Court File No. CV-0800007841-00 CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

RE: 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 AND ARRANGEMENT OF INTERTAN CANADA LTD. AND TOURMALET CORPORATION.

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BEFORE THE HONOURABLE MR. JUSTICE MORAWETZ
on November 26, 2008 at Toronto, Ontario.

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APPEARANCES:

E. Sellers J. Dacks J. MacDonald	)	Counsel for the Applicants
M. Forte		Counsel for the Bank of America, N. A.
J. Carfagnini L. J. Latham	)	Counsel for Alvarez and Marsal Canada Inc.

Wednesday,
November 26, 2008

THE COURT:

The applicants, InterTAN Canada Ltd., ("InterTAN"), and Tourmalet Corporation, ("Tourmalet"), brought this application on November 10, 2008. At the conclusion of argument, an order was granted providing the applicants with protection under the Companies' Creditors Arrangement Act, ("CCAA"), with reasons to follow. The following are those reasons.

InterTAN is incorporated under the laws of the Province of Ontario. It is a leading speciality retailer of consumer electronics in Canada and is the operating Canadian subsidiary of the major United States based electronics retailer, Circuit City Stores, Inc., ("Circuit City").

InterTAN is a privately held Ontario corporation and sole direct subsidiary of InterTAN Inc., which is owned by the Delaware corporation Ventoux International Inc., and

Tourmalet, a Nova Scotia unlimited liability company. Tourmalet is in turn wholly owned by Ventoux, which is wholly owned by Circuit City. As such, InterTAN is an indirect wholly-owned subsidiary of Circuit City. Tourmalet is an affiliated non-operating, holding company whose sole asset is the preferred stock of InterTAN, Inc. which has sought insolvency protection.

InterTAN operates retail stores and licences dealer-operated stores selling brand name and private label consumer electronics throughout Canada under the trade name, "The Source by Circuit City", ("The Source").

InterTAN currently has 772 retail stores in Canada and employs approximately 3,130 people.

InterTAN's sole credit facility is through an agreement between Circuit City, certain U.S. affiliates, InterTAN and Bank of America N.A. as agent, together with other

loan parties, (the "Secured Credit Facility"). InterTAN has historically relied on the Secured Credit Facility to maintain a consistent cash flow for its operations.

Circuit City and certain of its affiliates filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia on November 10, 2008.

As a result of the Chapter 11 proceedings, the Secured Credit Facility was terminated and the parties to that loan agreement entered into a Debtor-in-Possession loan facility, (the "DIP Facility"), that replaced the Secured Credit Facility.

Counsel to InterTAN advised that the lenders providing the DIP Facility would only extend credit to InterTAN if it was a borrower under the DIP Facility and an initial order was obtained from this court, in the CCAA

proceedings, providing for a super priority charge on all of the assets and property of InterTAN (subject only to certain court ordered charges) as security for the DIP Facility.

Counsel for InterTAN also advised that witout the DIP Facility, InterTAN was insolvent as it was not able to:

(a) access operating credit;

(b) operate as a going concern; or

(c) satisfy all of its ongoing obligations to its employees, dealers, landlords, suppliers and other stakeholders.

Counsel submitted that the applicants required a stay of proceedings and other relief sought in order to permit InterTAN to continue operating as it pursues restructuring options, which include the potential sale of the business, in order to maximize enterprise value. The applicants took the position that it was necessary and in the best interests of the applicants and their stakeholders, and in

light of the Chapter 11 proceedings, that the applicants be afforded the protection provided by the CCAA as they attempt to restructure their affairs.

Counsel also submitted given the current economic situation, it was not practical for InterTAN to find a replacement to the Secured Credit Facility.

The applicants proposed Alvarez & Marsal Canada ULC, ("A & M"), as the Monitor in these proceedings and a consent to act was filed by A & M.

The application was supported by the affidavit of Mark J. Wong, Vice President, General Counsel and Secretary of InterTAN as well as a report filed by A & M in its capacity as proposed Monitor, (the "Report").

The purpose of the Report was to provide the court with information concerning:

(a) background on InterTAN's business;

(b) the financial position of InterTAN;

(c) the current Secured Credit Facility in place for InterTAN;

(d) recent action by InterTAN's trade creditors that have impacted its cash flow;

(e) the proposed restructuring of InterTAN and the proposed restructuring alternatives;

(f) the terms of the proposed DIP Facility;

(g) the implications of the DIP Facility for InterTAN's Canadian creditors; and

(h) A & M's summary comments.

A & M was retained by InterTAN on October 31, 2008, as the proposed Monitor. In the ten days prior to the bringing of this application, A & M has been reviewing InterTAN's available financial information in an attempt to gain knowledge of the business and financial affairs of InterTAN and has been preparing for this anticipated CCAA application.

A & M commented on the Secured Credit Facility which consists of a U.S. $1.25 billion commitment to Circuit City and certain of its affiliates, (the "U.S. Debtors"), and a U.S. $50 million commitment to InterTAN.

InterTAN has not guaranteed and is not liable for the borrowings of the U.S. Debtor under the Secured Credit Facility. Tourmalet is not a party to the Secured Credit Facility but it has guaranteed InterTAN's obligations thereunder. A & M is of the understanding that this guarantee is unsecured.

As a result of the commencement of the Chapter 11 proceedings, the Secured Credit Facility was terminated and the parties to that loan agreement entered into the DIP Facility. A & M is of the understanding that, unlike the Secured Credit Facility, the DIP Facility provides that credit would only be advanced to Circuit City on the condition that InterTAN agreed to become a joint and several borrower for all advances and a guarantor for

the entire facility, including existing advances to the U.S. Debtors and to have all of InterTAN's assets pledged as security for those obligations. Further, A & M was of the understanding that the lenders providing the DIP Facility would only extend credit to InterTAN if the Dip Facility was approved by an order of this court with a charge over all of the assets and property of InterTAN.

As of September 30, 2008, InterTAN had total assets of approximately $370 million. According to its internal, unaudited financial statements as at September 30, 2008, InterTAN's current assets represented in excess of $218 million of it total assets, including $148 million of inventory, nearly $50 million of current accounts and notes receivable and $5.8 million in cash. Non-current assets were comprised primarily of property, plant and equipment of $45 million, notes receivable of $91 million (representing promissory notes from InterTAN, Inc, and Tourmalet) and goodwill of $8.7 million.

As at September 30, 2008, InterTAN's total liabilities were approximately $110 million which consisted of current liabilities of approximately $90 million, miscellaneous long-term liabilities of approximately $20 million and a small inter-company payable of $250,000. Current liabilities as at September 30, 2008 included nearly $50 million of trade accounts payable, accrued expenses of $22.2 million, deferred service contract revenue of $9.8 million and short-term bank borrowings of $7.5 million.

In preparation for this application, a 17-week Cash Flow Forecast, (the "Cash Flow Forecast"), was prepared by InterTAN, with the assistance of its financial advisor, FTI Consulting. A & M reviewed the Cash Flow Forecast and noted that InterTAN's borrowings under the Secured Credit Facility were projected to be approximately $43.3 million through November 9, 2008. The Cash Flow Forecast projects that InterTAN will require further incremental funding during the cash

flow period of up to $19.8 million, such that cumulative credit requirements to fund its operations are projected to peak at approximately $63 million during the week ending November 30, 2008, $43.3 million of borrowings under the Secured Credit Facility plus approximately $19.8 million of incremental borrowings under the DIP Facility.

As a result of the seasonal nature of InterTAN's business, cash requirements decrease as a result of Christmas sales such that the expected borrowings under the DIP Facility are projected to be reduced to approximately $1 million by January 4, 2009. From that time forward, the Cash Flow Forecast indicates that borrowings under the DIP Facility will range from approximately $600,000 to $8.6 million through the week ending March 1, 2009.

A & M is of the understanding that the portion of the DIP Facility available to InterTAN will remain fully drawn, with the

funds not needed to fund InterTAN's operations being advanced by InterTAN to the U.S. Debtors. A & M notes that there is presently no mechanism to ensure repayment of the amounts advanced by InterTAN to the U.S. Debtors and no mechanism to ensure that sufficient funds would be repaid to service InterTAN's liquidity needs.

The Secured Credit Facility is in default as a result of the Chapter 11 proceedings. The result of this default is the termination of the Secured Credit Facility, which causes all obligations under the Canadian Facility to become automatically due and payable. As of November 9, 2008, InterTAN had outstanding borrowings under the Secured Credit Facility of approximately $43.3 million.

A & M specifally points out that InterTAN's obligations under the credit agreement are limited to the amounts borrowed by InterTAN. As security for the obligations, InterTAN executed both a general security

agreement and a deed of hypothec on moveable property in favour of the secured lenders.

A & M has received a preliminary opinion from its independent counsel that Bank of America holds valid and perfected security in Ontario over the inventory, receivables and intangible assets of InterTAN described in the security documents.

Over the past few months, as a result of public reports concerning potential liquidity concerns at Circuit City, several of InterTAN's significant suppliers have shortened their credit terms, requiring cash in advance or on delivery, which has had the effect of increasing the exposure of the secured lenders and decreasing trade payable. A & M is of the view that it is essential that InterTAN's suppliers continue to supply InterTAN throughout the crucial holiday sales period and while InterTAN has access to sufficient credit to obtain holiday season levels of inventory.

In order to ensure the continuity of InterTAN's supply chain from outside North America where the stay of proceedings will not apply, InterTAN is proposing to continue to pay foreign trade creditors and suppliers in the ordinary course both before and after the date of filing.

With respect to North American suppliers, InterTAN proposes to freeze all pre-filing trade claims until further order of the court, subject to the Monitor having discretion

(i) to authorize critical supplier payments for pre-filing amounts not to exceed $2 million (subject to further order of the court); and

(ii) to authorize the payment of any other costs and expenses that are deemed necessary for the preservation of InterTAN's property and business.

InterTAN has also advised A & M that it has agreed to enter into a Key Employee Retention Plan, the ("KERP"), with certain of

its key management employees. A & M is of the understanding that the maximum amount payable under the KERP will not exceed $838,000.

It is clear that the financing of InterTAN's Canadian operations are intertwined with the financing of Circuit City's U.S. operations as the Canadian and U.S. entities are parties to the same credit agreement. The result of the commencement of the Chapter 11 proceedings is that InterTAN no longer has access to financing under the Secured Credit Facility and would be unable to purchase inventory and discharge its obligations in the ordinary course.

A & M has acknowledged that it has not been a party to the negotiations between InterTAN and the secured lenders. A & M is of the understanding that the secured lenders have advised InterTAN that they are only willing to continue to extend credit to InterTAN under the DIP Facility as part of the CCAA filing co-ordinated with the Chapter 11

proceedings. The total amount of the DIP Facility will be U.S. $1.1 billion including a maximum Canadian commitment of U.S. $50 million for InterTAN, which could, in certain circumstances, escalate to U.S. $60 million.

The borrowers, including InterTAN, will be jointly and severally liable for the amounts outstanding under the DIP Facility, meaning that the obligations under the DIP Facility will be cross-guaranteed and cross-collateralized and that InterTAN and Tourmalet will be liable for the amounts drawn under the DIP Facility by the U.S. Debtors and will pledge their assets as security for the U.S. Debtor's obligations.

The applicants will grant the DIP lenders security, evidenced by a court ordered charge on the applicants' assets and property, (the "DIP Charge"), such that the security over the applicants' property and assets will rank as follows:

(i) the administrative charge in the

amount of $2 million;

(ii) the directors' charge in the amount of $19.3 million;

(iii) the KERP charge in the amount of $838,000.

(iv) the DIP Charge to the maximum amount borrowed by InterTAN under the DIP Facility;

(v) a $25 millllion charge, (the "Unsecured Creditors Charge"), to secure payment of the claims of Canadian pre-filing unsecured creditors;

(vi) the remainder of the DIP Charge pertaining to the guaranteed liabilities of the applicants to the DIP lenders over and above the amount borrowed by InterTAN under the DIP Facility.

InterTAN has advised A & M that the proposed DIP Facility, while not perfect, represents the only alternative available to the company, emphasizing that the Dip Facility

will ensure the continuation of operations and employment for all of the current employees. In addition, because the approval of the DIP Facility is a condition precedent to all lending, the entire enterprise and all business and jobs in the North America operations would be at risk if the DIP Facility was not approved.

Pursuant to the proposed initial order, InterTAN is entitled, but not required to pay certain expenses payable on or after the date of the initial order, as well as amounts owing for certain goods and services supplied prior to the date of the initial order. These expenses and obligations include employee claims, amounts due to logistics or supply-chain providers and certain customs brokers, trade vendors and suppliers outside of North America and amounts related to servicing warranties and honouring gift cards and reward and loyalty programmes. As such, a significant portion of InterTAN's liabilities will not be affected by the CCAA stay of

proceedings.

It is estimated that liabilities of approximately $26.8 million, made up of $22.5 million of trade accounts payable, net of estimated potential set-offs, and $4.3 million of joint venture partner deposits and other smaller accrued liabilities, would be stayed by the initial order. In addition, management estimates that there will be $5 million of outstanding cheques that may also be stayed. Therefore, the estimated total trade creditors that may be stayed by the initial order are in the magnitude of between $26.8 and $31.8 million net of estimated potential set-offs.

A & M has also been provided with an extract of a report prepared on behalf of the secured lenders to estimate the net orderly liquidation value of InterTAN's inventory. This extract has been filed with the court but due to the sensitive information contained therein, it is the subject of a sealing order.

In addition to inventory assets addressed in the report extract, InterTAN also has accounts receivable, and property, plant and equipment. These assets have a combined net book value of approximately $80 million.

A & M has not conducted a detailed review of the realizable value of the assets but, the view of A & M, when considered together with the net orderly liquidation value of the inventory, the value of InterTAN's combined assets in an orderly wind down of the business far exceeds the current borrowing under the Secured Credit Facility.

Prior to the cross-collateralization in enhanced security provided for under the DIP Facility, A & M is of the view that it is likely that the trade creditor claims of $26.8 million to $31.8 million discussed above, would receive a meaningful recovery in an orderly wind down of the business.

InterTAN had reported EBITDA of $33.1

million for the fiscal year ended February 28, 2008 and, depending on the outcome of the critical holiday sales period, it is expecting EBITDA for fiscal 2009 to be approximately $26 million. Although A & M has not conducted any type of enterprise valuation of InterTAN and has not had the opportunity to engage in any discussions with the investment banking advisors, InterTAN's projected EBITDA results would ordinarily auger well for a potential going concern solution.

In summary, A & M is of the view that:

(i) the liquidation and wind down of InterTAN would eliminate over 3,000 jobs; and

(ii) would detrimentally affect dealers, joint-venture partners and other stakeholders.

In these circumstances, A & M is supportive of InterTAN's efforts to obtain interim financing, so as to avoid a liquidation, and to facilitate a restructuring or a going concern sale under the CCAA.

A & M also points out that the DIP lenders have agreed to the creation of the $25 million Unsecured Creditors Charge for the payment of pre-filing unsecured creditors. This charge provides some measure of protection for the unsecured creditors during a going concern restructuring of InterTAN. It is acknowledged that, if InterTAN achieves a going concern sale and provided that InterTAN or a buyer pays or honours certain other pre-filing claims as contemplated by the initial order, the result of the Unsecured Creditors Charge would appear to be positive. However, if no going concern outcome is achieved and there is a wind down after the initial order, those unsecured creditors may well receive a less meaningful recovery than they might receive in an immediate liquidation of InterTAN.

Having reviewed the record and having heard submissions, I am satisfied that InterTAN is a qualifying debtor corporation and Tourmalet is a qualifying affiliated

debtor company within the meaning of the CCAA.

Both have obligations in excess of the $5 million qualifying limit and as a result of default in the Secured Credit Facility, the applicants are insolvent.

The jurisdiction of this court to receive the CCAA application has been established.

The applicants sought an initial order under s.11 of the CCAA. The required statement of projected cash flow and other financial documents required under ss. 11(2) have been filed. The application was not opposed by any party appearing.

The only real significant issue on the initial application was the requirement for approval of the DIP Facility.

It is clear that the DIP Facility results in a substantial change to the status quo. The use of the assets of InterTAN as a basis

for obtaining finance for Circuit City raises a number of questions, especially when the approval of the DIP Facility could very well affect InterTAN's ability to honor its current obligations.

The parties come to court, having negotiated the DIP Facility. They insist that this court make an immediate order, which approves the DIP Facility. If the DIP facility did not receive such approval, InterTAN indicated that there would be no credit facilities available and the enterprise would collapse.

It is recognized that in order to maintain its business activities InterTAN must have access to funds to enable it to continue to pay for inventory as well as all other costs associated with the running of the business. If there are no credit facilities, there is very little prospect of reorganizing or restructuring InterTAN.

The issue is whether it is appropriate in the circumstances for InterTAN to provide

support for its indirect parent, Circuit City.

On a motion such as this, it is necessary for the court to consider the approval of the DIP Facility in light of the alternatives. In this case, InterTAN says there are no alternatives and no further time to consider alternatives. However, the parties who could be detrimentally affected by the implementation of the DIP Facility, namely North American trade creditors, are not before the court, and it is open to speculate as to what this group would have to say on the issue. On the one hand, they could view the proposal favourably, as it could result in the continuation of InterTAN's business and thereby provide an outlet for ongoing sales. On the other hand, they could very well take the position that in a liquidation, they would get paid, and that this would be the preferred economic alternative, as opposed to the risk associated with the impaired ability of InterTAN to pay its obligations if the DIP Facility is approved.

This application was essentially brought on an ex-parte basis. The only other parties attending in court were the secured lenders and the proposed monitor. Timing was dictated to a degree by the applicant and the secured lenders. They had negotiated their financing and had applied for Chapter 11 protection. The relief being sought on this initial application was unusual, and I have no doubt that this was recognized by all parties.

In my view, the court has the jurisdiction to grant the requested relief. However, in situations such as this, it is up to the applicant to convince the court that it should exercise its discretion to grant this extraordinary relief. In this case, and as a general principle, it is up to the applicants to present sufficient evidence that would enable the court to conclude that such an order is appropriate, not only on factual grounds but also on the basis of the broad remedial purpose of and the flexibility inherent in the CCAA and the broad power of

the court to stay proceedings under section 11 of the CCAA.

It must be recognized that if debtors and secured lenders are going to continue with the practice of requesting such extreme relief on an initial application, with little or no notice, the quid pro quo is that the applicant must establish the evidentiary basis for the requested relief. In the absence of such evidence, parties should have no expectation that the court will grant such extraordinary relief. The alternatives open to the court are clear. In certain circumstances, the motion could be adjourned until such time as the matter could be considered on a full record, or, alternatively, motions could be dismissed. Evidence can be provided by a representative of the applicants, as well as other sources such as the secured lenders or the proposed monitor or in some cases, representatives of key creditor groups.

This is not the first time that an issue

like this has come before the court in recent weeks. No doubt the situation has been exacerbated by the current economic situation and the accompanying liquidity crisis. The record in this case indicates that there is a liquidity crisis.

By way of example, the CCAA proceedings of A & M Cookie Company Canada, came before this court on Friday, October 10, 2008 with a request to approve a ratification agreement under which it was conceivable that U.S. $5 million of assets of the debtor would not be available to the current creditors of the debtor. I deferred consideration of that matter until the following Tuesday so that the parties could provide additional evidence to support the request. The debtor did file additional material and an order was made approving the ratification agreement.

In my reasons, I noted the following: "Counsel to the proposed monitor advise that the monitor had not been in a position to

comment on the liquidation analysis and was not in a position to provide any meaningful report on the potential impact of the ratification agreement. It would have been helpful if the monitor had been involved in the process at an earlier stage. The court certainly would have benefitted from an analysis of this situation."

In this case, the proposed monitor did become involved some 10 days before the application. A & M was in a position to provide a report which I found to be of great assistance. In fact, in the absence of such a report, it is questionable as to whether the court would have been in a position to consider whether it was appropriate to approve the DIP Facility.

However, it seems to me that the A & M report could have been more comprehensive. I do not intend this statement to be in any way critical of A & M. On the contreary, under the circumstances, I commend them for their

outstanding effort. A & M was retained 10 days before the application, and they did not have the time nor the mandate to review the affairs of InterTAN in great detail. A & M was not party to the negotiations between InterTAN and the secured lenders. The effectiveness of A & M was to some degree compromised by a lack of information. For example, A & M did not see documentation relating to the DIP Facility until the day before the application.

Had Circuit City and InterTAN provided the proposed monitor with relevant and verifiable information pertaining to the initial application on a timely basis, I have no doubt that a more comprehensive report could have been issued.

A party, who is being nominated as a court officer can, in the circumstances, play a pivotal role on an initial application. Generally speaking, the process can be enhanced if the debtor applicants take timely steps to involve the

proposed monitor in the events leading up to an initial application.

It is recognized that debtor companies in distress face certain practical realities. They may be required to keep their status and intentions confidential, but if such debtors and their secured lenders have expectations and/or requirements of wide sweeping relief on initial applications, it is incumbent upon the applicants to present the evidentiary case for such relief. In doing so, such applicants have to take into consideration the benefits of having supporting evidence filed by a proposed court officer, who can be looked to by the court to provide a degree of objectivity to the proceedings.

The benefits of having such evidence coming from the proposed monitor cannot be underestimated, especially in circumstances where the volume of documentation that is being relied upon by the parties at the initial application is such that it creates

additional practical difficulties for the judge to read and digest the information in an extremely short period of time.

In this case, however, I concluded, having considered and balanced the alternatives, that the DIP Facility should be approved. In my view, the potential upside of a going concern operation was preferable to a liquidation, notwithstanding the provisions of the DIP Facility which effectively transfers assets from InterTAN to another member of the enterprise group. It was in my view, appropriate to approve the DIP Facility, taking into account the prospects of a continued going concern operation, the continued employment of over 3000 individuals and the benefits of a continued operation for other third party stakeholders. I also took into account that certain creditor groups would be largely unaffected by the CCAA proceeding and that the creation of the Unsecured Creditors Charge provides in theory, a degree of protection to this group of

creditors, who could otherwise be detrimentally affected by the DIP Facility.

My endorsement of November 10, 2008 provided that an order was to issue in the form submitted, as amended, which order granted initial protection under the CCAA to the applicants, and it also approved the DIP Facility. I understand that this order has been issued and entered.

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THIS IS TO CERTIFY that the foregoing is a true and accurate transcription of the record by stenomask, to the best of my skill and ability.

N. Graham

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Norma Graham

Official Court Reporter