

Court File No. 08-CL-7841

**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

**FIFTEENTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA ULC**

**September 8, 2010**

**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* (the "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 Monitor will be bringing a motion returnable September 14, 2010, seeking, *inter alia*, (a) an Order extending the Stay Period, as defined in the Initial Order and as subsequently extended, from September 15, 2010 to March 15, 2011; and (b) an Order

approving this report (the “Fifteenth Report”) and the actions and activities of the Monitor described herein.

4. The purpose of the Fifteenth Report is to provide the Court and the Applicants’ stakeholders with information concerning the Monitor’s motion. For the reasons discussed below, the Monitor respectfully recommends that the Court grant the relief requested by the Monitor.
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 may consist of or include 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. 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 the Applicants’ legal and tax advisors and Post-Closing Officer, Ms. Katie Bradshaw, 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 was a leading specialty retailer of consumer electronics in Canada and was 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.kccelle.net](http://www.kccelle.net).
12. Additional background information can be found in the prior reports submitted by the Monitor to this Honourable Court.

**ADMINISTRATION AND WIND-DOWN OF THE APPLICANTS POST-CLOSING**

13. As previously reported by the Monitor, the Sale Transaction with the Purchaser closed with effect as of 12:01 a.m. on July 1, 2009.
14. By Order dated December 7, 2009 (the "First Distribution Order"), this Honourable Court authorized and directed the Monitor to distribute, from the proceeds of the Sale Transaction and other amounts received by or owing to InterTAN that were in the Monitor's possession, the total amount of \$11,672,749.48 to those creditors and in the amounts set forth in Schedule "A" to the First Distribution Order, which amounts

included interest on such claims calculated at a rate of 5% per annum on the basis proposed in the Monitor's Eleventh Report.

15. As described in the Twelfth Report, the Monitor made the distributions authorized by the First Distribution Order by mailing cheques to those creditors on December 15, 2009.
16. By Order dated January 29, 2010 (the "Second Distribution Order"), this Honourable Court authorized and directed the Monitor to distribute the further amount of \$5,784,906.66 to those creditors and in the amounts set forth in Schedule "A" to the Second Distribution Order. These distributions were for payment of those claims that had been resolved since the First Distribution Order, which amounts included interest on such claims calculated at a rate of 5% per annum on the basis proposed in the Monitor's Twelfth Report.
17. Paragraph 5 of the Second Distribution Order also provided that the Monitor was authorized and directed to make distributions to resolve the seventeen remaining claims, provided that the payment was for an amount less than the high end of the range for each such claim contained in Schedule "B" to the Second Distribution Order and provided that InterTAN, the Purchaser and the claimant agreed in writing to the payment amount.
18. As described in the Thirteenth Report, the Monitor made the distributions specifically authorized by the Second Distribution Order by mailing cheques to those creditors on February 3, 2010. As further described in the Thirteenth Report, the Monitor also subsequently made distributions to an additional ten claimants within the ranges specified in Schedule "B" to the Second Distribution Order in the total amount of \$5,235,697.26, inclusive of interest calculated at a rate of 5% per annum.
19. By Order dated April 26, 2010 (the "Third Distribution Order"), this Honourable Court also authorized the Monitor to distribute the further amount of \$207,706.62 (inclusive of interest calculated at a rate of 5% per annum) to Thimens Industrial Development Corp. Ltd. ("Thimens"), which amount was outside of the range specified in Schedule "B" to the Second Distribution Order. The Monitor made the distribution to Thimens by mailing a cheque to Thimens on April 30, 2010.

20. By Order dated July 16, 2010 (the “Fourth Distribution Order”), this Honourable Court authorized and directed the Monitor to distribute the further amount of \$1,449,621.08 to those creditors and in the amounts set forth in Schedule “A” to the Fourth Distribution Order. These distributions were for payment of those claims that had been resolved since the Third Distribution Order and the distribution to Thimens, which amounts included interest on such claims calculated at a rate of 5% per annum on the basis proposed in the Monitor’s Twelfth Report. These distributions were effected by the Monitor on July 19, 2010.
21. As described in the Monitor’s Fourteenth Report, the only remaining outstanding claim is the claim of Revenu Québec. Revenue Québec has asserted a post-filing claim in the amount of \$572,704.61. The Applicants and the Monitor are continuing to work with Revenue Québec and the Purchaser to reconcile and attempt to resolve this remaining claim.

#### **POTENTIAL FRENCH TAX LIABILITY**

22. As reported in the Twelfth, Thirteenth and Fourteenth Reports, InterTAN has a subsidiary company located in France that has not operated for more than 10 years. The Monitor learned on April 16, 2010 that there was also a branch office of InterTAN in France. It appears that the subsidiary and the branch were not formally wound up after operations ceased. In connection with the winding up of the Applicants’ operations, InterTAN may need to wind-up its French branch and subsidiary, which may result in potential tax liabilities to the French taxing authorities. The Monitor has been advised that InterTAN has received legal advice, from a French law firm, that it could be held directly liable under French tax law for any taxes assessed by the French authorities. The Monitor understands that the Company and the Unsecured Creditors’ Committee in the Chapter 11 Proceedings are working towards a resolution of the potential French tax liability. The Monitor has also engaged French counsel to help it assess this potential liability.
23. The Monitor attached to its Fourteenth Report, as a separate confidential Appendix, a summary of the assessment of the potential French tax liability, which illustrated the

different possible scenarios and corresponding potential liabilities, based on the advice provided by InterTAN's French counsel.

24. The Monitor understands that InterTAN's French counsel is working with other stakeholders and with the Monitor's French counsel to assess the best manner of resolving these issues.

#### **EXTENSION OF STAY PERIOD**

25. The Stay Period currently expires on September 15, 2010 and the Applicants are proposing that the Stay Period be extended to March 15, 2011.
26. As detailed above, the Monitor has made substantial progress in reviewing, reconciling and administering the Proofs of Claim filed in the Claims Processes. However, there is still one claim that remains to be determined. As well, there are remaining issues with respect to the French subsidiary, and issues concerning the most tax efficient manner in which to have any return of equity paid to InterTAN's shareholder.
27. The Monitor believes that 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 in order to complete the final stages of the Claims Processes and other matters in order to allow for the expeditious distribution of the monies held by the Monitor to the remaining creditors and shareholder of InterTAN.

**MONITOR'S RECOMMENDATION**

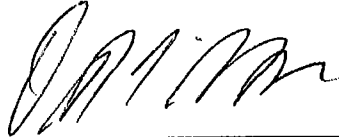
28. For the foregoing reasons, the Monitor respectfully recommends and requests that:

- (i) the Stay Period be extended to March 15, 2011; and
- (ii) this Fifteenth Report and the activities of the Monitor described herein be approved.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** at Toronto, Ontario this 8<sup>th</sup> day of September, 2010.

**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

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

Proceeding commenced at Toronto

**FIFTEENTH REPORT OF THE MONITOR**

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