

**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 TARGET CANADA CO., TARGET CANADA HEALTH CO., TARGET CANADA MOBILE GP CO., TARGET CANADA PHARMACY (BC) CORP., TARGET CANADA PHARMACY (ONTARIO) CORP., TARGET CANADA PHARMACY CORP., TARGET CANADA PHARMACY (SK) CORP., AND TARGET CANADA PROPERTY LLC

**THIRTY-FOURTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

APRIL 20, 2017

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1.0 INTRODUCTION

- 1.1 On January 15, 2015, Target Canada Co. (“**TCC**”) and those companies listed in Appendix A (collectively, the “**Applicants**”), together with the Partnerships also listed in Appendix A (the “**Partnerships**”, and collectively with the Applicants, the “**Target Canada Entities**”), applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated January 15, 2015, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed Monitor of the Target Canada Entities in the CCAA proceedings (the “**Monitor**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 On February 11, 2015, this Court issued the Amended and Restated Initial Order (hereinafter, unless the context otherwise requires, the “**Initial Order**”), which incorporates certain changes to the Initial Order granted January 15, 2015 that were described in the Second Report of the Monitor dated February 9, 2015.
- 1.3 In connection with the CCAA Proceedings, the Monitor has provided to this Court thirty-three reports and three supplementary reports (collectively, the “**Monitor’s Reports**”). A&M has also provided to this Court the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) dated January 14, 2015 (together with the Monitor’s Reports, the “**Prior Reports**”). The Prior Reports, the Initial Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/targetcanada.

1.4 As described in certain of the Prior Reports, and most recently in the Thirty-Third Report of the Monitor (the “**Thirty-Third Report**”, attached hereto as Appendix B (without appendices)):

- (a) on June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that the Second Amended and Restated Joint Plan of Compromise and Arrangement dated May 19, 2016 (the “**Second Amended Plan**” or the “**Plan**”) was sanctioned and approved pursuant to Section 6 of the CCAA. A copy of the Second Amended Plan is available on the Monitor’s website;
- (b) on June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List;
- (c) in accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”; (ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement

Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor Equalization Cash Pool Account; and (iii) \$34.1 million was transferred from PropCo to the Landlord Guarantee Enhancement Cash Pool Account; and

- (d) on June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Creditor Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). The Initial Distributions to Affected Creditors represented interim distributions of approximately 55.3% of such Affected Creditors’ Proven Claims. Subsequent interim distributions totaling approximately \$830,000 were also made prior to September 30, 2016 to five claimants whose Claims were resolved in accordance with the Claims Procedure Order subsequent to the Plan Implementation Date. All distributions were made in Canadian Dollars.

1.5 The purpose of this Thirty-Fourth Report of the Monitor (the “**Thirty-Fourth Report**”) is to provide this Court and stakeholders with information regarding the following:

- (a) an update on the cash balances held in the “cash pool” and “reserve” accounts that were established in accordance with the Second Amended Plan;
- (b) the current status of the Claims Process; and
- (c) the Applicants’ motion for an order substantially in the form attached to the Applicants’ Motion Record dated April 19, 2017 seeking an order extending the Stay Period to September 29, 2017 (the “**Stay Extension Order**”).

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Thirty-Fourth Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Target Canada Entities and Target Corporation, and discussions with management of the Target Canada Entities and Target Corporation (collectively, the “**Information**”).

2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

2.3 Unless otherwise indicated, capitalized terms not otherwise defined in this Thirty-Fourth Report are as defined in the Prior Reports, the Second Amended Plan and the Initial Order.

2.4 Unless otherwise stated, all monetary amounts contained in this Thirty-Fourth Report are expressed in Canadian dollars.

3.0 UPDATE ON THE “CASH POOL” AND “RESERVE” ACCOUNTS

3.1 On or about October 18, 2016, TCC issued cheques and wire payments totalling approximately \$87.5 million to Affected Creditors with Proven Claims (the “**Second Interim Distributions**”) and Target Canada Property LLC issued a payment of

approximately \$3.0 million to the Plan Sponsor.¹ The Second Interim Distributions represented further distributions of 12.65% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions, equate to aggregate interim distributions to Affected Creditors to-date of approximately 67.99% of such Affected Creditors’ Proven Claims. The various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions and Second Interim Distributions and other administrative disbursements are summarized below:

(\$ in 000's CAD)	Receipts/ Subsequent Distributions/ Administrative Disbursements			Balance September 15, 2016	Transfers Prior to Second Distribution		Receipts/ Subsequent Distributions/ Administrative Disbursements		Balance January 16, 2017	Receipts/ Subsequent Distributions/ Administrative Disbursements		Balance April 12, 2017
	Balance on PID	Initial Distribution			Second Distribution	Second Distribution						
Target Canada Co.												
TCC Cash Pool Account [1]	441,220	(441,039)	700	881	88,056	(87,469)	42,759	44,227	2,664	46,891		
TCC Disputed Claims Reserve Account	197,907	-	(828)	197,079	(88,056)	-	(61,741)	47,283	(35)	47,248		
Administrative Reserve Account [2]	12,900	(177)	(1,869)	10,854	-	-	(2,636)	8,218	(1,287)	6,931		
Landlord Guarantee Creditor Base Claim Cash Pool Account	140,745	(140,745)	-	-	-	-	-	-	-	-		
Landlord Guarantee Enhancement Cash Pool Account	59,532	(59,532)	-	-	-	-	-	-	-	-		
Landlord Non-Guarantee Creditor Equalization Cash Pool Account	7,521	(7,521)	-	-	-	-	-	-	-	-		
Target Canada Co. Balance	859,825	(649,013)	(1,996)	208,815	-	(87,469)	(21,618)	99,728	1,342	101,070		
Target Canada Property LLC												
PropCo Cash Pool Account	10,548	(10,533)	-	15	-	-	-	15	-	15		
PropCo Disputed Claims Reserve Account	8,895	-	-	8,895	-	-	-	8,895	-	8,895		
Plan Sponsor Recovery Limit Reserve Account	23,427	(12,966)	-	10,461	-	(2,964)	-	7,498	-	7,498		
Target Canada Property LLC Balance	42,870	(23,499)	-	19,371	-	(2,964)	-	16,408	-	16,408		
TOTAL	902,695	(672,512)	(1,996)	228,186	-	(90,433)	(21,618)	116,136	1,342	117,478		

Notes:

[1] The TCC Cash Pool Account includes approximately \$172,000 related to allowed Late Filed Claims, which will be distributed prior to the next distribution.

[2] The Administrative Reserve Account balance includes approximately \$578,000 related to the 10% holdback on Pharmacy Claims.

3.2 The changes to the above table relative to the similar table included in the Thirty-Third Report are:

- (a) TCC Cash Pool Account: The cash balance increased by approximately \$2.7 million due to receipts of \$3.2 million on account of both an HST refund collected from the CRA (see below for more information) and a refund received from a utility provider, which receipts were partially offset by approximately \$500,000 in interim distributions made to certain claimants whose claims were filed in accordance with the Late Claims Order (defined below) and allowed and

¹ This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

have been issued their Initial and Second Interim Distributions totalling approximately 67.99% of their Proven Claim Value.

On January 30, 2017, TCC received \$29 million from CRA in respect of Input Tax Credits (as defined in the Second Amended Plan). In accordance with section 5.17(b) of the Plan, \$25,902,910.89 of this amount was paid to the Plan Sponsor on February 6, 2017 in respect of GST/HST paid by the Plan Sponsor on account of Landlord Guarantee Claims. The remaining balance of \$3,097,089.20 was transferred to the TCC Cash Pool account in accordance with section 5.17(c) of the Plan.

- (b) TCC Disputed Claims Reserve Account: The cash balance decreased by approximately \$35,000 related to the resolution of previously disputed claims. Claimants with subsequently resolved claims have received their Initial and Second Interim Distributions totalling approximately 67.99%.
- (c) Administrative Reserve Account: The cash balance decreased by approximately \$1.3 million related primarily to administrative disbursements for professional fees and Shared Services.

3.3 The Monitor has provided updates on potential recoveries to Affected Creditors in a number of the Prior Reports, including most recently in the Thirty-Third Report. Based on the Illustrative Recoveries Analysis presented in the Thirty-Third Report (and subject to the important qualifications noted therein), the Monitor estimated that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended Plan in the range of approximately 80% to 83% of such Affected Creditors' Proven Claims. The

Monitor's estimate is unchanged at this time. The Monitor anticipates that the Target Canada Entities will make a third interim distribution to Affected Creditors with Proven Claims at such time as the government and/or pharmacist unresolved claims categories (as described in paragraph 4.8 below) are resolved.

4.0 CLAIMS PROCESS UPDATE

4.1 The Monitor has provided an update on the status of the Claims Process in a number of the Prior Reports, including most recently in the Thirty-Third Report.

Status of Claims Review and Assessment

4.2 As at April 12, 2017, 1,760 Claims have been filed with the Monitor, totalling approximately \$2.6 billion, excluding Intercompany Claims and withdrawn claims and including those claims filed with the Monitor in connection with the Late Claims Motion and subsequent to the Late Claims Order (as described and defined below). As summarized in the tables below:²

- (a) 1,739 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the case may be), as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and
- (b) 21 Claims are either:
 - (i) Under review by the Monitor – two Claims which were filed pursuant to the Late Claims Order; or

² The tables include late-filed claims that were the subject of the Late Claims Motion and those that have been permitted by the Court to be filed with the Monitor subsequent to the Late Claims Order.

- (ii) Subject to a Notice of Dispute (“**NOD**”) – 19 Claims where a NOD has been received by the Monitor from the Claimant in response to a NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “**NOD Stage**”), including five pharmacist franchisee claims subject to ongoing claims adjudication proceedings as described below (collectively, the “**Unresolved Claims**”).

4.3 In connection with the Monitor’s November 2016 motion for advice and directions regarding late claims (the “**Late Claims Motion**”), on March 1, 2017, the Court issued an order, among other things: (i) permitting certain identified late claims to be filed with the Monitor; and (ii) establishing the procedure for the filing of claims at this stage in the proceedings (the “**Late Claims Order**”). In accordance with the Late Claims Order, five claimants identified therein as the “Identified Claimants” were permitted to file proofs of claim for determination in the Claims Process. Two additional claimants were instructed to submit additional evidence to the Court for a determination as to whether their claims are to be permitted to be filed with the Monitor.

4.4 Since the issuance of the Late Claims Order, additional evidence was submitted by one of the two identified claimants, and three new late claimants seeking to file claims provided an evidentiary record to the Monitor for consideration by the Court. After considering the claimants’ evidence submitted in accordance with the Late Claims Order, by endorsement dated April 12, 2017, the Court permitted these additional late claimants to file claims for determination in the Claims Process.

4.5 As at April 12, 2017, a summary of the Resolved Claims and Unresolved Claims is as follows:

RESOLVED CLAIMS

Category	Filed Amount		Allowed			Deemed Disallowed			Total	
	#	\$	#	Filed	Allowed	#	Filed	Allowed	#	\$
				\$	\$		\$	\$		
Landlord	(a) 96	1,855,279,112	86	1,855,279,100	338,293,548	10	12	-	96	338,293,548
Vendor	1420	545,892,794	1395	542,118,797	445,992,056	25	3,773,997	-	1,420	445,992,056
Pharmacist	89	145,179,991	89	145,179,991	25,510,084	-	-	-	89	25,510,084
Government	5	7,970,325	4	7,970,324	7,946,274	1	1	-	5	7,946,274
Litigation	67	8,685,332	57	7,605,267	583,333	10	1,080,066	-	67	583,333
Employee	60	869,675	17	536,483	253,032	43	333,192	-	60	253,032
Other	2	2	-	-	-	2	2	-	2	-
Total	1739	2,563,877,230	1648	2,558,689,961	818,578,327	(b) 91	5,187,270	-	1,739	818,578,327

UNRESOLVED CLAIMS

Category	Filed Amount		Monitor Review		NRDA Stage			NOD Stage			
	#	\$	#	Filed	#	Filed	Allowed	#	Filed	Allowed	NOD
				\$		\$	\$		\$	\$	\$
Landlord	-	-	-	-	-	-	-	-	-	-	-
Vendor	-	-	-	-	-	-	-	-	-	-	-
Pharmacist	6	14,933,417	1	618,459	-	-	-	5	14,314,958	613,335	14,314,958
Government	8	4,408	-	-	-	-	-	8	4,408	-	2,579,290
Litigation	2	1,150,000	1	1,040,000	-	-	-	1	110,000	2,059	93,273
Employee	5	58,539	-	-	-	-	-	5	58,539	-	52,792
Other	-	-	-	-	-	-	-	-	-	-	-
Total	21	16,146,363	2	1,658,459	-	-	-	19	14,487,904	615,394	17,040,313
Grand Total	1760	2,580,023,593									(c)

Notes:

- (a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.
- (b) Allowed amounts do not take into account reduced amounts for claimants who have elected into the Convenience Class.
- (c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

4.6 In addition to the Claims set out above, 38 Claims totalling approximately \$61.3 million were filed and subsequently withdrawn by the Claimants.

4.7 The Monitor will continue to administer any further late claims in accordance with the Late Claims Order, including seeking evidence relating to late filing and obtaining the Court’s required determination on whether the late filed claim may be accepted to be filed in the Claims Process based on such evidence.

Unresolved Claims

4.8 As at the date of this report, two late claims filed pursuant to the Late Claims Order totalling \$1.7 million are under review by the Monitor and remain unresolved. In

addition, 19 NODs have been received from Claimants which remain unresolved, disputing an aggregate total of approximately \$17.0 million (plus “marker claims” that have been filed for unliquidated or unspecified amounts), as compared to the total amount of approximately \$615,000 allowed by the Monitor in the corresponding NRDA. The significant remaining unresolved NODs relate to:

- (a) Government Claims: Information with respect to Government Claims was provided in certain Prior Reports, including the Twenty-Sixth and Twenty-Seventh Reports. At the time of the Thirty-Third Report, the Monitor, in consultation with the Target Canada Entities was in the process of reviewing eight revised NODs that had been filed by the Department of Justice Canada on behalf of the CRA on June 27, 2016. This process continues. None of the revised NODs is expected to have a significant impact on potential recoveries to Affected Creditors described in paragraph 3.3 above. The overall resolution of matters with CRA will also necessarily address any issues that may arise for periods after June 27, 2016, including from the Target Canada Entities’ 2016 tax filings (for the financial year-end January 28, 2017), which will be filed imminently.

Since the time of the Thirty-Third Report, the Monitor and the Target Canada Entities have continued to engage in regular discussions with CRA representatives with a view to reaching a final resolution of all issues related to CRA’s claims, including any issues for periods after June 27, 2016. To that end, representatives of the Target Canada Entities, Target Corporation and the Monitor recently attended a meeting with representatives of the CRA to discuss the outstanding tax issues.

- (b) Pharmacist Claims: A fulsome update on the status and procedural history of the claims of the former pharmacist franchisees was provided in the Thirty-Third Report. In brief, at the time of the Thirty-Third Report:
- (i) of the 93 pharmacist franchisees who filed claims in the claims process at that time, five claims remained unresolved, the remainder having either accepted the Monitor's determination of their claims, or entered into binding settlement agreements that were consistent with the principles underlying the Monitor's methodology for assessing the Pharmacist Franchisees claims and were reflective of the rulings of the Claims Officer;
 - (ii) following extensive claims adjudication proceedings, the Claims Officer had issued three rulings addressing all of the Common Issues submitted for adjudication;
 - (iii) the five unresolved pharmacist franchisee claimants had appealed the Claims Officer's rulings to the Court in accordance with the Claims Procedure Order; and
 - (iv) a litigation schedule for the claims appeal had been set culminating in a February 23, 2017 appeal hearing before the Court.

Since the time of the Thirty-Third Report, the remaining unresolved pharmacist franchisees' claims appeal proceeded as scheduled on February 23, 2017, and the decision of the Court remains under reserve at this time.

In addition to the five pharmacist franchisee claimants whose claims are subject to adjudication proceedings in accordance with the Claims Procedure Order, one additional pharmacist franchisee claim was filed in accordance with the Late Claims Order, and remains subject to determination by the Monitor.

- (c) Employee Claims: At present, five employee claims remain outstanding. Of the remaining employee claims, three are directly related to claims for unliquidated amounts with respect to TCC's short term incentive program ("**STIP**"). Employee Representative Counsel has indicated to the Monitor that only one specific area of the STIP claim, pertaining to STIP for TCC's former Quebec employees (the "**Quebec STIP Claim**") is still in dispute. Since the time of the Thirty-Third Report, the parties have scheduled a claims adjudication hearing before the Claims Officer, to be heard on June 19, 2017. At the request of the Claims Officer, the Monitor has retained a specialist in Quebec law to assist the Claims Officer with the determination of the Quebec STIP Claim.

- 4.9 The Monitor will provide updates to the Court as the Claims Process continues to advance.

Director & Officer Claims

- 4.10 A summary of the D&O Claims received by the Monitor is provided below:

- (a) eleven D&O Claims were filed, asserting a total of approximately \$567,000;
- (b) nine of the eleven D&O Claims were filed as "marker claims" for unspecified, unliquidated amounts; and

(c) of the eleven D&O Claims filed, six were subsequently withdrawn by the Claimants.

4.11 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, reviewed the remaining five filed D&O Claims and issued NRDA's to each of the Claimants disallowing the claims in full.

4.12 With respect to the five D&O Claims disallowed in full: (i) two claimants did not respond to the NRDA and the claims have been deemed disallowed pursuant to the Claims Procedure Order; (ii) two claimants responded with a NOD, but have subsequently withdrawn their claims; and (iii) one claimant responded with an NOD filed as a "marker claim" for unspecified, unliquidated amounts relating to TCC's STIP.

4.13 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, continues to review and assess the one disputed D&O Claim and will provide updates to the Court as the Claims Process continues to advance.

5.0 EXTENSION OF THE STAY PERIOD

5.1 Pursuant to the Order (Extending the Stay Period), the Stay Period is set to expire on April 28, 2017.

5.2 The Monitor supports the Applicants' motion to extend the Stay Period to September 29, 2017 for the following reasons:

(a) the extension will provide the Monitor with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; and

- (ii) subject to resolution of the remaining unresolved claims, facilitate a further distribution(s) to Affected Creditors with Proven Claims;
- (b) the Applicants have sufficient liquidity through September 29, 2017;
- (c) the Applicants continue to act in good faith and with due diligence in the implementation of the Plan; and
- (d) the Monitor, the Applicants, and Target Corporation are in the process of discussing the steps required for completion of these CCAA Proceedings.

All of which is respectfully submitted to this Court this 20th day of April, 2017.

**Alvarez & Marsal Canada Inc., in its capacity
as Monitor of Target Canada Co., and
the other Applicants listed on Appendix A**

Per: _____

Name: Douglas R. McIntosh
Title: President

Per: _____

Name: Alan J. Hutchens
Title: Senior Vice-President

APPENDIX “A”

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

APPENDIX B
THIRTY-THIRD REPORT OF THE MONITOR

(see attached)

**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 TARGET CANADA CO., TARGET CANADA HEALTH CO., TARGET CANADA MOBILE GP CO., TARGET CANADA PHARMACY (BC) CORP., TARGET CANADA PHARMACY (ONTARIO) CORP., TARGET CANADA PHARMACY CORP., TARGET CANADA PHARMACY (SK) CORP., AND TARGET CANADA PROPERTY LLC

**THIRTY-THIRD REPORT OF THE MONITOR
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JANUARY 17, 2017

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1.0 INTRODUCTION

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- 1.2 On February 11, 2015, this Court issued the Amended and Restated Initial Order (hereinafter, unless the context otherwise requires, the “**Initial Order**”), which incorporates certain changes to the Initial Order granted January 15, 2015 that were described in the Second Report of the Monitor dated February 9, 2015.
- 1.3 In connection with the CCAA Proceedings, the Monitor has provided to this Court thirty-two reports and three supplementary reports (collectively, the “**Monitor’s Reports**”). A&M has also provided to this Court the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) dated January 14, 2015 (together with the Monitor’s Reports, the “**Prior Reports**”). The Prior Reports, the Initial Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/targetcanada.

1.4 As described in the Twenty-Ninth Report of the Monitor and the Thirty-First Report of the Monitor (the “**Thirty-First Report**”, attached hereto as Appendix B (without appendices)):

- (a) on June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that the Second Amended and Restated Joint Plan of Compromise and Arrangement dated May 19, 2016 (the “**Second Amended Plan**” or the “**Plan**”) was sanctioned and approved pursuant to Section 6 of the CCAA. A copy of the Second Amended Plan is available on the Monitor’s website;
- (b) on June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List;
- (c) in accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”; (ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement

Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor Equalization Cash Pool Account; and (iii) \$34.1 million was transferred from PropCo to the Landlord Guarantee Enhancement Cash Pool Account; and

- (d) on June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Creditor Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). The Initial Distributions to Affected Creditors represented interim distributions of approximately 55.3% of such Affected Creditors’ Proven Claims. Subsequent interim distributions totaling approximately \$830,000 were also made prior to September 30, 2016 to five claimants whose Claims were resolved in accordance with the Claims Procedure Order subsequent to the Plan Implementation Date. All distributions were made in Canadian Dollars.

1.5 The purpose of this Thirty-Third Report of the Monitor (the “**Thirty-Third Report**”) is to provide this Court and stakeholders with information regarding the following:

- (a) an update, following the Second Interim Distributions (as described and defined below), on the cash balances held in the “cash pool” and “reserve” accounts that were established in accordance with the Second Amended Plan;
- (b) the current status of the Claims Process; and

- (c) the Applicants' motion for an order substantially in the form attached to the Applicants' Motion Record dated January 16, 2017 seeking an order extending the Stay Period to April 28, 2017 (the "**Stay Extension Order**").

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Thirty-Third Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Target Canada Entities and Target Corporation, and discussions with management of the Target Canada Entities and Target Corporation (collectively, the "**Information**").
- 2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
- 2.3 Unless otherwise indicated, capitalized terms not otherwise defined in this Thirty-Third Report are as defined in the Prior Reports, the Second Amended Plan and the Initial Order.
- 2.4 Unless otherwise stated, all monetary amounts contained in this Thirty-Third Report are expressed in Canadian dollars.

3.0 UPDATE ON THE “CASH POOL” AND “RESERVE” ACCOUNTS

3.1 On or about October 18, 2016, TCC issued cheques and wire payments totalling approximately \$87.5 million to Affected Creditors with Proven Claims (the “**Second Interim Distributions**”) and Target Canada Property LLC issued a payment of approximately \$3.0 million to the Plan Sponsor.¹ The Second Interim Distributions represented further distributions of 12.65% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions, equate to aggregate interim distributions to Affected Creditors to-date of approximately 67.99% of such Affected Creditors’ Proven Claims. The various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions and Second Interim Distributions and other administrative disbursements are summarized below:

(\$ in 000's CAD)	Receipts/ Subsequent Distributions/ Administrative Disbursements			Balance September 15, 2016	Transfers Prior to Second Distribution		Receipts/ Subsequent Distributions/ Administrative Disbursements	Balance January 16, 2017
	Balance on PID	Initial Distribution			Second Distribution	Second Distribution		
Target Canada Co.								
TCC Cash Pool Account	441,220	(441,039)	700	881	88,056	(87,469)	42,759	44,227
TCC Disputed Claims Reserve Account	197,907	-	(828)	197,079	(88,056)	-	(61,741)	47,283
Administrative Reserve Account [1]	12,900	(177)	(1,869)	10,854	-	-	(2,636)	8,218
Landlord Guarantee Creditor Base Claim Cash Pool Account	140,745	(140,745)	-	-	-	-	-	-
Landlord Guarantee Enhancement Cash Pool Account	59,532	(59,532)	-	-	-	-	-	-
Landlord Non-Guarantee Creditor Equalization Cash Pool Account	7,521	(7,521)	-	-	-	-	-	-
Target Canada Co. Balance	859,825	(649,013)	(1,996)	208,815	-	(87,469)	(21,618)	99,728
Target Canada Property LLC								
PropCo Cash Pool Account	10,548	(10,533)	-	15	-	-	-	15
PropCo Disputed Claims Reserve Account	8,895	-	-	8,895	-	-	-	8,895
Plan Sponsor Recovery Limit Reserve Account	23,427	(12,966)	-	10,461	-	(2,964)	-	7,498
Target Canada Property LLC Balance	42,870	(23,499)	-	19,371	-	(2,964)	-	16,408
TOTAL	902,695	(672,512)	(1,996)	228,186	-	(90,433)	(21,618)	116,136

Notes:

[1] The Administrative Reserve Account balance includes approximately \$578,000 related to the 10% holdback on Pharmacy Claims.

3.2 The changes to the above table relative to the similar table included in the Thirty-First Report are:

¹ This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

- (a) TCC Cash Pool Account: The cash balance increased by approximately \$42.1 million due to resolution of claims and the corresponding transfer in of approximately \$129.7 million from funds held in the TCC Disputed Claims Reserve Account representing the excess of amounts reserved for previously unresolved claims over the amount such claims were ultimately resolved for, reduced by the Second Interim Distributions of \$87.5 million occurring before such claims resolutions were completed.
- (b) TCC Disputed Claims Reserve Account: The decrease of approximately \$148.4 million is related to the resolution of previously disputed claims. Claimants with subsequently resolved claims have received their Initial and Second Interim Distributions totalling approximately 67.99%, with the balance in excess of resolved amounts transferred to the TCC Cash Pool Account.
- (c) Administrative Reserve Account: The decrease of approximately \$2.6 million related primarily to administrative disbursements for professional fees and Shared Services.

3.3 The Monitor has prepared an updated illustrative range of estimated recoveries under the Second Amended Plan, which is summarized in the table below and is based on information available as at January 10, 2017 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the current status of Claims filed in the Claims Process. The Monitor cautions that the Illustrative Recoveries Analysis may change (which change could be material) as: (a) Unresolved Claims continue to be reviewed and assessed, including “marker claims” that have been filed for unliquidated or unknown amounts; and (b) the

Claims Process continues to advance, including the resolution of Disputed Claims, in accordance with the Claims Procedure Order.

	Illustrative Scenario #1 - LOW	Illustrative Scenario #2 - HIGH
(\$ in 000's CAD)		
PROPCO		
ESTIMATED CASH AVAILABLE FOR DISTRIBUTION		
Propco Cash	\$ 76,950	\$ 76,950
PROCEEDS AVAILABLE FOR DISTRIBUTION	<u>76,950</u>	<u>76,950</u>
CLAIMS FILED AGAINST PROPCO/PROPERTY LP		
Total Third Party Claims Against Propco and Property LP	13,112	10,533
PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount)	34,081	34,081
Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit	18,751	19,453
ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS	<u>11,005</u>	<u>12,883</u>
TARGET CANADA CO		
ESTIMATED CASH AVAILABLE FOR DISTRIBUTION		
Target Canada Co. Cash	780,000	785,000
Propco Cash (from above)	11,005	12,883
ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION	<u>791,005</u>	<u>797,883</u>
ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS		
Secured Claims and Unaffected Creditor Claims	59,700	59,700
Convenience Class Claims - < \$25,000	5,918	5,918
Convenience Class Opt-In - Claim Value < \$35,000	1,550	1,550
TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS	<u>67,168</u>	<u>67,168</u>
ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS	<u>723,837</u>	<u>730,715</u>
LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS		
Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring)	140,745	140,745
Landlord Guarantee Enhancement Amounts	59,532	59,532
Total Distribution to Landlord Guarantee Creditors	200,276	200,276
Less:		
Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool	(25,451)	(25,451)
Plan Sponsor Contribution from the PropCo Intercompany Claims (from above)	(34,081)	(34,081)
NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS	<u>140,745</u>	<u>140,745</u>
ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS	(A) <u>583,093</u>	<u>589,971</u>
ESTIMATED ALLOWABLE CLAIMS		
Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other)	190,035	190,035
Other Affected Creditor Claims	429,997	411,997
Total Affected Creditor Claims	620,033	602,033
Total Intercompany Claims	108,464	108,464
ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS	(B) <u>728,496</u>	<u>710,496</u>
RECOVERY % (A/B)	80.0%	83.0%

3.4 Based on the Illustrative Recoveries Analysis (and subject to the important qualifications noted in paragraph 3.3 above), the Monitor now estimates that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended Plan in the range of approximately 80% to 83% of such Affected Creditors' Proven Claims.

4.0 CLAIMS PROCESS UPDATE

4.1 The Monitor has provided an update on the status of the Claims Process in a number of the Prior Reports, including most recently in the Thirty-First Report.

Status of Claims Review and Assessment

4.2 As at January 16, 2017, 1,751 Claims have been filed with the Monitor, totalling approximately \$2.6 billion, excluding Intercompany Claims, withdrawn claims and potential claims that are subject to the Late Claims Motion (as described and defined below). As summarized in the tables below:²

(a) 1,733 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the case may be), as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and

(b) 18 Claims are subject to a Notice of Dispute (“**NOD**”) received by the Monitor from the Claimant in response to a NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “**NOD Stage**”), including five Pharmacist Franchisee Claims (collectively, the “**Unresolved Claims**”).

4.3 As at January 7, 2017, a summary of the Resolved Claims and Unresolved Claims is as follows:

² The tables do not include late-filed claims that were the subject of the Late Claims Motion.

RESOLVED CLAIMS

Category	Filed Amount		Allowed			Deemed Disallowed			Total	
	#	\$	#	Filed \$	Allowed \$	#	Filed \$	Allowed \$	#	\$
Landlord	(a) 96	1,855,279,112	86	1,855,279,100	338,293,548	10	12	-	96	338,293,548
Vendor	1414	544,938,544	1389	541,164,547	445,037,806	25	3,773,997	-	1,414	445,037,806
Pharmacist	89	145,179,991	89	145,179,991	25,494,744	-	-	-	89	25,494,744
Government	5	7,970,325	4	7,970,324	7,946,274	1	1	-	5	7,946,274
Litigation	67	8,685,332	57	7,605,267	583,333	10	1,080,066	-	67	583,333
Employee	60	869,675	16	536,482	232,799	44	333,193	-	60	232,799
Other	2	2	-	-	-	2	2	-	2	-
Total	1733	2,562,922,981	1641	2,557,735,710	817,588,504 (b)	92	5,187,271	-	1,733	817,588,504

UNRESOLVED CLAIMS

Category	Filed Amount		Monitor Review		NRDA Stage			NOD Stage			
	#	\$	#	Filed \$	#	Filed \$	Allowed \$	#	Filed \$	Allowed \$	NOD \$
Landlord	-	-	-	-	-	-	-	-	-	-	-
Vendor	-	-	-	-	-	-	-	-	-	-	-
Pharmacist	5	14,314,958	-	-	-	-	-	5	14,314,958	613,335	14,314,958
Government	8	4,408	-	-	-	-	-	8	4,408	-	2,579,290
Litigation	-	-	-	-	-	-	-	-	-	-	-
Employee	5	58,539	-	-	-	-	-	5	58,539	1	52,791
Other	-	-	-	-	-	-	-	-	-	-	-
Total	18	14,377,904	-	-	-	-	-	18	14,377,904	613,336	16,947,039 (c)
Grand Total	1751	2,577,300,885									

Notes:

(a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.

(b) Allowed amounts do not take into account reduced amounts for claimants who have elected into the Convenience Class.

(c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

4.4 In addition to the Claims set out above, 38 Claims totalling approximately \$61.3 million were filed and subsequently withdrawn by the Claimants.

4.5 Pursuant to paragraphs 23 and 27 of the Claims Procedure Order, Claims not filed and received by the Monitor by the respective Claims Bar Dates, or such later date as the Monitor may agree in writing or the Court may otherwise direct, are forever barred, estopped and extinguished. As previously reported, subsequent to the applicable Claims Bar Dates but prior to the meeting of creditors held May 25, 2016 (the “**Creditors’ Meeting**”), the Monitor received a number of late-filed claims totalling approximately \$16.3 million, including three claims totalling \$8.0 million from Pharmacist Franchisees and one claim of \$1.9 million from a landlord with a Parent Guarantee. Following

inquiries of the Claimants as to why the claims were filed late, and after satisfying itself that there was: (i) a *prima facie* basis for such Claims; and (ii) a valid reason for late filing, the Monitor admitted these Claims into the Claims Process for review and assessment.

- 4.6 As set out in the Monitor's Thirty-Second Report, the Monitor brought a motion seeking the advice and direction of the Court as to whether a small number of claimants who came forward attempting to file claims subsequent to the Creditors' Meeting should be admitted to the Claims Process (the "**Late Claims Motion**"). Based on information provided by known putative late claimants to the Monitor (all of which were served with the Monitor's Thirty-Second Report and motion materials in connection with the Late Claims Motion), the late claimants assert claims of a minimum aggregate amount of approximately \$8.4 million against the Target Canada Entities.
- 4.7 The Late Claims Motion was heard on November 29, 2016, with a number of parties appearing to make submissions on behalf of putative claimants. The Court has reserved its decision regarding the Late Claims Motion, and as of the date of this Report, such decision has not yet been rendered. In accordance with the Initial Order, the Monitor will serve the Late Claims Motion decision on the Service List and post it to the Monitor's website when it has been rendered. The Monitor will also include in a subsequent report the impact, if any, of such decision on claims and the illustrative recovery analysis.
- 4.8 Subsequent to the Late Claims Motion, counsel to the Monitor was contacted by one of the late claimant parties who had been served with the Monitor's Thirty-Second Report and motion materials, but who did not file a response or participate in the Late Claims Motion. Counsel to the Monitor explained that because such party had not appeared or

otherwise filed evidence in connection with the Late Claims Motion, the Court did not have a record before it with respect to such claimant's circumstances. The Monitor will provide the Court's Late Claims Motion decision to such claimant when available, and will, with the assistance of the Target Canada Entities, determine any next steps with respect to such late claim, depending on the terms of the Court's decision.

Unresolved Claims

4.9 As at the date of this report, 18 NODs have been received from Claimants which remain unresolved, disputing an aggregate total of approximately \$16.9 million (plus "marker claims" that have been filed for unliquidated or unspecified amounts), as compared to the total amount of approximately \$613,000 allowed by the Monitor in the corresponding NRDA's. The significant remaining unresolved NODs relate to:

- (a) Government Claims: Information with respect to Government Claims was provided in certain Prior Reports, including the Twenty-Sixth and Twenty-Seventh Reports. On June 27, 2016, the Department of Justice Canada on behalf of the CRA filed eight revised NODs with the Monitor in respect of CRA's claims. The Monitor, in consultation with the Target Canada Entities, is in the process of reviewing these NODs, none of which is expected to have a significant impact on potential recoveries to Affected Creditors described in paragraph 3.3 hereof. The overall resolution of matters with the CRA will also necessarily address any issues that may arise for periods after June 27, 2016, including from the Target Canada Entities' 2016 tax filings, which are to be filed subsequent to Target Canada Co.'s financial year-end of January 28, 2017.

(b) Pharmacist Claims: As described in certain of the Prior Reports, including the Twenty-Sixth and Thirty-First Reports, Pharmacist Franchisees filed 93 individual Proofs of Claim (including three claims filed subsequent to the Claims Bar Date), and the Monitor issued individual NRDA's in respect of 91 of such Pharmacist Franchisee Claims, with the other two being allowed as filed. On January 7, 2016, Pharmacist Representative Counsel filed an Omnibus Pharmacist NOD in response to the individual NRDA's issued. By order of the Court dated February 12, 2016 (the "**February 12 Order**"), the Omnibus Pharmacist NOD was accepted as a valid dispute on behalf of all unresolved Pharmacist Franchisee claimants, subject to such claimants' ability to opt out of the dispute process and representation by Pharmacist Representative Counsel in this regard. In accordance with the February 12 Order, the Monitor received a total of 11 Opt-Out Notices (by those Pharmacist Franchisees who did not wish to participate in the claims adjudication process). As a result of the Opt-Out process and the Claims Process to date, a total of five Pharmacist Franchisee claims remain unresolved at present. The difference between the aggregate allowed amounts in the NRDA's issued by the Monitor to the remaining Pharmacist Franchisee claimants and the amount disputed is approximately \$14.3 million.

As described in the Twenty-Fifth Report, pursuant to the February 12 Order, the Omnibus Pharmacist NOD was referred to the Honourable Dennis O'Connor (the "**Claims Officer**") to determine the validity and amount of the Pharmacist Franchisee Claims under the Claims Procedure Order with direction to implement a summary process for the resolution of each disputed claim.

A comprehensive description of the procedural history relating to the adjudication of the Pharmacist Franchisees' claims dispute was set out in the Thirty-First Report. The following is an update of procedural matters since that time.

In brief, at the time of the Thirty-First Report:

- i. of the 80 pharmacist franchisees participating in the Omnibus Pharmacist NOD following the opt-out process, 27 Pharmacist Franchisee Claims remained unresolved (the remainder having resolved their claims on a consensual basis in accordance with the Claims Procedure Order); and
- ii. the parties were still engaged in the claims adjudication proceeding before the Claims Officer and were in the process of preparing for a hearing scheduled for October 6, 2016.

Subsequent to the time of the Thirty-First Report, as detailed below:

- i. a further 22 Pharmacist Franchisee Claims were resolved such that, at present, only five Pharmacist Franchisee Claims remain unresolved;
- ii. the Claims Officer has issued his rulings on all of the Common Issues submitted for adjudication; and
- iii. the remaining claimants have filed appeals from the Claims Officer's rulings in accordance with the Claims Procedure Order.

In resolving the claims of the 75 Pharmacist Franchisees who were originally participating in the Omnibus Pharmacist NOD, the Monitor and the Target Canada Entities entered into binding settlement agreements with each claimant that were consistent with the principles underlying the Monitor's methodology for

assessing the Pharmacist Franchisees claims and were reflective of the rulings of the Claims Officer.

Procedural Update

The final Pharmacist Franchisee claims adjudication hearing took place before the Claims Officer on October 6, 2016, as scheduled. The Claims Officer issued the third and final ruling in respect of the agreed common issues on October 25, 2016.

Pursuant to paragraph 44 of the Claims Procedure Order, on November 4, 2016, on behalf of the five remaining unresolved claimants, Pharmacist Representative Counsel and Bougadis Chang LLP (counsel of record to T Pharmacy Ltd.) filed Notices of Appeal from the Claims Officer's rulings.

The Claims Procedure Order provides that an appeal from the decision of a Claims Officer is to be heard by the CCAA Court. Accordingly, the parties attended at a scheduling hearing before the Court on November 16, 2016 to determine a schedule and procedures for the appeal of the Claims Officer's rulings.

The Court-ordered timetable provides that the appeal will be heard by the Court on February 23, 2017, with facta to be submitted by the parties before that date.

In accordance with the appeal timetable, on January 9, 2017, T Pharmacy Ltd. (self-represented) submitted an appellant's factum.³ On January 10, 2017,

³ In September, 2016, the Monitor and the Target Canada Entities were advised that T Pharmacy Ltd. (one of the Pharmacist Franchisee claimants) no longer wished to be represented by Pharmacist Representative Counsel, and that claimant obtained leave of the Court to retain its own legal counsel in connection with the claims adjudication process. Although T Pharmacy Ltd. did retain new legal counsel, and a Notice of Change of Lawyer was served on

Pharmacist Representative Counsel submitted a factum on behalf of the other four remaining unresolved Pharmacist Franchisees.

At this stage, the Monitor, in consultation with the Target Canada Entities, is preparing its responding factum, which will be submitted in accordance with the appeal timetable.

- (c) Employee Claims: At present, five employee claims remain outstanding. Of the remaining employee claims, three are directly related to claims for unliquidated amounts with respect to TCC's short term incentive program ("**STIP**"). Employee Representative Counsel has indicated to the Monitor that only one specific area of the STIP claim, pertaining to STIP for TCC's former Quebec employees (the "**Quebec STIP Claim**") is still in dispute. As of the date of this Thirty-Third Report, the parties have filed written submissions with the Claims Officer with respect to the Quebec STIP Claim and are awaiting direction from the Claims Officer as to whether a hearing will be required. The remaining two claims relate to "marker claims" for unliquidated amounts. The Monitor will provide updates to the Court as the Claims Process continues to advance.

Director & Officer Claims

4.10 A summary of the D&O Claims received by the Monitor is provided below:

- (a) eleven D&O Claims were filed totalling approximately \$567,000;

the service list, recently, T Pharmacy Ltd. has indicated that it is no longer represented by legal counsel in these proceedings and is currently self-represented. Bougadis Chang LLP remains their counsel of record at this time.

(b) nine of the eleven D&O Claims were filed as “marker claims” for unspecified, unliquidated amounts; and

(c) of the eleven D&O Claims filed, six were subsequently withdrawn by the Claimants.

4.11 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, reviewed the remaining five filed D&O Claims and issued NRDA's to each of the Claimants disallowing the claims in full.

4.12 With respect to the five D&O Claims disallowed in full: (i) two claimants did not respond to the NRDA and the claims have been deemed disallowed pursuant to the Claims Procedure Order; (ii) two claimants responded with a NOD, but have subsequently withdrawn their claims; and (iii) one claimant responded with an NOD filed as a “marker claim” for unspecified, unliquidated amounts.

4.13 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, continues to review and assess the one disputed D&O Claim and will provide updates to the Court as the Claims Process continues to advance.

5.0 EXTENSION OF THE STAY PERIOD

5.1 Pursuant to the Order (Extending the Stay Period), the Stay Period is set to expire on January 20, 2017, which date was subsequently amended by endorsement of the Court to January 23, 2017.

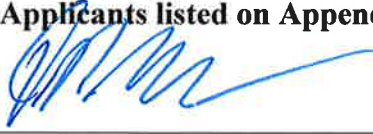
5.2 The Monitor supports the Applicants' motion to extend the Stay Period to April 28, 2017 for the following reasons:

- (a) the extension will provide the Monitor with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; and (ii) subject to resolution of the remaining unresolved claims, facilitate a further distribution(s) to Affected Creditors with Proven Claims;
- (b) the Applicants have sufficient liquidity through April 28, 2017;
- (c) the Applicants continue to act in good faith and with due diligence in the implementation of the Plan; and
- (d) the Monitor, the Applicants, and Target Corporation are commencing discussions regarding planning and steps for completion of these CCAA Proceedings.

All of which is respectfully submitted to this Court this 17th day of January, 2017.

**Alvarez & Marsal Canada Inc., in its capacity
as Monitor of Target Canada Co., and
the other Applicants listed on Appendix A**

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J. Hutchens
Title: Senior Vice-President

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., TARGET CANADA HEALTH CO., TARGET CANADA MOBILE GP CO., TARGET CANADA PHARMACY (BC) CORP., TARGET CANADA PHARMACY (ONTARIO) CORP., TARGET CANADA PHARMACY CORP., TARGET CANADA PHARMACY (SK) CORP., AND TARGET CANADA PROPERTY LLC

Court File No.: CV-15-10832-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

**THIRTY-FOURTH REPORT OF THE
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