

**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

**SEVENTEENTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA ULC**

**March 8, 2011**

**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*. These proceedings are referred to herein as the "Chapter 11 Proceedings".
3. The Monitor will be bringing a motion returnable on March 14, 2011, seeking, *inter alia*, (a) an Order extending the Stay Period, as defined in the Initial Order and as subsequently

extended, from March 15, 2011 to January 15, 2012; (b) an Order approving the fees and disbursements of the Monitor for the period from April 4, 2010 to February 12, 2011, as well as its Canadian legal counsel, Goodmans LLP, for the period from March 26, 2010, to December 15, 2010; and (c) an Order approving this report (the “Seventeenth Report”) and the actions and activities of the Monitor described herein.

4. The purpose of the Seventeenth 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. As of the date of the Initial Order, 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 was an indirect, wholly-owned subsidiary of Circuit City. Tourmalet was a non-operating holding company whose sole asset was the preferred stock of InterTAN, Inc., which was the sole shareholder of InterTAN. Circuit City was 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. The U.S. Bankruptcy Court also confirmed a plan of reorganization in respect of the U.S. Debtors. The Monitor understands that the plan has gone effective and that Circuit City and the other U.S. Debtors have effectively been replaced by a liquidating trust for the benefit of their unsecured creditors. A hyperlink to information concerning the U.S. Debtors' restructuring and liquidation can be found at [www.kccelle.net](http://www.kccelle.net).
12. On July 1, 2009, a sale of substantially all of the assets of InterTAN was completed. The Monitor has overseen a Court-ordered claims process, and substantially all of the creditors of InterTAN have been paid in full, including interest. The only claim

remaining to be resolved pursuant to the Court-ordered claims process is the claim of Revenu Québec (filed in the amount of \$572,704.61). Issues also remain with respect to the claims, if any, of French taxing authorities related to the liquidation of the French subsidiary of InterTAN, all of which are detailed in the Monitor's Twelfth through Sixteenth Reports. Tourmalet had no assets or liabilities other than the preferred shares of InterTAN, Inc., none of the proceeds held by the Monitor relate to the assets of Tourmalet and no claims were filed against Tourmalet in the claims process.

13. As at March 4, 2011, the Monitor was holding, in trust, the total amount of CDN \$6,444,365.88 and US \$93,888,197.11, representing the balance of the proceeds of the Sale Transaction and other accounts received by or owing to InterTAN, net of aggregate distributions to creditors of \$24,279,381.42, as authorized by prior Orders of this Honourable Court.
14. Additional background information can be found in the prior reports submitted by the Monitor to this Honourable Court.

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

15. As previously reported in the Monitor's Twelfth through Sixteenth 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 InterTAN and the Official Committee of Unsecured Creditors in the Chapter 11 Proceedings (the "UCC") 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 and to assist in assessing how and when such liability may be resolved.<sup>1</sup>

16. As described in the Monitor's Sixteenth Report, the Applicants and the U.S. Debtors, with input from the UCC and from the Monitor, proposed a series of corporate transactions (the "Proposed Transactions") in order to ensure that InterTAN will be able to return to the U.S. Debtors, in a tax efficient manner, any cash remaining after all claims of InterTAN have been resolved. The ultimate objective of the Proposed Transactions was to make Ventoux the sole and direct shareholder of the InterTAN corporate entity. The Proposed Transactions proposed by the Applicants and the U.S. Debtors essentially consisted of six steps, as follows:
  - a) Ventoux will transfer all of the issued and outstanding common shares in the capital stock of InterTAN, Inc. to Tourmalet, for a purchase price equal to the fair market value of such shares, which is expected to be nominal. Tourmalet will satisfy the purchase price by issuing to Ventoux one common share in the capital stock of Tourmalet having a fair market value equal to the purchase price (the "Transfer");
  - b) InterTAN will, pursuant to the provisions of the Nova Scotia *Companies Act*, R.S.N.S. 1989, c. 81, apply for and obtain a certificate of continuance to continue as a company limited by shares under the Nova Scotia *Companies Act*, R.S.N.S. 1989, c. 81 (the "Continuance");
  - c) InterTAN, Inc. will commence winding-up under the applicable Delaware law. In connection with its winding-up, InterTAN, Inc. will distribute all of its property to Tourmalet, including all of the issued and outstanding common shares in the capital stock of InterTAN, and all of the liabilities and obligations of InterTAN, Inc. will be assumed by Tourmalet (the "Assumption"). In due course, InterTAN, Inc. will file a

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<sup>1</sup> 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. By Order dated July 16, 2010, the Court granted a sealing order with respect to the Confidential Appendix.

certificate of dissolution and, upon the effectiveness of the certificate of dissolution, the corporate existence of InterTAN, Inc. will cease and its shares will be cancelled;

- d) Tourmalet and InterTAN will effect a vertical short-form amalgamation under the provisions of the *Nova Scotia Companies Act*, R.S.N.S. 1989, c. 81, to form an unlimited liability company referred to herein as “Amalco” (the “Amalgamation”);
  - e) Once Amalco has settled all of the claims of the creditors of the Canadian estate, and subject to receiving the required approval from this Honourable Court, Amalco will distribute its remaining cash (if any) to Ventoux as one or more returns of capital in respect of the common shares of InterTAN held by Ventoux (the “Distribution”); and
  - f) Following the foregoing transactions, in due course, Amalco will be liquidated and dissolved (the “Dissolution”).
17. By Order dated October 13, 2010, the Transfer, Continuance and Assumption were authorized and have subsequently been completed. The Monitor understands that InterTAN, Inc. has been dissolved. A copy of the Certificate of Dissolution is attached hereto as **Appendix “A”**. As reported in the Monitor’s Sixteenth Report, the Monitor has advised all parties that it will not support the Amalgamation nor the Distribution unless and until it is satisfied, in its sole discretion, with the resolution of the claim of Revenu Québec and the potential French tax liability.

## **2010 TAX RETURNS**

18. InterTAN, with the assistance of PricewaterhouseCoopers LLP, prepared tax returns for the taxation year ended February 28, 2010, and filed same with the Canada Revenue Agency (“CRA”). InterTAN has claimed income tax refunds totalling approximately \$4,985,425 from the federal, Ontario, Alberta and Québec governments (which amounts do not include refund interest).
19. As of the date of this Report, refunds have been received from the Alberta government totalling \$206,632. No refunds have been received from the federal, Ontario or Québec governments.

## **EXTENSION OF STAY PERIOD**

20. The Stay Period currently expires on March 15, 2011 and the Monitor is proposing that the Stay Period be extended to January 15, 2012.
21. As detailed above, the Monitor has substantially completed the administration of the Claims Processes. However, the Revenu Québec claim still remains to be determined and there are remaining issues with respect to the potential French tax liability, both of which will take significant time to address.
22. 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, which will then permit the remaining Proposed Transactions to be completed, including the distribution of the monies held by the Monitor to any remaining creditors and the shareholder of InterTAN.

## **APPROVAL OF THE MONITOR AND GOODMAN'S LLP'S FEES**

23. Pursuant to paragraph 27 of the Initial Order, the Monitor was authorized to engage independent legal counsel (among others) to assist with the exercise of its powers and the performance of its obligations.
24. In accordance with paragraphs 32 and 33 of the Initial Order, the Monitor and its legal counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, and are required to pass their accounts from time to time. The Monitor and its counsel have passed their accounts on three prior occasions in this matter. The most recent was by Order dated April 26, 2010, a copy of which is attached hereto as **Appendix "B"**, wherein the fees and disbursements of the Monitor and Goodmans LLP, the Monitor's Canadian counsel, were approved for the periods set out in paragraphs 43 and 44 of the Monitor's Thirteenth Report.
25. During the period from April 4, 2010 to February 12, 2011, the Monitor expended a total of 609 hours in connection with this matter, giving rise to fees and disbursements totalling \$339,632.82 (inclusive of GST and HST, as applicable). Details of the hours

spent, the hourly rates and total fees and disbursements of the Monitor for the period from April 4, 2010 to February 12, 2011 are included in the Affidavit of Douglas R. McIntosh sworn March 8, 2011.

26. During the period from March 26, 2010 to December 15, 2010, Goodmans LLP expended a total of 390.8 hours in connection with this matter, giving rise to fees and disbursements totalling \$284,503.82 (inclusive of GST and HST, as applicable). Details of the hours spent, the hourly rates and total fees and disbursements of Goodmans LLP for the period from March 26, 2010 to December 15, 2010, are included in the Affidavit of L. Joseph Latham sworn March 8, 2011.

#### **MONITOR'S RECOMMENDATION**

27. For the foregoing reasons, the Monitor respectfully recommends that:

- (i) the Stay Period be extended to January 15, 2012;
- (ii) the professional fees and disbursements of the Monitor and Goodmans LLP be approved; and
- (iii) this Seventeenth 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 March, 2011.

**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

**SEVENTEENTH REPORT OF THE MONITOR**

**GOODMANS LLP**

Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7

L. Joseph Latham (LSUC# 32326A)  
Hannah Arthurs (LSUC#553370)

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Lawyers for the Monitor

TAB A

# Delaware

PAGE 1

*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DISSOLUTION OF "INTERTAN, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF OCTOBER, A.D. 2010, AT 3:26 O'CLOCK P.M.

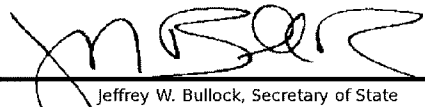
A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

2094808 8100

101029290

You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)



  
Jeffrey W. Bullock, Secretary of State  
AUTHENTICATION: 8314587

DATE: 10-27-10

CERTIFICATE OF DISSOLUTION  
OF  
INTERTAN, INC.

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Pursuant to Section 275 of the General  
Corporation Law of the State of Delaware

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InterTAN, Inc., a Delaware corporation (the "Corporation"), hereby  
certifies as follows:

FIRST: The name of the Corporation is InterTAN, Inc.

SECOND: The date of filing of the Corporation's original Certificate  
of Incorporation with the Secretary of State is June 26, 1986.

THIRD: The dissolution of the Corporation was authorized on October  
26, 2010.

FOURTH: The dissolution of the Corporation has been authorized  
by the Board of Directors and the sole stockholder of the Corporation in accordance  
with subsections (a) and (b) of Section 275 and Section 228 of the General  
Corporation Law of the State of Delaware.

FIFTH: The respective names and addresses of the directors and  
officers of the Corporation are as follows:

<u>NAME</u>	<u>OFFICE</u>	<u>ADDRESS</u>
Jeffrey A. McDonald	Director Chief Financial Officer, Treasurer and Secretary	P.O. Box 5695 Glen Allen, VA 23058-5695
Catherine Bradshaw	Director President	P.O. Box 5695 Glen Allen, VA 23058-5695
Heather M. Ferguson	Director Assistant Treasurer	P.O. Box 5695 Glen Allen, VA 23058-5695

IN WITNESS WHEREOF, this Certificate of Dissolution has been  
executed as of this 26<sup>th</sup> day of October, 2010.

INTERTAN, INC.

By: Cather W. Bradshaw  
Name: Catherine Bradshaw  
Title: President

Certificate of Dissolution