CONFIDENTIAL APPENDIX "B" TO MONITOR'S SIXTEENTH REPORT

POTENTIAL FRENCH TAX LIABILITY

As has been reported in the Twelfth, Thirteenth and Fourteenth Reports, InterTAN has a subsidiary in France that has not operated for more than ten (10) years. That entity is InterTAN France SNC ("**SNC**"). SNC is owned by InterTAN, the majority equity holder, and by a wholly-owned subsidiary of InterTAN, 587255 Ontario Ltd. ("**Subco**"). SNC is treated as a partnership for Canadian tax purposes.

The Monitor understands that, prior to 1994, InterTAN, Subco and SNC all owed each other various amounts of debt, and that all parties took steps in or about 1994 to wind-up SNC and to settle all of the pre-1994 intercompany debts. For reasons unclear to the Monitor, the wind-up steps were not completed. While there was a judicial wind-up, which appears to have been completed in or about 2001, it appears that corporate steps may not have been taken to conclude the wind-up by dissolving SNC. However, all of the parties continue to believe that the various intercompany debts were extinguished prior to 1994.

The potential French tax liability which was disclosed in the Confidential Appendix to the Fourteenth Report of the Monitor consists of four (4) potential headings of tax: two (2) of them (the largest potential amounts) represent the potential tax liability in the event the French taxing authorities refuse to recognize the settlement of the intercompany debts prior to 1994 and therefore deem there to be a forgiveness of debts when SNC is dissolved, a third represents the potential French tax liability in respect of interest income on the amounts which were due to the SNC, and the fourth represents the potential French tax liability for capital gains on the cancellation of the shares in the SNC. If the French taxing authorities recognize a settlement of the debts prior to 1994 (or, put differently, do not challenge the position that the debts were extinguished prior to 1994), then none of these potential tax liabilities will come to fruition.

The French tax advisors for each of InterTAN and the Unsecured Creditors' Committee ("**UCC**") in the Chapter 11 Proceedings have agreed that steps should be taken now to formally dissolve the SNC, after which certain tax returns will be completed and filed with the French taxing authorities assuming nil revenues through dissolution. To that end, InterTAN has retained a French tax accountant with a view to proceeding in that fashion. The Monitor has been advised

that, if no re-assessment or challenges are raised by the French tax authorities within three (3) years, then such returns would be final and any potential French tax liability extinguished. The Monitor's French tax counsel continues to review these issues with French tax counsel to both InterTAN and the UCC. The Monitor has sought advice from its French tax counsel as to the accuracy of these representations and the propriety of that approach.

At this stage, based upon the advice of the Monitor's French tax counsel agreeing that a corporate dissolution of SNC is appropriate, the only step which the Monitor is prepared to see undertaken in connection with the dissolution of SNC is for the interest of Subco in SNC to be transferred to InterTAN, resulting in only one member of SNC and therefore causing it to cease to exist at law. Subject to receiving advice from its French tax counsel, as noted above, the Monitor will instruct its French and Canadian tax counsel to work with those of InterTAN and the UCC to try to come to agreement on the content and manner of filing tax returns for SNC, at which time the Monitor may seek further directions from this Honourable Court.

The reason why the transfer of the Subco interest in SNC to InterTAN is to be completed at this time is also to ensure that no Canadian income tax issues arise. There is a concern that the Canada Revenue Agency ("**CRA**") may take the position that the debts in fact existed up to the date of the actual wind-up of SNC, as it appears that InterTAN may have continued to reflect SNC receivables and payables in its financial statements up to and including its 2009 income tax returns. While all of the parties, including InterTAN's tax advisor, PricewaterhouseCoopers, believe that this was an error, CRA could take the position that the transfer of the Subco interest to InterTAN and the extinguishment of SNC results in debt forgiveness income to InterTAN. In the circumstances, the potential income inclusion to InterTAN could be in the order of $80 million. However, the Monitor has been advised that InterTAN has approximately $400 million of losses currently available such that, if a debt forgiveness by SNC were to result in CRA taking the position that there was an income inclusion, it is expected that the $80 million potential income inclusion would be applied in reduction of the approximately $400 million of tax losses.

However, once the Plan in the Chapter 11 Proceedings is effective, a liquidating trust will be put into place which will become the effective shareholder of InterTAN, which CRA may determine to be an "acquisition of control" for tax purposes. If such an acquisition of control is determined by CRA to have taken place, InterTAN's ability to utilize its $400 million of losses may be

restricted. Accordingly, there is a desire on the part of InterTAN and the UCC to have the transfer of the Subco interest in SNC to InterTAN take place prior to the U.S. Plan going effective, so that any potential debt forgiveness income inclusion would be able to be applied against the existing losses without concern for an argument that the U.S. Plan going effective resulted in an acquisition of control which restricted the ability to use those tax losses.

The Monitor has been consulted on these matters throughout, and has discussed them with both its Canadian and French tax counsel. Based on the advice of its tax counsel, the Monitor is supportive of the presently contemplated transfer of the Subco interest in SNC to InterTAN, and understands that there is no additional exposure or liability created for the Canadian estate, and that doing so before the U.S. Plan goes effective will avoid the possibility of a potential claim arising after the acquisition of control, which liability may have to be satisfied from funds in the estate. Accordingly, the Monitor recommends that InterTAN be allowed to acquire the interests of Subco in the SNC concurrent with the taking of the other steps which the Monitor recommends InterTAN and Tourmalet Corporation be authorized to take as described in the Sixteenth Report of the Monitor, and all prior to the U.S. Plan going effective.

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