

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

TWENTY-FIRST REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA ULC

June 16, 2014

INTRODUCTION

1. By Order of this 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 June 24, 2014, seeking, *inter alia*, (a) an Order extending the Stay Period, as defined in the Initial Order and as subsequently

extended, from June 28, 2014 to April 30, 2015; (b) an Order approving the fees and disbursements of the Monitor for the period from June 16, 2012 to June 7, 2014, as well as its Canadian legal counsel, Goodmans LLP, for the period from February 8, 2012 to May 29, 2014; and (c) an Order approving this report (the "Twenty-first Report") and the actions and activities of the Monitor described herein.

4. The purpose of the Twenty-first Report is to provide the Court 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's tax advisors, and discussions with InterTAN's legal and tax 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.amcanadadocs.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.kecllc.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 all of the creditors of InterTAN have been paid in full, including interest. Issues 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 Twentieth 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 June 13, 2014, the Monitor was holding, in trust, the total amount of CDN \$10,202,363.58 and US \$94,284,010.74, 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 \$24,496,015.72, as authorized by prior Orders of this Court.
14. Additional background information can be found in the prior reports submitted by the Monitor to this Court.

POTENTIAL FRENCH TAX LIABILITY

15. As previously reported in the Monitor's Twelfth through Twentieth 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. The Monitor learned that the French subsidiary was dissolved on May 30, 2011. As previously reported, this winding-up 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 representatives of its U.S. parent 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.¹

¹ 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 as reviewed by the Monitor's French counsel. By Order dated July 16, 2010, the Court granted a sealing order with respect to the Confidential Appendix.

REORGANIZATION TRANSACTION

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 (collectively, the "Reorganization Transaction") 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 Reorganization Transaction was to make Ventoux the sole and direct shareholder of the InterTAN corporate entity.
17. By Order dated October 13, 2010, the following steps in the Reorganization Transaction were authorized and have subsequently been completed:
 - a) Ventoux transferred all of the issued and outstanding common shares in the capital stock of InterTAN, Inc. to Tourmalet, for a purchase price equal to the nominal fair market value of such shares. Tourmalet satisfied 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;
 - b) Pursuant to the provisions of the Nova Scotia *Companies Act*, R.S.N.S. 1989, c. 81, InterTAN applied for and obtained 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; and
 - c) InterTAN, Inc. has been dissolved under the applicable Delaware law. In connection with its winding-up, InterTAN, Inc. distributed 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. were assumed by Tourmalet.

18. The remaining steps in the Reorganization Transaction are as follows:
- a) 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");
 - b) Once Amalco has settled all of the claims of the creditors of the Canadian estate, and subject to receiving the required approval from this 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
 - c) Following the foregoing transactions, in due course, Amalco will be liquidated and dissolved.
19. 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 potential French tax liability.

EXTENSION OF STAY PERIOD

20. The Stay Period currently expires on June 28, 2014 and the Monitor is proposing that the Stay Period be extended to April 30, 2015.
21. As detailed above, the Monitor has substantially completed the administration of the claims process. However, there are remaining issues with respect to the potential French tax liability, which will take additional time to address and the Monitor is seeking an extension of the Stay Period in order to allow additional time to assess the potential French tax liability.
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 process, which will then permit the Reorganization Transaction 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 five prior occasions in this matter. The most recent was by Order dated September 25, 2012, a copy of which is attached hereto as **Appendix "A"**, wherein the fees and disbursements of the Monitor were approved for the period from February 13, 2011 to June 15, 2012 and the fees and disbursements of Goodmans LLP, the Monitor's Canadian counsel, were approved for the period from January 6, 2011 to January 24, 2012, as set out in paragraphs 27 and 28 of the Monitor's Nineteenth Report.
25. During the period from June 16, 2012 to June 7, 2014, the Monitor expended a total of 76.8 hours in connection with this matter, giving rise to fees and disbursements totalling \$42,800.48 (inclusive of HST). Details of the hours spent, the hourly rates and total fees and disbursements of the Monitor for the period from June 16, 2012 to June 7, 2014 are included in the Affidavit of Douglas R. McIntosh sworn June 16, 2014.
26. During the period from February 8, 2012 to May 29, 2014, Goodmans LLP expended a total of 63.0 hours in connection with this matter, giving rise to fees and disbursements totalling \$44,750.41 (inclusive of HST). Details of the hours spent, the hourly rates and total fees and disbursements of Goodmans LLP for the period from February 8, 2012 to May 29, 2014, are included in the Affidavit of L. Joseph Latham sworn June 12, 2014.

MONITOR'S RECOMMENDATION

27. For the foregoing reasons, the Monitor respectfully recommends that:
 - (i) the Stay Period be extended to April 30, 2015;

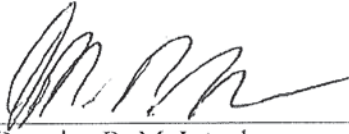
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- (ii) the professional fees and disbursements of the Monitor and Goodmans LLP be approved; and
- (iii) this Twenty-first Report and the activities of the Monitor described herein be approved.

ALL OF WHICH IS RESPECTFULLY SUBMITTED at Toronto, Ontario this 16th day of June, 2014.

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

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SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

TWENTY-FIRST REPORT OF THE MONITOR

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