

**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

**EIGHTH REPORT OF THE MONITOR**  
**ALVAREZ & MARSAL CANADA ULC**

**JUNE 25, 2009**

**INTRODUCTION**

1. By Order of this Honourable Court dated November 10, 2008, as subsequently amended and restated on December 5, 2008 (the "Initial Order"), InterTAN Canada Ltd. ("InterTAN") and Tourmalet Corporation ("Tourmalet" and together with InterTAN, the "Applicants") obtained protection from their creditors under the *Companies' Creditors Arrangement Act* ("CCAA") and Alvarez & Marsal Canada ULC ("A&M") was appointed monitor of the Applicants (the "Monitor"). These proceedings are referred to herein as the "CCAA Proceedings".
2. Concurrent with the commencement of the CCAA Proceedings, the Applicants' ultimate parent company, Circuit City Stores, Inc. ("Circuit City") and certain of its U.S. affiliates (collectively, the "U.S. Debtors") commenced proceedings under Chapter 11, Title 11 of the *United States Code* (the "U.S. Bankruptcy Code"). These proceedings are referred to herein as the "Chapter 11 Proceedings".
3. The Applicants have brought a motion returnable June 29, 2009 seeking the following relief:

1. An Order extending the Stay Period, as defined in the Amended and Restated Initial Order dated November 10, 2008 (the "Initial Order"), and as subsequently extended, to October 31, 2009;
2. An Order, substantially in the form attached as Exhibit "A" to the Affidavit of Mark Wong sworn June 25, 2009 (the "Wong Affidavit"):
  - (a) authorizing and directing the Monitor to execute and deliver the Payment and Escrow Agreement (the "Escrow Agreement"), which is described in greater detail below, and to comply with the terms thereof;
  - (b) authorizing and directing that, from and after the closing of the Sale Transaction (as defined below) (the "Closing"), the Monitor be authorized and directed to hold the proceeds (the "Sale Proceeds") from the Sale Transaction after the payment of the other amounts provided for in the proposed Order, pending further order of this Honourable Court, provided that, after the Closing, and without further order of this Honourable Court, and subject at all times to the terms of the Escrow Agreement, the Monitor is authorized and directed to disburse funds in its possession to pay for fees, costs, expenses and disbursements incurred in connection with these proceedings upon the approval of the Post-Closing Officer (as defined below) or further Order of the Court;
  - (c) authorizing and directing the Monitor, in addition to its rights and obligations set out in the Initial Order, from and after the Closing, to take such administrative and other steps that it deems necessary to assist the Applicants in the administration of these proceedings and the wind-down of the business and affairs of the Applicants;
  - (d) approving the Eighth Report, and the actions and activities of the Monitor described therein;

- (e) providing that the Applicants' cash flow projections for the weeks ended July 3, 2009 to October 30, 2009 be sealed, kept confidential and not form part of the public record until further Order of the Court;
- (f) approving the appointment of Ms. Michelle Mosier as a director and officer of InterTAN to assist the Applicants in the administration of these proceedings and the wind-down of the business and affairs of the Applicants, effective upon the Closing;
- (g) authorizing and directing the Monitor to pay from the Sale Proceeds: (i) forthwith after the Closing, all amounts owing to the DIP Lenders (as defined in the Initial Order) which are secured by the DIP Lenders' Charge (as defined in the Initial Order) with respect to direct advances made to InterTAN under the Definitive Documents (as defined in the Initial Order), as set out on a payout letter (the "Payout Letter") to be provided by the DIP Lenders and agreed to by InterTAN and the Monitor on or before the Closing (the "DIP Payout"); and (ii) after the DIP Payout, promptly after demand by Bank of America NA Canada Branch (the "Canadian Agent") with appropriate supporting information, any amounts that have been drawn down on standby letters of credit that expire on or before July 1, 2009, and costs and expenses in connection with such standby letters of credit (the "Standby L/C Obligations"), provided further that the Monitor is authorized and directed to hold sufficient funds from the Sale Proceeds to satisfy the Standby L/C Obligations up and until July 31, 2009;
- (h) authorizing and directing the Canadian Agent to: (i) hold, as cash collateral (the "Cash Collateral"), an amount not less than 103% of the face amount of all outstanding documentary letters of credit issued by the Canadian Agent on behalf of InterTAN (the "Documentary L/Cs") (and granting a lien and security interest in such Cash Collateral as security for any and all obligations, liabilities, costs, claims and expenses, direct or indirect, matured or contingent of InterTAN, under or in connection with

the Documentary L/Cs (the "Documentary L/C Obligations"); and (ii) apply such Cash Collateral in satisfaction of the Documentary L/C Obligations, including all drawings under the Documentary L/Cs, provided that any excess Cash Collateral, after the satisfaction of all Documentary L/C Obligations, is to be returned forthwith to the Monitor by the Canadian Agent;

- (i) releasing and discharging, upon the making of the DIP Payout, any and all liens, charges and security interests, including the DIP Lenders' Charge, which the Canadian Agent and/or the DIP Lenders presently hold in any Property (as defined in the Initial Order) of the Applicants to secure the Obligations (as defined in the DIP Facility as defined below), which for greater certainty shall include all guarantees given by the Applicants under or in connection with the DIP Facility, the Definitive Documents (as defined in the Initial Order) or any of their U.S. affiliates' Obligations thereunder, except for the Canadian Agent's lien and security interest in the Cash Collateral and its right to receive sufficient funds from the Sale Proceeds to satisfy the Standby L/C Obligations promptly upon demand;
- (j) releasing, upon the making of the DIP Payout, the DIP Lenders' Charge and the Canadian Creditor Charge (as such terms are defined in the Initial Order) subject to the terms set out in the proposed Order;
- (k) mutually releasing the Applicants and the DIP Lenders from all claims related to the DIP Facility upon the making of the DIP Payout;
- (l) authorizing and directing the Monitor to pay, forthwith after the Closing, from funds provided by InterTAN to the Monitor, \$261,893.90 in the manner set out in the Escrow Agreement to the employees covered by InterTAN's key employee retention plan ("KERP") who remain eligible to receive such payments pursuant to the terms of the KERP, and upon such payment, releasing the KERP Charge (as defined in the Initial Order) and rendering it of no further force or effect;

- (m) authorizing and directing the Monitor, forthwith after the Closing, to pay Circuit City Stores West Coast, Inc. ("West Coast") and/or Ventoux International, Inc. ("Ventoux") and/or as they may otherwise direct in writing, the Canadian dollar equivalent of US\$15 million in the aggregate (less any applicable withholding taxes in respect of the licensed trademarks) from the Sale Proceeds; and
  - (n) authorizing and directing the Monitor, forthwith after the Closing, to pay Rothschild (as defined below), the M&A Fee (as such term is defined in the Rothschild Agreement, as defined below) from the Sale Proceeds.
4. The purpose of this report (the "Eighth Report") is to provide the Court and the Applicants' stakeholders with information concerning the Applicants' motion. For the reasons discussed below, the Monitor respectfully recommends that the Court grant the relief requested by the Applicants.
5. All terms not otherwise defined herein shall have the meanings ascribed to them in the Monitor's previous reports.

#### **TERMS OF REFERENCE**

6. In preparing this report, the Monitor has relied upon unaudited financial information, InterTAN's books and records, financial information prepared by InterTAN and its advisors, and discussions with management of InterTAN and its advisors. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report.
7. Certain of the information referred to in this report consists of forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable,

actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

8. The Monitor has requested that management bring to its attention any significant matters that were not addressed in the course of its specific inquiries. Accordingly, this report is based solely on the information (financial or otherwise) made available to the Monitor.
9. All references to dollars in this report are in Canadian currency unless otherwise noted.

## **BACKGROUND**

10. InterTAN is a leading specialty retailer of consumer electronics in Canada and is the operating Canadian subsidiary of the U.S.-based electronics retailer Circuit City. Tourmalet is a Nova Scotia unlimited liability company that is an indirect, wholly-owned subsidiary of Circuit City. Tourmalet is a non-operating holding company whose sole asset is the preferred stock of InterTAN, Inc., which is the sole shareholder of InterTAN. Circuit City is the Applicants' ultimate parent company. Further background to InterTAN, Tourmalet and Circuit City is contained in the materials filed relating to the Initial Order, including the Affidavit of Mark Wong sworn November 10, 2008. These documents, together with other information regarding the CCAA Proceedings, including the Initial Order and supporting affidavit, have been posted by the Monitor on its website at [www.alvarezandmarsal.com/intertan](http://www.alvarezandmarsal.com/intertan).
11. On November 10, 2008, the U.S. Debtors commenced the Chapter 11 Proceedings in the United States Bankruptcy Court for the Eastern District of Virginia (the "U.S. Bankruptcy Court"). The U.S. Debtors have subsequently commenced and substantially completed a liquidation of their assets and property in the Chapter 11 Proceedings. A hyperlink to information concerning the U.S. Debtors' restructuring and liquidation can be found at [www.kccllc.net](http://www.kccllc.net).
12. Additional background information can be found in the prior reports submitted by the Monitor to this Honourable Court.

### **CASH FLOW FORECAST**

13. A copy of the Applicants' cash flow forecast for weeks ended July 3, 2009 to October 30, 2009 (the "Forecast") will be filed in a sealed envelope with the Court. The Forecast reflects, *inter alia*, information concerning the quantum of the Sale Proceeds which information was sealed as part of the Sixth Report. The quantum of the Sale Proceeds was sealed in order to protect the integrity of the bidding process that led to the Sale Transaction. In the event that the Sale Transaction does not close and a further bidding process is required, the integrity and the fairness of that process would be seriously compromised and the interests of all of the stakeholders of the Applicants would be severely impaired if the quantum of the Sale Proceeds was known to bidders in advance. Therefore, InterTAN has requested, with the Monitor's support, that the Forecast be sealed pending further Order of the Court.
14. The Forecast reflects receipt of the proceeds of sale, those proceeds being held pending the completion of a claims process, and the payment of certain of the items contemplated in this Report. It also reflects no going concern type expenditures other than professional fees for the Monitor, counsel for the Monitor and the Applicants' advisors to administer these proceedings after the Closing, including establishing and conducting claims processes after the Closing.

### **SCHEDULED CLOSING OF THE SALE TRANSACTION**

15. By Order dated March 9, 2009 (the "Approval and Vesting Order") the Court approved the transaction of purchase and sale whereby the Purchaser (as herein defined) will acquire substantially all of the assets of InterTAN (the "Sale Transaction") on terms set out in an asset purchase agreement as defined in that order (the "APA"). Under the terms of the APA, upon closing of the Sale Transaction, all of InterTAN's right, title and interest in and to the Seller Assets (as defined in the APA) are to be vested in 4458729 Canada Inc. (the "Purchaser") free and clear of all encumbrances.
16. The Sale Transaction is currently scheduled to close in escrow on or about June 30, 2009. In that regard, the Purchaser and InterTAN have agreed, by way of side letter, to extend

the Closing to 12:01 am on July 1, 2009, which the Monitor is satisfied with. Mechanically, given the Canada Day Holiday, the funds being held in escrow will not be able to be released until July 2, 2009.

17. In connection with the Closing, and as disclosed in paragraph 9 of the Wong Affidavit, InterTAN has made payments totalling approximately \$702,000 to landlords to resolve pre-closing rental issues and to facilitate Closing, and additional amounts will have to be paid. The Monitor was apprised of these payments and concurs that they were necessary to facilitate Closing.

### **THE PAYMENT AND ESCROW AGREEMENT**

18. In order to facilitate the closing of the Sale Transaction, the Purchaser and InterTAN propose that, in anticipation of the Closing, the Purchaser will fund the entire balance of the purchase price to be paid under the APA to the Monitor prior to Closing, to be held by the Monitor under the terms of the Escrow Agreement, which sets out, inter alia, (i) the manner in which such funds are to be released from escrow on Closing, after which and subject to the specific payments contemplated in this Report those funds will be held by the Monitor pending completion of the claims processes and distributions to the Applicants' creditors, (ii) certain payments the Monitor is to make effective after Closing, and (iii) in the event that the Closing has not occurred by 1:00 pm on July 3, 2009, the return of those funds to the Purchaser. A copy of the proposed Escrow Agreement, redacted to protect confidential information concerning the purchase price, is attached hereto as Appendix "A".

### **PAYMENT OF THE SALE PROCEEDS POST-CLOSING**

#### **Discharge of the KERP Charge**

19. Paragraph 43(b) of the Initial Order creates the KERP Charge in favour of five (5) key employees of the Applicants in the aggregate amount of \$838,000 to secure amounts owing to such key employees under the KERP. The KERP Charge ranks above the DIP Lenders' Charge in the scheme of priority provided in paragraph 44 of the Initial Order.

20. With the consummation of the Sale Transaction the amounts provided for under the KERP will become payable to those employees who remain eligible to receive payments pursuant to the terms of the KERP. The Monitor understands that four (4) of the five (5) original participants in the KERP, being Bruce Dinan, Mark Wong, Ian Young and Benoit Dube, remain eligible and are entitled to receive combined payments totalling \$261,893.90, net of applicable deductions and withholdings. The Monitor understands that InterTAN will separately remit the deductions and withholdings to the appropriate authorities.
21. The Monitor therefore seeks authority and the direction of the Court to pay, after the Closing, these four (4) employees their entitlements under the KERP so as to discharge the Applicants' obligations under the KERP Charge, and recommends that these payments be made. The Monitor believes that, upon such payments being made, the KERP Charge ought to be discharged.

**Discharge of the DIP Lenders' Charge**

22. As set out in the Third Amendment to the DIP Facility, as approved by Order of this Court dated February 23, 2009, the "Maturity Date" of the "Canadian Liabilities" under the DIP Facility is the earlier of (i) the consummation of a sale of the "Canadian Loan Parties" or substantially all of their assets, or (ii) June 30, 2009. Despite the June 30, 2009 deadline, the DIP Lenders have provided the Monitor and the Applicants a form of Payout Letter in which they agree to accept payment on July 2, 2009 subject to the terms of the Payout Letter. A copy of the form of Payout Letter is attached hereto as Appendix "B".
23. The Monitor understands that the Applicants and the DIP Lenders have agreed that there will be no further advances by the DIP Lenders under the DIP Facility after Thursday, June 25, 2009 so as to permit a final payout figure to be placed in the Payout Letter by June 30, 2009. It is anticipated that the Payout Letter will address all direct advances to InterTAN, all interest and fees thereon, and the amount of any standby letters of credit which have been called upon by that date. There will, however, be a number of standby letters of credit which the DIP Lender has issued on behalf of InterTAN, which will

expire on July 1, 2009, and the amounts of those standby letters of credit will not be added to the Payout Letter. Rather, it is agreed that, in the event any of the standby letters of credit are called upon after the Payout Letter has been finalized and before the closing, the Canadian Agent will be repaid in respect thereof by the Monitor from the Sale Proceeds on or before July 31, 2009.

24. The Monitor has been advised by the Applicants that the Canadian Agent has issued certain Documentary L/C's on behalf of InterTAN totalling approximately US\$5.2 million, which have been posted with certain of InterTAN's suppliers in respect of the shipment of goods which will arrive post-closing. InterTAN has provided, or is in the process of providing, Cash Collateral to the Canadian Agent equal to 103% of the face amount of these outstanding Documentary L/C's. These Documentary L/C's will be satisfied after closing and will be retired in the ordinary course, and it is agreed that the Canadian Agent will pay over to the Monitor any surplus Cash Collateral after satisfaction of these Documentary L/C's. Thus, the Applicants are seeking authority for the Canadian Agent to continue to hold the Cash Collateral subsequent to the proposed payout of the DIP Lenders for their direct advances to InterTAN, which the Monitor agrees is reasonable and recommends that this Court approve.
25. The Monitor understands that, in connection with these arrangements, both the DIP Lenders and the Applicants wish to have the Court grant releases for each of them in respect of the DIP Facility, including a release of the guarantee granted by the Applicants for the obligations of their United States affiliates under the DIP Facility, and a release and discharge of the DIP Lenders' Charge in its entirety, subject to the above-noted cash collateral being held and the obligation to pay any standby letters of credit drawn upon after the Payout Letter is issued. The Monitor believes this arrangement to be appropriate and recommends that the Court grant such relief. As well, given that the DIP Lenders' Charge would be released, the Monitor also recommends that the Canadian Creditors' Charge be released and discharged concurrent with the release and discharge of the DIP Lenders' Charge.

**Payment of West Coast and/or Ventoux**

26. The APA provides that the Purchaser shall pay to Ventoux and West Coast, collectively or as they may otherwise together direct the Purchaser in writing, the Canadian dollar equivalent of US\$15 million in the aggregate, less any applicable withholding taxes in respect of the licensed trade-marks, by wire transfer of immediately available funds. The Applicants request that the Court authorize and direct the Monitor to pay, after Closing, these amounts from the Sale Proceeds. The payment and escrow agreement also deals with these mechanics, including establishing the quantum of the withholding taxes payable in connection therewith. The Monitor believes this arrangement to be reasonable and recommends that the Court grant such relief.

**Payment of the M&A Fee**

27. By Order dated January 14, 2009, a copy of which is attached as Appendix "C", the Court approved the agreement for the retention of N M Rothschild & Sons Canada Securities Limited and Rothschild Inc. (collectively, "Rothschild") as investment banker to InterTAN (the "Rothschild Agreement"). Specifically, paragraph 6 of the January 14, 2009 Order provides that "the fees payable to Rothschild pursuant to and in accordance with the terms of the Rothschild Agreement, including section 4 thereof, are hereby approved and that Rothschild shall receive payment of any fees directly from the proceeds of any Transaction (as defined in the Rothschild Agreement) to the exclusion of the entitlement of any third party".
28. The Monitor is satisfied that the transactions contemplated by the APA meet the definition of "M&A Transaction" set out in the Rothschild Agreement and result in the "M&A Fee" being payable to Rothschild directly from the proceeds generated by the Sale Transaction.
29. Accordingly, the Applicants request, with the Monitor's support, that upon the closing of the Sale Transaction, the Monitor be authorized and directed to pay the M&A Fee to Rothschild from the Sale Proceeds in accordance with the terms of the Escrow Agreement.

**POST CLOSING OPERATIONS AND WINDING DOWN OF THE APPLICANTS' BUSINESS**

**Expansion of the Monitor's Role**

30. After the Closing, the Applicants will no longer have any employees. As such, it is proposed that the Monitor be provided with additional specific authority to take such administrative and other steps that it deems necessary to assist the Applicants in the administration of these proceedings and the wind-down of the business and affairs of the Applicants after the Closing.
31. In order to ensure that the Monitor has some assistance in that regard, the Applicants propose to appoint Ms. Michelle Mosier as an officer and director of InterTAN (the "Post-Closing Officer") to, among other things, assist in the administration of these proceedings and the wind-down of the business and affairs of the Applicants. Ms. Mosier is currently an officer and director of InterTAN, Inc. (InterTAN's direct parent company) and the Controller and Chief Accounting Officer of Circuit City (InterTAN's ultimate parent company), and she will be undertaking similar roles in the US Proceedings.
32. The Monitor believes that the appointment of Ms. Mosier as the Post-Closing Officer is appropriate, and that she should be granted the protections requested by the Applicants in their motion in exchange for agreeing to undertake such roles.

**(iii) Extension of Stay Period**

33. The Stay Period currently expires on July 3, 2009 and the Applicants are proposing that the Stay Period be extended to October 31, 2009.
34. As previously reported to this Honourable Court, pursuant to the Pre-Filing Claims Process Order dated February 10, 2009, creditors delivered 566 Proofs of Claim totalling \$50.7 million in claims. Although the Monitor and the Applicants have made substantial progress in reviewing the Proofs of Claims, a substantial number still remain to be reviewed and administered.

35. Further, the Applicants have previously advised that they intend to seek an Order or Orders authorizing a director and officer claims process and a post-filing claims process, as well as the implementation of a formal claims resolution process for the pre-filing claims. It is presently anticipated that a motion seeking to deal with these matters will be brought after Closing towards the end of July, 2009.
36. The Monitor believes the Applicants have been and continue to act in good faith and with due diligence in these CCAA Proceedings. The extension as sought is necessary to seek to implement the final stages of claims review in order to allow for the expeditious distribution of the Sale Proceeds to the creditors and shareholders of the Applicants.

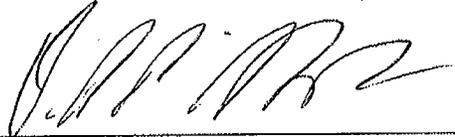
**MONITOR'S RECOMMENDATION**

37. For the foregoing reasons, the Monitor respectfully requests that this Eighth Report and the activities of the Monitor described herein be approved. The Monitor also recommends that the orders sought by the Applicants be granted.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** at Toronto, Ontario this 25th day of June, 2009.

**ALVAREZ & MARSAL CANADA ULC**  
in its capacity as Court appointed Monitor of  
InterTAN Canada Ltd. and Tourmalet Corporation

Per: \_\_\_\_\_



Name: Douglas R. McIntosh  
Title: Managing Director  
I have the authority to bind the corporation

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

Court File No.: 08-CL-7841

**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**EIGHTH REPORT OF THE MONITOR**

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