



February 18, 2015

**Re: Target Canada Co., Court File No. CV-15-10832-00CL, Update on Inventory Balances Prior to and as at the CCAA Filing Date**

The purpose of this letter is to provide an update on the Monitor's efforts to ascertain the quantity of Target Canada Co. ("**TCC**" or the "**Company**") inventory: (a) received or in-transit (where title had transferred to TCC) as at January 15, 2015; and (b) received and/or where title had transferred to TCC and had not been paid for during the 30-day period immediately preceding January 15, 2015 (the "**Requested Information**").

**Background**

Counsel to a number of creditors including ISSI Inc. requested certain particulars regarding the Requested Information from the Company and the Monitor. In addition, ISSI Inc. brought a motion returnable on February 11, 2015 seeking certain relief (which motion was adjourned to February 19, 2015). The Monitor in its Second Report to the Court dated February 9, 2015 and in its submissions to Court on February 11, 2015 undertook to provide the Requested Information at such time as it became available, which it advised the Court it anticipated to be 10 to 14 business days from February 11, 2015. The Monitor was asked by the Court to update the Service List as to its progress in assembling the Requested Information no later than February 18, 2015.

This letter provides an update to the Court on the Monitor's activities in preparing its Report on the Requested Information.

**Status to Date**

As indicated at the February 11, 2015 Court hearing, the process for accurately ascertaining the Requested Information, in a comprehensive manner that will be helpful to the Company's stakeholders, is both complex and time intensive. The Monitor has been working closely with the Company to compile and review the Requested Information. The Monitor's activities to date have included, among other things:

- generating and reviewing inventory on-hand reports as at December 15, 2014 and January 15, 2015;
- generating and reviewing an inventory in-transit report as at January 14, 2015 (the closest date to January 15, 2015 that this information is available), and rolling the report forward with inventory receipts and updated in-transit information for January 15, 2015; and
- identifying all transfers of inventory title, by purchase order ("**PO**"), for the period December 16, 2014 to January 14, 2015 (the "**30-Day Period**").

At this time, in partial response to questions that have been raised (and subject to ongoing review), the Monitor advises that:


- inventory on-hand as at December 15, 2014 was approximately \$623.1 million, excluding goods-in-transit as at that date; and
- inventory on-hand as at January 15, 2015 was approximately \$526.6 million, excluding goods-in-transit as at that date.


### **Remaining Steps**

As of February 18, 2015, the following steps must be completed before the Requested Information can be provided:

- reviewing and reconciling all transfers of inventory title, by PO, for the 30-Day Period;
- reconciling, by PO, all transfers of inventory title during the 30-Day Period with disbursements and accounts payable records, in order to assess which POs have been paid and in what amounts;
- reviewing the results of the above with the Company; and
- preparing the Monitor's Report on the foregoing.

The Monitor anticipates that the Requested Information will be available within the timeframe estimated on February 11, 2015, subject to any unforeseen delays in completing the remaining steps as outlined above. At such time as the Requested Information is complete, the Monitor will report to the Court.

  
Per: Douglas R. McIntosh  
President

  
Per: Alan J. Hutchens  
Senior Vice President