducing future store openings to ten less than planned, and

aggressively renegotiating certain of its leases with the goal of significantly lowering rents. Circuit City had to take these restructuring steps in order to reduce store operating, payroll and marketing expenses, conserve cash and improve liquidity. Circuit City cited that its current liquidity problems were due primarily to the tightening of available credit as discussed above, particularly in light of the current holiday season.

B. Objectives of the Chapter 11 Proceedings

88. The U.S. Debtors commenced the Chapter 11 Proceedings in order to restructure their capital structure and operations as promptly and efficiently as possible. The U.S. Debtors have already:

- (a) secured financing for the Chapter 11 Proceedings;
- (b) started implementing plans that will enable them to rapidly close 155 stores in underperforming markets; and
- (c) initiated discussions and negotiations with their most significant trade creditors.

89. The U.S. Debtors have, over the past several months, aggressively pursued additional lending, equity investment or strategic partnerships. These efforts have culminated in the DIP Facility described in further detail below.

C. Immediate Effect of Chapter 11 Proceedings on InterTAN

90. The businesses, branding and capital structures of the U.S. Debtors and InterTAN are linked in such a manner that the initiation of Chapter 11 Proceedings for the U.S. Debtors has deep and immediate functional and operational ramifications for InterTAN.

91. In addition, as set out above, the Circuit City Borrowers and InterTAN are Borrowers under the same Credit Agreement which is in default as a result of the Chapter 11 Proceedings and, without access to the DIP Facility described herein, InterTAN would have no access to any credit and would not have sufficient committed capital to meet its operating needs, nor would it be able to meet its financial obligations in the normal course.

92. It should also be noted that InterTAN expects to face the following:

- (a) InterTAN's suppliers will likely shut down availability or demand further accelerated or cash on delivery terms for continuing to supply products;
- (b) InterTAN may lose access to supply chains on which it and its dealers depend;
- (c) consumers shopping at InterTAN's Corporate Stores and Dealer Stores will likely have less confidence in the brand in the knowledge that Circuit City is in Chapter 11 Proceedings;
- (d) InterTAN's dealers will likely experience some business disruption to their individual third party businesses; and
- (e) InterTAN and its dealers may lose the ability to retain their respective employees and/or hire additional seasonal employees over the critical holiday period.

Restructuring of InterTAN

A. DIP Financing

93. As described herein, the financing of InterTAN's Canadian operations is intertwined with the financing of Circuit City's U.S. operations as the Canadian and U.S. entities are parties to the same Credit Agreement.

94. The result of the commencement of the Chapter 11 Proceedings is that InterTAN's credit facility is no longer available and it is unable to purchase inventory and discharge its obligations in the ordinary course. InterTAN does not have sufficient cash on hand or access to liquidity to discharge its financial obligations and is thus insolvent.

95. The Secured Lenders under the Credit Agreement are only willing to continue to extend credit to InterTAN under the DIP Facility and as part of a CCAA filing co-ordinated with the Chapter 11 Proceedings. The DIP Facility will be available for working capital and general corporate purposes and for post-filing expenses and costs during the Chapter 11 Proceedings and these CCAA Proceedings. Without the DIP Facility, InterTAN will be unable to continue going concern operations and likely will be forced into an immediate and uncontrolled liquidation of its assets. The DIP Facility, without exhibits, will be substantially in the form attached as Exhibit "K".

96. The DIP Facility provides for maximum commitments as follows (in U.S. dollars):

(a)

Date Range	U.S. Debtors	InterTAN	Total Amount
November 6, 2008 - December 29, 2008	\$1,050,000,000	\$50,000,000	\$1,100,000,000
December 29, 2008- December 31, 2008	\$850,000,000	\$50,000,000	\$900,000,000
January 1, 2009 - January 17, 2009 or the closing and initial funding of the term loan (whichever is earlier)	\$850,000,000	\$60,000,000	\$910,000,000
January 17, 2009 or the closing and initial funding of the Term Loan (whichever is earlier) - onwards	\$850,000,000	\$50,000,000	\$900,000,000

or,

(b) such lesser amount to which the U.S. Borrower and the InterTAN commitments might have been reduced, and less their pre-petition liabilities.

97. The entire amount of the DIP Facility is to be secured by a security interest on substantially all of the assets of the Borrowers and guarantors including the Applicants. This security interest extends, without limitation, to InterTAN's inventory, accounts, equipment, intangibles, deposit accounts, investment property and real estate. The amount borrowed by InterTAN under the DIP Facility will be secured by *inter alia*, a court-ordered charge on the Applicants' property (the "DIP Charge") ranking in priority to all other liens, charges and security interests, but is subordinate to the Directors' Charge and the Administration Charge. The remainder of the guarantee liability (the "Subordinate DIP Charge") of the Applicants for the entire amount of the DIP Facility will be subordinate to a "basket" in the amount of \$25

million which will be set aside for the Canadian pre-filing trade creditors (the "Canadian Creditor Basket"). Thus, the relative priorities of the charges proposed to be created by the Initial Order are as follows:

- (a) the Administration Charge in the amount of \$2 million;
- (b) the Directors' Charge in the amount of \$19.3 million;
- (c) the KERP Charge in the amount of \$838,000;
- (d) the DIP Charge in the amount of InterTAN borrowings;
- (e) the Canadian Creditor Basket in the amount of \$25 million; and
- (f) the Subordinate DIP Charge.

98. The effect of the Canadian Creditor Basket is that unsecured creditors in Canada will be provided with a certain level of recovery in these proceedings. The amount of the proposed Canadian Creditor Basket has been determined by the Applicants, in consultation with their financial advisors, as an estimate of the unsecured trade debt that may be impacted by these proceedings while InterTAN a going concern restructuring, after taking into account set-offs and other adjustments.

99. Other key elements of the DIP Facility are as follows:

- (a) the Borrowers will be the same as under the Credit Agreement;
- (b) the DIP Lenders will be the same as the Secured Lenders under the Credit Agreement;
- (c) all obligations under the DIP Facility will be cross-guaranteed and cross-collateralized by all domestic and foreign (i.e. Canadian) subsidiaries of Circuit City, including the Applicants. As such, InterTAN is a borrower and a guarantor under the DIP Facility;

- (d) the DIP Facility shall have a sub-limit of US\$350 million for the issuance of letters of credit of which up to US\$40 million may be issued for the account of InterTAN. All outstanding letters of credit issued under the Credit Agreement shall be deemed to be issued under the DIP Facility;
- (e) InterTAN can borrow monies from the U.S. Debtors to the extent that direct loans to InterTAN are insufficient to meet cash requirements, provided that the aggregate loans and investments of the U.S. Debtors to the Applicants shall not exceed US\$75 million;
- (f) it is the intention of the parties to the DIP Facility that InterTAN's borrowings will always be fully drawn in the amount of US\$50 million or US\$60 million as the case may be. The U.S. Debtors will have access to the amount of borrowings not required by InterTAN at any given time;
- (g) the Borrowers shall obtain a subordinate debtor-in-possession facility in the form of a term loan in the amount of not less than US \$75 million by January 17, 2009;
- (h) from the closing date of the DIP Facility until the earlier of January 17, 2009 or the closing and funding of a junior DIP facility (i.e. the term loan), credit extensions to InterTAN will be based on a borrowing base calculated as a percentage of the appraised value of InterTAN's eligible inventory minus any applicable reserves; and
- (i) the DIP Facility will mature on the earlier of: (i) twelve months from the closing date; (ii) the occurrence of a specified continuing event of default; (iii) a sale of all or substantially all of the borrowers' assets or (iv) emergence from the Chapter 11 Proceedings and the effectiveness of a plan of compromise under the CCAA.

100. Based on discussions with InterTAN's financial advisor, FTI Consulting, it is anticipated that the proposed DIP Facility will accommodate InterTAN's liquidity requirements during the requested stay period.

101. Currently, InterTAN maintains its primary bank accounts with Bank of Nova Scotia ("BNS") in Toronto and operates depository accounts with various other financial institutions across the country. Prior to October 31, 2008, InterTAN's accounts with BNS were consolidated monthly under a mirror netting arrangement. Subsequently, BNS terminated the mirror netting arrangement, thereby requiring InterTAN to maintain a positive balance in each bank account. The Credit Agreement provides the Canadian Administrative Agent with the right to exercise control over the accounts pursuant to blocked account agreements, however that control has not been exercised to date.

102. Unlike the current cash management situation, pursuant to the DIP Facility, all of InterTAN's bank accounts will be subject to blocked account agreements and all cash receipts in InterTAN's bank accounts will be transferred on a daily basis to a blocked account located in Canada under the control of the Canadian Administrative Agent.

103. The DIP Facility is critical to the successful restructuring and/or sale of InterTAN as it will provide InterTAN with liquidity to operate as a going concern during these proceedings and will prevent the likely immediate liquidation of the company's assets and a significant loss of employment. In addition, it will reassure InterTAN's trade creditors, landlords, suppliers and employees that InterTAN will continue to operate, and InterTAN's dealers that their product supply chain will not be cut-off, during the CCAA proceeding.

B. Directors' and Officers' Protection

104. A successful restructuring of InterTAN will only be possible with the continued participation of InterTAN's board of directors (the "InterTAN Directors"), management and employees. These personnel are essential to the viability of InterTAN's continuing business.

105. I am advised by Marc Wasserman of Osler, Hoskin & Harcourt LLP, counsel for InterTAN, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities. InterTAN estimates, with the assistance of its financial advisor, that these obligations may include unpaid accrued wages which could amount to as much as approximately \$1.7 million, unpaid accrued vacation pay which could amount to as much as \$3.8 million, unpaid sales and service taxes which could

amount to as much as \$13.7 million for a total potential director liability of approximately \$19.3 million.

106. It is my understanding that the InterTAN Directors are currently among many potential beneficiaries under a US\$100 million umbrella liability insurance policy that covers both the United States and Canadian entities and their directors and officers. As the U.S. Debtors have filed for Chapter 11 protection, the ability of the InterTAN Directors to have recourse to the insurance policy may be limited. In addition, due to the Unanimous Shareholder Declaration, the InterTAN Directors are concerned about their ability to take actions that minimize their potential personal liability as directors during these proceedings.

107. The InterTAN Directors have indicated that, in light of the uncertainty surrounding available directors' and officers' insurance, their continued service and involvement in this restructuring is conditional upon the granting of an Order under the CCAA which grants a charge in favour of the directors and officers of InterTAN in the amount of \$19.3 million on the property of InterTAN (the "Directors' Charge"). The Directors' Charge would stand in priority to the proposed DIP Charge, but subordinate to the proposed Administration Charge to be created in favour of counsel for InterTAN, the Monitor and counsel for the Monitor. The Directors' Charge would act as security for indemnification obligations for the InterTAN Directors' potential liabilities as set out above.

108. The Directors' Charge is necessary so that InterTAN may benefit from its directors' and officers' experience with the business and the electronics industry, and guide the company's restructuring efforts.

C. Sales Process

109. One of the restructuring alternatives to be pursued by InterTAN and the U.S. Debtors is the sale of all or a portion of their respective businesses.

110. In early 2008, Circuit City considered strategic options with respect to InterTAN. Goldman, Sachs & Co. ("Goldman") was retained to canvass the market with a view to pursuing a divestiture transaction involving InterTAN. Goldman prepared disclosure and marketing materials that were distributed to potential purchasers who entered into a confidentiality agreement with Circuit City. Goldman received significant expressions of interest from potential

purchasers who were interested in the Canadian business as a stand-alone entity. However, these expressions of interest did not result in the completion of a transaction involving InterTAN as Circuit City chose to pursue a transaction involving both U.S. and Canadian operations.

111. The DIP Facility contains certain covenants relating to the implementation of a sales process for the assets of the U.S. Debtors only. The U.S. Debtors shall, by no later than the "Lease Assumption Reserve Commitment Date", which is a date that is 12 weeks prior to the end of the 120 day lease rejection/assumption period set out in the U.S. Bankruptcy Code, as such period may be extended or shortened by the US Bankruptcy Court:

- (a) prepare and distribute informational packages soliciting bids from potentially interested parties;
- (b) enter into a stalking horse bid on terms reasonably acceptable to the Administrative Agent with respect to the sale of their assets which shall be conducted pursuant to bidding procedures and agency documents, each in form and substance reasonably acceptable to the Administrative Agent;
- (c) file a motion seeking the approval of a sales procedure in connection with such stalking horse bid and bidding procedures in form and substance reasonably acceptable to the Administrative Agent;
- (d) provide the Administrative Agent with copies of any informational packages provided to potential bidders, draft agency agreements and the deadlines established as to the receipt of bids; and
- (e) provide the Administrative Agent with status reports and updated information related to the closings of stores and copies of any bids and updates.

The US Debtors shall then, by no later than March 1, 2009, file a plan of reorganization and disclosure statement in the Chapter 11 Proceedings, which plan shall, *inter alia*, provide for payment in full of the obligations under the Credit Agreement and the DIP Facility.

112. There are no specified benchmarks in the DIP Facility for a sales process for InterTAN's assets. The DIP Facility provides that in order for any sale of the Canadian assets to be permitted, it would have to be in accordance with the CCAA and the Initial Order, conducted

with the approval of the Canadian Court, and for cash consideration in excess of InterTAN's pre and post-filing liabilities.

113. Rothschild has been retained to pursue strategic sales alternatives for InterTAN. It has already begun working with the Canadian management team in order to be in a position to canvass potential purchasers during the CCAA proceedings. It has already received indications from parties who may be interested in InterTAN's business including potential purchasers who were involved in the process run by Goldman earlier this year.

D. Monitor

114. Alvarez & Marsal Canada ULC has consented to act as the Monitor of the Applicants under the CCAA.

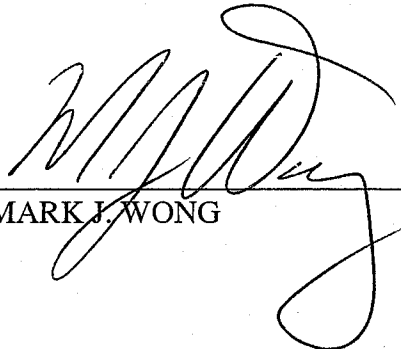
115. InterTAN, with the assistance of its financial advisor, has prepared 17-week cash flow projections as required by the CCAA. Alvarez & Marsal have reviewed these cash flow projections. A copy of the cash flow projections is attached as Exhibit "L".

116. I am confident that granting the Initial CCAA Order sought by the Applicants, including the DIP financing arrangements, is in the best interests of the Applicants and all interested parties. Without the DIP Facility, InterTAN faces a cessation of going concern operations, the liquidation of its assets and the loss of its employees' jobs. InterTAN requires an immediate and realistic dialogue to ensue with and among its stakeholders in the hopes of maximizing the ongoing value of the business and continuing employment for its employees. The granting of the requested stay of proceedings will maintain the "status quo" and permit an orderly restructuring and analysis of the Applicants' affairs, with minimal short-term disruptions to InterTAN's business.

SWORN BEFORE ME at the CITY of }
Toronto, in the Province of Ontario, this }
10th day of November, 2008. }

Commissioner for Taking Affidavits

GILLIAN S.G. SLOTT


MARK J. WONG