

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**

APPLICANTS

MOTION RECORD

**(Motion for Approval of Agency Agreement and Inventory Liquidation Process,
Approval of Real Property Portfolio Sales Process and Stay Extension)**

January 29, 2015

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

TO: SERVICE LIST

CCAA Proceedings of Target Canada Co. et al, Court File No. CV-15-10832-00CL

Service List
(as at January 28, 2015)

<u>PARTY</u>	<u>CONTACT</u>
<p>OSLER, HOSKIN & HARCOURT LLP Barristers & Solicitors Box 50, 1 First Canadian Place Toronto, ON M5X 1B8</p> <p>Canadian Counsel to the Applicants</p>	<p>Tracy Sandler Tel: 416.862.5890 Email: tsandler@osler.com</p> <p>Jeremy Dacks Tel: 416.862.4923 Email: jdacks@osler.com</p> <p>Shawn T. Irving Tel: 416.862.4733 Email: sirving@osler.com</p> <p>Robert Carson Tel: 416.862.4235 Fax: 416.862.6666 Email: rcarson@osler.com</p>
<p>DAVIES WARD PHILLIPS & VINEBERG LLP Barristers & Solicitors 155 Wellington Street West Toronto, ON M5V 3J7</p> <p>Canadian Counsel to Target Corporation</p>	<p>Jay A. Swartz Tel: 416.863.5520 Email: jswartz@dwpv.com</p> <p>Robin Schwill Tel: 416.863.5502 Email: rschwill@dwpv.com</p> <p>Dina Milivojevic Tel: 416.367.7460 Fax: 416.863.0871 Email: dmilivojevic@dwpv.com</p>
<p>FAEGRE BAKER DANIELS LLP Barristers & Solicitors 2200 Wells Fargo Center 90 S. Seventh Street Minneapolis, MN U.S.A. 55402</p> <p>U.S. Counsel to Target Corporation</p>	<p>Dennis Ryan Tel: 612.766.6810 Fax: 612.766.1600 Email: Dennis.Ryan@FaegreBD.com</p>

<p>GOODMANS LLP Barristers & Solicitors Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7</p> <p>Counsel to Alvarez & Marsal Canada Inc. in its capacity as Monitor</p>	<p>Jay Carfagnini Tel: 416.597.4107 Fax: 416.979.1234 Email: jcarfagnini@goodmans.ca</p> <p>Alan Mark Tel: 416.597.4264 Fax: 416.979.1234 Email: amark@goodmans.ca</p> <p>Gale Rubenstein Tel: 416.597.4148 Fax: 416.979.1234 Email: grubenstein@goodmans.ca</p> <p>Melaney Wagner Tel: 416.597.4258 Fax: 416.979.1234 Email: mwagner@goodmans.ca</p> <p>Jesse Mighton Tel: 416.597.5148 Fax: 416.979.1234 Email: jmighton@goodmans.ca</p>
<p>ALVAREZ & MARSAL CANADA INC. Royal Bank Plaza, South Tower 200 Bay Street, Suite 2900 P.O. Box 22 Toronto, ON M5J 2J1</p> <p>Monitor</p>	<p>Doug McIntosh Tel: 416.847.5150 Fax: 416.572.2201 Email: dmcintosh@alvarezandmarsal.com</p> <p>Al Hutchens Tel: 416.847.5159 Fax: 416.847.5201 Email: ahutchens@alvarezandmarsal.com</p>
<p>KOSKIE MINSKY LLP Barristers & Solicitors 20 Queen Street West Suite 900, P.O. Box 52 Toronto ON M5H 3R3</p> <p>Employee Representative Counsel</p>	<p>Sue Philpott Tel: 416.595.2104 Fax: 416.977.3316 Email: sphilpott@kmlaw.ca</p>

<p>CHAITONS LLP Barristers & Solicitors 5000 Yonge Street 10th Floor Toronto ON M2N 7E9</p> <p>Counsel to the Directors and Officers of the Applicants</p>	<p>Harvey Chaiton Tel: 416.218.1129 Fax: 416.222.8402 Email: harvey@chaitons.com</p>
<p>LAX O'SULLIVAN SCOTT LISUS LLP Suite 2750, 145 King Street West Toronto, ON M5H 1J8</p> <p>Counsel to Hon. John D. Ground in his capacity as Trustee of the Employee Trust</p>	<p>Terrence O'Sullivan Tel: 416.598.3556 Fax: 416.598.3730 Email: tosullivan@counsel-toronto.com</p> <p>Lauren Epstein lepstein@counsel-toronto.com</p>
<p>DAOUST VUKOVICH LLP Barristers & Solicitors 20 Queen Street West Suite 3000 Toronto, ON M5H 3R3</p> <p>Counsel to Fishman Holdings North America Inc.</p>	<p>Wolfgang Kaufmann Tel: 416.597.3952 Fax: 416.597.8897 Email: wolfgang@dv-law.com</p> <p>Gaspar Galati Tel: 416.598.7050 Fax: 416.597.8897 Email: ggalati@dv-law.com</p> <p>Kenneth Pimentel Tel: 416.597.9306 Fax: 416.597.8897 Email: kpimentel@dv-law.com</p>
<p>DAOUST VUKOVICH LLP Barristers & Solicitors 20 Queen Street West Suite 3000 Toronto, ON M5H 3R3</p> <p>Counsel to Montez Corporation</p>	<p>Wolfgang Kaufmann Tel: 416.597.3952 Fax: 416.597.8897 Email: wolfgang@dv-law.com</p> <p>Gaspar Galati Tel: 416.598.7050 Fax: 416.597.8897 Email: ggalati@dv-law.com</p> <p>Kenneth Pimentel Tel: 416.597.9306 Fax: 416.597.8897 Email: kpimentel@dv-law.com</p>

<p>DAOUST VUKOVICH LLP Barristers & Solicitors 20 Queen Street West Suite 3000 Toronto, ON M5H 3R3</p> <p>Counsel to Westcliffe Management Ltd.</p>	<p>Wolfgang Kaufmann Tel: 416.597.3952 Fax: 416.597.8897 Email: wolfgang@dv-law.com</p> <p>Gasper Galati Tel: 416.598.7050 Fax: 416.597.8897 Email: ggalati@dv-law.com</p> <p>Kenneth Pimentel Tel: 416.597.9306 Fax: 416.597.8897 Email: kpimentel@dv-law.com</p>
<p>PLAZA RETAIL REIT 145 King Street West Suite 1710 Toronto, ON M5H 1J8</p>	<p>Kevin Salsberg Tel: 416.361.1520 Fax: 416.815.7760 Email: kevin.salsberg@plaza.ca</p> <p>Jamie Petrie Tel: 416.361.5892 Fax: 416.815.7760 Email: Jamie.petrie@plaza.ca</p> <p>Michael Zakuta Tel: 416.361.5892 Fax: 416.815.7760 Email: michael.zakuta@plaza.ca</p>
<p>BENNETT JONES LLP Barristers & Solicitors One First Canadian Place Suite 3400 Toronto, ON M5X 1A4</p> <p>Counsel to RioCan Management Inc.</p>	<p>S. Richard Orzy Tel: 416.777.5737 Fax: 416.863.1716 Email: orzyr@bennettjones.com</p> <p>Sean H. Zweig Tel: 416.777.6254 Fax: 416.863.1716 Email: zweigs@bennettjones.com</p>
<p>BENNETT JONES LLP Barristers & Solicitors One First Canadian Place Suite 3400 Toronto, ON M5X 1A4</p> <p>Counsel to Kingsett Capital Inc.</p>	<p>S. Richard Orzy Tel: 416.777.5737 Fax: 416.863.1716 Email: orzyr@bennettjones.com</p> <p>Sean H. Zweig Tel: 416.777.6254 Fax: 416.863.1716 Email: zweigs@bennettjones.com</p>

<p>LAWSON LUNDELL LLP Barristers & Solicitors 1600 Cathedral Place 925 West Georgia Street Vancouver, BC V6C 3L2</p> <p>Counsel to APL Co. Pte Ltd. and Shape Properties Ltd.</p>	<p>Heather M.B. Ferris Tel: 1.604.631.9145 Fax: 1.604.694.2957 Email: hferris@lawsonlundell.com</p>
<p>DENTONS CANADA LLP Barristers & Solicitors 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Counsel to Carlton Cards Limited and Papyrus-Recycled Greetings Canada Ltd.</p>	<p>Kenneth Kraft Tel: 416.863.4374 Fax: 416.863.4592 Email: kenneth.kraft@dentons.com</p> <p>John Salmas Tel: 416.863.4737 Fax: 416.863.4592 Email: john.salmas@dentons.com</p>
<p>DENTONS CANADA LLP Barristers & Solicitors 850 - 2nd Street SW 15th Floor, Bankers Court Calgary, AB T2P 0R8</p> <p>Counsel to Carlton Cards Limited and Papyrus-Recycled Greetings Canada Ltd.</p>	<p>Robert Kennedy Tel: 1.403.268.7161 Fax: 1.403.268.3100 Email: robert.kennedy@dentons.com</p>
<p>OWEN BIRD LAW CORPORATION Law Corporation Barristers & Solicitors Bentall 3, Suite 2900, 595 Burrard Street PO Box 49130 Vancouver, BC V7X 1J5</p> <p>Counsel to Glentel Inc.</p>	<p>Jonathan L. Williams Tel: 1.604.688.0401 Fax: 1.604.688.2827 Email: jwilliams@owenbird.com</p>
<p>BORDEN LADNER GERVAIS LLP Barristers & Solicitors 1200 Waterfront Centre, 200 Burrard Street P.O. Box 48600 Vancouver, BC V7X 1T2</p> <p>Counsel to Damco Canada Inc.</p>	<p>Kendall E. Andersen Tel: 1.604.640.4078 Fax: 1.604.622.5936 Email: kandersen@blg.com</p>

DAMCO CANADA INC.	Dennis O'Brien Email: dennis.a.obrien@maersk.com Jan K. Andersen Email: jan.k.andersen@damco.com
DAMCO DISTRIBUTION CANADA INC.	Dennis O'Brien Email: dennis.a.obrien@maersk.com Colin Green Email: colin.green@damco.com Kellie Kopeck Email: kellie.kopec@damco.com
LONDON DRUGS LIMITED 12831 Horseshoe Way Richmond, BC V7A 4X5	Christine MacLean General Counsel Tel: 1.604.272.7674 Email: cmaclean@londondrugs.com
THORNTON GROUT FINNIGAN LLP Barristers & Solicitors 100 Wellington Street West Suite 3200 Toronto, ON M5K 1K7 Counsel to Oxford Properties Group Inc.	D.J. Miller Tel: 416.304.0559 Fax: 416.304.1313 Email: djmiller@tgf.ca
Brennan, Recupero, Cascione, Scungio & McAllister, LLP Barristers & Solicitors 362 Broadway Providence, RI U.S.A. 02909 Counsel to Expeditors International of Washington, Inc. and its subsidiaries and affiliates, including Expeditors Canada, Inc.	Thomas S. Hemmendinger Tel: 1.401.453.2300 Ext. 106 Fax: 1.401.453.2345 Email: themmendinger@brdsm.com
DENTONS CANADA LLP Barristers & Solicitors 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1 Counsel to Canada Mortgage and Housing Corporation	Renée Brosseau Tel: 416.863.4650 Fax: 416.863.4592 Email: renee.brosseau@dentons.com

<p>TORYS LLP Barristers & Solicitors 79 Wellington St. West, 30th Floor Box 270, TD Tower South Toronto, ON M5K 1N2</p> <p>Counsel to The Cadillac Fairview Corporation Limited and its affiliates</p>	<p>David Bish Tel: 416.865.7353 Fax: 416.865.7380 Email: dbish@torys.com</p> <p>Adam Slavens Tel: 416.865.7333 Fax: 416.865.7380 Email: aslavens@torys.com</p> <p>Lily Coodin Tel: 416.865.7541 Fax: 416.865.7380 Email: lcoodin@torys.com</p>
<p>TORYS LLP Barristers & Solicitors 79 Wellington St. West, 30th Floor Box 270, TD Tower South Toronto, ON M5K 1N2</p> <p>Counsel to First Capital Realty Inc.</p>	<p>Scott A. Bomhof Tel: 416.865.7370 Fax: 416.865.7380 Email: sbomhof@torys.com</p> <p>Jeremy Opolsky Tel: 416.865.8117 Fax: 416.865.7380 Email: jopolsky@torys.com</p>
<p>H.Y. LOUIE CO. LIMITED 2821 Production Way Burnaby, BC V5A 3G7</p>	<p>Michelle Simpson Corporate Counsel Tel: 1.604.444.6226 Email: michelles@hylouie.com</p>
<p>THE CIT GROUP/COMMERCIAL SERVICES, INC. 201 South Tryon Street P.O. Box 30317, 28231-1307 Charlotte, North Carolina U.S.A. 28202</p>	<p>Robert W. Franklin Director and Assistant Chief Counsel, Law Department Tel: 1.704.339.2975 Fax: 1.704.339.2894 Email: robert.franklin@cit.com</p>
<p>MILLER THOMSON LLP Barristers & Solicitors Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON M5H 3S1</p> <p>Counsel to Hamilton Beach Brands Canada, Inc.</p>	<p>Jeffrey C. Carhart Tel: 416.595.8615 Fax: 416.595.8695 Email: jcarhart@millerthomson.com</p> <p>Margaret R. Sims Tel: 416.595.8577 Fax: 416.595.8695 Email: msims@millerthomson.com</p>

<p>MILLER THOMSON LLP Barristers & Solicitors Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON M5H 3S1</p> <p>Counsel to Spectrum Brands Canada, Inc. and Spectrum Brands, Inc.</p>	<p>Jeffrey C. Carhart Tel: 416.595.8615 Fax: 416.595.8695 Email: jcarhart@millerthomson.com</p> <p>Margaret R. Sims Tel: 416.595.8577 Fax: 416.595.8695 Email: msims@millerthomson.com</p>
<p>MILLER THOMSON LLP Barristers & Solicitors Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON M5H 3S1</p> <p>Counsel to GL Creations</p>	<p>Jeffrey C. Carhart Tel: 416.595.8615 Fax: 416.595.8695 Email: jcarhart@millerthomson.com</p> <p>Margaret R. Sims Tel: 416.595.8577 Fax: 416.595.8695 Email: msims@millerthomson.com</p>
<p>MILLER THOMSON LLP Barristers & Solicitors Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON M5H 3S1</p> <p>Counsel to Travelway Group Int'l Inc.</p>	<p>Jeffrey C. Carhart Tel: 416.595.8615 Fax: 416.595.8695 Email: jcarhart@millerthomson.com</p> <p>Margaret R. Sims Tel: 416.595.8577 Fax: 416.595.8695 Email: msims@millerthomson.com</p>
<p>BURNET, DUCKWORTH & PALMER LLP Barristers & Solicitors Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1</p> <p>Counsel to Highfield Investment Group Inc.</p>	<p>Carole J. Hunter Tel: 1.403.260.0368 Fax: 1.403.260.0332 Email: chunter@bdplaw.com</p>
<p>UNITED CLEANING SERVICES LIMITED 46 Hedgedale Road Brampton, ON L6T 5L2</p> <p>Counsel to United Cleaning Services Limited</p>	<p>Randhir S. Garcha Tel: 905.595.4830 Ext. 272 Fax: 905.595.4831 Email: randy.garcha@ucsl.com</p>

<p>FOGLER, RUBINOFF LLP Suite 3000, P.O. Box 95 Toronto-Dominion Centre 77 King Street West Toronto, ON M5K 1G8</p> <p>Counsel to Doral Holdings Limited and 430635 Ontario Inc.</p>	<p>Vern W. DaRe Tel: 416.941.8842 Fax: 416.941.8852 Email: vdare@foglers.com</p>
<p>LAVERY, DE BILLY, LLP 1, Place Ville Marie, Suite 4000 Montréal, QC H3B 4M4</p> <p>Counsel to Dorel Industries Inc.</p>	<p>Jonathan Warin Tel: 1.514.878.5616 Fax: 1.514.871.8977 Email: jwarin@lavery.ca</p>
<p>COMINAR REIT Complexe Jules-Dallaire – T3 2820 Laurier Blvd, , suite 850 Québec City, QC G1V 0C1</p>	<p>Manon Deslauriers Tel: 1.418.681.6300 ext 2321 Fax: 1.418.681.2946 Email: manon.deslauriers@cominar.com</p> <p>Michel Paquet Email: michel.paquet@cominar.com</p> <p>Sylvain Cossette Email: sylvain.cossette@cominar.com</p> <p>Jean Leclerc Email: jean.leclerc@cominar.com</p> <p>Gilles Hamel Email: gilles.hamel@cominar.com</p>
<p>CANADIAN PACIFIC RAILWAY 1100 Avenue des Canadiens-de-Montréal Suite G3 Montréal, QC H3B 2S2</p>	<p>Ken Legrand Tel: 1.514.395.6436 Email: Ken_legrand@cpr.ca</p>
<p>CANADIAN PACIFIC RAILWAY Building #1, 7550 Ogdendale Road South Calgary, AB T2C 4X9</p>	<p>Cassandra Quach Tel: 1.403.319.7016 Email: Cassandra_Quach@cpr.ca</p>

<p>WEIRFOULDS LLP 66 Wellington Street West Suite 4100, P.O. Box 35 Toronto-Dominion Centre Toronto, ON M5K 1B7</p> <p>Counsel to PCL Constructors Canada Inc.</p>	<p>Glenn Ackerley Tel: 416.947.5008 Fax: 416.365.1876 Email: gackerley@weirfoulds.com</p> <p>Scott McGrath Tel: 416.947.5038 Fax: 416.365.1876 Email: smcgrath@weirfoulds.com</p> <p>Graham Brown Tel: 416.947.5073 Fax: 416.365.1876 Email: gbrown@weirfoulds.com</p>
<p>WEIRFOULDS LLP 66 Wellington Street West Suite 4100, P.O. Box 35 Toronto-Dominion Centre Toronto, ON M5K 1B7</p> <p>Counsel to PCL Construction Management Inc.</p>	<p>Glenn Ackerley Tel: 416.947.5008 Fax: 416.365.1876 Email: gackerley@weirfoulds.com</p> <p>Scott McGrath Tel: 416.947.5038 Fax: 416.365.1876 Email: smcgrath@weirfoulds.com</p> <p>Graham Brown Tel: 416.947.5073 Fax: 416.365.1876 Email: gbrown@weirfoulds.com</p>
<p>MINDEN GROSS LLP 145 King Street West Suite 2200 Toronto, ON M5H 4G2</p> <p>Counsel to Menkes Property Management Services Ltd., as agent for HOOPP Realty Inc.</p>	<p>David T. Ullmann Tel: 416.369.4148 Fax: 416.864.9223 Email: dullmann@mindengross.com</p>
<p>MINDEN GROSS LLP 145 King Street West Suite 2200 Toronto, ON M5H 4G2</p> <p>Counsel to Primaris Reit</p>	<p>David T. Ullmann Tel: 416.369.4148 Fax: 416.864.9223 Email: dullmann@mindengross.com</p>

<p>McLEAN & KERR LLP Barristers & Solicitors 130 Adelaide Street West Suite 2800 Toronto, ON M5H 3P5</p> <p>Counsel to 20 VIC Management Inc. (on behalf of various landlords), Morguard Investments Limited (on behalf of various landlords), Calloway Real Estate Investment Trust (on behalf of Calloway REIT (Hopedale) Inc. and Calloway REIT (Laurentian Inc.), Crombie REIT, Triovest Realty Advisors Inc. (on behalf of various landlords) and Brad-Lea Meadows Limited</p>	<p>Walter R. Stevenson Tel: 416.369.6602 Fax: 416.366.8571 Email: wstevenson@mcleankerr.com</p> <p>Linda Galessiere Tel: 416.369.6609 Fax: 416.366.8571 Email: lgalessiere@mcleankerr.com</p> <p>Gus Camelino Tel: 416.369.6621 Fax: 416.366.8571 Email: gcamelino@mcleankerr.com</p>
<p>BORDEN LADNER GERVAIS LLP / S.E.N.C.R.L., S.R.L. 1000 Rue de la Gauchetière Ouest Suite / Bureau 900 Montréal, QC H3B 5H4</p> <p>Counsel to Bell Canada</p>	<p>François Gagnon Tel: 1.514.954.2553 Fax: 1.514.954.1905 Email: fgagnon@blg.com</p>
<p>BORDEN LADNER GERVAIS LLP / Scotia Plaza 40 King Street West Toronto, ON M5H 3Y4</p> <p>Counsel to Bell Canada</p>	<p>Andrew Hodhod Tel: 416.367.6290 Fax: 416.361.2799 Email: ahodhod@blg.com</p>
<p>8239959 CANADA INC. c/o SHINDICO REALTY INC. 200-1355 Taylor Ave. Winnipeg, MB R3M 3Y9</p>	<p>Robert W. Shindleman Tel: 1.202.474.2000 Fax: 1.202.284.7155 Email: rshindleman@shindico.com</p> <p>Justin G. Zarnowski Tel: 1.202.928.8212 Fax: 1.202.284.7155 Email: jzarnowski@shindico.com</p>
<p>FILLMORE RILEY LLP 1700-360 Main Street Winnipeg, MB R3C 3Z3</p> <p>Counsel to TransX</p>	<p>David J. Kroft Tel: 1.204.957.8346 Fax: 1.204.954.0346 Email: djkroft@fillmoreriley.com</p>

<p>CASSELS BROCK & BLACKWELL LLP 2100 Scotia Plaza 40 King Street West Toronto, ON M5H 3C2</p> <p>Counsel to Warner Brothers Distributing Inc.</p>	<p>Larry Ellis Tel: 416.869.5406 Fax: 416.640.3004 Email: lellis@casselsbrock.com</p> <p>Erin Craddock Tel: 416.860.6480 Fax: 416.644.9324 Email: ecraddock@casselsbrock.com</p>
<p>CASSELS BROCK & BLACKWELL LLP 2100 Scotia Plaza 40 King Street West Toronto, ON M5H 3C2</p> <p>Counsel to Solutions 2 GO Inc.</p>	<p>Larry Ellis Tel: 416.869.5406 Fax: 416.640.3004 Email: lellis@casselsbrock.com</p> <p>Erin Craddock Tel: 416.860.6480 Fax: 416.644.9324 Email: ecraddock@casselsbrock.com</p>
<p>STIKEMAN ELLIOTT LLP Barristers & Solicitors 5300 Commerce Court West 199 Bay Street Toronto, ON M5H 3C2</p> <p>Counsel to Eleven Points Logistic Inc.</p>	<p>Daniel S. Murdoch Tel: 416.869.5529 Fax: 416.947.0866 Email: dmurdoch@stikeman.com</p> <p>Kathryn Esaw Tel: 416.869.6820 Fax: 416.947.0866 Email: kesaw@stikeman.com</p>
<p>SOLMON ROTHBART GOODMAN LLP 375 University Avenue, Suite 701 Toronto, ON M5G 2J5</p> <p>Counsel to ISSI Inc.</p>	<p>Melvyn L. Solmon Tel: 416.947.1093 (Ext. 333) Fax: 416.947.0079 Email: msolmon@srglegal.com</p>
<p>BCF BUSINESS LAW 1100 boulevard Rene-Levesque Ouest 25th Floor Montreal, QC H3B 5C9</p> <p>Counsel to Merck Canada Inc.</p>	<p>Claude Paquet Tel: 1.514.397.6907 Fax: 1.514.397.8515 Email: claud.paquet@bcf.com</p>
<p>BCF BUSINESS LAW 1100 boulevard Rene-Levesque Ouest 25th Floor Montreal, QC H3B 5C9</p> <p>Counsel to Schering-Plough Canada Inc.</p>	<p>Claude Paquet Tel: 1.514.397.6907 Fax: 1.514.397.8515 Email: claud.paquet@bcf.com</p>

<p>BULL, HOUSSER & TUPPER LLP Barristers & Solicitors 900 Howe Street, Suite 900 Vancouver, BC V6Z 2M4</p> <p>Counsel to Vanprop Investments Ltd.</p>	<p>Kieran E. Siddall Tel: 1.604.641.4868 Fax: 1.604.646.4556 Email: kes@bht.com</p> <p>E. Jane Milton QC Email: ejm@bht.com</p>
<p>SPORTS INDUSTRY CREDIT ASSOCIATION 245 Victoria Avenue Suite 800 Montreal, QC H3Z 2M6</p>	<p>Brian Dabarno Tel: 1.514.931.5561 Ext: 226 Fax: 1.514.931.2896 Email: brian@sica.ca</p>
<p>FASKEN MARTINEAU DuMOULIN LLP Barristers & Solicitors 333 Bay Street, Suite 2400 Bay Adelaide Centre, Box 20 Toronto, ON M5H 2T6</p> <p>Counsel to Ivanhoe Cambridge Inc.</p>	<p>Aubrey E. Kauffman Tel: 416.868.3538 Fax: 416.364.7813 Email: akauffman@faskens.com</p>
<p>FASKEN MARTINEAU DuMOULIN LLP Barristers & Solicitors The Stock Exchange Tower 800 Victoria Square Suite 3700, PO Box 242 Montréal, PQ H4Z 1E9</p> <p>Counsel to Ivanhoe Cambridge Inc.</p>	<p>Luc Morin Tel: 1.514.397.5121 Fax: 1.514.397.7600 Email: lmorin@faskens.com</p>
<p>THE SCOTTS COMPANY LLC 14111 Scottslawn Road Marysville, Ohio USA 43041</p>	<p>Lewis J. Dolezal Jr. Tel: 1.937.578.1319 Fax: 1.937.644.7568 Email: lewis.dolezal@scotts.com</p>
<p>COTY CANADA 1255 Rte Transcanadienne Dorval, QC H9P 2V4</p>	<p>Robert Spensieri. Tel: 1.514.421.5066 Email: robert_spensieri@cotyinc.com</p>
<p>BLANEY MCMURTRY LLP Barristers & Solicitors 2 Queen Street East Suite 1500 Toronto, ON M5C 3G5</p> <p>Counsel to Universal Studios Canada Inc.</p>	<p>Lou Brzezinski Tel: 416.593.2952 Fax: 416.594.5084 Email: lbrzezinski@blaney.com</p>

<p>DE GRANDPRÉ CHAIT S.E.N.C.R.L./LLP 1000, rue De La Gauchetière Ouest bureau 2900 Montreal, QC H3B 4W5</p> <p>Counsel to Faubourg Boisbriand Shopping Centre Limited Partnership</p>	<p>Matthew Maloley Tel: 1.514.878.3243 Fax: 1.514.878.5743 Email: mmaloley@dgcllex.com</p> <p>Stephen M. Raicek Email: sraicek@dgcllex.com</p>
<p>DENTONS CANADA LLP 99 Bank Street, Suite 1420 Ottawa, ON K1P 1H4</p> <p>Counsel to Mead Johnson Nutrition Canada Co.</p>	<p>David Elliott Tel: 1.613.783.9638 Email: david.elliott@dentons.com</p> <p>Fraser Mackinnon Blair Tel: 1.613.783.9647 Email: fraser.mackinnon.blair@dentons.com</p>

TABLE OF CONTENTS

TABLE OF CONTENTS

Tab	Document	Page No.
1.	Notice of Motion returnable February 4, 2015	1
2.	Affidavit of Mark J. Wong sworn January 29, 2015	8
	Exhibit "A" Initial Order dated January 15, 2015	39
	Exhibit "B" Affidavit of Mark J. Wong sworn January 14, 2015 (without exhibits)	71
	Exhibit "C" Solicitation Letter and Request for Proposals	166
	Exhibit "D" Agency Agreement	174
	Exhibit "E" Real Property Portfolio Sales Process	264
3.	Draft Order Approving Real Property Portfolio Sales Process and Extending the Stay Period	288
4.	Draft Order Approving Agency Agreement and Inventory Liquidation Process	314

TAB 1

**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**

Applicants

NOTICE OF MOTION

**(Motion for Approval of Agency Agreement and Inventory Liquidation Process,
Approval of Real Property Portfolio Sales Process and Stay Extension)**

The Applicants will make a motion before a judge of the Ontario Superior Court of Justice (Commercial List) on February 4, 2015 at 8:30 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached at Tab 3 of the Motion Record, *inter alia*:
 - (a) if necessary, abridging the time for service of this Notice of Motion and the Motion Record and dispensing with service on any person other than those served;

- (b) approving the Real Property Portfolio Sales Process attached as Schedule “B” to the draft Order at Tab 3 of the Motion Record, and authorizing and directing the Target Canada Entities, the Monitor and Lazard (each as defined in the Initial Order of Regional Senior Justice Morawetz dated January 15, 2015 (the “Initial Order”)) to take any and all actions as may be necessary or desirable to implement and carry out the Real Property Portfolio Sales Process;
 - (c) extending the Stay Period (as defined in paragraph 17 of the Initial Order) until and including May 15, 2015 and ordering that the extension of the Stay Period set out herein shall not in any way affect the "comeback rights" of any interested party set out in paragraph 77 of the Initial Order; and
 - (d) approving the First Report of the Monitor and the activities described therein;
2. An Order in substantially the form attached at Tab 4 of the Motion Record, *inter alia*:
- (a) approving the Agency Agreement between a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the “Agent”) and certain of the Target Canada Entities in the form attached as Exhibit “D” to the Affidavit of Mark Wong sworn January 29, 2015, at Tab 2D of the Motion Record, and the transactions contemplated thereunder; and
 - (b) authorizing the Agent to conduct the sale in accordance with the draft Order at Tab 4 of the Motion Record, the Agency Agreement and the Sales Guidelines attached to the Agency Agreement; and
 - (c) authorizing and directing the Target Canada Entities to take any and all actions as may be necessary or desirable to implement the Agency Agreement and each of the transactions contemplated therein; and
3. Such further and other relief as this Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. The Target Canada Entities were granted protection from their creditors under the CCAA pursuant to the Initial Order of the Ontario Superior Court of Justice (Commercial List) dated January 15, 2015;
2. Alvarez & Marsal Canada Inc. was appointed in the Initial Order to act as the Monitor in the CCAA proceeding;
3. Capitalized terms not otherwise defined herein have the meaning given to them in the Initial Order;

Approval of the Real Property Portfolio Sales Process

4. The Target Canada Entities have designed a process (the “Real Property Portfolio Sales Process”) by which they will seek to sell all or substantially all of TCC’s leases and real property under the supervision of the Court and the Monitor;
5. The Real Property Portfolio Sales Process was designed by the Target Canada Entities and their financial advisor (Lazard), in consultation with the Monitor and the Target Canada Entities’ real estate advisor (Northwest);
6. The Real Property Portfolio Sales Process is designed in a manner that is expected to maximize the realization on the value of the Target Canada Entities’ real estate portfolio for the benefit of all stakeholders;
7. The approval of the Real Property Portfolio Sales Process is supported by the Monitor;

Approval of the Agency Agreement and Inventory Liquidation Process

8. The Target Canada Entities, with oversight of the Monitor, have engaged in a process to select an Agent to conduct or consult on the liquidation of the inventory, furniture, equipment and fixtures located in and/or forming part of the Property of the Target Canada Entities (the “Inventory Liquidation Process”);

9. The process of selecting the Agent was fair and reasonable;
10. The terms of the Agency Agreement, and the process and transactions contemplated thereunder, are fair and reasonable;
11. The process and transactions contemplated under the Agency Agreement were designed by the Target Canada Entities in consultation with the Monitor, and are expected to maximize the value of the Target Canada Entities' inventory, furniture, equipment and fixtures for the benefit of all stakeholders;
12. The approval of the Agency Agreement and the Inventory Liquidation Process are supported by the Monitor;

Stay Extension

13. The Initial Order granted a stay of proceedings until February 13, 2015, or such later date as this Court may order;
14. Since the granting of the Initial Order, the Target Canada Entities, in close consultation and with the assistance of the Monitor, have been working diligently to stabilize their business and operations as part of these CCAA proceedings;
15. The Target Canada Entities have made substantial progress in implementing the controlled and orderly wind down of their businesses; however, numerous issues continue to arise on a daily basis that require the urgent attention of the remaining management team of the Target Canada Entities;
16. Extending the Stay Period will allow the Target Canada Entities to continue to pursue the controlled and orderly wind down of their businesses and engage in communications and consultations with their stakeholders;
17. Extending the Stay Period will also allow the Inventory Liquidation Process and Real Property Portfolio Sales Process to unfold;

18. The extension of the Stay Period is not intended to affect the "comeback rights" of any interested party set out in paragraph 77 of the Initial Order;
19. The Target Canada Entities have been acting and continue to act in good faith and with due diligence in these CCAA proceedings;
20. It is just and convenient and in the interests of the Target Canada Entities and their respective stakeholders that the requested Orders should be granted and the Stay Period extended;
21. The extension of the Stay Period is supported by the Monitor;
22. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
23. Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and
24. Such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this motion:

1. The Affidavit of Mark Wong sworn January 29, 2015 and the exhibits attached thereto;
2. The Affidavit of Mark Wong sworn January 14, 2015 and the exhibits attached thereto;
3. The Pre-Filing Report and First Report of the Monitor;
4. The Initial Order dated January 15, 2015; and
5. Such further and other evidence as counsel may advise and this Court may permit.

January 29, 2015

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)

Jeremy Dacks (LSUC #: 41851R)

Shawn Irving (LSUC #: 50035U)

Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111

Fax: (416) 862-6666

Lawyers for the Applicants

TO: SERVICE 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., *et al.*

Applicants

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785

TAB 2

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

APPLICANTS

AFFIDAVIT OF MARK J. WONG
(Sworn January 29, 2015)

**(Motion for Approval of Agency Agreement and Inventory Liquidation Process,
Approval of Real Property Portfolio Sales Process and Stay Extension)**

I, Mark J. Wong, of the City of Mississauga, in the Province of Ontario, General Counsel and Secretary for the Applicant Target Canada Co. (“TCC”), MAKE OATH AND SAY:

1. I am General Counsel and Secretary for TCC. I am a director and/or officer of each of the other Applicants. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I consulted with representatives of Alvarez & Marsal Canada Inc. (the “**Monitor**”), members of the senior management team of TCC, and legal, financial and other advisors of TCC.

2. I swear this Affidavit in support of the motion brought by the Applicants and the Partnerships listed on Schedule “A” hereto (collectively, the “**Target Canada Entities**”) seeking Orders, substantially in the forms attached to the Motion Record, among other things: (i) approving the Inventory Liquidation Process (defined below); (ii) approving the Real Property Portfolio Sales Process (defined below); and (iii) extending the stay of proceedings to May 15, 2015.

Background

3. The Target Canada Entities were granted protection from their creditors under the CCAA pursuant to an initial order of the Ontario Superior Court of Justice (Commercial List) dated January 15, 2015 (the “**Initial Order**”). Alvarez & Marsal Canada Inc. was appointed in the Initial Order to act as the Monitor in the CCAA proceeding.

4. The Initial Order, a copy of which is attached as Exhibit A to this Affidavit, granted, among other things, a stay of proceedings until February 13, 2015, or such later date as this Honourable Court may order.

5. Further details regarding the background to this proceeding are set out in my Affidavit sworn January 14, 2015 (the “**Initial Order Affidavit**”). Except where so stated, capitalized terms not otherwise defined herein have the meaning ascribed to them in the Initial Order Affidavit. A copy of the Initial Order Affidavit without exhibits is attached as Exhibit B to this Affidavit.

Efforts to Date to Stabilize Businesses

6. Since the granting of the Initial Order, the Target Canada Entities, in close consultation and with the assistance of the Monitor, have been working diligently to stabilize their businesses and operations as part of these CCAA proceedings. The Target Canada Entities have responded and continue to respond to numerous creditor and stakeholder inquiries on a daily basis. All 133 open stores in Canada have remained operational since the granting of the Initial Order. As part of their stabilization efforts, the Target Canada Entities have worked closely with the Monitor to develop and implement a proactive communication and consultation plan with their stakeholders.

7. The efforts of the Target Canada Entities and the Monitor have been generally successful in stabilizing the businesses; however, numerous issues continue to arise on a daily basis which require the urgent attention of the remaining management team at the Target Canada Entities.

A. Employees

8. On or about January 15, 2015, letters were sent to more than 17,000 employees of TCC, advising employees that the Target Canada Entities had applied for and been granted protection from their creditors under the CCAA. TCC has issued notices of termination to the vast majority of its employees. TCC's head office in Mississauga is now operating with a reduced team focused on implementing the orderly wind down of the Target Canada Entities' businesses.

9. The Target Canada Entities, through their counsel, have had numerous discussions and communications with Employee Representative Counsel since the granting of

the Initial Order. I am advised by Mr. Sven Poysa of Osler, Hoskin & Harcourt LLP, counsel for the Target Canada Entities, and believe that Employee Representative Counsel has taken the following steps in accordance with its mandate: (i) established a toll-free dedicated phone line and a dedicated email address through which TCC employees can obtain information about this CCAA proceeding; (ii) posted information for TCC employees on the Koskie Minsky LLP website, which is being regularly updated; (iii) held two sessions for TCC's head office employees; and (iv) responded to inquiries from employees. I am also advised by Mr. Poysa and believe that, in accordance with paragraph 32 of the Initial Order, Employee Representative Counsel has sought interested employees to act as employee representatives in this CCAA proceeding and has discussed this role with interested employees.

10. Target Corporation made the first contribution to the Employee Trust in the amount of CAD \$52.5 million. As noted in the Initial Order Affidavit, Target Corporation will provide further funding if required to satisfy Eligible Employee Claims to the Maximum Required Trust Contribution, following notice from the Administrator. The estimated amount of funding required has been updated since the Initial Order was issued based on subsequent events. Accordingly, Target Corporation has agreed to increase the Maximum Required Trust Contribution from CAD \$70 million to CAD \$90 million to ensure the Employee Trust has sufficient funds to meet its objectives. The incremental amount of CAD \$37.5 million is expected to be received in trust by the Monitor's counsel by January 30, 2015.

B. Pharmacies

11. On January 15, 2015, TCC Pharmacy sent a courtesy notice to each of the applicable pharmacy colleges across Canada to advise that, as a result of the CCAA filing, TCC Pharmacy will be winding down its operations, which will result in the closure and/or relocation

of all 93 Target-branded pharmacies in Canada (outside of Quebec) and 14 Target/Brunet co-branded pharmacies in Quebec. As explained in the Initial Order Affidavit, the arrangements in respect of pharmacies in TCC stores differ between Quebec and the rest of Canada.

i. *Quebec*

12. In Quebec, the Target Canada Entities and McMahon (the franchisor for the Quebec pharmacies) have consulted with each other and worked cooperatively to begin the orderly wind down of pharmacy operations, in consultation with the Monitor. McMahon has proposed a staggered closing schedule in which all pharmacies in TCC's Quebec stores will be closed by no later than February 11, 2015. On January 23, 2015, TCC gave McMahon 30 days' notice of the termination of all of the sublease agreements between TCC and McMahon. The termination was given on 30 days' notice to ensure that the pharmacies have sufficient time to wind down their pharmacy operations and comply with the regulatory requirements relating to the closure of pharmacies. TCC has advised McMahon that, if a franchisee vacates the premises before the end of the 30 day period, TCC is willing to terminate the applicable sublease agreement with McMahon immediately. On January 28, 2015, with the consent of the Monitor, TCC and TCC Pharmacy sent McMahon a disclaimer notice disclaiming the McMahon Agreement.

ii. *Rest of Canada*

13. For the pharmacies operating in TCC's stores in the rest of Canada, the Target Canada Entities are engaging with the franchisees in an effort to implement an orderly wind down of the pharmacy operations as quickly as possible, and to ensure that the interests of the pharmacies' patients are protected, including in accordance with the pharmacies' regulatory

obligations. On January 26, 2015, with the consent of the Monitor, TCC Pharmacy delivered disclaimer notices to all of the pharmacy franchisees in respect of the franchise agreements with the pharmacy franchisees and all other ancillary and related agreements.

14. The Target Canada Entities have taken the following steps, among others, to implement the orderly wind down of pharmacy operations across Canada:

- (a) TCC Pharmacy has communicated extensively with its franchisees regarding the orderly wind down of the TCC pharmacy operations. On the date that this CCAA proceeding was commenced, TCC Pharmacy held a telephone call with franchisees to, among other things, outline several steps that the franchisees were required to take in relation to their patients – including safeguarding their patient files and communicating with their patients. The call was recorded and replayed later that day for franchisees who could not attend the initial call. In addition, the Target Canada Entities established a dedicated email account to respond to questions from franchisees. The Target Canada Entities, in consultation with their legal advisors, prepared responses to the questions and sent the responses to all franchisees (unless the issue was unique to a particular franchisee).
- (b) The Target Canada Entities are seeking to make the transition for the pharmacy patients as convenient as possible in the circumstances. Accordingly, the Target Canada Entities are working to facilitate the transfer of the existing telephone and fax numbers to the franchisee pharmacists should they re-open at new locations. The Target Canada Entities hope that this will minimize disruption and help to

ensure patients continue to receive care from the pharmacists with whom they have an existing relationship.

- (c) The Target Canada Entities have confirmed to the franchisees that the rights and obligations relating to patient files for a particular pharmacy belong to the franchisee operating that pharmacy. The Target Canada Entities have encouraged franchisees to transfer the patient files to a new pharmacy expeditiously. Among other things, this will help patients move to a new pharmacy more quickly. The patient data is located on the computer systems used by the franchisees, all of which systems are provided by Kroll Computer Systems Inc. (“**Kroll**”). It is expected that the franchisees will enter into agreements directly with Kroll to obtain the patient data and ensure that it is properly safeguarded and transferred. The Target Canada Entities are working directly with Kroll to ensure that the patient data will be transferred to the franchisees.
- (d) The Target Canada Entities intend to send closing checklists to each franchisee and store team leader in a TCC store in which there is a pharmacy. These checklists are expected to contribute to an orderly wind down, including by reminding the franchisees to comply with their pharmacy regulatory obligations and provide notice to the pharmacies’ patients regarding the closure of the pharmacies and transfer of their patient files.

15. For the three pharmacies operated by TCC Pharmacy Ontario, the Target Canada Entities are similarly working to wind down operations in an orderly and efficient manner. TCC Pharmacy Ontario is considering its options for the Schedule I and Schedule II (*i.e.*, “behind-the-

counter”) drug inventory owned by the three pharmacies operated by TCC Pharmacy Ontario and the orderly transfer of its patient files. TCC Pharmacy Ontario is also in the process of attempting to market and sell its “Pre-54” charter to third parties.

C. Suppliers and other Third Parties

16. Since filing for CCAA protection, the Target Canada Entities, in close consultation with the Monitor, have been in contact with an extensive number and wide variety of creditors and suppliers. The Target Canada Entities are working diligently with the Monitor to attempt to consensually resolve creditor and supplier issues as they arise as part of the stabilization of the business. This includes considering requests for critical supplier status, dealing with the ongoing needs of the business and operations and answering general questions about the CCAA process and how the orderly wind down of the business will affect the particular supplier or other creditors. Further, counsel for the Target Canada Entities, the Monitor and counsel for the Monitor met with counsel representing a number of suppliers on January 26, 2015 to discuss various supplier issues.

17. In addition to the pharmacy franchise agreements discussed above, the Target Canada Entities have disclaimed more than 50 agreements with the consent of the Monitor, including a variety of agreements relating to services that will no longer be required as part of the orderly wind down.

18. Further, the Target Canada Entities have made arrangements to mutually terminate agreements with, and wind down services provided by, certain significant stakeholders as follows:

- (a) **Glentel:** With the approval of the Monitor, TCC Mobile and Glentel Inc. (“**Glentel**”) have agreed to a mutual termination of the agreement between TCC Mobile and Glentel. Glentel has removed its inventory, equipment and supplies from all 133 TCC stores. Glentel has agreed that amounts owing will be dealt with as part of the claims process in the CCAA proceeding.
- (b) **Starbucks:** With the approval of the Monitor, TCC and Starbucks Coffee Canada, Inc. (“**Starbucks**”) have agreed to a mutual termination of the master licensing agreement between TCC and Starbucks and an orderly wind down of the Starbucks-branded stores operating within TCC stores. Starbucks-branded stores ceased operating in all TCC stores on or before January 23, 2015. The parties are in the process of finalizing the mutual termination agreement.

D. Landlords

19. The Target Canada Entities have implemented a communications plan with respect to landlords as part of the CCAA filing. Discussions have occurred directly between the Target Canada Entities and landlords and between counsel for the Target Canada Entities and/or the Monitor and counsel for landlords. A representative of Lazard Freres & Co. LLC (the “**Financial Advisor**”) has participated in most of these meetings.

20. In particular, during the week commencing January 26, 2015, representatives of the Target Canada Entities and the Monitor met in person or by phone with counsel, and in some cases business representatives, for several large retail landlords who hold or manage, in aggregate, the majority of the TCC store leases. Counsel for the Target Canada Entities provided information to the landlords in respect of the CCAA proceedings, generally, and in respect of the

proposed Inventory Liquidation Process and Real Property Portfolio Sales Process, as such terms are defined below, specifically. The Target Canada Entities, with the assistance of the Monitor and the Financial Advisor, intend to continue to consult with landlords throughout these processes and throughout this CCAA proceeding.

E. DIP Financing

21. On January 15, 2015, the Borrower drew USD \$35 million from the DIP Facility. A portion of these funds were used to meet TCC's scheduled payroll payment of approximately CAD \$17.4 million, which was made to TCC's employees (through ADP) on January 16, 2015.

22. On January 20, 2015, the Borrower made a repayment to the DIP Facility of approximately USD \$16 million pursuant to the mandatory prepayment terms under the DIP Facility, resulting in a current outstanding balance of approximately USD \$19 million owing under the DIP Facility.

Proposed Inventory Liquidation Process

23. Paragraph 12(d) of the Initial Order provides that the Target Canada Entities shall have the right to "in consultation with, and with the oversight of the Monitor, engage in discussions with and solicit proposals and agreement(s) from third parties in respect of the liquidation of the inventory, furniture, equipment and fixtures located in and/or forming part of the Property [...] and return to Court for approval of such agreement(s)".

24. In order to maximize the value of their inventory and furniture, equipment and fixtures (the "**Inventory & FF&E**") for the benefit of their stakeholders, the Target Canada Entities are seeking the Court's approval of an agency agreement regarding the liquidation of

their inventory and a process (the “**Inventory Liquidation Process**”) to liquidate TCC’s Inventory & FF&E contemplated therein (including the Sales Guidelines attached thereto). The Inventory Liquidation Process was designed by the Target Canada Entities in consultation with the Monitor. It is my understanding that the Monitor supports the approval of the Agency Agreement (defined below) and the Inventory Liquidation Process.

25. On January 20, 2015, the Target Canada Entities and the Monitor commenced a formal request for proposal (“**RFP**”) process to solicit proposals from third party liquidation firms to conduct or consult on an orderly liquidation of the Inventory & FF&E, including the Inventory & FF&E located in TCC’s retail stores, distribution centres and corporate head office in Mississauga, Ontario.

26. On that date, the Monitor sent a solicitation letter and related documents (including template draft agreements) to a list of five potential liquidators that had been selected based on their qualifications and prior experience handling large-scale liquidations, including large-scale liquidations in Canada. I am advised by the Monitor that they are five of the most experienced liquidation firms operating in the North American marketplace. Copies of the solicitation letter and RFP are attached as Exhibit C to this Affidavit. The letter invited the liquidation firms to submit equity and/or fee bids for the purpose of selecting an agent or a consultant, on an exclusive basis, to assist the Target Canada Entities in the liquidation of the Inventory & FF&E. In general, equity proposals would involve the liquidator conducting the liquidation process and guaranteeing a net minimum amount that would be paid to TCC, whereas fee proposals would involve the liquidator consulting on the liquidation process in exchange for

a percentage fee of the sales. The letter stated that all proposals needed to be received by the Monitor by no later than 3:00 pm ET on January 23, 2015.

27. Each liquidator who returned an executed confidentiality agreement was given access to a virtual data room which contained financial and other information concerning the Inventory & FF&E.

28. Three sets of proposals were received on January 23, 2015. Of the five liquidators solicited (collectively, the “**Participating Liquidators**”), one submitted a proposal on its own and two proposals were submitted by joint ventures formed by the remaining four liquidators. Each Participating Liquidator provided both equity and consulting proposals for consideration.

29. Following a careful review of the proposals, the Target Canada Entities, in consultation with the Monitor, invited each Participating Liquidator to participate in an auction, which took place on January 27, 2015 in Toronto, Ontario. The Target Canada Entities, in consultation with the Monitor, selected the proposal from a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada ULC (collectively, the “**Agent**”). The Agent’s proposal provides for the best guaranteed recovery for stakeholders. Both the Target Canada Entities and the Monitor were of the view that the Agent’s proposal was the most favourable of those submitted.

30. The members of the contractual joint venture have extensive experience in conducting retail liquidations. On an average annual basis, they collectively conduct more than 100 store closing transactions worldwide. Among them, they have led the inventory dispositions for a wide variety of former retailers, including Borders and Circuit City, and have conducted

nearly all major retail liquidations in Canada, including Eatons, Dylex, Bombay, Linens N Things, Saan Stores, Joggers, Athletes World, Bernard Trottier, Sportmart, and, currently, Mexx. In addition, members of the contractual joint venture conducted the liquidation of the inventory and FF&E in the Zellers stores.

31. On January 29, 2015, the Agent and the Target Canada Entities entered into an agency agreement (the “**Agency Agreement**”), a copy of which is attached as Exhibit D to this Affidavit. Capitalized terms in this section that are not otherwise defined have the meaning given to them in the Agency Agreement. It is my understanding that the Monitor supports the selection of the Agent and the Target Canada Entities entering into the Agency Agreement. The Agency Agreement is subject to Court approval.

32. The Agency Agreement provides that the Agent will serve as the exclusive agent and mandatary of TCC, TCC Pharmacy and TCC Pharmacy Ontario (collectively, the “**Company**”) for the limited purpose of conducting the Sale in TCC’s retail stores, distribution centres and corporate head office, in whole, in accordance with the terms of the Agency Agreement.

33. As a guaranty of the Agent’s performance, the Agent has guaranteed that the Company shall receive a net minimum amount (the “**Guaranteed Amount**”) equal to 74% of the aggregate “Cost Value” of the Merchandise, computed in accordance with the Agency Agreement, and subject to adjustment in accordance with the Agency Agreement if: (i) the aggregate Cost Value of the Merchandise is less than CAD \$445 million or greater than CAD \$475 million; and/or (ii) the Cost Value of the Merchandise as a percentage of the Retail Price of the Merchandise exceeds 63%. To secure the Agent’s obligations under the Agency Agreement,

including the obligation to pay the Guaranteed Amount, the Expenses, the Additional Agent Fee, the Company Sharing Amount, and other amounts due to the Company under the Agency Agreement, the Agent shall deliver to the Company one or more irrevocable and unconditional standby letters of credit in the aggregate original face amount equal to CAD \$50 million, in accordance with the terms of the Agency Agreement.

34. Some of the key terms of the Agency Agreement include:
- (a) If the Court issues the proposed Order approving the Agency Agreement, the Sale will commence within one calendar day of the making of the Order, or such other date as the parties may mutually agree in writing.
 - (b) The Agency Agreement is conditional upon the Company having obtained an Order of this Court by no later than February 4, 2015 substantially in the form attached to the Agency Agreement.
 - (c) The Sale Term will end on the Sale Termination Date, which is defined as the date on which the Sale terminates, which date shall be no later than May 15, 2015 with respect to the stores, no later than April 30, 2015 with respect to the distribution centres and no later than March 31, 2015 with respect to the corporate office.
 - (d) All sales of Merchandise in TCC's stores will be recorded using TCC's existing POS System to ensure accurate sales audit functions, as well as accurate calculations of Proceeds. All Proceeds will be collected by TCC and deposited in

the existing accounts on a daily basis and reconciled on a weekly basis. During each “Weekly Sale Reconciliation” during the Sale Term, all Proceeds will be disbursed as follows:

- (i) first, to the Company, to reimburse the Company for Expenses paid by the Company during the previous week subject to the Weekly Sale Reconciliation;
 - (ii) second, to the Agent, to reimburse the Agent for Expenses paid by the Agent during the previous week subject to the Weekly Sale Reconciliation;
 - (iii) third, to the Company, until payment in full of the Guaranteed Amount;
 - (iv) fourth, to the Agent, until the Agent has received an amount equal to six percent of the aggregate Cost Value of the Merchandise; and
 - (v) fifth, (x) fifty percent to Agent; and (y) fifty percent to the Company.
- (e) The Agent will have the exclusive right to dispose of all FF&E in accordance with the Agency Agreement. In consideration of its services selling the FF&E, the Agent will receive a commission on the sale of any FF&E during the Sale equal to 20% of the “FF&E Proceeds”. In addition, the Company will reimburse the Agent for the Agent’s reasonable out of pocket expenses reasonably attributed to the disposition of FF&E. All gross proceeds of FF&E will be deposited by the Agent on a daily basis in an account to be designated by the Company.

- (f) The Agent only has the right to supplement the Merchandise in the Sale with additional goods procured by the Agent if such additional goods are of like kind and no lesser quality to the Merchandise and provided that such goods shall be limited to 5% of the aggregate Cost Value of the Merchandise at the Sale Commencement Date. The Agent will pay the Company five percent of the gross proceeds (excluding Sale Taxes) for such goods. The Agent and Company agree that such Additional Goods are, and shall be construed as, a true consignment from Agent to the Company in all respects.
- (g) To the extent that there is Merchandise or FF&E remaining at the Sale Termination Date, such remaining Merchandise or FF&E shall be deemed transferred to the Agent free and clear of all Encumbrances and the Agent shall use commercially reasonable efforts to dispose of all such remaining Merchandise or FF&E by bulk sale, wholesale or otherwise. The proceeds received by the Agent from such disposition shall constitute Proceeds or FF&E Proceeds, as applicable, under the Agency Agreement. To the extent that any of the remaining Merchandise includes any Merchandise with logos, brand names or other intellectual property of or under license to the Company, the Agent and the Company shall agree on the disposition of such Merchandise.
- (h) The Company will retain all rights and responsibilities in respect of any “Excluded Goods” – including, among other goods, Scheduled Drugs, inventory owned by Glentel, and Starbucks products containing licensed trademarks – but the Agent will assist the Company in dealing with any Excluded Goods,

including, without limitation, by selling, removing or returning any of the Excluded Goods to such parties as may be identified by the Company, in each case at the Company's sole cost and expense. If the Company elects at the beginning of the Sale Term to have the Agent sell some or all of the Excluded Goods (the Company having obtained all necessary approvals from third parties, or authorizations as may be required), the Agent shall accept such Excluded Goods to be sold as part of the Sale at prices and through sales channels mutually acceptable to the Company and the Agent. The Agent shall be entitled to receive a fee equal to 20% of the proceeds (excluding Sales Tax).

- (i) The Agent shall be unconditionally responsible for all Expenses incurred in conducting the Sale during the Sale Term, which Expenses shall be paid by Agent in accordance with the Agency Agreement.
- (j) All sales of Merchandise and FF&E will be "final sales" and "as is" and all advertisements and sales receipts will reflect the same.
- (k) Subject to the provisions of the proposed Order approving the Agency Agreement, the Company will provide such employees as the Agent may designate from time to time in connection with the conduct of the Sale. The Agent may, in its discretion, stop using any such employee at any time during the Sale. The employees at all times remain the employees of the Company.

35. The Agency Agreement is also subject to certain guidelines (the "**Sales Guidelines**"), which are attached as Schedule "G" to the Agency Agreement. The Target Canada

Entities prepared the Sales Guidelines in consultation with the Monitor. The Sales Guidelines provide, among other things:

- (a) Except as otherwise set out in any Court Order, subsequent written agreement between TCC and the landlord, or the Sales Guidelines, the Sale shall be conducted in accordance with the terms of the applicable leases.
- (b) The Sale shall be conducted so that each store remains open during the normal hours of operation provided for in the applicable leases until the Vacate Date for the store, as provided in the Agency Agreement.
- (c) All display and hanging signs used in connection with the Sale shall be professionally produced and hung in a professional manner. No signs shall advertise the Sale as a “going-out-of-business” or “bankruptcy” sale.
- (d) The purchasers of FF&E shall only be permitted to remove the FF&E through the back shipping areas after regular store business hours, with the landlords’ supervision if required by the landlords, in accordance with the Initial Order and the proposed Order approving the Agency Agreement and Inventory Liquidation Process.
- (e) The Agent shall not conduct any auctions of merchandise or FF&E at any of the locations.

36. The Company and the Monitor will have the right to monitor the Sale and activities attendant thereto and be present in all Locations at all times.

37. In addition to all of the foregoing, the Target Canada Entities and the Monitor intend to consider issues raised by stakeholders as they arise. In particular, the Target Canada Entities intend to consult with their landlords throughout this process. As noted above, counsel for the Target Canada Entities has already met with counsel for certain of the landlords regarding the proposed Inventory Liquidation Process.

38. A subset of the retail leases for TCC's stores include provisions prohibiting going-out-of-business, liquidation and/or bankruptcy sales. In addition, some of the retail leases contain express operating covenants. These covenants take a variety of forms including covenants to continuously operate the store for varying periods of time. Some of the retail leases also include recapture rights that permit the landlord to take back the premises if the store ceases operations. As indicated previously, the Sales Termination Date is to be no later than May 15, 2015. However, the Target Canada Entities have been advised by the Agent that the operations at many stores may cease well before May 15, 2015, with Sales at some stores to be completed potentially as early as the end of March 2015.

39. I believe that the contemplated sales process will benefit all of the Target Canada Entities' stakeholders. It is my understanding that the Agent is familiar with the types of lease restrictions described above, has good relationships with many of the landlords from prior transactions, and is experienced in dealing with the types of landlord concerns that may arise in the type of process contemplated in this CCAA proceeding.

40. The Agency Agreement contemplates the creation of a Court-ordered charge in favour of the Agent on all of the Merchandise, Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and the proceeds of the Sale of Designated Company Consignment Goods

(to the extent of the Agent's commission with respect thereof) to secure all amounts due and owing to the Agent under the Agency Agreement. The Agent's services are crucial to the controlled and orderly wind down of the Target Canada Entities' businesses. In the Target Canada Entities' view, this represents the best way to maximize the value of the Inventory & FF&E and to maximize the amounts available for the benefit of all stakeholders. The Target Canada Entities believe that engaging a professional liquidator to undertake a sale of the Inventory & FF&E will produce better results for the Target Canada Entities than an attempt by the Target Canada Entities to sell their remaining Inventory & FF&E without such professional assistance.

41. The Target Canada Entities believe that it is crucial to begin a sales process immediately in order to implement the orderly wind down of the business and to maximize the amounts available to their respective stakeholders. I am advised by the Monitor and believe that the Monitor supports the proposed Inventory Liquidation Process, including the proposed timeline.

Proposed Real Estate Interest Sales Process

42. The Target Canada Entities are also seeking at this time the Court's approval of a process (the "**Real Property Portfolio Sales Process**") by which they will seek to sell all or substantially all of TCC's Leases and Real Property under the supervision of the Court and the Monitor. The purpose of the Real Property Portfolio Sales Process is to seek proposals from Qualified Bidders and to implement one or a combination of such proposals. The process is intended to be flexible and may result in sales, dispositions, assumptions, assignments, disclaimers, terminations, and other transaction forms.

43. The Real Property Portfolio Sales Process was designed by the Target Canada Entities and the Financial Advisor, in consultation with the Monitor and Northwest Atlantic (Canada) Inc. (the “**Broker**”). The Initial Order approved the appointment of the Financial Advisor and the Broker in connection with the contemplated sales process for the real estate portfolio held by the Target Canada Entities.

44. I am advised by Tim Pohl of Lazard and believe that the Real Property Portfolio Sales Process is designed to maximize the value of the Target Canada Entities’ real estate portfolio for the benefit of the stakeholders, based on the experience and expertise of the Financial Advisor in conducting the types of processes contemplated therein, and the local market experience and in-depth understanding of the individual properties of the Broker.

45. The proposed Real Property Portfolio Sales Process is attached as Exhibit E to this Affidavit. Capitalized terms that are not otherwise defined in this section of my Affidavit have the meaning given to them in that document.

46. It is my understanding that the Monitor supports the request to approve and implement the Real Property Portfolio Sales Process. The Monitor will supervise, in all respects, the Real Property Portfolio Sales Process, including the Financial Advisor’s performance under its engagement by TCC in connection therewith. In addition, as explained below, at the end of the process, the Target Canada Entities will apply to this Court for an Order approving any Successful Bid(s), or Qualified Bid(s) as applicable, and authorizing TCC to enter into any and all necessary agreements with respect to the Successful Bid(s), or Qualified Bid(s) as applicable, and to undertake such other actions as may be necessary or appropriate to give effect to them.

47. The Target Canada Entities have been advised by the Financial Advisor that the sales process is expected to be more effective and maximize recovery for the estate if all of the leases and real property are dealt with in a single, holistic process. Although the process is flexible and may result in multiple transactions, the Financial Advisor has advised that going to market in a piecemeal approach would likely result in a lower overall recovery for the estate. It is my understanding that the Monitor also supports dealing with all of the leases and real property in a single process.

48. The proposed process provides that: (i) as soon as reasonably practicable the Monitor will cause notice of the Real Property Portfolio Sales Process to be published in the national editions of *The Globe and Mail* and *The Wall Street Journal* and posted on the Monitor's website; and (ii) the Financial Advisor will distribute an initial offering summary to interested parties identified by the Financial Advisor, Broker and TCC, inviting such parties to express an interest in making an offer to acquire all or some of the Leases and Real Property.

49. A summary of key dates for the Real Property Portfolio Sales Process is as follows (these dates can be extended in accordance with the terms of the proposed process):

Phase 1

- (a) Phase 1 Bid Deadline – March 5, 2015

Phase 2

- (b) Stalking Horse Bid Deadline¹ – March 26, 2015
- (c) Qualified Bid Deadline – April 23, 2015
- (d) Targeted Outside Date – May 15, 2015

50. The Real Property Portfolio Sales Process is expected to proceed in two phases:

i. ***Phase 1 – Solicitation of Non-Binding Letters of Intent***

51. For a period from the date that an Order approving the Real Property Portfolio Sales Process is issued until the Phase 1 Bid Deadline (set as 5:00 p.m. ET on March 5, 2015 or as extended in accordance with the proposed process), the Financial Advisor (with the assistance of TCC and the Broker) will solicit indications of interest to acquire all or a portion of the Leases and Real Property of the Target Canada Entities.

52. Subject to the terms of the Real Property Portfolio Sales Process, each party who has executed a satisfactory confidentiality agreement will receive a confidential information memorandum describing the opportunity and will receive access to an electronic data room containing information relating to the Leases and Real Property.

53. Interested parties that wish to pursue a sales proposal will be required to deliver a non-binding letter of intent (“**LOI**”) by the Phase 1 Bid Deadline.

¹ As explained below, the Target Canada Entities, in their reasonable business judgement and in consultation with the Monitor and Financial Advisor, may select one or more bids to serve as “Stalking Horse Bids”.

54. Within five (5) business days of the Phase 1 Bid Deadline, the Target Canada Entities will, in consultation with the Monitor and Financial Advisor, assess “Qualified LOIs” and determine if there is a reasonable prospect of obtaining a “Qualified Bid”. The Target Canada Entities will consider, among other things: the form and amount of consideration being offered; the effect of accepting sales proposals that are not on an *en bloc* basis; the financial ability of the bidder to consummate the proposed transaction; the anticipated conditions to closing (including any required regulatory and landlord approvals); the estimated time required to complete the proposed transaction and whether it is reasonably likely to close on or before the Targeted Outside Date of May 15, 2015 (as may be extended); and such other criteria as the Target Canada Entities may determine in consultation with the Monitor and the Financial Advisor. If it is determined that there is a reasonable prospect of obtaining a Qualified Bid, the Target Canada Entities will continue the Real Property Portfolio Sales Process and proceed to Phase 2.

ii. ***Phase 2 – Qualified Bids***

55. The Target Canada Entities, in consultation with the Monitor and Financial Advisor, and after considering the criteria set out above, may invite certain “Competing Bidders” to participate in Phase 2. Subject to the terms of the Real Property Portfolio Sales Process, each Competing Bidder and its legal and financial advisors will be granted access to additional due diligence materials.

56. The Target Canada Entities, in their reasonable business judgement and in consultation with the Monitor and Financial Advisor, may select one or more bids to serve as “Stalking Horse Bids”. A Competing Bidder who wishes to submit a “Stalking Horse Bid” must

deliver a Qualified Bid in accordance with the rules applicable to Qualified Bids to the Financial Advisor on or before the Stalking Horse Bid Deadline (set as 5:00 p.m. ET on March 26, 2015 or as extended in accordance with the proposed process).

57. If one or more Stalking Horse Bids is received, the Target Canada Entities, exercising their reasonable business judgement and in consultation with the Monitor and Financial Advisor, will select the Stalking Horse Bid(s) they consider most favourable and shall negotiate and attempt to settle the terms of a definitive agreement in respect of such Stalking Horse Bid(s). A definitive agreement negotiated and settled will be a "Selected Stalking Horse Bid". It is contemplated that there may be more than one Selected Stalking Horse Bid, depending on whether a Competing Bidder intends to bid for all, or only some, of the Leases and/or Real Property, provided that only one Selected Stalking Horse Bid may be selected in respect of any particular Lease and/or Real Property. The Target Canada Entities reserve the right, taking into account all other factors (including execution risk), to choose one or more bidders as Selected Stalking Horse Bidders that did not offer the highest purchase price for the Leases and/or Real Property.

58. With the consent of the Monitor, and in consultation with the Financial Advisor, the Target Canada Entities may grant each Selected Stalking Horse Bidder the following bid protections: (i) a Break-Up Fee not to exceed 3% of the negotiated purchase price of the applicable Leases and/or Real Properties; and/or (ii) an expense reimbursement of documented and reasonable out of pocket costs in pursuing the opportunity to consummate a Sale Proposal to a maximum amount of \$150,000 in the aggregate. A Selected Stalking Horse Bid shall only be entitled to payment of the Break-Up Fee and/or Expense Reimbursement, as applicable, if the

Target Canada Entities consummate transactions for the applicable leases and/or property with bidders other than the Selected Stalking Horse Bidder. The Target Canada Entities have been advised by the Financial Advisor that these bid protections, including the percentage of the Break-Up Fee and the amounts of the Expense Reimbursement, are reasonable in the circumstances, based on the Financial Advisor's experience in similar transactions and the Canadian market.

59. A "Qualified Bidder" who wishes to submit a "Qualified Bid" must deliver a Qualified Bid to the Financial Advisor on or before the Qualified Bid Deadline (set as April 23, 2015 or as extended in accordance with the proposed process). Any Competing Bidder who wishes to become a Qualified Bidder must submit a Qualified Bid satisfying the conditions set out in the Real Property Portfolio Sales Process. The conditions include, among other things, a final binding proposal in the form of a duly authorized and executed purchase agreement based on the Form of Purchase Agreement to be provided to potential Qualified Bidders; a letter stating that the offer is irrevocable unless and until certain conditions are met; a list of the Leases and/or Real Property to be subject to the bid; the details of any liabilities to be assumed by the Competing Bidder; and a Deposit in the form of a wire transfer payable to the Monitor on behalf of the Target Canada Entities, in trust, in an amount equal to 10% of the purchase price for the Leases and/or Real Property proposed to be acquired. The Target Canada Entities, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids.

60. The Target Canada Entities, in consultation with the Monitor and Financial Advisor, may engage in negotiations with the Qualified Bidders and accept revisions to Qualified Bids, in their discretion.

61. The Target Canada Entities, in consultation with the Monitor and Financial Advisor, will determine which is the most favourable bid with respect to the Leases and Real Property, taking into account, among other things: the form and amount of consideration being offered; whether the Qualified Bid maximizes value for the Leases and/or Real Property, including the effect of accepting Sales Proposals which are not on an *en bloc* basis; the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction; the conditions to closing (including any regulatory and landlord approvals); the terms and provisions of any proposed transaction documentation; the estimated time required to complete the proposed transaction and whether, in the Target Canada Entities' reasonable business judgement, in consultation with the Monitor, it is reasonably likely to close on or before the Targeted Outside Date (set as May 15, 2015 or as extended in accordance with the proposed process); and such other criteria as the Target Canada Entities may, in consultation with the Monitor and Financial Advisor, determine.

62. Following the submission of any Qualified Bids, the Target Canada Entities, in consultation with the Financial Advisor and the Monitor, shall commence one or more Auctions on or about April 28, 2015. Only Qualified Bidders for the Leases and/or Real Property to be auctioned (and their financial and legal advisors) will be entitled to participate in the Auction. (Selected Stalking Horse Bids are deemed to be Qualified Bids.) The terms of the Auction are described in the Real Property Portfolio Sales Process and may be modified by the Target

Canada Entities with the consent of the Monitor, and in consultation with the Financial Advisor. The highest and best bid at the conclusion of the auction (as determined by the Target Canada Entities in their reasonable business judgement and in consultation with the Monitor and Financial Advisor) will become a Successful Bid. The Target Canada Entities reserve the right to choose one or more Successful Bids that did not offer the highest purchase price(s). (The entity with the next-highest or otherwise second best Qualified Bid at the Auction shall be required to serve as a “Backup Bidder” and required to keep its Backup Bid open and irrevocable until the earlier of: (i) the Outside Backup Date; and (ii) the closing of the transaction with the Successful Bidder.)

63. The Target Canada Entities will apply to the Court for an Order: (i) approving the Successful Bid(s) and, for leases and/or real property not subject to an Auction, the applicable Qualified Bids, and (ii) authorizing TCC to enter into any and all necessary agreements with respect to these bid(s) and to undertake such other actions as may be necessary or appropriate to give effect to these bid(s).

64. The sale of the Leases and Real Property will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description, except to the extent set forth in a definitive sales agreement executed with a Successful Bidder (or Qualified Bidder or Backup Bidder, as applicable). It is intended that all of the right, title and interest of TCC in and to the Leases and Real Property or any portion thereof to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon (including the Court-ordered charges in this CCAA proceeding), pursuant to a vesting Order to be sought from this Honourable Court, except to the extent set forth in a

definitive sales agreement executed with a Successful Bidder (or Qualified Bidder or Backup Bidder, as applicable).

65. The Target Canada Entities, with the consent of the Monitor and the DIP Lender and in consultation with the Financial Advisor, may at any time amend the Real Property Portfolio Sales Process and/or impose additional terms and conditions and otherwise seek to modify the Real Property Portfolio Sales Process.

66. The Target Canada Entities intend to consult with their landlords as they proceed through the Real Property Portfolio Sales Process. The Real Property Portfolio Sales Process provides that the Monitor and the Financial Advisor will communicate with the landlords from time to time, as appropriate, in connection with their respective interests in the process.

67. Some of the leases contain provisions that restrict assignment of the leases without the landlord's consent, though almost all of the leases provide that, if such consent is required, it cannot be unreasonably withheld. Some of the leases also contain provisions giving the landlord the option to terminate the lease if TCC elects to assign the lease.

68. The Target Canada Entities believe that a comprehensive sales process is warranted at this time. The Real Property Portfolio Sales Process is designed in a manner that is expected to maximize the realization on the value of the Target Canada Entities' real estate portfolio for the benefit of all stakeholders. The Target Canada Entities do not believe that there is any better viable alternative to the proposed Real Property Portfolio Sales Process. In addition, the Target Canada Entities believe that it is necessary to execute the process quickly as part of their orderly wind down of operations in Canada.


Stay Extension

69. The Target Canada Entities are seeking to extend the Stay Period (as defined in paragraph 17 of the Initial Order) up to and including May 15, 2015. This will allow the processes described above to unfold and allow the Target Canada Entities to focus on the orderly wind down of the businesses, with the oversight of the Monitor, for the benefit of all stakeholders. May 15, 2015 is the Targeted Outside Date under the Real Property Portfolio Sales Process and is also the date by which the Inventory Liquidation Process is expected to be completed.

70. The Target Canada Entities have confirmed, in consultation with the Monitor, that they have sufficient cash flow to carry on their business until May 15, 2015. I understand that the Monitor will file updated cash flows with the Court prior to the hearing of this motion.

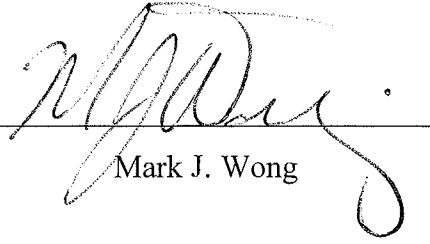
71. I believe that the Target Canada Entities have acted, and continue to act, in good faith and with due diligence in pursuing the controlled and orderly wind down of their businesses. I do not believe that any creditor will suffer any material prejudice if the Stay Period is extended as requested. I am informed by the Monitor that it supports the request to extend the Stay Period. Finally, I am advised by my counsel and believe that the extension of the Stay Period at this time is not intended to affect the exercise of “comeback rights” of stakeholders pursuant to the Initial Order.

SWORN BEFORE ME at the City of
Toronto, on the 29th day of January,
2015.



Commissioner for taking Affidavits

Alexis Beale


Mark J. Wong

**THE FOLLOWING IS EXHIBIT "A" REFERRED
TO IN THE AFFIDAVIT OF MARK J. WONG
SWORN JANUARY 29, 2015**



Commissioner for Taking Affidavits



Court File No. CV-15-1082-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) THURSDAY, THE 15TH
REGIONAL SENIOR JUSTICE) DAY OF JANUARY, 2015
MORAWETZ)

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 (the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Mark J. Wong sworn January 14, 2015 and the Exhibits thereto (the "Wong Affidavit") and the pre-filing report dated January 14, 2015 of Alvarez & Marsal Canada Inc. ("A&M") in its capacity as Proposed Monitor of the Applicants (the "Pre-Filing Report"), and on hearing the submissions of counsel for the Applicants and the partnerships listed on Schedule "A" hereto (the "Partnerships", and collectively with the Applicants, the "Target Canada Entities"), Target Corporation, A&M, the Directors and Employee Representative Counsel, and on reading the consent of A&M to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not Applicants, the Partnerships shall enjoy the benefits of the protections and authorizations provided by this Order.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants, individually or collectively, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**"), between, *inter alia*, one or more of the Target Canada Entities and one or more classes of their applicable secured and/or unsecured creditors as the Applicants deem appropriate.

4. THIS COURT ORDERS that the amounts owing by Target Canada Co. ("**TCC**") to Nicollet Enterprise 1 S.à r.l. shall be subordinated and postponed to the proven claims of the unsecured creditors of TCC.

POSSESSION OF PROPERTY AND OPERATIONS

5. THIS COURT ORDERS that the Target Canada Entities shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Target Canada Entities shall continue to carry on business in a manner consistent with the preservation of the value of their business (the "**Business**") and Property. The Target Canada Entities shall each be authorized and empowered to continue to retain and employ the employees, advisors, consultants, agents, experts, appraisers, valuers, brokers, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further

Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the Target Canada Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the Wong Affidavit or, with the consent of the Monitor and the DIP Lender (as defined herein), replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System (including, without limitation, Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America and JPMorgan Chase Bank, National Association (“**JPMorgan**”)) shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Target Canada Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Target Canada Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. THIS COURT ORDERS that the Target Canada Entities (other than Target Canada Property LLC and Target Canada Property LP) (collectively, the “**DIP Entities**”) shall segregate all cash and non-cash receipts arising out of or in connection with the sale of the following Property of the DIP Entities (the “**DIP Property**”), which receipts shall be held in trust by the DIP Entities as follows:

- (a) net cash proceeds of any sale or other disposition (including as a result of casualty or condemnation) by the DIP Entities of any DIP Property other than inventory (whether such inventory is sold or disposed of through return to the vendor or wholesaler, the liquidation of the inventory by a liquidation agent if appointed by the Court in connection with the Liquidation Agent Solicitation Process (as defined herein) or otherwise), which shall be held in trust for and on behalf of the DIP Lender (as defined herein) and applied, except as otherwise agreed by the DIP Lender in

writing as follows, pursuant to and in accordance with the Term Sheet (as defined herein):

- (i) first, to pay accrued and unpaid interest on, and expenses in respect of, the DIP Obligations (as defined herein);
- (ii) second, to repay any principal amounts or other DIP Obligations outstanding; and
- (iii) third, the balance to be paid to the DIP Entities.

8. THIS COURT ORDERS that the Target Canada Entities shall be entitled but not required to pay the following expenses whether incurred prior to, on or after this Order to the extent that such expenses are incurred and payable by the Target Canada Entities:

- (a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental and similar benefit plans or arrangements), vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll processing expenses;
- (b) all outstanding or future amounts owing in respect of customer rebates, refunds, discounts or other amounts on account of similar customer programs or obligations;
- (c) all outstanding or future amounts related to honouring gift cards issued before or after the date of this Order;
- (d) the fees and disbursements of any Assistants retained or employed by the Target Canada Entities at their standard rates and charges;
- (e) with the consent of the Monitor, amounts owing for goods or services actually supplied to the Target Canada Entities prior to the date of this Order by:
 - (i) logistics or supply chain providers, including customs brokers and freight forwarders and security and armoured truck carriers;
 - (ii) providers of credit, debit and gift card processing related services; and

- (iii) other third party suppliers up to a maximum aggregate amount of \$10,000,000, if, in the opinion of the Target Canada Entities, the supplier is critical to the Orderly Wind-down (as defined herein); and
 - (f) any and all sums due and owing to Amex Bank of Canada and JPMorgan in respect of credit cards issued to management and employees of the Target Canada Entities.
- 9. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Target Canada Entities shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the Business in the ordinary course during the Orderly Wind-down after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:
 - (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
 - (b) payment for goods or services actually supplied to the Target Canada Entities following the date of this Order.
- 10. THIS COURT ORDERS that the Target Canada Entities shall remit, in accordance with legal requirements, or pay:
 - (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from the Target Canada Entities' employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
 - (b) all goods and services taxes, harmonized sales taxes or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Target Canada Entities in connection with the sale of goods and services by the Target Canada Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or

where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order;

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Target Canada Entities; and
- (d) taxes under the *Income Tax Act* (Canada) or other relevant taxing statute giving rise to any statutory deemed trust amounts in favour of the Crown in right of Canada or any Province thereof or any political subdivision thereof or any other taxation authority.

11. THIS COURT ORDERS that, except as specifically permitted herein, the Target Canada Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by any one of the Target Canada Entities to any of their creditors as of the date of this Order; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order or any other Order of the Court.

ORDERLY WIND-DOWN

12. THIS COURT ORDERS that the Target Canada Entities shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the term sheet (the "**Term Sheet**") governing the DIP Facility (as defined herein), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their respective businesses or operations, and to dispose of redundant or non-material assets not exceeding \$1,000,000 in any one transaction or \$5,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as the relevant Target Canada Entity deems appropriate;

- (c) pursue all offers for sales of material parts of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any sale (except as permitted by paragraph 12(a)) above;
- (d) in consultation with, and with the oversight of, the Monitor, engage in discussions with and solicit proposals and agreement(s) from third parties in respect of the liquidation of the inventory, furniture, equipment and fixtures located in and/or forming part of the Property (the "**Liquidation Agent Solicitation Process**") and return to Court for approval of such agreement(s); and
- (e) to apply to this Court for such approval, vesting or other Orders as may be necessary to consummate sale transactions for all or any part of the Property,

all of the foregoing to permit the Target Canada Entities to proceed with an orderly wind-down of the Business (the "**Orderly Wind-down**").

REAL PROPERTY LEASES

13. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Target Canada Entities shall pay, without duplication, all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts normally payable to the landlord under its lease, but for greater certainty, excluding accelerated rent) or as otherwise may be negotiated between the applicable Target Canada Entity and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

14. THIS COURT ORDERS that the Target Canada Entities shall provide each of the relevant landlords with notice of the relevant Target Canada Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the relevant Target Canada Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture

shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Target Canada Entity, or by further Order of this Court upon application by the Target Canada Entities on at least two (2) days' notice to such landlord and any such secured creditors. If any of the Target Canada Entities disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the relevant Target Canada Entity's claim to the fixtures in dispute.

15. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA by any of the Target Canada Entities, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Target Canada Entity and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Target Canada Entities in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

16. THIS COURT ORDERS that, notwithstanding anything to the contrary in any real property lease or elsewhere, the Target Canada Entities shall have no obligation to stock or re-stock and/or operate from any of its locations and/or remodel, fixture or open any new or renovated stores during these proceedings.

STAY OF PROCEEDINGS

17. THIS COURT ORDERS that until and including February 13, 2015, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Target Canada Entities or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Target Canada Entities and the Monitor, or with leave of this Court, and any and

all Proceedings currently under way against or in respect of the Target Canada Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

18. THIS COURT ORDERS that during the Stay Period, no Person having any agreements or arrangements with the owners, operators, managers or landlords of commercial shopping centres or other commercial properties (including retail, office and industrial (warehouse) properties) in which there is located a store, office or warehouse owned or operated by the Target Canada Entities shall take any Proceedings or exercise any rights or remedies under such agreements or arrangements that may arise upon and/or as a result of the making of this Order, the declarations of insolvency by the Target Canada Entities or as a result of any steps taken by the Target Canada Entities pursuant to this Order and, without limiting the generality of the foregoing, no Person shall terminate, accelerate, suspend, modify, determine or cancel any such arrangement or agreement or be entitled to exercise any rights or remedies in connection therewith.

19. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Target Corporation and its direct and indirect subsidiaries (other than the Target Canada Entities) (collectively, "**Target US**") arising out of or in connection with any right, remedy or claim of any Person (as defined herein) against Target US in connection with any indebtedness, indemnity, liability or obligation of any kind whatsoever of Target US under contract, statute or otherwise, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by indemnity, guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution, indemnity or otherwise, with respect to any matter, action, cause or chose in action, whether existing at present or commenced in future, which indebtedness, indemnity, liability or obligation is derivative of the primary liability of the Target Canada Entities except with the written consent of the Target Canada Entities and Target US and the Monitor, or with leave of this Court; provided that this paragraph shall not apply to any present or future bank providing the Cash Management System (including, without limitation, Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America and

JPMorgan) in connection with any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

NO EXERCISE OF RIGHTS OR REMEDIES

20. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Target Canada Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the prior written consent of the Target Canada Entities and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Target Canada Entities to carry on any business which the Target Canada Entities are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien, and provided further that this paragraph shall not apply to any present or future bank providing the Cash Management System (including, without limitation, Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America and JPMorgan) in connection with any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

NO INTERFERENCE WITH RIGHTS

21. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Target Canada Entities, except with the written consent of the relevant Target Canada Entity and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy, and/or exemption in favour of the relevant Target Canada Entity shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

CONTINUATION OF SERVICES

22. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Target Canada Entities or statutory or regulatory mandates for the supply

of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, cash management services, payroll and benefits services, pharmaceutical services, insurance, warranty services, transportation services, freight services, security and armoured truck carrier services, utility, customs clearing, warehouse and logistics services or other services to the Business or the Target Canada Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Target Canada Entities, and that the Target Canada Entities shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Target Canada Entities in accordance with normal payment practices of the Target Canada Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Target Canada Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Target Canada Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

KEY EMPLOYEE RETENTION PLAN

24. THIS COURT ORDERS that the Key Employees Retention Plan (the "**KERP**"), as described in the Wong Affidavit, is hereby approved and the Target Canada Entities are authorized to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

25. THIS COURT ORDERS that the key employees referred to in the KERP shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the Property, which charge shall not exceed an aggregate amount of \$6.5 million to secure

amounts owing to such key employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 63 and 65 herein.

EMPLOYEE TRUST

26. THIS COURT ORDERS that the creation of the Employee Trust, as defined and described in the Wong Affidavit, is hereby approved on substantially the terms and conditions set out in the Employee Trust Agreement, including without limitation the appointments of Hon. John D. Ground as trustee and the Monitor as administrator (the “**Administrator**”) of the Employee Trust and authorizes and directs the Monitor to act in such capacity.

27. THIS COURT ORDERS that TCC is authorized to process or cause to be processed all amounts received from the Employee Trust, including making payments to the Beneficiaries (as defined in the Employee Trust Agreement), subject to and in accordance with the terms and conditions of the Employee Trust Agreement.

28. THIS COURT ORDERS that the amounts received by TCC from the Employee Trust in the hands of TCC and when paid to any payment processor shall be deemed to be held in trust for and on behalf of the Beneficiaries, subject to and in accordance with the Employee Trust Agreement and shall not constitute property of TCC, including, without limitation, under the CCAA and the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and shall not be subject to the claims of any person other than as provided under the Employee Trust Agreement.

29. THIS COURT ORDERS that the creation, establishment, funding and administration of the Employee Trust shall not, in whole or in part, directly or indirectly, (a) cause Target US to be or be deemed to be, or (b) in any way be relied upon to claim or assert that Target US is or is deemed to be, either (i) an employer or (ii) a common or related employer under contract, statute, common law or otherwise of any employee of the Target Canada Entities.

30. THIS COURT ORDERS that:

- (a) each Beneficiary shall be deemed to release the Releasees (as defined in the Employee Trust Agreement) on the payment of a distribution from the Employee Trust in respect of such Beneficiary’s Eligible Employee Claim (as defined in the

Employee Trust Agreement), to the extent of such distribution (the "**Payment Release**"); and

- (b) each Beneficiary shall be deemed to release the Releasees in respect of the full amount of the Beneficiary's Eligible Employee Claim 60 days after the final payment to such Beneficiary under the Employee Trust or such later date as the Monitor in its sole discretion may designate, provided that the Beneficiary has not, on or before such date, provided notice of dispute to the Monitor and Employee Representative Counsel (as defined herein) substantially in the manner and form attached as Schedule "B"; provided further that in the event of any insufficiency of Trust funds to cover an individual's total Eligible Employee Claim, only the Payment Release shall be effective and there shall be no deemed full and final release of the full Eligible Employee Claim.

EMPLOYEE REPRESENTATIVE COUNSEL

31. THIS COURT ORDERS that Koskie Minsky LLP ("**Employee Representative Counsel**") is hereby appointed as counsel for all employees other than officers and directors (the "**Employees**") of the Target Canada Entities in these proceedings, any proceeding under the BIA or in any other proceeding respecting the insolvency of the Applicants which may be brought before this Honourable Court (the "**Insolvency Proceedings**"), for any issues affecting the Employees in the Insolvency Proceedings including, without limitation, with respect to the Employee Trust Agreement and the Claims Process (as defined in the Employee Trust Agreement).

32. THIS COURT ORDERS that the Employee Representative Counsel shall commence the process of identifying no more than 7 Employees to be nominated as Court-appointed representatives (the "**Employee Representatives**") as soon as practicable. The Employee Representatives, once appointed, shall represent the Employees in the Insolvency Proceedings, including, without limitation, for the purpose of settling or compromising claims by the Employees in the Insolvency Proceedings.

33. THIS COURT ORDERS that notice of the appointment of Employee Representative Counsel shall be provided to the Employees by:

- (a) referring thereto in a letter to be sent to the Employees, other than former employees, by Target Canada Entities, no later than January 19, 2015;
- (b) postings in each place of work;
- (c) notice on the Monitor's Website (as defined herein) and on the Representative Counsel's website; and
- (d) referring thereto in the notices provided for in paragraph 69 below.

34. THIS COURT ORDERS that the Target Canada Entities shall provide to Employee Representative Counsel, without charge:

- (a) the names, last known address and last known email addresses (if any) of all the Employees as well as applicable data regarding their entitlements, subject to a confidentiality agreement and to only be used for the purposes of these proceedings; and
- (b) upon request of Employee Representative Counsel, such documents and data as may be relevant to matters relating to the issues in these proceedings, including documents and data pertaining to the various benefits, termination allowance plans, severance and termination payments and other arrangements for group health, life insurance, retirement and severance payments, including up to date financial information regarding the funding and investments of any of these arrangements.

35. THIS COURT ORDERS that all reasonable fees and disbursements as may have been incurred by the Employee Representative Counsel prior to the date of this Order or which shall be incurred by the Employee Representative Counsel shall be paid by the Target Canada Entities on a weekly basis, forthwith upon the rendering of accounts to the Target Canada Entities. In the event of any disagreement regarding such fees, such matters may be remitted to this Court for determination.

36. THIS COURT ORDERS that Employee Representative Counsel is authorized to take all steps and to do all acts necessary or desirable to carry out the terms of this Order, including

dealing with any Court, regulatory body or other government ministry, department or agency, and to take all such steps as are necessary or incidental thereto.

37. THIS COURT ORDERS that Employee Representative Counsel shall have no liability as a result of its appointment or the fulfilment of its duties in carrying out the provisions of this Order save and except for any gross negligence or wilful misconduct on its part.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

38. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Target Canada Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Target Canada Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Target Canada Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the Target Canada Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

39. THIS COURT ORDERS that the Target Canada Entities shall jointly and severally indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Target Canada Entities after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

40. THIS COURT ORDERS that the directors and officers of the Target Canada Entities shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$64 million, as security for the indemnity provided in paragraph 39 of this Order. The Directors' Charge shall have the priority set out in paragraphs 63 and 65 herein.

41. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 39 of this Order.

APPROVAL OF ADVISOR AGREEMENTS

42. THIS COURT ORDERS that the agreement dated January 14, 2015 engaging Lazard Freres & Co. LLC ("**Lazard**") as financial advisor to TCC in connection with the sales process for the real property assets held by the Target Canada Entities (the "**Real Property Portfolio Sales Process**") in the form attached as a confidential appendix to the Pre-Filing Report (the "**Financial Advisor Agreement**"), and the retention of Lazard under the terms thereof, is hereby ratified and approved and the Target Canada Entities are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the Financial Advisor Agreement.

43. THIS COURT ORDERS that Confidential Appendix "A" to the Pre-Filing Report shall be and is hereby sealed, kept confidential and shall not form part of the public record.

44. THIS COURT ORDERS that the agreement dated January 14, 2015 engaging Northwest Atlantic (Canada) Inc. ("**Northwest**") to provide real estate advisory services, including any required brokerage services, to TCC in respect of the Real Property Portfolio Sales Process in the form attached as Exhibit V to the Wong Affidavit (the "**Real Estate Advisor Agreement**"), and the retention of Northwest under the terms thereof, is hereby ratified and approved and the Target Canada Entities are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the Real Estate Advisor Agreement.

45. THIS COURT ORDERS that Lazard and Northwest shall consult with and report to the Monitor on a regular basis in connection with the Real Property Portfolio Sales Process.

APPOINTMENT OF MONITOR

46. THIS COURT ORDERS that Alvarez & Marsal Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Target Canada Entities with the powers and obligations set out in the CCAA or set forth herein and that the Target Canada Entities and their direct and indirect shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Target Canada Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

47. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Target Canada Entities' receipts and disbursements;
- (b) assist with the wind-down of the Business and operations of the Target Canada Entities;
- (c) liaise with Assistants with respect to all matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;
- (d) oversee and consult with Lazard and Northwest with respect to the Real Property Portfolio Sales Process;
- (e) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Shared Services, the Orderly Wind-down and such other matters as may be relevant to the proceedings herein;
- (f) assist the Target Canada Entities, to the extent required by the Target Canada Entities, in their dissemination to the DIP Lender and its counsel of financial and other information as agreed to between the Target Canada Entities and the DIP Lender

which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (g) advise the Target Canada Entities in their preparation of the Target Canada Entities' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis in accordance with the Term Sheet;
- (h) advise the Target Canada Entities in their development of the Plan and any amendments to the Plan;
- (i) assist the Target Canada Entities, to the extent required by the Target Canada Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Target Canada Entities, to the extent that is necessary to adequately assess the Target Canada Entities' business and financial affairs or to perform its duties arising under this Order;
- (k) oversee and consult with the Target Canada Entities, any liquidation agent selected through the Liquidation Agent Solicitation Process and any Assistants retained (including brokers), to the extent required, with any and all wind-down activities and/or any marketing or sale of the Property and the Business or any part thereof;
- (l) administer the Employee Trust, in its role as Administrator thereof, in consultation with the Trustee thereof, TCC and Employee Representative Counsel;
- (m) be at liberty to engage independent legal counsel or such other persons, or utilize the services of employees of its affiliates, as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

- (n) be at liberty to serve as a "foreign representative" of the Applicants in any proceeding outside Canada;
- (o) assist the Target Canada Entities, to the extent required by the Target Canada Entities, with any matters relating to any foreign proceeding commenced in relation to any of the Target Canada Entities, including retaining independent legal counsel, agents, experts, accountants or such other persons as the Monitor deems necessary or desirable respecting the exercise of this power; and
- (p) perform such other duties as are required by this Order or by this Court from time to time.

48. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

49. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

50. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Target Canada Entities and the DIP Lender with information provided by the Target Canada Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Target Canada Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Target Canada Entities may agree.

51. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, including for greater certainty in the Monitor's capacity as Administrator of the Employee Trust, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

52. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Target Canada Entities and counsel to the Directors shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or subsequent to the date of this Order by the Target Canada Entities as part of the costs of these proceedings. The Target Canada Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Target Canada Entities and counsel to the Directors on a weekly basis and, in addition, the Target Canada Entities are hereby authorized to pay to the Monitor, counsel to the Monitor, counsel to the Target Canada Entities and counsel to the Directors retainers in the aggregate amount of \$1,000,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

53. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

54. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Target Canada Entities, counsel to the Directors, Employee Representative Counsel, Lazard (with respect to its Monthly Fee set out in the Financial Advisor Agreement) and Northwest shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$6.75 million, as security for their professional fees and disbursements incurred at their respective standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 63 and 65 hereof.

55. THIS COURT ORDERS that Lazard shall be entitled to the benefit of and is hereby granted a charge (the "**Financial Advisor Subordinated Charge**") on the Property with respect to its fees under the Financial Advisor Agreement other than its Monthly Fee thereunder (the "**Transaction Fee**"), which charge shall not exceed an aggregate amount of \$3 million, as security for the Transaction Fee. The Financial Advisor Subordinated Charge shall have the priority set out in paragraphs 63 and 65 hereof.

DIP FINANCING

56. THIS COURT ORDERS that the DIP Entities are hereby authorized and empowered to obtain and borrow, on a joint and several basis, under a credit facility from Target Corporation (the "**DIP Lender**") in order to finance the DIP Entities' working capital requirements and other general corporate purposes and allow them to make such other payments as permitted under this Order and the Term Sheet (the "**DIP Facility**"), provided that borrowings under the DIP Facility shall not exceed US\$175 million unless permitted by further Order of this Court.

57. THIS COURT ORDERS that the DIP Facility shall be on the terms and subject to the conditions set forth in the Term Sheet.

58. THIS COURT ORDERS that the DIP Facility and the Term Sheet be and are hereby approved and the DIP Entities are hereby authorized and directed to execute and deliver the Term Sheet.

59. THIS COURT ORDERS that the DIP Entities are hereby authorized and empowered to execute and deliver the promissory note as is contemplated by the Term Sheet (the

“**Promissory Note**”), and the DIP Entities are hereby authorized and directed to pay and perform all of their respective indebtedness, interest, liabilities and obligations to the DIP Lender under and pursuant to the Term Sheet and the Promissory Note as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

60. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the DIP Property, as security for any and all obligations of the DIP Entities under the DIP Facility, the Term Sheet and the Promissory Note (including on account of principal, interest, fees, expenses and other liabilities) (the aggregate of all such obligations being the “**DIP Obligations**”), which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time. The DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 63 and 65 hereof.

61. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or the Promissory Note;
- (b) upon the occurrence of an event of default under the Term Sheet, the Promissory Note or the DIP Lender’s Charge, the DIP Lender, upon 3 business days’ prior written notice to the DIP Entities and the Monitor and on application to the Court, may exercise any and all of its rights and remedies against the DIP Entities or the DIP Property under or pursuant to the Term Sheet, the Promissory Note and the DIP Lender’s Charge, including without limitation, to cease making advances to the DIP Entities and set off and/or consolidate any amounts owing by the DIP Lender to the DIP Entities against the obligations of the DIP Entities to the DIP Lender under the Term Sheet, the Promissory Note or the DIP Lender’s Charge, to give notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the DIP Entities and for the appointment of a trustee in bankruptcy of the DIP Entities; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the DIP Entities or the DIP Property.

62. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Target Canada Entities, or any of them, under the CCAA, or any proposal filed by the Target Canada Entities, or any of them, under the BIA, with respect to any advances made under the DIP Facility, the Term Sheet or the Promissory Note.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

63. THIS COURT ORDERS that the priorities of the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$6.75 million);

Second – KERP Charge (to the maximum amount of \$6.5 million);

Third – Directors' Charge (to the maximum amount of \$64 million);

Fourth – Financial Advisor Subordinated Charge (to the maximum amount of \$3 million); and

Fifth – DIP Lender's Charge.

64. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge, and the DIP Lender's Charge, (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

65. THIS COURT ORDERS that each of the Administration Charge, the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge shall constitute a charge

on the Property and the DIP Lender's Charge shall constitute a charge on the DIP Property and such Charges (other than the DIP Lender's Charge) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except for any Person who is a "secured creditor" as defined in the CCAA. For greater certainty, the DIP Lender's Charge shall rank behind all Encumbrances in favour of any Person.

66. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Target Canada Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge, the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge, unless the Target Canada Entities also obtain the prior written consent of the Monitor and the beneficiaries of the Administration Charge, the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge, or further Order of this Court.

67. THIS COURT ORDERS that the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge, the Term Sheet, the Promissory Note and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Target Canada Entities, or any of them, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Term Sheet or the Promissory Note shall create or be deemed

to constitute a breach by any of the Target Canada Entities of any Agreement to which they are a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Target Canada Entities entering into the Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Promissory Note; and
- (c) the payments made by the Target Canada Entities pursuant to this Order, the Term Sheet or the Promissory Note, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

68. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the relevant Target Canada Entity's interest in such real property leases.

SERVICE AND NOTICE

69. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Target Canada Entities of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of individuals who are creditors publicly available.

70. THIS COURT ORDERS that any employee of any of the Target Canada Entities that receives a notice of termination from any of the Target Canada Entities shall be deemed to have received such notice of termination by no more than the seventh day following the date such notice of termination is delivered, if such notice of termination is sent by ordinary mail, expedited parcel or registered mail.

71. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Guide") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: <http://www.alvarezandmarsal.com/targetcanada> (the "Monitor's Website").

72. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Target Canada Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Target Canada Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Target Canada Entities and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

73. THIS COURT ORDERS that the Target Canada Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

74. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Target Canada Entities, the Business or the Property.

75. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give

effect to this Order and to assist the Target Canada Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Target Canada Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Target Canada Entities and the Monitor and their respective agents in carrying out the terms of this Order.

76. THIS COURT ORDERS that each of the Target Canada Entities and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as the foreign representative of the Target Canada Entities to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto.


77. THIS COURT ORDERS that any interested party (including the Target Canada Entities and the Monitor) may apply to this Court to vary or amend this Order at the comeback motion scheduled for February 11, 2015, on not less than seven (7) calendar days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

78. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 15 2015

Mj

 RLV

SCHEDULE "A"
PARTNERSHIPS

Target Canada Pharmacy Franchising LP
Target Canada Mobile LP
Target Canada Property LP

SCHEDULE "B"
NOTICE OF DISPUTE REGARDING ELIGIBLE EMPLOYEE CLAIM

I, _____ (insert name and employee number if known), am disputing that I have been paid in full in respect of my Eligible Employee Claim, as such term is defined in the Employee Trust Agreement. ****Please see the Monitor's website at www.alvarezandmarsal.com/targetcanada or Employee Representative Counsel's website at www.kmlaw.ca for further information.****

I am a _____ (insert position) in the Target Canada Co. store located at _____ (insert address/location).

The basis for my objection is:

(insert full particulars regarding dispute, including all facts and calculations on which you are relying)

Based on the foregoing, I claim that I am owed the sum of \$ _____.

Dated at _____ this _____ day of _____, 2015.

Signature: _____

Address: _____

Tel: _____

Email: _____

METHOD OF DELIVERY:

This notice of dispute must be sent to Employee Representative Counsel and to the Monitor at the following addresses:

To Employee Representative Counsel:

Koskie Minsky LLP
20 Queen Street West
Suite 900, Box 52
Toronto, ON M5H 3R3

Attention: Susan Philpott
Fax: (416) 204-2897
Email: targetemployees@kmlaw.ca

To the Monitor at:

Alvarez & Marsal Canada Inc.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Attention: Target Canada Monitor
Fax: (416) 847-5201
Email: targetcanada.monitor@alvarezandmarsal.com

NOTE: THIS MUST BE SENT TO EMPLOYEE REPRESENTATIVE COUNSEL AND THE MONITOR NO LATER THAN 45 DAYS AFTER YOU RECEIVE YOUR LAST PAYMENT FROM TCC PAYROLL.

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., et al.

Applicants

Court File No. CVIS-10832001

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785

**THE FOLLOWING IS EXHIBIT "B" REFERRED
TO IN THE AFFIDAVIT OF MARK J. WONG
SWORN JANUARY 29, 2015**



Commissioner for Taking Affidavits



Court File No.

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**

APPLICANTS

AFFIDAVIT OF MARK J. WONG
(Sworn January 14, 2015)

I, Mark J. Wong, of the City of Mississauga, in the Province of Ontario, General Counsel and Secretary for the Applicant Target Canada Co. (“TCC”), MAKE OATH AND SAY:

1. This Affidavit is made in support of an Application by TCC and the other Applicants (together, the “**Applicants**”) for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). While the limited partnerships listed on Schedule A to this Affidavit (the “**Partnerships**”) are not Applicants in this proceeding, the Applicants seek to have a stay of proceedings and other benefits of an Initial Order under the CCAA extended to the Partnerships, which are related to or carry on operations that are integral to the business of the Applicants.

2. I am General Counsel and Secretary for TCC, positions I have held since February 2012 and January 2015, respectively. I have been a Director of TCC since June 2012. I also hold the following positions with the other Applicants: (i) Director, Vice President and Secretary of Target Canada Health Co.; (ii) Director, President and Secretary of Target Canada Mobile GP Co.; (iii) Secretary of Target Canada Property LLC; (iv) Secretary and Vice President of Target Canada Pharmacy (Ontario) Corp.; (v) Director, Secretary and Vice President of Target Canada Pharmacy (BC) Corp.; (vi) Director, Secretary and Vice President of Target Canada Pharmacy (SK) Corp.; and (vii) Director, Secretary and Vice President of Target Canada Pharmacy Corp. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources for information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I consulted with legal, financial and other advisors of TCC and Target Corporation (the ultimate parent corporation of the Applicants), and other members of the senior management teams of TCC and Target Corporation.

3. This Affidavit is organized in the following sections:

INTRODUCTION	4
CORPORATE STRUCTURE OF THE TARGET CANADA ENTITIES	13
A. TCC.....	13
B. TCC's Subsidiaries	15
C. Real Estate	18
CHIEF PLACE OF BUSINESS	19
THE BUSINESS OF THE TARGET CANADA ENTITIES.....	19
A. Store Formats and Locations	20
B. Real Estate and Leases.....	21
C. Merchandising and Sourcing	26

D.	Distribution	28
E.	Pharmacies	30
F.	Glentel.....	35
G.	Starbucks.....	36
H.	Support Services of Target Corporation and Target Brands.....	37
I.	Employees.....	42
J.	REDCards®, Gift Cards and Warranties	45
K.	Retailing of Cultural Products: Undertakings.....	46
THE FINANCIAL POSITION OF TCC AND TCC PROPCO		47
A.	TCC.....	48
B.	TCC Propco	51
C.	Revenue.....	53
D.	Intercompany Funding	54
E.	Other Intercompany Obligations.....	56
CASH MANAGEMENT SYSTEM		59
A.	RBC.....	60
B.	TD	61
C.	Bank of America	62
D.	JPMorgan	62
E.	Corporate Credit Cards	63
THE URGENT NEED FOR RELIEF UNDER THE CCAA		64
RELIEF SOUGHT		64
A.	DIP Financing	65
B.	Monitor	69
C.	Key Employee Retention Plan	71
D.	Employee Trust.....	76
E.	Employee Representative Counsel	83
F.	Administration Charge.....	85
G.	Directors' and Officers' Protection.....	85
H.	Payments During this CCAA Proceeding.....	87
I.	Inventory Liquidation Process	87
J.	Approval of TCC's Engagement of Lazard and Northwest.....	88
K.	Stay of Derivative Claims against Target Corporation.....	90
L.	Chapter 15 Proceedings	90
CONCLUSION.....		92

Introduction

4. TCC is a large Canadian retailer. Its corporate headquarters are in Mississauga, Ontario. TCC is an operating Canadian subsidiary of the United States-based retailer Target Corporation and is indirectly wholly-owned by Target Corporation.
5. Target Corporation, founded in 1902 as Dayton Hudson Corporation and based in Minneapolis, Minnesota, is one of the largest retailers in the United States. It operates 1,801 stores in the United States and employs more than 350,000 people. Target Corporation is a public company. Its common stock is listed on the New York Stock Exchange under the symbol TGT.
6. TCC operates 133 stores across Canada and, as of January 12, 2015, employed approximately 17,600 people. All or nearly all of the employees work in Canada, with almost half working in Ontario. Other stakeholder groups include vendors of inventory, suppliers of services, franchisee pharmacists operating businesses in TCC stores, landlords and others.
7. The Applicants in this CCAA proceeding do not comprise the entire Target enterprise. The Applicants and Partnerships (together, the “**Target Canada Entities**”) consist of TCC and certain related entities solely involved in the Canadian retail operations (including the Canadian pharmacy operations) and the financing of certain leasehold improvements.
8. In early 2011, Target Corporation decided for the first time to expand its retail operations outside of the United States. At the time, Target Corporation’s leadership saw expansion into Canada as an opportunity to extend the Target shopping experience to a broader group of people and thereby expand its revenues and profits. They also believed that there were

significant opportunities in the Canadian market that made their strategies well positioned to succeed.

9. TCC entered Canada in 2011 by purchasing certain leasehold interests, and ultimately accepting the assignment of some of those leases, from Zellers Inc. (“Zellers”). While TCC also intended to expand to other sites, the Zellers leases gave TCC immediate access to key locations in communities throughout Canada. TCC saw this as being more attractive than a typical greenfield expansion. TCC expected that this access would allow its operations to quickly reach an efficient scale. After renovations and leasehold improvements were complete, TCC opened at many of the former Zellers locations under the Target banner. The first stores opened in March 2013.

10. The financial returns for Canadian stores were expected to be in line with historical returns for U.S. store openings. This typically meant losses until the completion of the first full year of store operations, and profits thereafter. However, despite focused commitment and effort, Canadian consumers did not embrace the Target shopping experience in Canada to the same extent as consumers in the United States. In every quarter since TCC opened its first store, TCC has faced lower-than-expected sales and greater-than-expected losses. Sales for the 2013 fiscal year and the year-to-date 2014 fiscal year significantly missed expectations. As reported in Target Corporation’s consolidated financial statements, the Canadian segment of Target Corporation’s business has suffered a significant loss in every quarter since TCC opened stores in Canada.

- 6 -

Quarter	Canadian Segment Earnings (Loss) before Interest and Taxes (USD)
Q1 2013	(\$205 million)
Q2 2013	(\$169 million)
Q3 2013	(\$238 million)
Q4 2013	(\$329 million)
Q1 2014	(\$211 million)
Q2 2014	(\$204 million)
Q3 2014	(\$211 million)

11. TCC is completely operationally funded by its parent, Target Corporation, and related entities. TCC has put considerable financial pressure on Target Corporation and TCC continues to consume significant cash. It is projected that TCC's cumulative operating losses from its entry into the Canadian market to the end of the 2014 fiscal year (ending January 31, 2015) will be more than CAD \$2.5 billion pre-tax – more than triple the originally expected loss for that period. It is projected that TCC's operations would remain unprofitable for at least five years, and would require significant and continued funding from Target Corporation during that period.

12. TCC believes that it did not succeed due to the following principal issues, among others:

- (a) *Issues of scale:* TCC opened 133 stores across Canada in less than two years. This was, in part, an attempt to allow its operations to quickly reach an efficient scale. The breadth of the expansion stretched TCC's resources and limited TCC's ability to respond quickly and effectively to certain issues, including issues noted below.

In addition, the opening of that many stores resulted in market densification – particularly in large cities served by more than one Target store – and reduced the impact of many of the new store openings.

- (b) *Supply chain issues:* Although TCC invested heavily in information technology to create synchronized retail, inventory and distribution systems for the Canadian operations, TCC has encountered significant supply chain issues. TCC stores were often: (i) out-of-stock for important merchandise, resulting in consumer dissatisfaction; and (ii) over-stocked on other merchandise, necessitating discounts to manage the inventory and impairing operating margins. These supply chain issues created a poor first impression in Canada and prevented TCC from offering the wide assortment of merchandise consistent with Canadian consumers' expectations. Although TCC has invested heavily and improved many of the initial supply chain issues, many potential customers appear to have returned to or maintained the shopping practices they had before TCC's entry into Canada.
- (c) *Pricing and product issues:* Many in the Canadian market expected TCC to follow Target's U.S. prices, which is a significant source of loyalty to the Target brand and a factor that differentiates Target from many of its competitors. Rather than match or reflect the U.S. prices in Canada, TCC's pricing model was designed to compete with other similar Canadian retailers and included generally higher prices than Target's U.S. stores. This appears to have limited TCC's ability to distinguish itself in the competitive Canadian retail marketplace. Many

Canadian consumers also expected TCC to carry the same products as U.S. Target stores. While Canadian stores carry many of the same products as Target's U.S. stores, the precise product mix could not be replicated in Canada.

- (d) *No online presence:* Although Target Corporation has an established and successful online retail business, TCC elected to focus on the build-out of the physical stores and improving store operations, and did not prioritize the establishment of an online retail business for Canadian customers. This turned out to be a significant competitive disadvantage as the retail market moves beyond traditional bricks-and-mortar stores. Target Corporation and TCC, along with their financial and other advisors, have analyzed a variety of options to overcome this absence – including extending the U.S. online Target.com retail business to Canada or establishing a stand-alone online Target.ca retail business – but none of these options are expected to stop the projected significant losses from TCC's operations, as discussed below.

13. TCC has been focused on finding a way to succeed in Canada, but recent results continue to fall below expectations. Beginning in Spring 2014, and continuing extensively over the past several months, TCC has added internal resources and consulted at great length with a variety of strategic, operational and financial advisors in an attempt to improve TCC's operations and identify strategies that could make the Canadian operations viable in the long term. Every one of TCC's retail stores was visited to assess strengths, opportunities and market potential. A variety of portfolio analyses were conducted to assess current and potential sales, gross margin performance, market demographics and site-specific attributes. Advisors and management

consultants visited all or substantially all of TCC's stores and assessed trade areas, mall quality, co-tenants and a variety of other store attributes and variables. However, these efforts did not yield forecasted financial improvements during the 2014 holiday season.

14. TCC and Target Corporation considered a wide range of options, including, among other things, closing underperforming stores; selling specific assets such as a portfolio of leases outside of an insolvency proceeding; improving logistics to improve performance; consolidating distribution operations; and a wide variety of combinations and other options. Even under the most optimistic scenarios, TCC and Target Corporation could not identify an option that would result in TCC breaking-even in the next five years.

15. TCC's operational funding is provided exclusively by Target Corporation and related entities. Target Corporation has invested more than CAD \$7 billion into the expansion into Canada since the start of 2011. Following the thorough review of TCC's performance described above and careful consideration of all options, I am informed by senior management of Target Corporation that the board of directors of Target Corporation has determined that, in its business judgement, it is in the best interest of its business and its shareholders to discontinue operations in Canada and focus on driving growth and building further momentum in its omnichannel U.S. business. Without further funding and financial support from Target Corporation, the Applicants are unable to meet their liabilities as they become due and are therefore insolvent.

16. Given the size and complexity of TCC's operations and the numerous stakeholders involved in the business, including the employees, the Target Canada Entities believe that a controlled and orderly wind down and liquidation through this CCAA proceeding,

to be supervised by the Court with the assistance of the Monitor, is the only practical method to ensure a fair and orderly process for all stakeholders. TCC and Target Corporation intend to wind down Canadian operations in a responsible and controlled manner and, as explained below, intend to treat stakeholders as fairly and equitably as the circumstances allow. Without the continued financial support of Target Corporation, the Target Canada Entities believe that they will be unable to meet their liabilities as they come due and the Target Canada Entities will be unable to continue to operate outside of the “breathing space” afforded by a CCAA proceeding. As described below, Target Corporation has agreed to provide debtor in possession financing to assist the Target Canada Entities in the orderly wind down process.

17. The Target Canada Entities intend to engage in an orderly wind down with the goal of developing a plan of compromise or arrangement to present to their creditors as part of these proceedings. Under the current circumstances, including the continuing expected losses from TCC’s ongoing operations, it is the Target Canada Entities’ view that the optimal way to effect an orderly wind down will be to liquidate TCC’s inventory and to attempt to sell its real estate portfolio, either en bloc, in groups, or individually. TCC is asking the Court to authorize TCC, in consultation with the Monitor, to solicit proposals from liquidators regarding the sale of the Target Canada Entities’ inventory in a liquidation process. The Target Canada Entities intend to return to Court following the solicitation of proposals to seek approval of a liquidation agreement and process for the sale of its inventory. The Target Canada Entities are also asking, as part of the proposed Initial Order, for the Court to approve TCC’s engagement of Lazard Freres & Co. LLC (“**Lazard**”) and Northwest Atlantic (Canada) Inc. (“**Northwest**”) as TCC’s financial advisor and real estate advisor, respectively, to develop and assist with a sales process for TCC’s real estate portfolio.

18. TCC's liquidity position continues to deteriorate. Subject to certain conditions including the granting of the proposed Initial Order, Target Corporation has agreed to provide TCC and its subsidiaries with an interim financing facility (the DIP Facility, as defined below) of up to USD \$175 million. TCC and its subsidiaries have an immediate need for funding. Without the DIP Facility, TCC is unable to meet its next payroll (due on January 16, 2015) and other obligations. In addition, without the DIP Facility, TCC and its subsidiaries are unable to continue their operations throughout an orderly wind down of the business and sale of its real estate and other assets. In an effort to be as fair as possible to the Target Canada Entities' stakeholders, Target Corporation has offered to provide the DIP Facility on terms that are advantageous to the Applicants and their stakeholders.

19. In an effort to provide a measure of financial security during the orderly wind down and to diminish the financial hardship TCC's employees may suffer, Target Corporation has agreed to fund an Employee Trust (defined below) to a maximum amount of CAD \$70 million, discussed further below, for the benefit of eligible employees of TCC to ensure payment of certain amounts, such as working notice following termination, should this Court grant CCAA protection. It is intended that the Employee Trust provide the employees with relief from any possible dispute from other creditors of the Target Canada Entities regarding the TCC employees' entitlement to receive the full amount of these employment benefits as part of the CCAA proceedings. No funds from the Target Canada Entities will be used to fund the Employee Trust. Target Corporation will not seek to recover from the Target Canada Entities' estates any amounts paid out of the Employee Trust. This approach is also intended to benefit other creditors by removing these employee claims from the creditor pool.

20. The Target Canada Entities are asking the Court to appoint representative counsel to represent TCC's employees in the CCAA proceedings to ensure their interests are adequately protected throughout, including by assisting with eligible claims under the Employee Trust.
21. Pursuant to an unsecured loan facility between TCC and its direct parent, Nicollet Enterprise 1 S.à r.l. ("NE1"), TCC owes NE1 approximately CAD \$3.1 billion. NE1 and TCC have entered into a Subordination and Postponement Agreement (defined below) in which NE1 agrees to subordinate all amounts owed by TCC to NE1 under their loan facility to the payment in full of proven claims against TCC, excluding NE1's proven claims.
22. The Target Canada Entities are also seeking, among other relief, the following as part of the proposed Initial Order: (i) approval of a key employee retention plan; (ii) authorization (but not the requirement) to pay pre-filing amounts with the consent of the Monitor to key entities in TCC's distribution network, cash collection network, and to other critical suppliers if required to ensure an orderly wind down for the benefit of TCC's stakeholders; (iii) approval to continue making payments for shared services provided by Target Corporation and certain of its subsidiaries; (iv) an Administration Charge, a KERP Charge, a Directors' Charge and a Financial Advisor Subordinated Charge (each defined herein); (v) a stay of proceedings against the Target Canada Entities; (vi) a temporary stay of proceedings against Target Corporation and related entities relating to claims that are derivative of claims against the Target Canada Entities; and (vii) a stay of potential rights, including termination rights and claims for rent reduction or abatement, asserted by third party tenants in commercial properties where Target stores, offices or warehouses are located that arise as a result of the making of the proposed Initial Order or the Target Canada Entities' circumstances.

23. The Target Canada Entities require a stay of proceedings and related relief under the CCAA, including the temporary stay of proceedings against Target Corporation and related entities that are derivative of claims against the Target Canada Entities, in order to continue operating throughout the contemplated wind down and liquidation process. The stay will provide the Target Canada Entities with the breathing room to implement an orderly wind down, with the ultimate goal of developing a plan of arrangement for the benefit of their stakeholders.

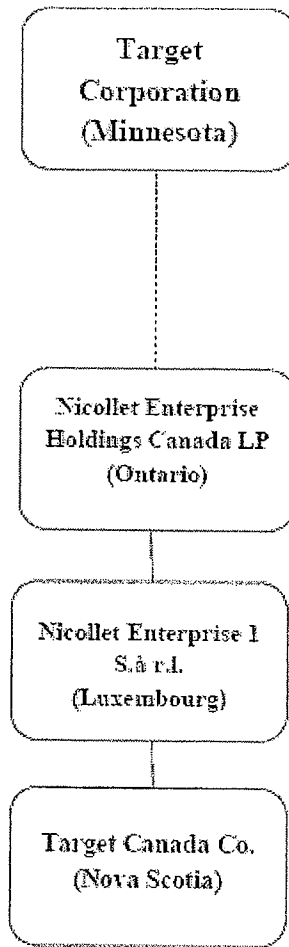
Corporate Structure of the Target Canada Entities

24. TCC is a Nova Scotia unlimited liability company. The other Target Canada Entities are all either: (i) direct or indirect subsidiaries of TCC; or (ii) affiliates of TCC that have been involved in the financing of certain leasehold improvements. A copy of a chart showing the organizational structure of the Target Canada Entities and certain related entities as of today's date is attached as Exhibit A to this Affidavit.

A. TCC

25. As shown in the following chart, TCC is an indirect wholly-owned subsidiary of Target Corporation. The solid lines show a direct parent-subsidary relationship. The dotted lines show an indirect parent-subsidary relationship.

- 14 -



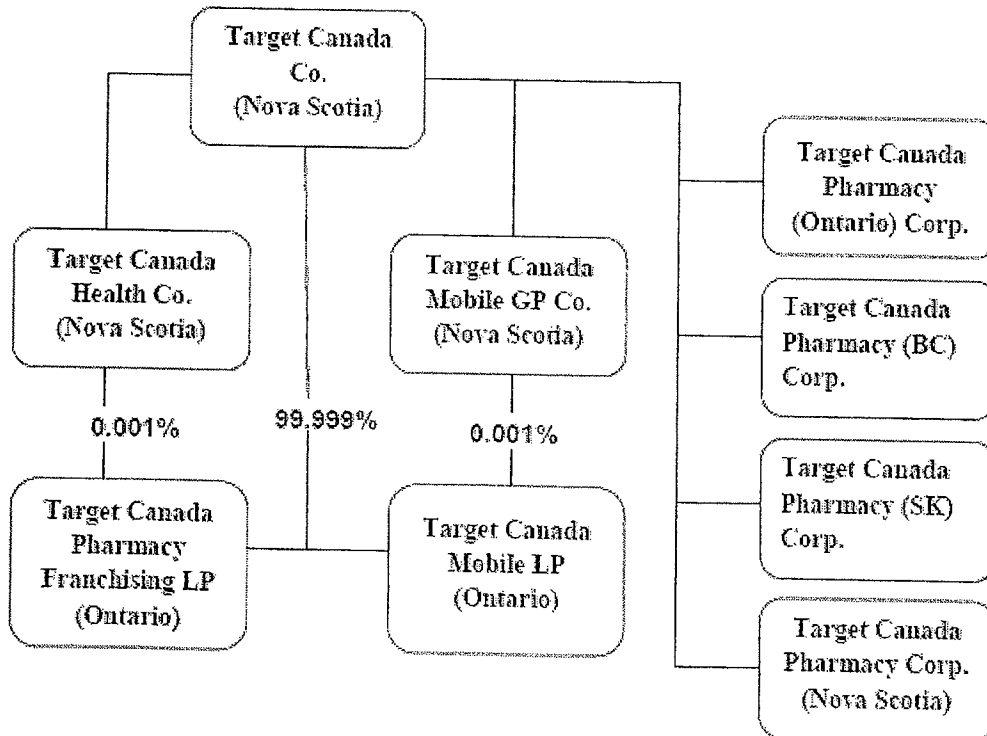
26. TCC is directly owned by NE1, an entity organized under the laws of Luxembourg. NE1 formerly operated under the name TSS 1 S.à r.l. NE1 owns all of the issued and outstanding shares of TCC. As explained below, NE1 has provided equity capital to TCC in the amount of approximately CAD \$2.6 billion and NE1 has lent TCC approximately CAD \$3.1 billion.

27. TCC is an indirect subsidiary of various entities, including Nicollet Enterprise Holdings Canada LP, all of which are subsidiaries of Target Corporation (which is incorporated under the laws of Minnesota).

28. TCC has two directors: Pam Tomczik and me. I became a director of TCC on June 30, 2012. Ms. Tomczik is Vice President of Business Development with Target Corporation and became a director of TCC on December 5, 2014. A list of TCC's officers as of the swearing of this affidavit is attached as Exhibit B to this Affidavit. On January 14, 2015, TCC appointed Aaron Alt as Chief Executive Officer, President and Treasurer of TCC to manage and direct the fair and orderly wind down. Mr. Alt also is a Senior Vice President and the Treasurer of Target Corporation.

B. TCC's Subsidiaries

29. As described below, TCC directly or indirectly owns 100% of each of the subsidiaries in the following chart:



i. *TCC Pharmacy and TCC Health*

30. Target Canada Pharmacy Franchising LP ("**TCC Pharmacy**") is a limited partnership formed in Ontario on March 8, 2012. TCC is the limited partner of TCC Pharmacy and owns 99.999% of TCC Pharmacy. TCC Pharmacy's general partner is Target Canada Health Co. ("**TCC Health**"), a wholly-owned direct subsidiary of TCC organized as a Nova Scotia unlimited liability company and incorporated on March 1, 2012, which holds the remaining ownership interest.

31. As explained below, TCC Pharmacy has licensed to franchisees the right to operate Target-branded retail pharmacies within TCC stores (and, in Quebec, has licensed to a third party, which in turn has sub-licensed to third party franchisees, the right to operate co-branded Target and "Brunet" pharmacies within TCC stores). As a limited partnership, TCC Pharmacy has no officers or directors. All actions by TCC Pharmacy are taken on its behalf exclusively by TCC Health. I am a Director, and the Vice President and Secretary, of TCC Health.

32. TCC also owns all of the issued and outstanding shares of the following Applicants: Target Canada Pharmacy (Ontario) Corp. ("**TCC Pharmacy Ontario**"), Target Canada Pharmacy (BC) Corp., Target Canada Pharmacy (SK) Corp. and Target Canada Pharmacy Corp. (collectively, the "**Pharmacy Corporations**"). I am the Vice President and Secretary of each of the Pharmacy Corporations. I am also a Director of each of the Pharmacy Corporations except TCC Pharmacy Ontario.

33. TCC Pharmacy Ontario currently operates Target-branded and owned pharmacies in three TCC stores in Ontario. The other three Pharmacy Corporations do not currently carry on business. TCC Pharmacy Ontario holds a charter, commonly referred to as a “Pre-54”, that grants it an exemption that was grandfathered into the current legislation governing the ownership of pharmacies in Ontario. I am advised by Mark Austin of Osler, Hoskin & Harcourt LLP (“**Osler**”), counsel to the Target Canada Entities, and believe that, pursuant to the Ontario *Drug and Pharmacies Regulation Act*, corporate ownership of pharmacies is generally restricted to corporations where the majority of each class of shares is owned by and registered in the name of pharmacists or in the name of pharmacist health profession corporations, except that the share ownership restriction does not apply to a corporation that operated a pharmacy on May 14, 1954. In essence, the “Pre-54” exemption allows a qualified corporation to own and operate a retail pharmacy in Ontario if a majority of the directors are licensed pharmacists.

ii. ***TCC Mobile LP and TCC Mobile GP***

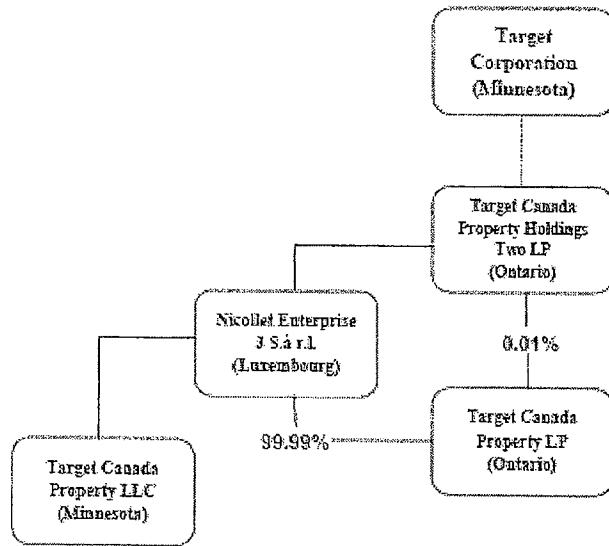
34. Target Canada Mobile LP (“**TCC Mobile**”) is a limited partnership formed in Ontario on May 18, 2012. TCC is the limited partner of TCC Mobile and owns 99.999% of TCC Mobile LP. TCC Mobile’s general partner is Target Canada Mobile GP Co. (“**TCC Mobile GP**”), a wholly-owned direct subsidiary of TCC organized as a Nova Scotia unlimited liability company and incorporated on May 15, 2012, which holds the remaining ownership interest.

35. As explained below, TCC Mobile has licensed to Glentel Inc. (“**Glentel**”) the right to operate Target-branded kiosks to sell mobile phones and accessories within TCC stores. As a limited partnership, TCC Mobile has no officers or directors. All actions by TCC Mobile

are taken on its behalf exclusively by TCC Mobile GP. I am the sole director and officer (President and Secretary) of TCC Mobile GP.

C. Real Estate

36. Target Canada Property LLC (“**TCC Propco**”) is a limited liability company organized under the laws of Minnesota. As shown in the following chart, TCC Propco is directly owned by Nicollet Enterprise 3 S.à r.l. (“**NE3**”), an entity organized under the laws of Luxembourg, which owns all of the issued and outstanding shares of TCC Propco. NE3 is a wholly-owned indirect subsidiary of Target Corporation.



37. As described in further detail below, for almost all the retail store leases entered into by TCC, TCC subleased the properties to TCC Propco, which has made and financed real property improvements to the premises, including improvements to fixtures. TCC Propco subsequently sub-subleased the properties back to TCC. Initially, TCC entered into that sublease / sub-subleaseback relationship with another affiliated entity, Target Canada Property LP, a

limited partnership organized under the laws of Ontario. Target Canada Property LP subsequently assigned all of its rights relating to the subleases and sub-subleases to, and all of Target Canada Property LP's obligations with respect to same were then assumed by, TCC Propco effective January 2014. Target Canada Property LP no longer carries on business. Given Target Canada Property LP's prior involvement in this sublease / sub-subleaseback arrangement, the Applicants are seeking to have the stay of proceedings extended to Target Canada Property LP.

38. As noted above, TCC Propco is a limited liability company organized under the laws of Minnesota. TCC Propco has assets situated in Canada. In addition to its leasehold interests, all of which are in respect of real property in Canada, TCC Propco holds Canadian Dollars in bank accounts located at a Canadian branch of Bank of America.

Chief Place of Business

39. The chief place of business of the Target Canada Entities is Ontario. TCC's head office and corporate headquarters is in Mississauga, Ontario. Approximately 800 employees work out of this office. Four of TCC's eleven other office locations are in Ontario. There are 55 operating TCC retail stores located in Ontario, which is the largest number of stores in any province where TCC operates. Almost half of the employees supporting TCC's operations work in Ontario. Two of TCC's three primary distribution centers are located in Ontario.

The Business of the Target Canada Entities

40. As noted above, TCC opened its first stores in the Canadian marketplace in 2013. Because of the wide variety of merchandise that Target specializes in selling, TCC's major competitors in Canada include not only major retailers such as Wal-Mart, The Bay and Sears, but

also major supermarket chains like Loblaws, electronic retailers like Best Buy and Future Shop, and home improvement stores like Canadian Tire, Home Depot, Rona and Lowes.

41. Target stores typically sell or carry the following categories of merchandise:
- (a) Apparel and accessories including clothing and apparel for all ages, as well as jewelry, accessories and shoes;
 - (b) Hardlines including electronics such as video game hardware and software, music, movies, books, computer software, sporting goods and toys;
 - (c) Household essentials including beauty products, pharmaceutical products, personal care, baby care, cleaning and paper products;
 - (d) Food and pet supplies including dry grocery, dairy, frozen food, beverages, candy, snacks, deli, bakery, produce and pet supplies; and
 - (e) Home furnishings and decor including furniture, lighting, kitchenware, small appliances, home decor, bed and bath, home improvement, automotive and seasonal merchandise such as patio furniture and holiday decor.

A. Store Formats and Locations

42. A typical TCC store has a footprint in the range of 80,000 to 125,000 total retail square feet and is located in a shopping mall or a large strip mall. TCC is usually an anchor tenant for the mall or shopping centre. As explained below, TCC stores typically contain an in-store Target-brand pharmacy, Target Mobile kiosk and a Starbucks cafe.

- 21 -

43. As of the date of this Affidavit, TCC conducts business through 133 stores across Canada including at least one store in each Canadian province. All but three of these retail stores are leased. TCC also has seven “unopened” stores across Canada, all of which are leased. The following chart summarizes TCC’s current number of store locations by province:

Province	Open Stores	Unopened Stores
Alberta	15	
British Columbia	19	1
Manitoba	5	
New Brunswick	3	
Newfoundland	2	
Nova Scotia	4	
Ontario	55	6
PEI	1	
Quebec	26	
Saskatchewan	3	
Total	133	7

B. Real Estate and Leases

44. In January 2011, TCC agreed to pay approximately USD \$1.861 billion to purchase up to 220 leases from Zellers. TCC accepted the assignment of 135 leases from Zellers in three tranches in 2011 with the intent to renovate them and open TCC stores throughout Canada under the Target banner. TCC sold the right to acquire leasehold interests in 54 of the Zellers sites to third parties in exchange for approximately USD \$225 million, resulting in a final net purchase price for the 135 leases of approximately USD \$1.6 billion. TCC has since acquired, agreed to enter into or entered into four additional leases that are unrelated to the leases it acquired from Zellers.

i. *TCC Propco*

45. For almost all of its store leases, as indicated above, TCC has subleased the properties to TCC Propco, which made real property improvements and subsequently sub-leased the properties back to TCC. This relationship gives rise to a variety of payment obligations between TCC and TCC Propco, as described later in this Affidavit. TCC makes direct payments to TCC Propco for obligations under the sub-subleases. TCC makes direct, monthly payments to landlords for its lease obligations.

ii. *Landlords*

46. Many of TCC's store leases are held or managed by large retail landlords. Several of these landlords lease multiple locations to TCC. The leases are generally for a current term of 5 to 10 years, with most leases granting TCC the option to renew the lease beyond the existing term.

iii. *Lease Provisions*

47. Typical of retail leases in Canada, many of the leases contain provisions that impact TCC store operations.

Canada Going-out-of-business Sales

48. Many of the retail leases contain restrictions that relate to going out of business sales in one form or another. Some of these include blanket prohibitions. Others permit such sales related to the closing or bankruptcy of the existing operator, but restrict the length of the sales. Some include restrictions on selling products in bulk. Many leases also include restrictions

on TCC's ability to remove inventory, fixtures, chattels or other equipment from the premises, other than in the ordinary course of business.

Operating Covenants and Recapture Rights

49. Many of the retail leases contain express or implied operating covenants. These covenants take a variety of forms including covenants to continuously operate the store for varying periods of time. Some of these leases include covenants that require the tenant to operate the store under the Target banner or as a retail department store. Some of the covenants require the tenant to operate using substantially the full store, while others only require the tenant to operate in an area of the premises. Certain of the leases for unopened stores include a covenant to open the store and operate it for at least one day. In addition, many of the retail leases include recapture rights that permit the landlord to take back the premises if the store ceases or significantly changes operations.

iv. Parent Indemnities and Guarantees

50. Many of the retail leases are subject to a parent indemnity or guarantee by Target Corporation in favour of the landlord. All the indemnities and guarantees contain language providing that the indemnifiers' or guarantors' obligations are not affected by the bankruptcy or insolvency of the tenant or disclaimer of the lease. As set out below, the draft Initial Order proposes a temporal stay of any proceedings of any derivative claims against Target Corporation and its U.S. affiliates.

v. *Rights in Third Party Leases*

51. Many retail leases provide that tenants have certain rights against their landlords upon an anchor tenant's insolvency or upon an anchor tenant ceasing operations. For tenants of commercial properties where TCC's stores, offices or warehouses are located, the Target Canada Entities are asking the Court to stay rights, including but not limited to termination rights and reduction or abatement of rent, that tenants may have against the landlords, owners, operators or managers of the commercial properties that arise as a result of the Applicants' insolvency, or as a result of any steps taken by the Target Canada Entities pursuant to the proposed Initial Order.

vi. *Subleases and Licenses to Third Parties*

52. As explained below, TCC entered into sublease agreements with McMahon Distributeur Pharmaceutique Inc. ("**McMahon**") relating to the space within the TCC stores used for the operation of the pharmacies in Quebec. McMahon, in turn, has entered into further sublease agreements with the Quebec franchisees. The McMahon Agreement (as defined herein) provides that TCC or its affiliates can terminate the subleases between TCC and McMahon without notice if it is not reasonably possible for TCC to give notice on electing to cease operations at one or more stores.

53. TCC and related entities including TCC Pharmacy and TCC Mobile have also granted licenses to certain third parties to operate, for example, Target-branded pharmacies and Target Mobile kiosks in TCC stores.

vii. *Owned Stores*

54. TCC owns three open retail stores: one in each of Barrie, Ontario; Candiac, Quebec and Winnipeg, Manitoba. Attached as Exhibit C to this Affidavit are copies of the real property PIN identifiers and printouts for the stores located outside of Quebec. For the store in Candiac, Quebec, attached as part of Exhibit D is a printout of the index of immovables showing the registration of the sale of the property to TCC.

viii. *Owned Distribution Centres*

55. TCC owns three distribution centres in Canada: two in Ontario (Milton and Cornwall) and one in Calgary, Alberta. Attached as Exhibit E to this Affidavit are copies of the real property PIN identifiers and printouts for these distribution centres. As discussed below, the distribution centres are operated by a third party, Eleven Points Logistics Inc. ("**Eleven Points**") and are used to receive and inspect shipments, handle return of products, manage inventory, and prepare outbound shipments for transportation to TCC's stores.

ix. *Leases in Offices and Distribution Network*

56. TCC also has leased a variety of warehouse and office space as part of its office network and distribution network, including:

- (a) *Headquarters*: TCC leases the office and other space for its corporate headquarters in Mississauga, Ontario.

- 26 -

- (b) *Offices*: TCC leases additional office space in eleven other locations across Canada: four in Ontario, two in each of Quebec and Alberta, and one in each of BC, Manitoba and Nova Scotia.
- (c) *Additional Leases*: In addition to the three distribution centres that TCC owns, TCC currently leases additional office and warehouse space in various locations across Canada.

C. Merchandising and Sourcing

i. *Canadian and U.S. Vendors*

57. Much of the merchandise sold in TCC stores is sourced from vendors located in Canada and the United States. For fiscal year-to-date through December 6, 2014, TCC made approximately CAD \$1 billion in payments for merchandise sourced from such vendors. Many vendors, either directly or through related entities, supply merchandise to both TCC's Canadian stores and Target Corporation's U.S. stores, and many of those cross-over vendors have operations in Canada. In addition, some of the merchandise sold in TCC's Canadian stores is supplied by Canadian-based vendors who do not supply Target Corporation's U.S. stores. In certain circumstances, Target Corporation has guaranteed certain obligations of the Target Canada Entities to vendors.

58. TCC uses an online ordering system (the "**POL System**") to issue purchase orders to its vendors. The POL System establishes conditions of contract and other related agreements. Payment is typically required only after TCC receives the merchandise. These agreements provide that TCC may cancel any purchase order at any time prior to shipment of the goods.

Upon commencement of this CCAA proceeding, to the extent possible, TCC intends to immediately cancel all purchase orders that have been placed but have not been shipped. For the remaining purchase orders, TCC intends to receive the merchandise and sell it in the contemplated liquidation process.

ii. *Overseas Merchandise Vendors*

59. Most of the merchandise supplied by “overseas” vendors is sourced by Target Sourcing Services Limited (“**Target Sourcing**”), a wholly-owned indirect subsidiary of Target Corporation, or certain related entities operating outside of Canada. For the twelve months ended November 30, 2014, TCC made approximately USD \$367 million in first cost import payments for overseas merchandise.

60. TCC pays overseas merchandise vendors through an arrangement that Target Corporation and TCC have entered into with JPMorgan Chase Bank, National Association (“**JPMorgan**”). JPMorgan pays these vendors either by way of a letter of credit that is typically issued approximately 60 days before the expected shipping date (approximately 15%-20% of all import payments) or open account transactions (approximately 80%-85% of all import payments). These payments are discussed in the section of this Affidavit regarding Cash Management.

61. Upon commencement of this CCAA proceeding, to the extent possible, TCC intends to immediately cancel all purchase orders that have been placed with overseas vendors but have not yet resulted in the transfer of title to TCC. For any purchase orders that JPMorgan

and/or TCC has already paid for or taken title to, TCC intends to receive the inventory and include it in the contemplated liquidation sale.

D. Distribution

62. The Milton, Cornwall and Calgary distribution centres, including associated offsite warehouse space, operate to supply and replenish products sold in TCC's stores. The vast majority of product sold in TCC's stores is replenished through the distribution centres.

63. The primary distribution centres are operated by a third party, Eleven Points, pursuant to a master services agreement effective June 8, 2012, and a series of related statements of work. Eleven Points is responsible for all services required to operate the distribution centres including receiving, verifying and inspecting shipments; preparing outbound shipments for tender to third party transportation providers for transportation to TCC's stores; and inventory management.

64. Merchandise arrives at the distribution centres and is either stored temporarily in the distribution centre or immediately transported to TCC's stores. As of January 3, 2015, there was merchandise with a retail value of approximately CAD \$202 million in the distribution centres.

65. Eleven Points also operates a return centre within the Milton distribution centre. The return centre serves to receive from all TCC stores unsold and damaged products for the purpose of distributing them back to vendors, or otherwise disposing of them through salvage or other means.

66. TCC engages third-party transportation companies to transport inventory between distribution centres and stores and from the Milton return centre to vendors. TCC does not have its own transportation capability. Ryder Integrated Logistics (“**Ryder**”) provides TCC with transportation management services. TCC contracts directly with Ryder and other transportation providers to move product. TCC has rented trucks from Ryder Truck Rental Canada Ltd. and trailers from Trailer Wizards Ltd., both of which have registered security interests against TCC under the *Personal Property Security Act*, R.S.O. 1990, c. P.10, as amended (the “**PPSA**”).

67. TCC believes that, given the amount of inventory at the distribution centres, the continued services of Eleven Points, Ryder and certain other transportation providers are critical to the success of the contemplated wind down and liquidation of TCC’s operations for the benefit of all stakeholders. Based on the historical integration of these transportation providers into TCC’s business, TCC believes that it would be unable to transition its business to different third-party transportation providers in time to serve TCC’s needs for the liquidation process.

68. TCC also must pay customs brokers, clearing houses, freight forwarders and other supply chain providers for costs incurred in transporting products from their source outside of Canada to the distribution centres and ultimately to the stores. As of January 3, 2015, TCC estimates that merchandise at cost of approximately CAD \$66 million was in transit to Canada or from Canadian ports to the distribution centres. TCC is seeking authority (but not the requirement) to pay, with the consent of the Monitor, transportation and logistics providers, customs brokers and other supply chain providers for amounts incurred before the commencement of these proceedings, if required, to ensure the continued flow of inventory

through its supply chain during the contemplated wind down process and to maximize recoveries to the estate from the inventory liquidation process.

69. For the vast majority of goods supplied by Canadian vendors, title passes to TCC upon TCC's receipt of the goods, which typically occurs at TCC's distribution centres.

70. A small proportion of product sold by TCC, such as goods from grocery vendors, is delivered directly to TCC's stores by the vendors. In addition, a small proportion of products, such as greeting cards, books and magazines are delivered directly to TCC stores under an arrangement by which the vendor holds title to the inventory until immediately before the sale, at which time title passes to TCC. (This is typically referred to as a "flash sale".) Carlton Cards Limited, Papyrus-Recycled Greetings Canada Ltd. and CMMI Canadian Mass Media Inc. have registered security interests in several provinces for goods that they provide under this type of arrangement.

E. Pharmacies

71. In most TCC stores across Canada, a Target-branded retail pharmacy operates within the store. The arrangements in respect of pharmacies differ between Quebec and the rest of Canada.

i. *Canada (outside of Quebec)*

72. Outside of Quebec, there are 96 Target-branded retail pharmacies operating in TCC stores across Canada. Ninety-three of the pharmacies are operated by franchisees pursuant to separate agreements between each franchisee and TCC Pharmacy (as franchisor). These agreements grant to franchisees a specific license to operate the Target-branded pharmacy using

certain Target Pharmacy trade-marks. The franchisees are typically independent corporations which, in the majority of cases, are wholly owned by licensed pharmacists. A licensed pharmacist is a party to each franchise agreement. A licensed pharmacist must be present on the premises to operate the pharmacies. TCC Pharmacy Ontario currently operates the other three pharmacies.

73. The franchise agreements provide that no landlord and tenant relationship exists between TCC Pharmacy (or any of its affiliates) and any franchisee. TCC or its affiliate is the tenant under each TCC store lease and, pursuant to a pharmacy franchising agreement between TCC and TCC Pharmacy effective as of March 8, 2012, TCC or its affiliate has granted TCC Pharmacy the right to sublicense to franchisees a temporary license to use space within TCC stores for the operation of a Target-branded retail pharmacy. The franchise agreements provide that TCC Pharmacy may terminate the franchise agreement under various circumstances, including expiration or termination of the applicable retail store lease.

74. The franchise agreements provide that each franchisee operates as an independent business, with sole responsibility for all aspects of the employment relationship with its employees. The agreements explicitly provide that the franchisee's employees are not employees of TCC Pharmacy or TCC or its affiliates. My understanding is that most of the franchisees typically employ one additional pharmacist and up to two pharmacy technicians in addition to the franchisee pharmacist.

75. The franchise agreement requires franchisees to purchase and sell products that have been approved by TCC Pharmacy from suppliers designated by TCC Pharmacy. Pursuant to a wholesale distribution agreement between TCC and McKesson Canada Corporation

(“**McKesson**”) effective June 7, 2012, McKesson is the primary supplier of pharmaceutical, health and beauty products to the pharmacies. The agreement expires on December 31, 2016 but can be terminated by either party in the third contract year – i.e., January 1, 2015 to December 31, 2015 – upon 180 days’ notice.

76. The cash registers that pharmacies use to process sales of Schedule I & II drugs – commonly known as “behind-the-counter” drugs – operate on a point-of-sale system (“**POS System**”) that is segregated from the general POS Systems in TCC’s stores. The pharmacists are responsible for maintaining all cash and credit receipts from the sale of Schedule I & II drugs. Schedule III drugs – commonly known as “over-the-counter” drugs – and unscheduled drugs are sold through the general POS Systems in TCC’s stores.

77. Franchisees make monthly payments to TCC Pharmacy, including a franchise fee (based on sales), an operations fee (for, e.g., the computer system, utilities, etc.), a licensed space fee (based on fair market value of the licensed space) and an advertising fee (based on sales). In addition, for certain “over-the-counter” products, TCC provides a non-traditional form of inventory financing to franchisees, under which TCC orders and pays for certain products to be stocked in the pharmacy. TCC retains title to these products until immediately before the retail sale, at which time title passes to the franchisee. TCC Pharmacy makes a monthly payment to franchisees. The cash flow projections (described below) include the continuation of these payments post-filing as applicable as the arrangements with pharmacists will be wound down. In some provinces TCC Pharmacy also provides a rebate to franchisees in relation to certain generic drug purchases, where such payments are permitted by applicable legislation.

78. For the three pharmacies operated by TCC Pharmacy Ontario, TCC Pharmacy Ontario has agreements with managers of private health care plans and public health insurers who provide prescription drug insurance to certain populations such as senior citizens. These agreements allow for the payment for covered prescription drugs on behalf of the insured patient.

79. The inventory in pharmacies operated by franchisees is owned by either the franchisee or TCC, as set out in this table:

Inventory	Examples	Owner
Schedule I & II Drugs	Behind-the-counter drugs such as antibiotics	Franchisee
Schedule III Drugs	Over-the-counter drugs such as Tylenol or cough syrup	TCC
Unscheduled Drugs	Items such as vitamins or toothpaste	TCC

80. Pursuant to the franchise agreements, the patient data in the pharmacy systems belongs to the franchisee operating the pharmacy or, in the case of the three pharmacies operated by TCC Pharmacy Ontario, to TCC Pharmacy Ontario. Any equipment installed in the pharmacy, including all fixtures, furnishings, signs and equipment, is owned by TCC Pharmacy (or its affiliates).

81. I am advised by Mark Austin of Osler and believe that pharmacy regulations throughout Canada generally require a pharmacy operator to provide notice of the termination and closure of a pharmacy. I am further advised by Mr. Austin and believe that TCC Pharmacy Ontario, which operates three pharmacies in Ontario, will be required to provide written notice to the Ontario College of Pharmacists at least seven days before the pharmacies' closure. TCC Pharmacy Ontario intends to do so at the appropriate time.

ii. *Quebec*

82. In Quebec, pharmacies in TCC stores are intended to be co-branded with both the Target trade-mark and the “Brunet” trade-mark, which is owned by McMahon. There are currently 14 such pharmacies operating in Quebec.

83. Pursuant to a co-branding and services agreement dated as of August 9, 2013 between TCC, TCC Pharmacy, McMahon and McMahon’s ultimate parent, Metro Inc. (the “**McMahon Agreement**”), TCC Pharmacy licensed to McMahon the right to use the Target trade-mark conjunctively with the “Brunet” trade-mark in respect of the pharmacies operating within TCC stores and granted to McMahon the right to enter into franchise agreements with third-party franchisees for the operation of the co-branded pharmacies within TCC stores. Neither TCC nor any of its affiliates is a party to the franchise agreements. McMahon pays TCC Pharmacy certain fees based on the franchisees’ sales.

84. TCC entered into sublease agreements with McMahon relating to the space within the TCC stores used for the operation of the pharmacies. McMahon, in turn, has entered into further sublease agreements with the franchisees. The McMahon Agreement provides that TCC can terminate the subleases between TCC and McMahon without notice if it is not reasonably possible for TCC to give notice on TCC electing to cease operations in the TCC store where the pharmacy is operated. Moreover, each of the sublease agreements between TCC and McMahon provides that, notwithstanding anything to the contrary, the term of the sublease with McMahon will terminate automatically on the earlier of: (i) the expiry or earlier termination of the head lease between TCC and the landlord for any reason whatsoever; (ii) the closing of the TCC store for any reason whatsoever; (iii) the expiration or earlier termination, for any reason whatsoever,

- 35 -

of the McMahon Agreement; and (iv) the expiration or earlier termination, for any reason whatsoever, of the portion of the McMahon Agreement that relates to the pharmacy operated in the TCC store.

85. The only items of inventory that TCC or TCC Pharmacy owns in these pharmacies are sanitary protection and incontinence products. The McMahon Agreement provides that those products must be processed through TCC's POS System. All other inventory, including all "behind-the-counter" and "over-the-counter" products, is owned by McMahon or the franchisees.

F. Glentel

86. All TCC stores have a "Target Mobile" branded display kiosk that sells mobile phones and accessories. These kiosks are operated by Glentel, a third party, pursuant to an agreement between Glentel and TCC Mobile. The agreement with Glentel expires on March 31, 2016.

87. The agreement provides that Glentel operates as an independent business and has sole responsibility for all aspects of the employment relationship with its employees. Glentel provides its own POS System and cash management system at each TCC store. Glentel owns the inventory, including the mobile phones and accessories. The agreement includes a specific license to use the "Target Mobile" trade-mark in connection with the sale of products by Glentel in TCC's stores. In accordance with the agreement, Glentel makes quarterly payments to TCC Mobile based on certain revenue and net income that Glentel earns from operating the kiosks (or, if Glentel incurs a loss, TCC Mobile may be required to pay certain amounts to Glentel in accordance with the agreement).

88. The agreement explicitly provides that no landlord and tenant relationship exists between TCC Mobile (or any of its affiliates) and Glentel. Rather, the agreement provides that TCC Mobile has granted to Glentel a temporary license to use space within those TCC stores – including stores in Quebec – to operate the kiosks.

89. The agreement provides that either party can terminate the agreement if the 12-month projection under the agreement projects a Net Loss (within the meaning in the agreement).

G. Starbucks

90. Most TCC stores have a Starbucks-branded store operating within the TCC store. TCC and Starbucks Coffee Canada, Inc. (“**Starbucks**”) entered into a master licensing agreement effective February 1, 2012 (and subsequently amended) pursuant to which Starbucks granted TCC a non-exclusive license to use the Starbucks system and trademarks to construct and operate Starbucks stores within certain TCC stores. In consideration for the rights granted under the master licensing agreement, TCC pays Starbucks, among other amounts, a license fee for each Starbucks store and monthly royalty and advertising fees. The master licensing agreement provides that the license for a particular Starbucks store terminates immediately if the site ceases to operate as a TCC retail store. Upon any termination of the master licensing agreement, TCC must, among other things, immediately cease operating the Starbucks stores, de-identify each Starbucks store and return to Starbucks all products containing Starbucks’ licensed trademarks.

H. Support Services of Target Corporation and Target Brands

91. TCC relies extensively on Target Corporation and Target Corporation's subsidiary, Target Brands, Inc. ("**Target Brands**"), for administrative and business support services that are integral to TCC's operations. These services are performed pursuant to agreements between TCC and Target Brands and related corporations. Target Brands and its affiliates provide similar services for Target Corporation's U.S. operations and have the expertise and experience to provide these essential "shared" services much more efficiently and cost-effectively than TCC or a third party could.

i. *Master Agreement*

92. Target Brands and TCC entered into a master agreement effective as of February 3, 2013 ("**Master Agreement**"), a copy of which is attached as Exhibit F to this Affidavit.

93. Pursuant to the Master Agreement, Target Brands provides TCC with a variety of services including administrative and business services, strategy and management consulting services, marketing and consulting services, retail support services and merchandising consulting services. In consideration for these services, on a monthly basis TCC pays Target Brands an arm's length fee as agreed between the parties from time to time.

94. All intellectual property ("**IP**") relating to the Target brand is owned by Target Brands. The Master Agreement also grants TCC a license to commercially use the IP in connection with TCC's retail operations within Canada and to sub-license the right to use the IP to related companies and third parties such as the pharmacy franchisees. The license also gives

TCC the right to manufacture and merchandise goods to be purchased by TCC and sold in its stores.

95. As permitted by the terms of the Master Agreement, Target Brands gave three months' notice of termination to TCC of the Master Agreement by letter dated January 14, 2015, a copy of which is attached as Exhibit G to this Affidavit. Such termination will be effective April 14, 2015 and the Master Agreement will no longer be in effect.

96. In its notice of termination, Target Brands waived the requirement for TCC to assign to Target Brands any Sublicenses (as defined in the Master Agreement) in effect at the time of termination of the Master Agreement. As such, all Sublicenses shall remain with TCC until their expiration or termination.

ii. *Administrative Services Agreement*

97. Concurrent with delivery of the notice of termination of the Master Agreement, Target Brands and TCC entered into an administrative services agreement dated as of January 14, 2015, effective as of April 14, 2015 ("**Administrative Services Agreement**"), a copy of which is attached as Exhibit H to this Affidavit. The Administrative Services Agreement was prepared by Target Brands and TCC in consultation with the proposed Monitor.

98. Pursuant to the Administrative Services Agreement, Target Brands will continue to provide TCC with a variety of services during the orderly wind down, including, among other things:

- (a) accounting, accounts payable, financial reporting and finance services;

- (b) cash management services;
- (c) communication and public relations services;
- (d) human resources and payroll services;
- (e) legal services;
- (f) office administration services;
- (g) real estate services;
- (h) tax compliance services; and
- (i) other ad hoc merchandising systems support and consulting.

99. As determined by Target Brands and TCC in consultation with the proposed Monitor, such services to be provided by Target Brands are sufficient to address TCC's needs and requirements in connection with the orderly wind down of its Canadian retail operations. In addition, Target Brands has also agreed pursuant to the Administrative Services Agreement to provide such other services as may be agreed by Target Brands and TCC in consultation with the Monitor.

100. In consideration for the services to be provided by Target Brands under the Administrative Services Agreement, TCC will pay Target Brands on a monthly basis an arm's length fee as agreed between the parties from time to time. Target Brands and TCC have agreed to review the level of services from time to time and anticipate that such fee will be adjusted from time to time in consultation with the Monitor as the services provided by Target Brands are reduced during the CCAA proceeding.

101. The Administrative Services Agreement shall commence as of April 14, 2015 and shall continue until the earlier of: (i) the date on which the proposed stay pursuant to the CCAA Initial Order, as amended from time to time, finally expires without being extended; (ii) the date on which the CCAA proceedings are terminated; or (iii) January 15, 2016 (or such later date as the parties may agree, in consultation with the Monitor). The Administrative Services Agreement may be terminated by mutual agreement among the parties and approval of the Monitor.

iii. *Intellectual Property License Agreement*

102. Also concurrent with delivery of the notice of termination of the Master Agreement, Target Brands and TCC entered into an intellectual property license agreement dated as of January 14, 2015, effective as of April 14, 2015 ("**Intellectual Property License Agreement**"), a copy of which is attached as Exhibit I to this Affidavit. The Intellectual Property License Agreement was also prepared by Target Brands and TCC in consultation with the proposed Monitor.

103. The Intellectual Property License Agreement grants TCC a revocable, exclusive, non-sublicensable, royalty-free license to use the IP for all legal purposes in connection with TCC's orderly wind down of its Canadian retail operations.

104. As determined by Target Brands and TCC in consultation with the proposed Monitor, the IP license as granted pursuant to the Intellectual Property License Agreement is sufficient to facilitate TCC's orderly wind down of its retail operations.

105. The Intellectual Property License Agreement shall commence as of April 14, 2015 and shall continue until the earlier of: (i) the completion of the orderly wind down of TCC's retail operations and the final going out of business sale; (ii) June 30, 2015; or (iii) such later date as the parties may agree, in consultation with the Monitor. The Intellectual Property License Agreement may be terminated by mutual agreement among the Parties and approval of the Monitor.

iv. *Design and Development Services Agreement*

106. Target Brands and TCC entered into a design and development services agreement effective as of February 3, 2013 (the "**Development Agreement**"), a copy of which is attached as Exhibit J to this Affidavit. Pursuant to the Development Agreement, Target Brands provided certain design and development services for goods purchased and sold by TCC in its retail operations.

107. By letter dated January 14, 2015, and in accordance with the terms of the Development Agreement, Target Brands gave three months' notice of termination to TCC of the Development Agreement, such termination to be effective on April 14, 2015. It is not expected that TCC will need these services after the termination date.

v. *Buying Agency Agreement*

108. TCC is a party to a buying agency agreement with Target Brands and Target Sourcing in its capacity as trustee of Target Sourcing Services (a trust organized under the laws of China), a copy of which is attached as Exhibit K to this Affidavit. Under this agreement Target Sourcing or its affiliates source merchandise outside of Canada and the U.S. for sale in

TCC's retail stores. Target Sourcing also provides related services, including quality control; logistics; monitoring compliance with local laws and regulations and market conditions; and market research.

109. By letter dated January 14, 2015, and in accordance with the terms of the buying agency agreement, Target Brands gave three months' notice of termination to TCC and Target Sourcing, such termination to be effective on April 14, 2015. It is not expected that TCC will need these services after the termination date.

I. Employees

110. As of January 12, 2015, TCC employed approximately 17,600 people.

i. *Store Level*

111. A typical Target store in Canada employs approximately 100 to 150 people. As of January 12, 2015, TCC employed approximately 16,700 people at the store level. The majority of these employees are "team members" (approximately 14,500) and "team leaders" (approximately 1,500) paid at hourly rates and, subject to eligibility based on length of service and hours worked, may receive benefits packages. During peak selling seasons, TCC hires temporary team members, but TCC does not currently employ any such employees. TCC also employs approximately 700 additional people, who are also "team leaders", at the store level who are compensated through base salary and benefits. TCC does not have any employees who are represented by a union.

ii. *Management Group and Other Salaried Employees*

112. As of January 12, 2015, TCC employed approximately 127 people in its group and district offices and approximately 763 people at its headquarters in Mississauga, Ontario. All of these employees are compensated through base salary and benefits. In addition, some of these individuals are eligible to receive performance bonuses and certain directors, key management and officers are entitled to participate in a long-term incentive program involving stock options, Performance Share Units and Restricted Share Units in the stock of Target Corporation. There are no registered pension plans for TCC management or any other employees.

113. Subject to eligibility based on minimum length of service, all TCC employees – including hourly employees working at the store level – have the ability to participate in a combined group RRSP / Deferred Profit Sharing plan. TCC matches an employee's contribution dollar-for-dollar up to five percent of the employee's eligible compensation, subject to vesting provisions. This plan is managed by the Manufactures Life Insurance Company ("**Manulife**"). TCC makes payments to Manulife every two weeks based on contribution data provided by ADP Canada Co. ("**ADP**"), a third party funder that provides payroll services to TCC, as discussed below.

iii. *Employees Seconded to TCC*

114. Approximately 70 employees have been seconded to work with TCC under a secondment agreement effective May 27, 2011 (the "**Secondment Agreement**") between Target Corporation and other U.S. based entities (collectively, the "**Assigning Employers**") and TCC. Most of these employees are based in Canada, although some commute from the U.S. These seconded employees are not compensated directly by TCC. TCC reimburses the Assigning

Employers for expenses related to the assigned employees. The Secondment Agreement provides that TCC may terminate the agreement without cause on 30 days notice. TCC's need for the seconded employees will likely decrease during the CCAA proceeding. Accordingly, TCC and the Assigning Employers have agreed to review and, subject to the agreement of the parties and in consultation with the Monitor, make any necessary adjustments to the provision of the seconded employees' services to TCC.

iv. *U.S.-Based Dedicated Employees*

115. Approximately 600 non-TCC employees are based in the U.S. and approximately 200 non-TCC employees are based in India but provide dedicated services to TCC. Those employees are paid by Target Corporation or an affiliate, and then those costs are billed to TCC as part of an intercompany charge pursuant to the Master Agreement.

v. *Employees By Province*

116. The following chart shows the approximate number of people employed by TCC in each province as of January 12, 2015. This chart does not include seconded employees, U.S.-based or India-based dedicated employees, or individuals employed by third parties such as Glentel, Eleven Points or the pharmacy franchisees.

Province	Store Level	Head, Group or District Offices	Total
Alberta	1,952	10	1,962
British Columbia	2,446	18	2,464
Manitoba	677	5	682
New Brunswick	290	0	290

Province	Store Level	Head, Group or District Offices	Total
Newfoundland	234	0	234
Nova Scotia	429	7	436
Ontario	7,203	808	8,011
PEI	108	0	108
Quebec	3,017	42	3,059
Saskatchewan	350	0	350
Total	16,706	890	17,596

vi. ***Payroll***

117. TCC employees are paid every second Friday through ADP. TCC funds ADP on the Thursday before the pay date through an account at Bank of America. Most employee taxes and deductions are funded to ADP on a gross basis and ADP then makes the required payments.

J. **REDCards®, Gift Cards and Warranties**

118. Royal Bank of Canada (“RBC”) offers credit to TCC’s guests through a co-branded credit card: the Target RBC MasterCard. RBC and TCC entered into a Credit Card Program Agreement dated effective August 24, 2012. Under the agreement, the parties settle any amounts owing by one to the other on a monthly basis. Additionally, TCC offers guests a Target-branded debit card. In general, Total System Service, Inc. (“TSYS”), an unrelated third party, processes the Target-branded debit card payments pursuant to an agreement with TCC effective October 5, 2012. Collectively, TCC refers to these credit and debit cards as REDcards. Guests receive a 5 percent discount on most purchases when they use a REDcard at a TCC store. Upon the commencement of this proceeding, TCC intends to cease soliciting REDCards.

119. TCC also sells Target gift cards denominated in Canadian Dollars. A third party serves as the processor who tracks the outstanding gift cards, which are recorded as a liability in Target Corporation's consolidated financial statements. As at November 1, 2014 TCC recognized a liability of approximately CAD \$7 million on outstanding gift cards. TCC intends to continue to honour, but not sell, any Target gift cards during the contemplated liquidation process.

120. TCC also sells warranties and other service contracts offered by a third party that relate primarily to electronic merchandise. Upon the commencement of this proceeding, TCC intends to cease selling these service contracts and warranties.

K. Retailing of Cultural Products: Undertakings

121. In accordance with the *Investment Canada Act*, as consideration for being allowed by the Minister of Canadian Heritage to engage in the retailing of cultural products in Canada, TCC made contractual commitments, referred to as "Undertakings", to the Federal Government.

122. TCC has fully performed and, in some cases, its performance has materially exceeded, some of the non-cultural Undertakings: for example, TCC and its affiliates have made aggregate capital expenditures in Canada of approximately USD \$4.572 billion – approximately 33% in excess of the total capital expenditures required by the Undertakings.

123. The Undertakings specifically provide that if TCC ceases retailing cultural products the Undertakings related to cultural products cease to be effective. The only other Undertakings which would not be performed for their full term upon TCC's ceasing to operate in Canada prior to March 5, 2018 are Undertakings that require TCC to: (a) maintain a head office

in Canada; (b) ensure that at least 25% of the directors on TCC's board are Canadian; (c) ensure that Canadians are in management positions at TCC; (d) maintain a website that includes both English-language and French-language content; and (e) donate more than \$1 million to eligible charities by March 5, 2018. With regard to the last of the Undertakings in that list, Target Canada has contributed more than 50% of the total contribution required. In addition, during the orderly wind down, TCC may not be able to comply with the undertaking relating to employment.

The Financial Position of TCC and TCC Propco

124. As a publicly traded company, Target Corporation files consolidated financial statements with the Securities and Exchange Commission in the United States. These financial statements include the consolidated results of both the U.S. and Canadian operations. A copy of Target Corporation's audited financial statements as of February 1, 2014 is attached as Exhibit L to this Affidavit. A copy of Target Corporation's interim financial statements as at November 1, 2014 is attached as Exhibit M to this Affidavit. These are Target Corporation's most recently filed audited and interim financial statements, respectively.

125. In its public reporting, Target Corporation provides information regarding the Canadian segment of its operations, including information regarding sales; cost of sales; selling, general and administrative expenses; depreciation and amortization; and earnings before interest and taxes.

126. TCC does not prepare stand-alone financial statements for the Canadian operations. As noted above, pursuant to the Master Agreement, Target Brands or its affiliates perform many of the core financial and accounting services for TCC. For the purposes of this application, TCC and Target Corporation have prepared stand-alone financial statements as at

November 1, 2014 for each of TCC (which consolidates the financial results of TCC and its subsidiaries) and TCC Propco, copies of which are attached as Exhibits N and O, respectively, to this Affidavit. These financial statements have not been audited.

A. TCC

i. *Assets*

127. As at November 1, 2014, TCC had total assets of approximately CAD \$5.408 billion. This included current assets of approximately CAD \$879 million and non-current assets of approximately CAD \$4.530 billion.

ii. *Current Assets*

128. As at November 1, 2014, TCC's current assets consisted of the following:

- (a) Inventory: approximately CAD \$683,555,000;
- (b) Cash and cash equivalents: approximately CAD \$12,692,000; and
- (c) Other current assets: approximately CAD \$182,551,000.

129. It is estimated that, as of the filing of this Affidavit on January 15, 2015, TCC will have cash on hand of approximately CAD \$1 million. As set out above, inventory comprises the vast majority of TCC's current assets. TCC and its affiliates routinely enter into arrangements with vendors – for example, with respect to greeting cards – whereby TCC does not purchase or pay for merchandise until the merchandise is sold. This merchandise is not included in inventory because of TCC's virtually simultaneous purchase and sale of this merchandise.

130. The other current assets include, among other amounts, approximately CAD \$40 million in prepaid expenses, approximately CAD \$23 million in debit balances owed from vendors, approximately CAD \$26 million in GST, HST and QST input tax credit receivables, approximately CAD \$24 million in current deferred tax assets and approximately CAD \$21 million in income receivables from vendors. The other current assets also include approximately CAD \$17 million in intercompany accounts receivable – primarily for rent payments and an administrative fee – from TCC Propco.

iii. *Non-Current Assets*

131. As at November 1, 2014, TCC's non-current assets consisted of the following:

- (a) Property and equipment (net of accumulated depreciation): approximately CAD \$3,764,534,000; and
- (b) Other non-current assets: approximately CAD \$765,160,000.

132. The vast majority of the property and equipment asset consists of buildings and improvements, which were recorded at approximately CAD \$3.554 billion. This amount is exclusive of the buildings and improvements asset that is reflected on TCC Propco's financial statements.

133. Target Corporation assesses its long-lived assets as part of its year-end financial reporting and when events or changes in circumstances indicate that the asset's carrying value may not be recoverable. Target Corporation expects that TCC will incur significant impairment

charges in light of its financial situation, which will materially reduce the carrying value of the assets.

iv. *Liabilities*

134. As at November 1, 2014, TCC had total liabilities of approximately CAD \$5.118 billion. This included current liabilities of approximately CAD \$689 million and non-current liabilities of approximately CAD \$4.429 billion.

135. As at November 1, 2014, TCC's current liabilities consisted of the following:

- (a) Accounts Payable: approximately CAD \$546,325,000;
- (b) Accrued and other current liabilities: approximately CAD \$128,748,000; and
- (c) Current portion of long-term debt and other borrowings related to capital leases: approximately CAD \$13,603,000.

136. Although the vast majority of the accounts payable liabilities are trade debts, approximately CAD \$109 million was payable to TCC Propco as at November 1, 2014. Approximately CAD \$70 million of that amount was paid on or about December 31, 2014 in the normal course, which payment covered the amounts owing quarterly under the sublease / sub-subleaseback arrangement. The CAD \$109 million payable also included a non-recurring amount of approximately CAD \$39 million for fixed asset overpayments that TCC Propco had made under the sublease / sub-subleaseback arrangement. The overall accounts payable liability included approximately CAD \$15 million owing to Target Brands in relation to the use of IP and

shared services. The other current liabilities included approximately CAD \$7 million relating to gift card liability.

137. As at November 1, 2014, TCC's non-current liabilities consisted of the following:

- (a) Long-term debt and other borrowings: CAD \$4,404,369,000; and
- (b) Other non-current liabilities: CAD \$25,130,000.

138. TCC's long-term debt consists primarily of the approximately CAD \$3.1 billion owing to NE1 under their loan facility agreement (discussed below) and approximately CAD \$1.3 billion in long-term debt relating to leases with third party landlords. In addition, TCC is obligated to make payments to TCC Propco under the sub-subleases, which non-current amounts are not reflected on the current financial statements but which would be recorded upon termination of the sub-subleases.

B. TCC Propco

i. *Assets*

139. As at November 1, 2014, TCC Propco had total assets of approximately CAD \$1.632 billion. This included current assets of approximately CAD \$185 million and non-current assets of approximately CAD \$1.447 billion.

140. As at November 1, 2014, TCC Propco's current assets consisted of the following:

- (a) Cash and cash equivalents: approximately CAD \$36,860,000; and

- (b) Other current assets: approximately CAD \$148,270,000.

141. Cash on hand as of January 8, 2015 is approximately CAD \$77 million. The other current assets consist primarily of intercompany receivables from TCC relating to the sublease / sub-subleaseback arrangement. The primary source of income for TCC Propco is payments received from TCC.

142. As at November 1, 2014, TCC Propco's non-current assets consisted of property and equipment (net of accumulated depreciation) of approximately CAD \$1.427 billion. This reflects, among other things, the real property improvements that TCC Propco has made under the sublease / sub-subleaseback arrangement.

143. Target Corporation assesses its long-lived assets as part of its year-end financial reporting and when events or changes in circumstances indicate that the asset's carrying value may not be recoverable. Target Corporation expects that TCC Propco will incur significant impairment charges in light of its financial situation, which will materially reduce the carrying value of the assets.

ii. ***Liabilities***

144. As at November 1, 2014, TCC Propco had total liabilities of approximately CAD \$1.643 billion. TCC Propco's current liabilities consisted of the following:

- (a) Accounts Payable: approximately CAD \$100,609,000; and
- (b) Accrued and other current liabilities: approximately CAD \$8,483,000.

- 53 -

145. The accounts payable consisted of approximately CAD \$84 million in intercompany interest owing to Target Canada Property LP under their loan facility agreement (discussed below). The accounts payable also included approximately CAD \$17 million in intercompany payments to TCC, primarily for rent payments and an administrative fee, and approximately CAD \$440,000 to Target Corporation under their revolving credit facility (discussed below).

146. TCC Propco's non-current liabilities consisted of long-term debt and other borrowings of approximately CAD \$1.534 billion. This consisted primarily of the amount owing to Target Canada Property LP under their loan facility agreement.

C. Revenue

147. The following chart shows the sales and earnings before interest and taxes ("EBIT") for each of the quarters that TCC has operated stores in Canada. The increasing sales in this chart reflect the opening of new stores in Canada throughout 2013 and 2014. The increase in sales in Q4 2013 reflects higher sales, as is typically seen by retailers, during the peak sales season in the lead-up to Christmas. These figures are taken from the Canadian segment results reported in the consolidated financial statements of Target Corporation. All figures in this chart are in USD millions.

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Sales	86	275	333	623	393	449	479
EBIT	(205)	(169)	(238)	(329)	(211)	(204)	(211)

148. For the nine months ended November 1, 2014, TCC had total revenue of approximately CAD \$1.448 billion and net losses of approximately CAD \$700 million.

149. For the nine months ended November 1, 2014, TCC Propco had total revenue (all from lease revenue from TCC) of approximately CAD \$185 million and net losses of approximately CAD \$12 million. These losses were driven by interest expenses.

D. Intercompany Funding

150. The operational funding for TCC and TCC Propco is provided by their respective parent entities and, ultimately, by Target Corporation, which, either directly or indirectly through subsidiaries, has invested more than USD \$6.6 billion. This section describes the main sources of this funding, as summarized in the following chart and described below. The Target Canada Entities have only been able to maintain their operations to date as a result of amounts provided in the form of equity capital and amounts drawn under these loan agreements. The amounts in this chart are denominated in Canadian Dollars and are as at November 1, 2014.

	Source of Funds	Recipient	Type	Approximate Amount Provided (CAD\$)
Loan Facility (unsecured)	NE1	TCC	Debt	\$3.1 billion
Equity Capital	NE1	TCC	Equity	\$2.5 billion
Loan Facility (unsecured)	Target Canada Property LP	TCC Propco	Debt	\$1.5 billion
Credit Facility / Promissory Note	Target Corporation	TCC Propco	Debt	\$100 million

i. *TCC's Loan Facility*

151. TCC's direct parent, NE1 has extended funding to TCC pursuant to an unsecured loan facility agreement effective May 18, 2011. Copies of the agreement and subsequent amendments to the agreement are attached as Exhibit P to this Affidavit. The maximum amount available under the loan facility is CAD \$4 billion. As of November 1, 2014, TCC owed NE1 approximately CAD \$3.1 billion. Effective September 1, 2014, the parties agreed that interest would no longer accrue on the outstanding principal balance. Interest was previously charged at a rate determined based on the time that amounts were drawn down, as provided in the agreement.

152. As previously described, NE1 and TCC have entered into a Subordination and Postponement Agreement dated January 12, 2015 (the "**Subordination and Postponement Agreement**") in which NE1 agrees to subordinate all amounts owed by TCC to NE1 under their loan facility to the payment in full of proven claims against TCC, excluding NE1's proven claims. A copy of the Subordination and Postponement Agreement is attached as Exhibit Q to this Affidavit.

ii. *TCC's Equity Funding*

153. As at November 1, 2014, NE1 has provided equity capital to TCC in the amount of approximately CAD \$2.5 billion. As a result of the continuing and significant losses in TCC's operations, NE1 provided an additional approximately CAD \$62 million in the form of equity capital to TCC since November 1, 2014 to fund TCC's operations.

iii. *TCC Propco's Loan Facility*

154. Coincident with Target Canada Property LP's assignment of its leasehold interests to TCC Propco effective January 2014, TCC Propco entered into a loan facility agreement in favour of Target Canada Property LP, pursuant to which TCC Propco has borrowed approximately CAD \$1.5 billion. This obligation was incurred primarily to pay for real property improvements in TCC's stores pursuant to the sublease / sub-subleaseback arrangement.

iv. *TCC Propco's Revolving Credit Facility*

155. TCC Propco and Target Corporation were parties to a Revolving Line of Credit Agreement dated as of February 13, 2014 with a maximum amount of USD \$300 million. The agreement was terminated on January 9, 2015 and the outstanding balance of USD \$89 million due to Target Corporation was memorialized by a demand promissory note.

E. Other Intercompany Obligations

156. This section sets out certain other financial obligations between the Target Canada Entities and their related parties, as summarized in the following chart summarizing certain intercompany obligations as of November 1, 2014 and described below.

Debtor	Creditor	Reason for Obligation	Approximate Amount Due
TCC Propco	TCC	Lease Payments and Administrative Fee	CAD \$15.5 million
TCC	Target Brands	Shared Services and Royalties	USD \$16.3 million
TCC	Target Sourcing	Overseas Sourcing	USD \$0.6 million
TCC	TCC Pharmacy	Pharmacy Franchising	USD \$4 million

i. ***Real Property Improvements and Make Whole Payment***

157. As explained above, for almost all of the retail store leases, TCC has subleased the properties to TCC Propco, which then made real estate improvements and then sub-subleased the properties back to TCC. TCC Propco continues to pay for all leasehold improvements, which, to date, have amounted to approximately CAD \$1.45 billion. TCC makes payments of rent to TCC Propco under the sub-sublease arrangement, as more fully described in the following paragraph. Upon the termination of any of these subleases, the arrangement provides for a make whole payment from TCC to TCC Propco equal to the difference between the amount paid for the leasehold improvements and the amounts already repaid.

ii. ***Other Intercompany Amounts Owing between TCC and TCC Propco***

158. Monthly, TCC pays landlords directly for lease obligations of approximately USD \$8 million. TCC Propco reimburses TCC for those payments by remitting approximately USD \$8 million based on the sublease / sub-subleaseback arrangement, out of funds received by TCC Propco from TCC on a quarterly basis, as described in the next sentence. Quarterly, TCC transfers to TCC Propco approximately USD \$60 million of rent. This amount reflects its obligations under the sub-sublease (e.g. USD \$8 million for 3 months = USD \$24 million) plus additional rent of approximately USD \$36 million, covering TCC Propco's real property improvements. The most recent quarterly remittance was made on or about December 31, 2014. Annually, TCC Propco owes TCC an administrative fee of approximately USD \$9 million for property management, business services and procurement-type activities. As previously noted above, as at November 1, 2014, TCC also owed TCC Propco a non-recurring balance relating to

TCC's reimbursement of TCC Propco for miscellaneous expenses including fixed asset overpayments.

iii. *Shared Services*

159. In consideration for the shared services that Target Brands or its affiliates perform for TCC pursuant to the Master Agreement, on a monthly basis TCC pays Target Brands arm's length fees as agreed between the parties from time to time. These payments are typically in the range of approximately CAD \$15.2 million. As described above, Target Brands gave notice of termination of the Master Agreement, such termination will be effective April 14, 2015 and the Master Agreement will no longer be in effect. Concurrent with delivery of the notice of termination of the Master Agreement, Target Brands and TCC entered into the Administrative Services Agreement.

iv. *IP License*

160. In consideration for the IP license granted under the Master Agreement, TCC pays Target Brands an annual royalty payment amounting to 1.5% of TCC's net revenues, with provisions for adjustments if required by U.S. or Canadian tax authorities. For the 2014 fiscal year, TCC has paid Target Brands approximately USD \$40 million under the IP license. However, based on TCC's actual revenues, which have been lower than expected, Target Brands may be required to return a portion of that payment, depending on TCC's results at the end of the 2014 fiscal year. As described above, concurrent with delivery of the notice of termination of the Master Agreement, Target Brands and TCC entered into the Intellectual Property License Agreement.

v. *Buying Agency Agreement*

161. In consideration for the services provided by Target Sourcing under the buying agency agreement, TCC pays Target Sourcing an arm's length fee for sourcing and inspection services. As of November 1, 2014, TCC owed Target Sourcing approximately USD \$0.6 million. As described above, by letter dated January 14, 2015, Target Brands gave three months' notice of termination of the buying agency agreement to TCC, such termination to be effective on April 14, 2015. It is not expected that TCC will need these services after the termination date.

vi. *Pharmacy Franchising*

162. Pursuant to a pharmacy franchising agreement between TCC Pharmacy and TCC, TCC Pharmacy and TCC make monthly payments to each other. TCC Pharmacy pays TCC for support services such as advertising and rebate processing, administrative and business services, and the fair market value of the space licensed for the pharmacy operations. As of November 1, 2014, TCC owed TCC Pharmacy a true-up payment in the amount of approximately USD \$4 million.

Cash Management System

163. In the ordinary course of business, the Target Canada Entities use a centralized cash management system to monitor account activity and balances for each entity (the "**Cash Management System**"). These accounts are monitored daily and managed centrally by the treasury department of Target Corporation or its subsidiaries. The Cash Management System facilitates cash forecasting and reporting, monitoring collection and disbursement of funds, and control over the administration of various bank accounts required to effect the collection, disbursement and movement of cash.

164. In addition to the cash management services that Target Corporation and its subsidiaries provide to TCC, TCC provides cash management services for TCC Pharmacy and TCC Mobile pursuant to cash management agreements with each of TCC Pharmacy and TCC Mobile.

165. The Cash Management System relating to the Target Canada Entities involves four banks. In general terms, RBC and Toronto-Dominion Bank (“**TD**”) accounts act primarily as receipt or deposit accounts, whereas Bank of America accounts are primarily disbursement accounts. JPMorgan accounts are used primarily to pay vendors located outside of Canada and the United States. Except for certain US Dollar accounts at Bank of America, all of the accounts are located in Canada, regardless of the financial institution. Target Corporation has guaranteed the obligations of the Target Canada Entities to RBC, TD and Bank of America with respect to the Cash Management System.

A. RBC

166. In general terms, TCC’s Canadian Dollar accounts at RBC are organized as six deposit-only zero balance accounts that immediately feed into a master concentration account upon receiving deposits.

167. The US Dollar accounts at RBC are similarly organized: for example, US currency used in Canadian stores is deposited into a US Dollar denominated store depository account and immediately flows into a US Dollar denominated master concentration account.

168. RBC provides two additional Canadian Dollar accounts. The first is a funding account in the name of TCC Propco. The second is a funding account in the name of NE3, which serves as a pass-through account for intercompany payments.

169. RBC and TCC have entered into a revolving overdraft credit facility allowing TCC to borrow up to USD \$10 million. However, this facility is not active; TCC only maintains it as a contingency.

B. TD

170. TD serves as TCC's merchant processor for all debit and credit cards other than REDCard debit cards. All of the TD accounts are denominated in Canadian dollars. In general terms, TCC's accounts at TD are organized as three deposit-only zero balance accounts – for receipts from each of credit cards, debit cards and gift cards – that immediately feed into a master concentration account. The credit card account processes payments from both the RBC Target MasterCard and third party credit cards. There is a second stream of accounts consisting of a deposit-only zero balance account relating to debit card bill payments that feeds into a master account.

171. TD also provides a Canadian Dollar denominated funding account in the name of NE1. This account is generally used for payments from NE1 to TCC.

172. TD and TCC have entered into an overdraft credit facility allowing TCC to borrow up to CAD \$10 million. However, this facility is not active; TCC only maintains it as a contingency.

C. Bank of America

173. As noted above, TCC's disbursements are generally paid out of accounts with Bank of America. The Canadian Dollar accounts are located in Canada; the US Dollar accounts are located in the United States. These disbursement accounts are generally not pre-funded. Funds are withdrawn on an as-needed basis from the RBC and TD master concentration accounts to fund the disbursements. The incoming funds then flow through either a Canadian Dollar or US Dollar denominated master disbursement account at Bank of America into the applicable disbursement account. If there are insufficient funds in the RBC and TD master concentration accounts to fund the disbursements, Target Corporation (or a related entity) will typically transfer the difference.

174. There are several other stand-alone Bank of America accounts that Target Canada and related entities use to make specific payments. TCC Propco also uses an account with Bank of America to make payments relating to leases.

D. JPMorgan

175. TCC pays overseas vendors through an arrangement that Target Corporation and TCC have with JPMorgan. JPMorgan pays the vendors either by way of a letter of credit that is typically issued approximately 60 days before the expected shipping date (approximately 15%-20% of all import payments) or open account transactions (approximately 80%-85% of all import payments).

176. For letters of credit, TCC typically approves the issuance of letters of credit on a vendor-by-vendor basis. JPMorgan typically funds the letters of credit directly from TCC's US Dollar-denominated trade account with JPMorgan before being reimbursed by TCC.

177. Target Corporation is jointly and severally liable with TCC for obligations to JPMorgan for any issued letters of credit and open account obligations. As of November 30, 2014, there were approximately USD \$24.8 million in outstanding, issued letters of credit and approximately USD \$41 million in open account approved outstanding invoices. TCC estimates that as of December 11, 2014, the estimated retail value of overseas goods in transit was approximately CAD \$183 million.

E. Corporate Credit Cards

178. TCC provides credit cards to certain of its management and employees pursuant to agreements with Amex Bank of Canada (“Amex”) and JPMorgan. The American Express credit cards are used by management for a variety of expenses, including business travel and business expenses. The MasterCard credit cards provided pursuant to the agreement with JPMorgan are used by certain operations employees as an alternative to petty cash. These cards are a critical component of TCC’s cash management and account functions, and the ability of the employees of the Target Canada Entities to use these cards is essential for the continued operation of their businesses. The Target Canada Entities are seeking authority to pay for amounts incurred through such credit cards before and after the commencement of these proceedings should it be necessary to do so. Target Corporation has issued an unsecured guarantee in favour of each of JPMorgan and Amex to keep the accounts open and running as part of this CCAA proceeding.

The Urgent Need for Relief under the CCAA

179. All of TCC's operational funding is provided exclusively by Target Corporation and related entities. Target Corporation has invested more than CAD \$7 billion into the expansion into Canada since the start of 2011.

180. Following the thorough review of TCC's performance described above and careful consideration of all options, I am informed by senior management of Target Corporation that the board of directors of Target Corporation has determined that, in its business judgement, it is in the best interest of its business and its shareholders to discontinue operations in Canada and focus on driving growth and building further momentum in its U.S. business.

181. Without further funding and financial support from Target Corporation, the Applicants are unable to meet their liabilities as they become due and are therefore insolvent. On January 14, 2015, the respective boards of directors of the Applicants resolved to commence this CCAA proceeding.

Relief Sought

182. Given the size and complexity of TCC's operations, the Target Canada Entities believe that this CCAA proceeding is the only practical method to ensure a fair and orderly wind down in the interests of all stakeholders. The Target Canada Entities urgently require a stay of proceedings and other protections provided by the CCAA so that they will have the breathing space to develop and conduct a controlled and orderly wind down of operations for the benefit of their stakeholders.

A. DIP Financing

183. Target Corporation and its subsidiaries are not willing to provide continued funding to TCC and its subsidiaries outside of a CCAA proceeding. TCC and its subsidiaries require interim financing to provide an immediate source of cash funding and to provide stability as part of this process and to fund operations during the implementation of the orderly wind down of its business as part of this CCAA proceeding. Subject to certain terms and conditions, Target Corporation (the “**DIP Lender**”) has agreed to provide a non-revolving credit facility (the “**DIP Facility**”) of USD \$175 million to TCC and its subsidiaries (the “**Borrower**”). No fees are payable under the DIP Facility and only 5% interest is being charged. The cash flow projections show an immediate funding need for TCC to meet payroll and other immediate obligations. The DIP term sheet is attached as Exhibit R to this Affidavit.

184. The funds available under the DIP Facility will be used to meet the Borrower’s immediate funding requirements during the CCAA proceedings in accordance with the cash flow projections discussed below (subject to cumulative variance of less than 20% as approved by the Monitor), including costs and expenses in connection with the CCAA proceedings. TCC believes that having access to sufficient funding to ensure there is enough flexibility and sufficient time to facilitate a process to maximize net realizations on all assets of the estate (including inventory and real estate assets) for the benefit of all stakeholders is crucial and necessary to provide stability as part of the CCAA proceedings. TCC consulted with the proposed Monitor, Alvarez & Marsal Canada Inc. (“**A&M**”), regarding the DIP Facility. Based on discussions with the proposed Monitor, TCC anticipates that the proposed DIP Facility will accommodate the Target Canada Entities’ anticipated liquidity requirements during the CCAA proceedings.

185. The Borrower has agreed to pay the DIP Lender interest on the outstanding principal amounts advanced under the DIP Facility and all other obligations owing under the DIP Facility, both before and after maturity, and until actual payment in full, at the rate of 5% per annum. Upon the occurrence of an event of default that is continuing the rate shall automatically become 7% per annum until the maturity date. However, no other fees are being charged by the DIP Lender, and the DIP Lender is not seeking reimbursement of its expenses. The maturity date is the earlier of (i) the date on which the proposed stay of proceedings pursuant to the Initial Order, as amended from time to time, finally expires without being extended, (ii) the date on which the CCAA proceedings are terminated or (iii) January 15, 2016, or such later date as may be agreed to in writing by the DIP Lender, in its sole discretion. All amounts outstanding under the DIP Facility shall be repaid in full on the maturity date, subject to the order of the Court. TCC and its subsidiaries are jointly and severally liable for the amounts borrowed under the DIP Facility and any interest thereon.

186. Other key elements of the DIP Facility are as follows:

- (a) Unless otherwise agreed by the DIP Lender, the Borrower shall make the following mandatory prepayments of the outstanding principal and interest amounts of the advances under the DIP Facility, if any, at the time of receipt of the net cash proceeds described below (subject to, among other things, payment or reserves for Court-ordered charges):
 - (i) 100% of the net cash proceeds received from the incurrence of indebtedness by the Borrower, which may only be incurred with the consent of the DIP Lender;

- 67 -

- (ii) 100% of the net cash proceeds from the receipt of any extraordinary income or receipts (including, without limitation, insurance proceeds (excluding business interruption, workers compensation or liability insurance), tax refunds and similar receipts outside of the ordinary course) by the Borrower; and
 - (iii) 100% of the net cash proceeds of any sale or other disposition (including as a result of casualty or condemnation) by the Borrower of any assets other than inventory (whether such inventory is sold or disposed of through return to the vendor or wholesaler, the liquidation of the inventory by the Agent once appointed by the Court or otherwise).
- (b) All net cash proceeds payable to the DIP Lender from any of the events described above shall be applied, except as otherwise agreed to by the DIP Lender in writing, as follows:
 - (i) first, to pay accrued and unpaid interest on the obligations under the DIP Facility;
 - (ii) second, to repay any principal amounts outstanding in respect of the DIP Facility; and
 - (iii) third, the balance to be paid to the Borrower.
- (c) Any repayment of principal under the DIP Facility will not affect the remaining amount available under the DIP Facility.

- (d) Advances under the DIP Facility are contingent, among other things, on the issuance of the Initial Order, which shall be in full force and effect and shall grant the DIP Lender's Charge (as defined herein) and on the absence of an event of default or pending event of default.
- (e) Events of default include, among others: (i) a breach of covenanted reporting requirements that remains unremedied for three business days; (ii) a breach of any other covenant under the DIP term sheet that remains unremedied for more than 10 business days (including, among others, the failure to conclude substantially all of the contemplated liquidation of retail inventory by June 1, 2015); (iii) the expiration of the stay of proceedings in these CCAA proceedings; (iv) the delivery of updated cash flow projections that reflect a material adverse change to the Borrower or there occurs any negative variance greater than 20% for all expenditures, on a cumulative basis (other than timing variances); (v) a material payment by the Borrower of any kind not permitted by the Initial Order or the DIP term sheet; (vi) failure of the Borrower to pay principal or interest when due; and (vii) the proposal or filing of any plan of compromise or arrangement that is not acceptable to the DIP Lender if such plan of compromise or arrangement does not either provide for the repayment of the obligations under the DIP Facility in full by the maturity date or designate the DIP Lender as unaffected by such plan.

187. The entire amount of the DIP Facility is to be secured by a security interest on all real and personal property leased, owned or hereafter acquired by the Borrower. The amount actually borrowed by the Borrower is proposed to be secured by, among other things, a Court-

ordered charge on the Borrower's property (the "**DIP Lender's Charge**") that ranks in priority to all unsecured claims, but is subordinate to the Administration Charge, the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge (each of which is discussed and defined below), and any purchase money security interests.

188. The Target Canada Entities have not sought alternative financing proposals because they believe that the DIP Facility is being offered on more favourable terms than any other potentially available third-party financing and is in the best interests of TCC and its subsidiaries and their stakeholders.

189. The DIP Facility is crucial to the orderly wind down of the Canadian operations, as it will provide the Borrower with the necessary liquidity to operate during these proceedings and ensure there is enough flexibility and sufficient time to facilitate a process to maximize net realizations on their assets for the benefit of all stakeholders.

B. Monitor

190. It is proposed that A&M will act as Monitor in the CCAA proceedings if the proposed Initial Order is issued. A&M has consented to act as the Monitor of the Target Canada Entities.

191. TCC, with the assistance of A&M, has prepared 13-week cash flow projections, as required by the CCAA. A copy of the cash flow projections is attached as Exhibit S to this Affidavit. They show that TCC can continue operations during the proposed initial stay period.

192. I understand that A&M will file an initial pre-filing report with the Court as proposed Monitor in conjunction with the Target Canada Entities' request for relief under the CCAA.

193. In addition to other general powers, the proposed Initial Order includes powers relating to the wind down of TCC's operations to enable the Monitor to:

- (a) oversee the liquidation agent solicitation process and work closely with TCC and any liquidation agent in connection with the liquidation process;
- (b) oversee the development and implementation of the real estate portfolio sales process to be developed by Lazard and Northwest in consultation with the Target Canada Entities;
- (c) oversee the marketing and sales of other assets of the Target Canada Entities, in consultation with the Target Canada Entities;
- (d) oversee the controlled wind down of shared services and other intercompany arrangements with Target Corporation, in consultation with TCC; and
- (e) administer the Employee Trust, in consultation with the trustee thereof and Employee Representative Counsel.

C. Key Employee Retention Plan

194. The proposed Initial Order includes approval of a key employee retention plan (as set out below, the “KERP”) and granting of a Court-ordered charge up to the maximum aggregate amount of CAD \$6.5 million as security for payments under the KERP.

195. The KERP was developed by the Target Canada Entities, in consultation with A&M, to facilitate and encourage the continued participation of senior management and other key employees of the Target Canada Entities who are required to guide the business through the contemplated orderly wind down process and preserve value for stakeholders. The KERP will provide its participants with additional payments as an incentive to continue their employment for varying durations, as required, through the CCAA proceedings. These employees have significant experience and specialized expertise that cannot be easily replicated or replaced.

196. The Target Canada Entities propose to include the following employees in the KERP:

Role	Approximate Number Required	Amount of KERP Payment	Estimated Maximum Cost (CAD\$)
(a) Senior and Operational Management	21-26	Varies	\$770,000
(b) Store Level Management	520	8-12 weeks' salary	\$5.7 million (net of anticipated \$1.3 million payment to store team leaders from the Employee Trust)
Total			\$6.5 million

- (a) **Senior and Operational Management:** The Target Canada Entities are proposing that I, as a member of senior management, will be eligible to participate in the KERP. The identity of operational management employees eligible for the KERP is being finalized but is projected to include approximately 20 to 25 key employees who operate primarily out of TCC's head office in Mississauga, Ontario in the Human Resources, Legal, Distribution, Merchandising Store Operations and Property Development departments. These operational management employees will be needed for both the contemplated inventory liquidation and for the following period. The Target Canada Entities are proposing that these employees be eligible for payments under the KERP that, for most such employees, equal to 8 to 12 weeks of salary.

It is estimated that the KERP for operational and senior management will cost approximately CAD \$770,000.

- (b) **Store Level Management:** As each store is, in effect, its own individual operation and entity, TCC has identified four key individuals at each store, amounting to approximately 3% of the store employee population, whose continued participation going forward will be critical to executing the contemplated orderly wind down process. The following chart summarizes the categories of store level employees that the Target Canada Entities are proposing to include in the KERP:

- 73 -

Employee	Approximate Number Required	Maximum Amount of KERP Payment	Estimated Maximum Cost (CAD\$)
Store Team Leader	117	12 weeks	\$1.8 million (net of anticipated \$1.3 million payment to store team leaders from the Employee Trust)
Executive Team Leader, HR	133	8 weeks	\$1.5 million
Executive Team Leader, Logistics	133	8 weeks	\$1.5 million
Store Facilities Technician	133	At least 8 weeks	\$0.9 million

- (i) The Store Team Leader is responsible for running the store and is the highest-level leadership position within a store. During the wind down process, TCC will rely on Store Team Leaders with respect to communications with store stakeholders including employees, clients, franchisees, as well as interactions with any liquidator. TCC considers this the most important role in the store. Accordingly, to ensure such employees' participation in an effective and orderly wind down process, TCC is proposing that they be paid additional compensation up to a maximum of 12 weeks' base salary, calculated as follows: 28 weeks' base salary (30 weeks' for Store Team Leaders in Manitoba) from the effective date of the employee's notice of termination less the sum of: (i) the total amount that the employee is paid in respect of services performed from the

- 74 -

effective date of the notice of termination; and (ii) any amount that the employee is eligible to receive as an Eligible Employee Claim under the Employee Trust (as discussed below). Examples of Store Team Leader KERP calculations are set out in Exhibit T to this Affidavit. The Target Canada Entities are proposing that approximately 117 store team leaders be eligible for participation under the KERP. It is estimated that providing these employees with an additional 12 weeks of salary would cost a maximum of approximately CAD \$3.1 million. However, under the terms of their individual employment agreements approximately 25 Store Team Leaders have an entitlement to more than 12 weeks' pay beyond the 16 week notice period, which entitlement will be eligible to be separately funded entirely under the Employee Trust. It is estimated that the other approximately 92 Store Team Leaders will be eligible to be paid either partially under the Employee Trust and partially under the KERP, or entirely under the KERP. It is estimated that the total amount payable under the Employee Trust will be approximately \$1.3 million and the total amount payable under the KERP will be approximately \$1.8 million. (The Store Team Leaders for the approximately 16 remaining stores are international assignees, and the Target Canada Entities do not propose to include such individuals in the KERP.)

- (ii) The Executive Team Leader, Human Resources is the store-level Human Resources professional and has primary responsibility at the store level for, among other things, scheduling and payroll, and will play a key role in

employee communications. These employees are necessary to ensure proper scheduling continues in accordance with the change in operations, to make payroll calculations and to assist with ongoing workplace issues. It is estimated that providing these employees with a KERP equal to an additional 8 weeks of salary would cost approximately CAD \$1.5 million.

- (iii) The Executive Team Leader, Logistics is the store-level employee responsible for coordinating the store's receipt of inventory and placement of inventory in the store and will be crucial to any liquidation. It is estimated that providing these employees with a KERP equal to an additional 8 weeks of salary would cost approximately CAD \$1.5 million.
- (iv) The Store Facilities Technician is the store-level employee responsible for building operations and maintenance. TCC believes that their participation will contribute to the safe and smooth operation of the stores through the contemplated wind down process. Depending on the results of store closures, these technicians may also be necessary through the contemplated process of selling the leases. It is estimated that providing these employees with a KERP equal to an additional 8 weeks of salary would cost approximately CAD \$0.9 million.

197. Any payments under the KERP are conditional upon the employee continuing to provide services to TCC until such time as they are advised that they are no longer required to assist in the wind down, sales, or other matters in these proceedings. With the exception of the

senior management employee, the Target Canada Entities are proposing to make payments to each employee under the KERP with his or her final pay.

198. Assuming the Target Canada Entities are able to retain all of the key employees, the total amount payable under the KERP would be a maximum of approximately CAD \$6.5 million. The Target Canada Entities are seeking a charge (the “**KERP Charge**”) to secure the amounts payable under the KERP. The KERP Charge is proposed to rank immediately below the Administration Charge and immediately above the Directors’ Charge (both discussed below).

D. Employee Trust

199. TCC is asking the Court to approve a trust established for the benefit of employees of TCC (the “**Employee Trust**”), and funded by Target Corporation.

200. TCC and Target Corporation have always considered team members to be integral to Target’s business. However, given that TCC will be winding down its operations and ceasing to carry on business, it will be immediately providing notice of termination to the vast majority of its employees. TCC and Target Corporation wish to provide TCC employees with a measure of financial security during the wind down process. Target Corporation has therefore agreed to fund the Employee Trust to a maximum amount of CAD \$70 million (the “**Maximum Required Trust Contribution**”), discussed further below. If approved, the Employee Trust will provide funding for payment to employees of at least their full statutory or contractual termination entitlements even if they are not required to work for their entire notice period. It is intended that the Employee Trust protect the TCC employees against any dispute by any creditors of the Target Canada Entities regarding the employees’ entitlement to receive the full amount of these employments benefits under the CCAA proceedings.

201. In order to further benefit TCC employees and all other unsecured creditors of TCC, Target Corporation will not assert any right of subrogation against TCC in respect of amounts paid pursuant to the Employee Trust. The Employee Trust and not the estate will bear the costs associated with its establishment and administration.

202. The Employee Trust was established in consultation with A&M, and is supported by Employee Representative Counsel. The trust agreement provides that the proposed Monitor is the administrator and Hon. John D. Ground is the trustee. A copy of the proposed trust agreement is attached as Exhibit U to this Affidavit. All defined terms in this section are as set out in the trust agreement.

203. The trust agreement provides:

- (a) the beneficiaries of the Employee Trust (“**Eligible Employees**”) include:
 - (i) active employees of TCC as of the date of the CCAA filing who have not given notice to, or received notice of termination from, TCC and who are terminated without cause by TCC following the CCAA filing;
 - (ii) inactive employees of TCC on approved disability leaves, statutory leaves, or authorized personal leaves as of the CCAA filing who have not given notice to, or received notice of termination from, TCC and who are terminated without cause by TCC following the CCAA filing; and
 - (iii) such other inactive employees of TCC on authorized leaves of absence as TCC and the Monitor may expressly agree.

- 78 -

- (iv) TCC employees who voluntarily leave their employment prior to being advised by TCC that their services are no longer needed are not eligible to receive payments funded by the Employee Trust.
- (b) the distribution by the Employee Trust to TCC for payment to an Eligible Employee will be equal to A minus B (the “**Eligible Employee Claim**”) where:
- (i) A is the greatest of:
 - (I) such Eligible Employee’s statutory minimum termination entitlement under applicable employment standards legislation, including any statutorily required post-termination vacation pay;
 - (II) beginning from the Effective Date of Notice, 16 weeks’ Regular Wages for a Regular Work Week as well as the cost of TCC’s portion of premium contributions required to continue such Eligible Employee’s benefit coverage for such 16 week period to the extent permitted by the insurance carrier, but not less than minimum ESA entitlement; or
 - (III) contractual notice or pay in lieu required to be paid to such Eligible Employee pursuant to the terms of any applicable written employment agreement between TCC and the Eligible Employee, including the cost of TCC’s portion of premium contributions required to continue such Eligible Employee’s benefit coverage as required by such written

- 79 -

employment agreement to the extent permitted by the insurance carrier, but not less than minimum ESA entitlements; and

- (ii) B is all amounts earned by such Eligible Employee up to their regular wages for a regular work week, inclusive of benefits and vacation pay, in respect of actual post-filing services provided following the Effective Date of Notice; provided however that B shall be deemed to be zero (0) for any such Eligible Employee whose written employment agreement specifically provides that the contractual termination entitlements cannot be reduced through working notice;
- (c) payments to employees of funds distributed by the Employee Trust will be made directly by TCC or by a third party payroll provider pursuant to TCC's existing payroll system. The Employee Trust will distribute funds to TCC on a pay period by pay period basis, based on estimates jointly developed by TCC and the Monitor, as administrator of the Employee Trust. Any surplus or deficiency from the previous pay period(s) will be reconciled in the next pay period. On or after the final distribution, TCC and the Monitor will consult and perform a final "true up"; and
- (d) a deemed release by each Eligible Employee of TCC, Target Corporation and other Releasees (as defined in the trust agreement) on the payment of a distribution from the Employee Trust in respect of an Eligible Employee Claim, to the extent of such distribution. This is proposed to operate as a "rolling release": that is, for each distribution funded from the Employee Trust, the

- 80 -

employee will be deemed to release all Releasees in respect of the Eligible Employee Claim for the amount he receives plus appropriate remittances or withholdings (the “**Payment Release**”). Once the final distribution has been made by the Employee Trust and paid by TCC, the Eligible Employee will be deemed to have released TCC, Target Corporation and the other Releasees in respect of the full amount of the Eligible Employee Claim, subject to any dispute, as described below. In the unlikely event the Maximum Required Trust Contribution is not sufficient to fund all such claims, only the Payment Release will apply.

- (e) contractual termination entitlements in excess of statutory minimum requirements will be subject to a release in accordance with the terms of the written employment contracts; and
- (f) only Eligible Employee Claims are covered.

204. For additional clarity, the Employee Trust does not cover damages or claims against TCC, Target Corporation or any related entities from any existing or potential litigation or other proceedings by TCC employees in respect of their employment. Any other employee claims or potential claims against TCC will be dealt with through the claims procedure, once established.

205. TCC is proposing that any dispute with respect to an Eligible Employee Claim must be made within 60 days of the final payment thereof by notice to the Administrator (Monitor) and Employee Representative Counsel (discussed below), specifying the grounds and particulars of the dispute. The deemed release will not come into effect for any Eligible

Employee who commences a dispute until the dispute is finally resolved. The directions of this Court for dispute resolution will be sought if necessary.

206. If approved, the first contribution to the Employee Trust will be \$52.5 million, payable by Target Corporation upon the making of the Initial Order. Target Corporation will provide further funding if required to satisfy Eligible Employee Claims to the Maximum Required Trust Contribution, following notice from the Administrator. If the Administrator considers there are excess funds, the Trustee, on the direction of the Administrator, may refund such excess to the Settlor.

207. The Employee Trust will be fully revocable until certain conditions set out below are fulfilled, as detailed in the trust agreement:

- (a) the Court grants the Initial Order which, among other things:
 - (i) approves and authorizes the creation of the Employee Trust on the terms and conditions set out in the trust agreement;
 - (ii) provides for a deemed release of claims by Eligible Employees no less favourable to TCC, Target Corporation and their affiliates than the Deemed Release Terms;
 - (iii) appoints the proposed Monitor to act in such capacity, and in addition to the other powers granted to the Monitor therein, authorizes and directs the Monitor to act as Administrator of the Employee Trust;

- 82 -

- (iv) declares that Target Corporation shall not be, and shall not be deemed to be, an employer or a common, related or successor employer with respect to any TCC Employee by virtue of settling the Employee Trust; and
 - (v) establishes a stay of proceedings on substantially the terms and conditions requested by TCC; and
- (b) the Initial Order becomes a Final Order; and
- (c) notices of termination by TCC have been sent to Eligible Employees.

208. In summary, TCC is of the view the Employee Trust is of great benefit to its employees, estate and stakeholders because:

- (a) no funds from any of the Target Canada Entities will be used to fund the Employee Trust;
- (b) Target Corporation is the settlor of the Employee Trust and will provide all funds required, to the Maximum Required Trust Contribution;
- (c) Target Corporation will not assert any subrogation rights in respect of amounts paid out of the Employee Trust and will not seek to recover from TCC's estate any amounts paid out of the Employee Trust;
- (d) As discussed in respect of the KERP, the cost to the estate of the KERP will be reduced because of payments under the Employee Trust; and

(e) the Employee Trust will bear the costs of its establishment and administration.

E. Employee Representative Counsel

209. The Target Canada Entities propose that the Court appoint Koskie Minsky LLP (“**Koskie Minsky**”) as Employee Representative Counsel, with Susan Philpott acting as senior counsel, to represent TCC’s employees, save and except directors and officers, including, but not limited to, assisting with questions regarding Eligible Employee Claims and other issues with respect to the Employee Trust.

210. I am advised by Sven Poysa of Osler and believe that Koskie Minsky has been appointed by the court as representative counsel in many CCAA and other restructurings, including, among others, *Air Canada*, *Nortel*, *Hollinger Canadian Publishing Holdings* and *Eaton’s*. I am advised by Mr. Poysa and believe that Koskie Minsky has extensive experience representing large groups of employees and former employees in matters involving employment-based claims for such things as termination entitlements and benefits in restructuring and liquidation situations. I am advised by Mr. Poysa and believe that Koskie Minsky also has extensive experience in establishing and advising members and trustees of employee benefit plans across Canada, and is uniquely qualified to represent TCC employees in the Proceeding.

211. I am also advised by Mr. Poysa and believe that Koskie Minsky has been consulted regarding the Employee Trust and supports the Court’s approval of the Employee Trust.

212. To the best of my knowledge, the employees have a common interest in these CCAA proceedings. I am not aware of any material conflict existing between the interests of

employees or groups of employees at this time. If any material conflict does arise in the future, Employee Representative Counsel may attend before the Court to seek directions at that time.

213. TCC is proposing that:

- (a) Employee Representative Counsel be appointed immediately, before the appointment of employees as Court-appointed representatives (the “**Employee Representatives**”), because of the importance of establishing the Employee Trust at the earliest possible time for the benefit of the employees, the estate and other stakeholders;
- (b) Employee Representative Counsel begin the process of identifying no more than seven employees to be nominated to the Court as Employee Representatives as soon as practicable, with the goal of two employees being selected from each of the three groups or regions in which TCC is organized, the Western, Central (Ontario) and Eastern (including Ottawa, Quebec and the Maritimes) Regions, and one from head office; and
- (c) opt-out rights be provided when the Employee Representatives are appointed.

214. TCC recognizes that the employees are an important stakeholder group and deserve adequate and meaningful representation in the CCAA proceeding.

215. I am advised by Mr. Poysa and believe that Koskie Minsky intends to: (i) establish a toll-free dedicated phone line and a dedicated email address through which TCC employees can obtain information about this CCAA proceeding; and (ii) post information for

TCC employees on the Koskie Minsky website, which will be regularly updated with information directed to TCC employees about the CCAA process, including a section for frequently asked questions.

216. TCC believes that Employee Representative Counsel will contribute to overall costs savings and a streamlining of the CCAA process by serving as a single point of contact between thousands of employees, the Target Canada Entities, the Monitor and the Court.

F. Administration Charge

217. In connection with its appointment, the Target Canada Entities propose that the Monitor, along with its counsel, counsel to the Target Canada Entities, the proposed financial advisor (Lazard, with respect to its Monthly Fee set out in the Financial Advisor Agreement, as discussed below), the real estate advisor to the Target Canada Entities (Northwest, as discussed below), the Employee Representative Counsel for the employees, and independent counsel for the Directors of the Target Canada Entities will be granted a Court-ordered charge on all of the present and future assets, property and undertakings of the Target Canada Entities as security for their respective fees and disbursements relating to services rendered in respect of the Target Canada Entities up to a maximum amount of CAD \$6.75 million (the “Administration Charge”). The Administration Charge is proposed to have first priority over all other charges.

G. Directors’ and Officers’ Protection

218. The Target Canada Entities believe that an orderly wind down will only be possible with the continued participation of their respective boards of directors and key management and employees who are essential to the viability of the orderly wind down of TCC’s business.

219. I am advised by Shelley Obal of Osler and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid accrued wages; unpaid accrued vacation pay; and unremitted sales, goods and services, and harmonized sales taxes.

220. It is my understanding that TCC's present and former directors and officers who are or were employed by TCC are among the potential beneficiaries under a liability insurance policy that covers an aggregate annual limit of USD \$25 million. I do not believe that this insurance policy provides sufficient coverage against the potential liability that I or other directors could incur in relation to this CCAA proceeding.

221. Certain of TCC's directors and officers who are employed by Target Corporation or certain of its subsidiaries may also be covered under a separate liability insurance policy in the amount of approximately USD \$450 million. However, I am advised by such directors and officers and believe that they are concerned about whether this policy would fully insulate them from a Canadian statutory liability in their roles as directors and officers of a Canadian corporation. In addition, I understand that there may be competing claims against the US policy as it is a broad policy that covers many other individuals in many other circumstances.

222. In light of the potential liabilities and the uncertainty surrounding available indemnities and insurance, I and the other directors and officers have indicated to the Target Canada Entities that our continued service and involvement in this proceeding is conditional upon the granting of an Order under the CCAA which grants a charge in favour of the directors and officers of the Target Canada Entities in the amount of CAD \$64 million on the property of the Target Canada Entities (the "**Directors' Charge**"). The Directors' Charge would act as

security for indemnification obligations for the Directors' potential liabilities as set out above. As noted above, the Directors' Charge is proposed to stand in priority to the proposed Financial Advisor Subordinated Charge and DIP Lender's Charge, but would be subordinate to the proposed Administration Charge and KERP Charge. The Directors' Charge is necessary so that the Target Canada Entities may benefit from their directors' and officers' experience with the business and guide TCC's liquidation and wind down efforts.

H. Payments During this CCAA Proceeding

223. During the course of this CCAA proceeding, TCC intends to make payments for goods and services supplied post-filing as set out in the cash flow projections described above and as permitted by the draft Initial Order. TCC is proposing in the Initial Order that TCC be authorized, with the consent of the Monitor, but not required, to make certain payments, including payments owing in arrears, to certain critical third parties that provide services that are integral to TCC's ability to operate during, and implement, its controlled and orderly wind down process. These third parties include key logistics or supply chain providers, customs brokers and clearing houses; parties providing freight forwarding, transportation and logistics services; armoured truck carriers; and financial institutions providing corporate credit cards, including Amex and JPMorgan, as well those involved in the cash management system. In addition, the draft order provides for the Target Canada Entities' ability to pay other categories of suppliers with the consent of the Monitor up to a maximum amount of \$10 million.

I. Inventory Liquidation Process

224. As part of the overall wind down process for the Canadian business, the Target Canada Entities are seeking the Court's approval to, in consultation with the Monitor, meet immediately with liquidation firms to solicit proposals, assess such proposals and, on subsequent

approval of the Court, enter into an agreement with a liquidator selected as part of this solicitation process.

J. Approval of TCC's Engagement of Lazard and Northwest

i. *Lazard*

225. TCC is asking the Court to approve TCC's engagement of Lazard as TCC's financial advisor to develop and assist with a sales process for TCC's real estate portfolio. In the event that the Court grants the Initial Order, the Target Canada Entities will return to Court to seek approval of such process. It is my understanding that a copy of TCC's engagement letter with Lazard (the "**Financial Advisor Agreement**") will be attached as a confidential appendix to the pre-filing report of the proposed Monitor.

226. TCC solicited proposals from three investment banks and selected Lazard. TCC consulted the proposed Monitor on these proposals and the selection of Lazard. I believe that Lazard's significant experience and expertise will greatly benefit TCC. It is my understanding that Lazard is one of the world's leading investment banking and financial advisory firms, offering a broad range of corporate advisory services including, among other things, general financial advice, corporate restructurings and divestitures. It is my further understanding that Lazard has extensive worldwide experience in the reorganization and restructuring of companies, both out-of-court and in U.S. and Canadian restructuring cases.

227. As set out above, the Target Canada Entities propose that Lazard's monthly fee under the Financial Advisor Agreement (the "**Monthly Fee**") will be covered by the Administration Charge discussed above. In addition, the Target Canada Entities propose that

Lazard will be granted a Court-ordered charge on all of the present and future assets, property and undertakings of the Target Canada Entities with respect to its fees under the Financial Advisor Agreement other than its Monthly Fee thereunder (the “**Transaction Fee**”), which charge shall not exceed an aggregate amount of \$3 million (the “**Financial Advisor Subordinated Charge**”), as security for the Transaction Fee. The Financial Advisor Subordinated Charge is proposed to stand in priority to the proposed DIP Lender’s Charge, but would be subordinate to the proposed Administration Charge, KERP Charge and Directors’ Charge.

ii. *Northwest*

228. TCC is asking the Court to approve TCC’s engagement of Northwest as TCC’s real estate advisor to provide local knowledge and expertise regarding real estate market conditions and activity, and to advise and consult with Lazard in the development of a sales process for TCC’s real estate portfolio. A copy of the TCC’s proposed agreement with Northwest (the “**Real Estate Advisor Agreement**”) is attached as Exhibit V to this Affidavit.

229. It is my understanding that North West specializes in, among other things, services relating to retail leasehold interests, and has significant experience and expertise regarding retail leases in malls and other retail-related real property, including distribution centres and warehouses. In addition, North West has knowledge of, and direct experience with, many of the leases in the Target Canada Entities’ real estate portfolio. It is my further understanding that Northwest is licensed to act as a real estate broker, should it be necessary for Northwest to act in that capacity in relation to the sale of the Target Canada Entities’ real estate portfolio.

K. Stay of Derivative Claims against Target Corporation

230. As noted above, the draft Initial Order proposes, subject to certain exceptions regarding the Cash Management System, a temporary stay of any proceeding against or in respect of Target Corporation arising out of or in connection with any obligation of Target Corporation that is derivative of the primary liability of any of the Target Canada Entities.

231. The Target Canada Entities believe that this relief is necessary to allow the Target Canada Entities to have sufficient “breathing space” under the CCAA to focus their resources on a fair and orderly wind down process. Any derivative litigation against Target Corporation would necessarily require the participation of the Target Canada Entities and would result in a significant distraction of remaining senior management from the goals of this proceeding.

232. It is the intention of the Target Canada Entities to establish a CCAA claims process during these CCAA proceedings. The amount of these derivative claims against Target Corporation, if any, will not be known until a claims process with respect to such claims has been completed.

L. Chapter 15 Proceedings

233. A Chapter 15 recognition proceeding under the US Bankruptcy Code may be necessary in respect of some or all of the Target Canada Entities. As described herein, TCC Propco is a limited liability company organized under the laws of Minnesota and there are numerous relationships and flows of funds between the Target Canada Entities and entities located in the United States that may necessitate the filing of a Chapter 15 proceeding.

234. Out of an abundance of caution and to prevent delay should a Chapter 15 proceeding prove necessary, the Target Canada Entities are seeking in the Initial Order to have the Monitor authorized but not required to act as a foreign representative and commence proceedings under Chapter 15 with respect to all or some of the Target Canada Entities.

235. In all of the circumstances, including those set out below, the centre of main interest (the “COMI”) of the Target Canada Entities is in Canada. With respect to the Target Canada Entities other than TCC Propco:

- (a) each of the Target Canada Entities is incorporated or organized under the laws of Canada or provinces of Canada;
- (b) the registered office of each of the Target Canada Entities is located in Canada;
- (c) TCC’s retail operations are headquartered in Mississauga, Ontario;
- (d) the vast majority of the assets of each of the Target Canada Entities are located in Canada;
- (e) the corporate tax returns of each of the Target Canada Entities are filed in Canada;
- (f) substantially all of the employees of the Target Canada Entities are located in Canada and are paid on Canadian payroll;
- (g) the compensation and benefits paid to substantially all of the employees of the Target Canada Entities are regulated in Canada; and

(h) certain of the Target Canada Entities hold real property assets located in Canada.

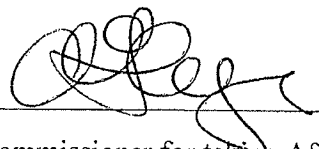
236. For TCC Propco, although it is a Minnesota limited liability company, it has been established solely to facilitate the build-out of TCC's Canadian stores and only operates in Canada.

Conclusion

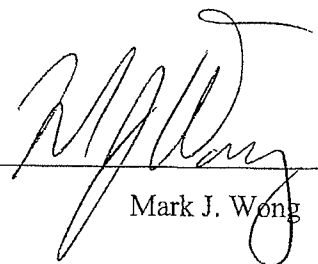
237. I believe that the Target Canada Entities and Target Corporation have made every reasonable effort, and assessed every available option, in their extensive efforts to find a way to succeed in Canada. However, no way was identified that could stop the significant losses projected for the foreseeable future. Given Target Corporation's decision to cease funding TCC and to effect an orderly and responsible wind down of its subsidiaries' Canadian operations, TCC has no means to continue operating. I believe that the contemplated CCAA proceeding is the optimal method – indeed, the only viable method – to effect a fair and orderly wind down process for the benefit of all stakeholders.

238. TCC and Target Corporation intend to wind down Canadian operations in a responsible and controlled manner and intend to treat stakeholders as fairly and equitably as the circumstances allow. The Target Canada Entities are asking the Court to approve the Employee Trust to provide a measure of financial security for employees and a DIP Facility that has been offered on favourable terms and to facilitate the orderly wind down. I am confident that granting the Initial CCAA Order sought by the Target Canada Entities is in the best interests of the Target Canada Entities and their stakeholders.

SWORN BEFORE ME at the City of
Toronto, on the 14th day of January,
2015.



Commissioner for taking Affidavits
Alexis Beale



Mark J. Wong

SCHEDULE A**Partnerships**

1. Target Canada Pharmacy Franchising LP
2. Target Canada Mobile LP
3. Target Canada Property LP

**THE FOLLOWING IS EXHIBIT "C" REFERRED
TO IN THE AFFIDAVIT OF MARK J. WONG
SWORN JANUARY 29, 2015**



Commissioner for Taking Affidavits

[TO BE REPRODUCED ON A&M CANADA LETTERHEAD]

Dear Sir/Madame,

As you are aware, on January 15, 2015 Target Canada Co. and certain of its affiliated entities (collectively, the “**Company**”) applied for and obtained protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) pursuant to the Initial Order of the Ontario Superior Court of Justice (Commercial List) dated January 15, 2015 (the “**Initial Order**”).

Pursuant to the terms of the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**”) has been appointed as the CCAA Monitor of Target Canada (the “**Monitor**”). The Initial Order provides that the Company, in consultation with the Monitor, is authorized to solicit proposals and agreements from third party liquidators in respect of the liquidation of the Company’s inventory, furniture, equipment and fixtures (the “**Target Inventory & FF&E**”) located in Target Canada’s 133 retail stores, its distribution centers and its corporate head office in Mississauga, Ontario (collectively, the “**Locations**”).

Accordingly, the Company is working with the Monitor to solicit equity and fee bids for the purpose of selecting an agent or a consultant, on an exclusive basis, to assist the Company in the liquidation of the Target Inventory & FF&E through the conduct of “store closing” or similar theme sales at the Locations. Potential interested parties who submit a bid (a “**Bidder**”) may submit equity and/or fee bids in respect of the Target Inventory & FFE at the Locations (a “**Proposal**”).

All Proposals must be received by no later than 3:00 pm (ET) on January 23, 2015 (the “**Bid Deadline**”) as provided for in the request for proposals attached hereto (the “**Request for Proposals**”).

Through a virtual data room maintained by the Company, each Bidder who has executed and returned the required confidentiality agreement will be provided certain select financial and other information concerning the Target Inventory & FF&E.

Participation by a Bidder and submission of a Proposal in this solicitation process is expressly subject to the terms and conditions of the confidentiality agreement signed by such Bidder as well as compliance with the terms and provisions of the Request for Proposals. The Company and the Monitor reserve the right, in their sole discretion, to suspend or modify this solicitation process for any reason at any time, exclude any Bidder from any further participation in the solicitation process, select the chosen Bidder(s), at its sole discretion (without any obligation to accept any Proposal) and reject any or all Proposals with no obligation to disclose any reason therefor. The Company also reserves the right to amend both the form of Agency Agreement and the form of Consulting Agreement attached hereto, as both Agreements remain subject to further modification as may be deemed appropriate by the Company acting in its sole discretion.

Requests for additional financial information and site visits should be directed to the Monitor attn: Matthew Henry (mhenry@alvarezandmarsal.com – (310) 981 8232).

We thank you for your interest and look forward to receiving your Proposals by the Bid Deadline.

Sincerely,

Alvarez & Marsal Canada Inc.
in its capacity as Court appointed
Monitor of Target Canada Co., *et al*

Request for Proposals

Target Canada Co. (“**Target**” or the “**Company**”) is seeking proposals from liquidators for the liquidation of the Target Inventory and FF&E on the following terms and conditions:

1. A proposal will be considered a Conforming Proposal only if (i) the proposal is received on or before the Proposal Deadline (as herein defined) and (ii) the proposal complies with all of the requirements outlined herein (subject to such compliance, as may be determined in the discretion of the Company and Alvarez & Marsal Canada Inc., in its capacity as Monitor of the Company (the “**Monitor**”)) (a “**Conforming Proposal**”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the form of “Agency Agreement” attached hereto as Exhibit 1.
2. Equity proposals must be submitted using the form of “Agency Agreement” enclosed herewith as Exhibit 1 and fee proposals must be submitted using the form of “Consulting Agreement” enclosed herewith as Exhibit 2, in each case redlined to show any proposed changes from the original documents. A bidder may submit both forms or one form (a “**Bidder**”).
3. All proposals must stipulate that they are open for acceptance until 5:00pm (ET) on January 27, 2015, and be received, in writing (by e-mail, facsimile or personal delivery), no later than 3:00 pm (ET) on January 23, 2015 (the “**Proposal Deadline**”). The Company, with the assistance of the Monitor, shall determine which, if any, of the Conforming Proposals it wishes to accept (the “**Accepted Proposal**”) by no later than January 26, 2015 and will hold an auction among those Bidders having submitted a Conforming Proposal at 9:00am (ET) on January 27, 2015 at the offices of counsel for the Company, as set out below (or such later date as may be determined by the Company in its full discretion) for the purposes of selecting the final Conforming Proposal it wishes to accept (the “**Final Accepted Proposal**”).
4. Proposals must be marked as “*Strictly Confidential*” and delivered on or before the Initial Proposal Deadline as follows:

Target Canada Co.	Osler, Hoskin & Harcourt LLP	Alvarez & Marsal Canada Inc.
	<i>Counsel to Target Canada Co.</i>	<i>Court appointed Monitor of Target Canada Co.</i>
Attention: Aaron Alt and Mark Wong	Attention: Tracy Sandler and Sandra Abitan	Attention: Bill Kosturos, Matthew Henry and Alan Hutchens
Phone: 312. 330. 1011 and 289. 261. 0617	Phone: 416.862.5890 and 514.904.5648	Phone: 415.490.2309, 310.975.2684 and 416.847.5159

Email: <u>Aaron.Alt@target.com</u> and <u>Mark.wong@target.com</u>	Email: <u>tsandler@osler.com</u> and <u>sabitan@osler.com</u>	Email: <u>bkosturos@alzarezandmarsal.com,</u> <u>mhenry@alvarezandmarsal.com</u> and <u>ahutchens@alvarezandmarsal.com</u>
Address: 5570 Explorer Drive Mississauga, ON L4W OC4	Address: Box 50, 1 First Canadian Place, Toronto, ON M5X 1B8 and Suite 2100 1000 De La Gauchetière Street West Montréal, Quebec H3B 4W5	Address: 200 Bay St. Toronto, ON M5J 2J1 and 100 Pine Street Suite 900 San Francisco, CA 94111

5. The Company, in consultation with the Monitor (and their respective advisors), will review each Conforming Proposal and may provide feedback to each Bidder about its Conforming Proposal(s). The Company may share any Conforming Proposal with certain of its key constituents including the DIP Lender.
6. The Final Accepted Proposal shall form the basis of an agreement (“**Agency Agreement**” in the case of an equity proposal or “**Consulting Agreement**” in the case of a fee proposal) to be negotiated between the Company and the successful Bidder.
7. Any Final Accepted Proposal shall be subject to the approval of the Court and the DIP Lender (as defined in the Initial Order), as required. Subject to the availability of the Court, the Company intends to seek Court authorization and approval of the Agency Agreement or the Consulting Agreement, as the case may be, on February 4, 2015 (the “**Approval Motion**”). The Approval Motion may be adjourned or rescheduled by the Company, with the consent of the Monitor, at any time.
8. The Company reserves the right, in its sole discretion, to accept or reject any and all proposals or any terms or conditions of a Conforming Proposal, to seek clarification or enhancement of a Conforming Proposal, to withdraw any of the Locations at any time prior to the execution of a definitive agreement or to exclude any Bidder from any further participation in the Request for Proposal Process and shall have no obligation to disclose any reason therefor.

Selected Terms and Conditions Relating to Equity Proposals

In addition to the foregoing, any Bidder who desires to submit a Conforming Proposal that constitutes an equity proposal to serve as the Company's exclusive agent to conduct the Sale at the Locations must ensure that its proposal conforms to the following guidelines in order to be considered a Conforming Proposal. As noted above, the Company and the Monitor shall have full discretion to determine compliance hereunder.

1. The Bidder submitting the Accepted Proposal shall be allowed to conduct the Sale as a "store closing", "sale on everything", "everything must go" or similar themed sale at the Closing Locations consistent with the terms of Agency Agreement and the Sale Guidelines attached thereto as Schedule G. The Agency Agreement sets forth the terms and conditions of the agency relationship desired by the Company. In the event there is any inconsistency between the terms of the Agency Agreement and this proposal solicitation, the Agency Agreement shall prevail, unless otherwise determined by the Company, in its discretion. The Company reserves the right to make such changes to the Agency Agreement as it deems appropriate. In the event that any Bidder makes any proposed changes to the Agency Agreement, such proposed changes shall be clearly indicated.
2. Any equity proposal that is submitted should include provision for the payment of a Guaranteed Amount and shall provide that the Company shall receive an initial upfront payment of an amount equal to not less than 20% of the estimated Guaranteed Amount (such amount being determined by reference to the aggregate Cost Value of the Merchandise on the Sale Commencement Date, as reflected in the Company's books and records). Bidders will also be required to furnish an irrevocable standby letter(s) of credit to the Company for an amount not less than the remaining unpaid portion of the estimated Guaranteed Amount and an amount equal to no less than three (3) weeks estimated Expenses.
3. All proposals must be presented as a percentage of the "Cost Value" of the Merchandise subject to the Sale. "Cost Value" shall be as defined in the Agency Agreement.
4. Conforming Proposals should provide that the Bidder is unconditionally responsible for all Expenses.
5. Subject to the Approval Order, the Sale Commencement Date is currently projected to be on or about February 6, 2015.
6. Bidders should specify in their proposals their proposed Sale Term for consideration by the Company.

Selected Terms and Conditions Relating to Fee Proposals

Any Bidder who desires to submit a Conforming Proposal constituting a fee proposal to serve as the Company's exclusive consultant to assist the Company in connection with the Sale at the Locations, must ensure that its proposal(s) conforms to the following guidelines in order to be considered a Conforming Proposal. As noted above, the Company and the Monitor shall have full discretion to determine compliance hereunder.

1. The Bidder submitting the Accepted Proposal shall assist the Company in conducting the Sale as a "store closing", "sale on everything", "everything must go" or similar themed sale at the Closing Locations consistent with the terms of Consulting Agreement and the Sale Guidelines attached thereto as Schedule C. The Consulting Agreement sets forth the terms and conditions of the consulting relationship desired by the Company. In the event there is any inconsistency between the terms of the Consulting Agreement and this proposal solicitation, the Consulting Agreement shall prevail, unless otherwise determined by the Company, in its discretion. The Company reserves the right to make such changes to the Consulting Agreement as it deems appropriate. In the event that any Bidder makes any proposed changes to the Consulting Agreement, such proposed changes shall be clearly indicated.
2. The Bidder shall be entitled to a Consulting Fee calculated as a percentage of Proceeds.
3. Bidders should specify in their proposals their proposed Sale Term for consideration by the Company.

Selected General Terms and Conditions Relating to all Proposals

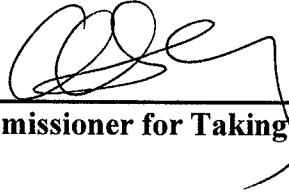
1. The Bidder shall utilize the Company's existing point-of-sale system for recording all sales of Merchandise in the Locations to ensure accurate sales audit functions, as well as an accurate calculation of Proceeds. All Proceeds shall be collected by the Company and deposited on a daily basis into the Company's existing accounts.
2. Subject to the terms set forth in the Agency Agreement and the Consulting Agreement (as the case may be), the Bidder may use the Company's trade name and logo type solely in connection with advertising and promotion of the Sale; provided, however, the form and content of all advertising and promotional material is subject to the Company's prior approval, which approval shall not be unreasonably withheld or delayed.
3. The Bidder must also include as part of its proposal an offer to assist the Company in its disposition of the Company's owned furniture, fixtures and equipment ("FF&E") located at the Locations. The Company is also prepared to consider, but shall not be obligated to accept, an equity proposal for the FF&E. Any Bidder who desires to make such a proposal should include all pertinent terms thereof in its initial Conforming Proposal, and all Bidders must provide a budget of FF&E Expenses.
4. Unless otherwise provided in the Approval Order or any order of the Court, the Bidder shall comply in all material respects with the terms and provisions of any Occupancy Agreements for any of the Locations, as well as federal, provincial, and local laws, ordinances, rules and regulations and with terms of any licenses or permits obtained.
5. The Bidder shall have to provide a minimum 45 day notice to the Company of its intention to vacate any Locations.

AS NOTED ABOVE, THE COMPANY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ACCEPT OR REJECT ANY AND ALL PROPOSALS OR ANY COMPONENTS OF A CONFORMING PROPOSAL, TO SEEK CLARIFICATION OR ENHANCEMENT OF A CONFORMING PROPOSAL, TO WITHDRAW ANY OF THE

LOCATIONS AT ANY TIME PRIOR TO THE EXECUTION OF A DEFINITIVE AGREEMENT OR TO EXCLUDE ANY BIDDER FROM ANY FURTHER PARTICIPATION IN THE PROPOSAL SOLICITATION PROCESS AND SHALL HAVE NO OBLIGATION TO DISCLOSE ANY REASON THEREFOR. THE COMPANY ALSO RESERVES THE RIGHT TO AMEND BOTH THE FORM OF AGENCY AGREEMENT AND THE FORM OF CONSULTING AGREEMENT ATTACHED HERETO. BOTH AGREEMENTS REMAIN SUBJECT TO FURTHER MODIFICATION AS MAY BE DEEMED APPROPRIATE BY THE COMPANY ACTING IN ITS SOLE DISCRETION.

Any requests for additional information or clarification of the matters addressed herein shall be directed to the Monitor at mhenry@alvarezandmarsal.com.

**THE FOLLOWING IS EXHIBIT "D" REFERRED
TO IN THE AFFIDAVIT OF MARK J. WONG
SWORN JANUARY 29, 2015**

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Commissioner for Taking Affidavits

**A contractual joint venture composed
of Merchant Retail Solutions ULC and Gordon Brothers Canada ULC and GA Retail
Canada, ULC**

- and -

**Target Canada Co., Target Canada Pharmacy Corp., and
Target Canada Pharmacy (Ontario) Corp.**

AGENCY AGREEMENT

January 29, 2015

Prepared by:

**OSLER HOSKIN & HARCOURT LLP
PO BOX 50, 1 FIRST CANADIAN PLACE
TORONTO, ONTARIO M5X 1B8**

TABLE OF CONTENTS

ARTICLE 1 INTERPRETATION.....	2
1.1 Definitions	2
1.2 Extended Meanings.....	10
1.3 Schedules.....	10
ARTICLE 2 APPOINTMENT OF AGENT	11
2.1 Appointment of Agent.....	11
2.2 No Warranty	11
ARTICLE 3 CONSIDERATION TO COMPANY AND AGENT.....	11
3.1 Guaranteed Amount	11
3.2 Intentionally Omitted	12
3.3 Letter of Credit	12
3.4 Intentionally Omitted	13
3.5 Distribution of Proceeds; Compensation to Agent and Sharing of Proceeds.....	13
ARTICLE 4 GROSS RINGS, VALUATION AND EXCLUDED GOODS.....	13
4.1 Intentionally Omitted	13
4.2 Valuation	13
4.3 Gross Rings	14
4.4 Excluded Goods.....	15
4.5 Additional Agent Goods.....	15
4.6 Cash.....	16
ARTICLE 5 FF&E.....	16
5.1 Sale of FF&E	16
ARTICLE 6 CONTROL OF PROCEEDS.....	18
6.1 Deposit of Proceeds	18
6.2 Credit Card and Debit Card Proceeds.....	19
ARTICLE 7 SALE RECONCILIATION	19
7.1 Reconciliation.....	19
ARTICLE 8 EXPENSES	20
8.1 Expenses.....	20
ARTICLE 9 REMAINING MERCHANDISE.....	21
9.1 Remaining Merchandise.....	21
ARTICLE 10 CONDUCT OF SALE	21
10.1 Rights of Agent.....	21
10.2 Trade-marks, Trade Names and Advertising.....	23
10.3 Other Sale Matters and Employee Discounts.....	23
10.4 Movement of Merchandise and FF&E.....	24
10.5 Access to Locations	24

10.6	Sale Term, Surrender of Locations and Right of Abandonment	25
10.7	Extension of Credit	25
10.8	Security.....	26
10.9	Right to Monitor	26
10.10	Company Personal Information	26
10.11	Force Majeure	27
ARTICLE 11 EMPLOYEE MATTERS		27
11.1	Personnel	27
ARTICLE 12 SALES TAX AND INSURANCE MATTERS.....		28
12.1	Authorizations and Remittance of Taxes	28
12.2	Insurance	29
ARTICLE 13 AGENT'S CHARGE		31
13.1	Grant of Agent's Charge and Security Interest	31
ARTICLE 14 ORDERS		32
14.1	Orders.....	32
ARTICLE 15 DEFAULTS AND TERMINATION.....		32
15.1	Events of Default	32
15.2	Termination	33
ARTICLE 16 REPRESENTATIONS.....		33
16.1	Representations of the Company	33
16.2	Representations of the Agent.....	35
ARTICLE 17 INDEMNIFICATION.....		36
17.1	Company Indemnification	36
17.2	Agent Indemnification	37
ARTICLE 18 GENERAL.....		37
18.1	Notices.....	37
18.2	Time of Essence.....	40
18.3	Currency	40
18.4	Further Assurances.....	40
18.5	Obligations to Survive.....	40
18.6	Entire Agreement	40
18.7	Governing Law	40
18.8	Benefit of Agreement	41
18.9	Severability.....	41
18.10	Counterparts.....	41
18.11	Language	41
18.12	Canadian Withholding Tax.....	41
18.13	Dispute Resolution Mechanism	42
18.14	Joint and Several Liability.....	42

AGENCY AGREEMENT

This AGENCY AGREEMENT is made as of January 29, 2015.

A M O N G:

**Target Canada Co. (“Target Canada”), Target Canada Pharmacy Corp. (“Target Pharma”), and Target Canada Pharmacy (Ontario) Corp. (“Target (ON) Corp”)
(collectively, the “Company”)**

- and -

A contractual joint venture composed of

Merchant Retail Solutions ULC and Gordon Brothers Canada ULC and GA Retail Canada, ULC

(collectively, the “Agent”)

RECITALS:

- A. On January 15, 2015, the Company and certain related entities commenced proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act* (“**CCAA**”) and obtained an initial order (the “**Initial Order**”) from the Ontario Superior Court (Commercial List) (the “**Court**”).
- B. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed monitor (the “**Monitor**”) in the CCAA Proceedings and the Company, in consultation with the Monitor, was authorized to conduct the Liquidation Agent Solicitation Process (as defined in the Initial Order).
- C. The Company currently operates a network of 133 retail stores under the “Target” banner across Canada.
- D. The Agent is a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brother Canada ULC and GA Retail Canada, ULC (each a “**JV Member**”), which joint venture is governed exclusively by the terms of the written joint venture agreement amongst the joint venture members made as of January 28, 2015, a copy of which has been provided to the Company (the “**JV Agreement**”).
- E. The Company and the Agent, in consultation with the Monitor, and subject to the approval of the Court, wish to enter into this Agreement in accordance with the terms hereof.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereto agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement:

- “**Accepted Credits**” has the meaning ascribed to it in Section 10.3(a);
- “**Additional Agent Goods**” has the meaning ascribed to it in Section 4.5;
- “**Additional Agent Goods Fee**” has the meaning ascribed to it in Section 4.5;
- “**Additional Taxes and Penalties**” has the meaning ascribed to it in Section 12.1(a);
- “**Agency Documents**” shall have the meaning ascribed to it in Section 16.1(a)(i);
- “**Agent**” has the meaning ascribed to it in the Recitals;
- “**Agent’s Base Fee**” has the meaning ascribed to it in Section 3.5;
- “**Agent Claim**” shall have the meaning ascribed to it in Section 12.2(e);
- “**Agent’s Charge and Security Interest**” shall have the meaning ascribed to it in Section 13.1(a);
- “**Agent Sharing Recovery Amount**” shall have the meaning ascribed to it in Section 3.5;
- “**Agent L/C**” has the meaning ascribed to it in Section 3.3(a) ;
- “**Agreement**” means this agency agreement, together with the attached schedules;
- “**Approval Order**” shall have the meaning ascribed to it in Section 14.1(a);
- “**Beneficiary**” has the meaning ascribed to it in Section 3.3(a);
- “**Benefits Cap**” has the meaning ascribed to it under the definition of “Expenses”;
- “**Budget**” means the budget mutually agreed upon between the Company and the Agent, in consultation with the Monitor, with respect to the FF&E Expenses;
- “**Business Day**” means a day on which chartered banks in Canada are open for business in the City of Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;
- “**CASL**” means the Canadian Anti-Spam Legislation;
- “**CCAA**” shall have the meaning ascribed to it in the Recitals;
- “**CCAA Proceedings**” shall have the meaning ascribed to it in the Recitals;

- “**Central Services**” shall have the meaning ascribed to it in Section 10.1(a)(iii);
- “**Central Services Expenses**” shall mean the costs and expenses for the Central Services consistent with historical practice;
- “**Closed Store**” means the store located at 100 Bayshore Drive, Bayshore Shopping Center, Ottawa, Ontario;
- “**Company**” shall have the meaning ascribed to it in the Recitals;
- “**Company’s Account**” means the details of the Company’s bank account to be provided by the Company to the Agent on or prior to the Sale Commencement Date;
- “**Company Consignment Goods**” means those goods identified by the Company as being held by the Company on consignment and identified on Schedule “K” hereto;
- “**Company Personal Information**” has the meaning ascribed to it in Section 10.10;
- “**Company Sharing Recovery Amount**” has the meaning ascribed to it in Section 3.5;
- “**Corporate Office**” means the Company’s corporate office located at 5570 Explorer Drive, Mississauga, ON;
- “**Cost Factor Threshold**” has the meaning ascribed to it in Section 3.1(c);
- “**Cost Value**” has the meaning ascribed to it in Section 4.2(a);
- “**Court**” shall have the meaning ascribed to it in the Recitals;
- “**Court Condition Date**” means the definition provided in Section 14.1(a);
- “**DC FF&E**” means all (i) furnishings, and (ii) removable trade fixtures, equipment and improvements to real immovable property which are located in the Distribution Centers and owned by the Company and were not intended for use in any of the Stores;
- “**DC/25 Merchandise**” means those goods that are located in the Distribution Centers on January 25, 2015;
- “**DC/25 Merchandise Receipt Deadline**” means the date that is twenty one (21) days from the Sale Commencement Date;
- “**Defective Merchandise**” means any item of merchandise that is not first quality, not saleable in the ordinary course, worn, faded, torn, mismatched, spoiled or affected by other similar defects rendering it not first quality;
- “**Designated Company Consignment Goods**” has the meaning ascribed to it in Section 4.4;

“Designated Deposit Accounts” has the meaning ascribed to it in Section 6.1(a) and includes the Company’s Account;

“Distribution Centers” means the Company’s distribution centers, storage facility and warehouses identified on Schedule “H” attached hereto;

“Distribution Center Expenses” means all costs and expenses of operating the Distribution Centers, including, but not limited to, (i) use and occupancy costs or expenses, (ii) employee payroll, benefits, and other obligations for employees of used at the Distribution Centers, (iii) costs and expenses relating to receiving, processing, ticketing, transferring, consolidating, shipping, and/or delivering goods within the Distribution Centers or from the Distribution Centers to the Stores, and (iv) delivery and freight costs for shipping and/or delivering goods from the Distribution Centers to the Stores;

“Distribution Center Merchandise” means those goods that are located at the Company’s Distribution Centers as of the Sale Commencement Date;

“Employee Trust” has the meaning ascribed to it in the Initial Order;

“Encumbrances” shall mean all security interests (whether contractual, statutory or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges or other financial or monetary claims, priorities, prior claims, and encumbrances, including, without limitation, the charges granted by the Court under the CCAA Proceeding (including the Administration Charge, the KERP Charge, the Directors’ Charge, the Financial Advisor Subordinated Charge and the DIP Lender’s Charge, each as defined in the Initial Order);

“Events of Default” shall have the meaning ascribed to it in Section 15.1;

“Excluded Benefits” means paid sick days or sick leave, maternity leave or other leaves of absence including vacation pay for actual vacation time taken by hourly employees, termination or severance pay (prior to or during Sale and including without limitation any notice in accordance with provincial employment/labour standards), pension benefits and similar contributions, termination or severance pay (including any termination entitlements payable pursuant to the Employee Trust) and non-statutory benefits (including any amounts payable to any Retained Employees under the KERP) payable to the Retained Employees and benefits in excess of the Benefits Cap;

“Excluded Defective Merchandise” shall mean those items of Defective Merchandise that (i) are not saleable in the ordinary course because they are so damaged or defective that they cannot reasonably be used for their intended purpose or for which parties cannot mutually agree upon a Cost Value; or (ii) have been delisted or are return to vendor goods (whether located at the Distribution Centres, the Stores or otherwise);

“Excluded FF&E” means the DC FF&E (unless otherwise included in FF&E pursuant to Section 5.1(i) hereof) and all FF&E identified by the Company in Schedule “L”;

“**Excluded Goods**” shall mean: (i) goods which belong to third parties including sublessees, franchisees, concessionaires or licensees, if any, of the Company; (ii) goods held by Company as bailee or Company Consignment Goods; (iii) any inventory owned by Glentel, including without limitation, mobile phones and accessories; (iv) any Starbucks products containing Starbucks’ licensed trademarks; and (v) any Scheduled Drugs; (vi) Excluded Defective Merchandise; and (vii) FF&E; (viii) Excluded FF&E;

“**Expenses**” shall mean the normal customary Store-level operating expenses of the Sale arising during the Sale Term and attributable to the Sale, limited to the following:

- (i) Occupancy Expenses for the Stores on a per Store and per diem basis through the applicable Vacate Date for such Store in an amount not to exceed the respective per Store actual per diem totals set forth on Schedule “A”, which shall be exclusive of Sales Tax;
- (ii) base wages, overtime and commissions, if applicable, payable by the Company for Retained Employees used in conducting the Sale for actual days/hours worked during the Sale Term;
- (iii) actual amounts payable by the Company for statutory deductions and amounts payable by the Company for benefits during the Sale Term for Retained Employees used in the Sale at the Stores (including Canada Pension Plan premiums and other similar premiums, employment insurance premiums, employment health taxes, workers’ compensation premiums, health care insurance benefits, and vacation pay accruing during the Sale Term (but not in arrears)), but excluding Excluded Benefits, for actual days/hours worked during the Sale Term in an amount not to exceed 22% of base payroll for each Retained Employee in the Stores (the “**Benefits Cap**”). For the purposes herein, “base payroll” shall exclude commissions and bonuses payable under the Company’s compensation policy in effect as at the Sale Commencement Date;
- (iv) all out of pocket costs and expenses associated with Agent’s on-site supervision of the Locations, including (but not limited to) any and all fees, wages, bonuses, taxes, payroll expenses, and deferred compensation of Agent’s field personnel, travel to, from or between the Locations, and out-of-pocket and commercially reasonable expenses relating thereto (including reasonable and documented corporate travel to monitor and manage the Sale and third party payroll fees, costs and expenses);
- (v) all costs of advertising, signage and banners (interior and exterior) and in-store signs that are used for the Sale in compliance with the Sales Guidelines whether incurred prior to the Sale or during the Sale Term;
- (vi) promotional costs incurred by Agent pursuant to the terms of this Agreement, including, without limitation, sign walkers, advertising, media, production and creative, and direct mailings relating to the Sale;

- (vii) cost of additional supplies used at the Locations as may be required by Agent in the conduct of the Sale (excluding those supplies located at the Locations on the Sale Commencement Date which may be used by Agent at no charge);
- (viii) credit card and bank card fees, bank charges, chargebacks and credit/debit card discounts with respect to Merchandise sold in the Sale;
- (ix) any and all costs of processing, moving, transferring or consolidating Merchandise between and among the Stores, including delivery and freight costs;
- (x) bank service charges (for Store and the Company's corporate accounts), cheque guarantee fees, and bad cheque expenses, to the extent attributable to the Sale;
- (xi) all fees and charges required to comply with applicable laws in connection with the Sale;
- (xii) Stores' cash theft and other cash shortfalls in the cash registers;
- (xiii) postage, courier and overnight mail charges to and from or among the Stores and the Corporate Office (to the extent relating to the Sale);
- (xiv) third party payroll processing fees;
- (xv) cost of all security in the Stores (to the extent customarily provided in the Stores), including, without limitation, armored car service, security personnel and monthly alarm services for the Stores;
- (xvi) cost of Agent's actual cost of capital, letter of credit fees and currency conversion expenses related to the Sale, the Guaranteed Amount, an Overfunded Amount, if applicable, and the Agent L/C;
- (xvii) Agent's reasonable out-of-pocket legal fees and expenses, including but not limited to, legal fees and expenses incurred in connection with the review of data and preparation, negotiation and execution of this Agreement, the Approval Order, Sales Guidelines and any ancillary documents incurred prior to the Sale Term in an amount not to exceed \$100,000;
- (xviii) all costs and expenses of providing such additional Location-level services, including, without limitation, the employment of temporary help (which shall be coordinated and implemented through the Company's human resources department), which Agent in its discretion considers appropriate;
- (xix) actual cost of Agent's insurance; and

- (xx) Retention Bonuses for Retained Employees in accordance with Section 11.1(d).

Provided however that “Expenses” shall not include: (i) Excluded Benefits; (ii) Central Services Expenses; (iii) any rent or other occupancy expenses other than Occupancy Expenses; (iv) any costs or expenses associated with any of the Non-Store Locations except as set forth above; (v) Sales Tax on any of the Expenses if Agent is registered for harmonized sales tax or goods and services tax under Part IX of the *Excise Tax Act* (Canada); and (vi) costs or expenses associated with Excluded Goods; (vii) Distribution Center Expenses or (viii) any costs, expenses or liabilities arising during the Sale Term in connection with the Sale, other than the Expenses listed above, all of which shall be paid by Agent or the Company, as applicable, promptly when due during the Sale Term. Notwithstanding anything herein to the contrary, to the extent that any Expense listed in this definition is also included on Schedule “A”, then Schedule “A” shall prevail and such Expense shall not be double counted and there shall be no double counting or payment of Expenses to the extent that Expenses appear or are contained in more than one Expense category;

“**FF&E**” means all (i) furnishings, and (ii) removable trade fixtures, equipment and improvements to real immovable property which are located in the Locations and owned by the Company, including all artwork located at the Corporate Office, but excluding the Excluded FF&E;

“**FF&E Commission**” has the meaning ascribed to it in Section 5.1;

“**FF&E Expenses**” has the meaning ascribed to it in Section 5.1;

“**FF&E Proceeds**” means the proceeds of sale from the FF&E net of Sales Taxes;

“**FF&E Removal Deadline**” has the meaning ascribed to it in Section 5.1;

“**FF&E Removal Period**” has the meaning ascribed to it in Section 5.1;

“**Final Reconciliation**” has the meaning ascribed to it in Section 7.1(c);

“**Gross Rings**” shall have the meaning ascribed to it in Section 4.3;

“**Guaranteed Amount**” shall have the meaning ascribed to it in Section 3.1(a);

“**Guaranty Percentage**” shall have the meaning ascribed to it in Section 3.1(a);

“**Hazardous Materials**” means, collectively, any chemical, solid, liquid, gas, waste, or other substance having the characteristics identified in, listed under, or designated pursuant to any laws, statutes or regulations of a governmental unit or agency thereof, as presenting an imminent and substantial danger to the public health or welfare or to the environment or as otherwise requiring special handling, collection, storage, treatment, disposal, or transportation;

“**Initial Order**” has the meaning ascribed to it in the Recitals hereto;

“**JV Agreement**” has the meaning ascribed to it in the Recitals hereto;

“**JV Member**” has the meaning ascribed to it in the Recitals hereto;

“**KERP**” means the Key Employee Retention Plan approved by the Court in the Initial Order;

“**L/C Date**” has the meaning ascribed to it in Section 3.3(a);

“**L/C Delivery Date**” means the first Business Day following the entry of the Approval Order;

“**Locations**” means collectively, the Stores, the Corporate Office and the Distribution Centers;

“**Merchandise**” means all finished goods inventory, saleable in the ordinary course of business, that are owned by the Company, and located at the Locations, on the Sale Commencement Date including Unscheduled Drugs, merchandise subject to Gross Rings and On Order Merchandise, Distribution Center Merchandise and Defective Merchandise, but, in each case, expressly excluding Excluded Goods;

“**Merchandise File**” shall mean the Company’s: (1) “Wk 49_On_Hand_Inv_Report”; and (2) “01 19 2015 Additional on-hand” files, in each case as updated through the Sale Commencement Date, to the extent not inconsistent or duplicative;

“**Merchandise Threshold**” has the meaning ascribed to it in Section 3.1(b);

“**Monitor**” has the meaning ascribed to it in the Recitals;

“**Net FF&E Proceeds**” means all amounts collected on account of FF&E, net of the FF&E Expenses and Sales Taxes;

“**Non-Store Locations**” means collectively, the Distribution Centers, the Closed Store and the Corporate Office;

“**Occupation Agreements**” means the leases, subleases or other occupation agreements relating to the Locations and to which the Company is a party;

“**Occupancy Expenses**” means the costs of occupation as set out on Schedule “A”, on a per diem, per Store basis;

“**On Order Merchandise**” means all new, finished, first-quality saleable goods on order, in transit and reflected on Schedule “J”, subject to adjustment for fully landed cost;

“**On Order Merchandise Receipt Deadline**” means the date that is forty two (42) days from the Sale Commencement Date;

“**Overfunded Amount**” has the meaning ascribed to it in Section 6.1(b);

“**Privacy Law**” means Canadian federal and provincial private sector privacy and health privacy legislation applicable to the Company including, for greater certainty, CASL;

“**Privacy Policies**” means the Company’s policies and procedures relating to (i) the protection of the privacy and security of Company Personal Information, and (ii) CASL;

“**Private Label Discounts**” has the meaning ascribed to it in Section 10.3(a);

“**Proceeds**” means all cash and non-cash consideration from a sale or other disposition of Merchandise made under this Agreement including all adjustments in respect of Accepted Credits, Employee Discounts, Private Label Discounts and Refunds (as applicable), exclusive of (a) Sales Taxes, (b) credit card and bank card fees and chargebacks. For the avoidance of doubt, proceeds from the sale of Excluded Goods or FF&E Proceeds shall not be “Proceeds”;

“**Refunds**” has the meaning ascribed to it in Section 10.3(c);

“**Remaining FF&E**” has the meaning ascribed to it in Section 5.1;

“**Remaining Merchandise**” has the meaning ascribed to it in Section 9.1;

“**Retail Price**” has the meaning ascribed to it in Section 4.2(b);

“**Retained Employees**” shall have the meaning ascribed to it in Section 11.1(a);

“**Retention Bonus**” shall have the meaning ascribed to it in Section 11.1(d);

“**Returned Merchandise**” has the meaning ascribed to it in Section 10.3;

“**Sale**” means the sale by the Agent of the Merchandise, the FF&E (including if the Company so elects pursuant to Section 5.1(i), the DC FF&E), the Designated Company Consignment Goods (if the Company so elects pursuant to Section 4.4) and, if procured by Agent, Additional Agent Goods during the Sale Term in accordance with this Agreement;

“**Sale Commencement Date**” means the date that is one (1) calendar day after the making of the Approval Order or such other date as the parties may mutually agree in writing;

“**Sales Guidelines**” means the guidelines attached hereto as Schedule “G”;

“**Sale Term**” means the period starting on the Sale Commencement Date and ending on the Sale Termination Date;

“**Sale Termination Date**” means the date on which the Sale terminates, which date shall be no later than May 15, 2015 with respect to the Stores, no later than April 30, 2015 with respect to the Distribution Centers (subject to such further extension as may be agreed upon by the Agent and the Company pursuant to Section 5.1(i)) and no later than March 31, 2015 with respect to the Corporate Office;

“**Sales Taxes**” has the meaning ascribed to it in Section 12.1(a);

“**Scheduled Drugs**” shall mean any Schedule I, II and III drugs (as defined under applicable provincial drug scheduling laws and regulations) (also known as “behind-the-counter” drugs). With respect only to the Stores located in the Province of Quebec, Scheduled Drugs shall be deemed to exclude sanitary protection and incontinence products and to include Unscheduled Drugs;

“**Sharing Amounts**” has the meaning ascribed to it in Section 3.5;

“**Stores**” means all of the Company’s retail store locations as described in Schedule “B”;

“**Unpaid Company’s Entitlement**” shall have the meaning ascribed to it in Section 13.1(a);

“**Unscheduled Drugs**” shall mean products regulated as drug products in Canada (including natural health products) that are not included in any of Schedules I, II or III (as defined under applicable provincial drug scheduling laws and regulations) and which do not require the presence of a pharmacist to be sold at retail;

“**Vacate Date**” has the meaning ascribed to it in Section 10.6;

“**Vacate Notice**” has the meaning ascribed to it in Section 10.6; and

“**Weekly Sale Reconciliation**” has the meaning ascribed to it in Section 7.1(b).

1.2 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organisations, corporations and governmental authorities. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings.

1.3 Schedules

The following Schedules are incorporated in and form an integral part of this Agreement:

Schedule “A”:	Occupancy Expenses
Schedule “B”:	Stores
Schedule “C”	Merchandise Thresholds
Schedule “D”:	Cost Factor Thresholds
Schedule “E”:	Agent L/C
Schedule “F”:	Intentionally Omitted

Schedule "G"	Sales Guidelines
Schedule "H"	Distribution Centers
Schedule "I"	Form of Approval Order
Schedule "J"	On Order Merchandise
Schedule "K"	Consignment Goods
Schedule "L"	Excluded FF&E

ARTICLE 2 APPOINTMENT OF AGENT

2.1 Appointment of Agent

The Company hereby appoints the Agent, and the Agent hereby agrees to serve as the Company's exclusive agent and mandatary for the limited purpose of conducting the Sale at the Locations, disposing of the Merchandise located in the Stores and the Distribution Centers and liquidating the FF&E, the whole in accordance with the terms and conditions of this Agreement.

The Agent hereby acknowledges that it will not hold itself out as Agent of the Company except as specifically provided for in this section and that the Agent's authority as Agent of the Company is limited to the powers specifically provided for in this Agreement.

2.2 No Warranty

Except as expressly set forth in this Agreement, the Agent acknowledges that it has made such inspections of the Merchandise and FF&E as it deems appropriate and that neither the Company nor the Monitor have made to the Agent or any other person any representation, warranty or condition, whether statutory (including under the *Sale of Goods Act* (Ontario) or similar legislation), express or implied, oral or written, legal, equitable, collateral or otherwise, as to title, encumbrances, fitness for purpose, marketability, condition, quantity or quality thereof or in respect of any other matter or thing whatsoever.

ARTICLE 3 CONSIDERATION TO COMPANY AND AGENT

3.1 Guaranteed Amount

- (a) As a guaranty of Agent's performance hereunder, Agent guarantees that Company shall receive seventy four percent (74%) (the "**Guaranty Percentage**") of the aggregate Cost Value of the Merchandise (the "**Guaranteed Amount**"), which Guaranteed Amount shall be paid at such times and in such manner as shall hereinafter be provided. The Guaranteed Amount will be calculated based upon the aggregate Cost Value of the Merchandise as determined by (A) the aggregate Cost Value of the Merchandise using Gross Rings; and (B) any adjustments to Cost Value as expressly contemplated by this Agreement.

- (b) The Guaranty Percentage has been fixed based upon the aggregate Cost Value of the Merchandise included in the Sale being not less than \$445,000,000 and not more than \$475,000,000 (the “**Merchandise Threshold**”) as of the Sale Commencement Date. To the extent that the aggregate Cost Value of the Merchandise included in the Sale is less than, or greater than, the Merchandise Threshold, the Guaranty Percentage shall be adjusted in accordance with Schedule “C” annexed hereto.
- (c) The Guaranty Percentage has also been fixed based upon the aggregate Cost Value of the Merchandise included in the Sale as a percentage of the aggregate Retail Price of the Merchandise included in the Sale, such percentage being 63% (the “**Cost Factor Threshold**”). To the extent that the ratio of the aggregate Cost Value of the Merchandise included in the Sale to the aggregate Retail Price of the Merchandise included in the Sale is a percentage greater than the Cost Factor Threshold, the Guaranty Percentage shall be adjusted in accordance with Schedule “D” annexed hereto.
- (d) The adjustments to the Guaranty Percentage contemplated by Sections 3.1(b) and 3.1(c) shall be independent and cumulative.

3.2 Intentionally Omitted

3.3 Letter of Credit

- (a) To secure the Agent’s obligations under this Agreement including, *inter alia*, Agent’s obligation to pay the balance of the Guaranteed Amount and the Expenses, and in addition to the Agent indemnification obligations under this Agreement, the Agent shall deliver to the Company, no later than the L/C Delivery Date, one or more irrevocable and unconditional standby letter(s) of credit in an aggregated original face amount equal to \$50 million naming the Company as beneficiary (the “**Beneficiary**”), substantially in the form of Schedule “E” attached hereto (collectively, the “**Agent L/C**”). The Agent L/C shall be issued by a bank selected by the Agent and reasonably acceptable to the Company. The Agent LC shall have an expiry date of no earlier than 60 days after the Sale Termination Date (the “**L/C Date**”).
- (b) Unless the parties shall have confirmed that they have completed the Final Reconciliation under this Agreement, then, at least ten (10) days prior to the L/C Date or any subsequent expiry date, the Beneficiary shall receive an amended Agent L/C, with the sole amendment being the extension of the L/C Date (or further extending, as the case may be) by no less than sixty (60) days from the L/C Date (or any subsequent extension thereof). If the Beneficiary fails to receive such amended Agent L/C no later than ten (10) days prior to the expiry date, then all amounts hereunder (including, without limitation, the balance of the Guaranteed Amount, the Company Sharing Recovery Amount and Expenses) shall become immediately due and payable and the Beneficiary shall be entitled to immediately draw the full amount of the Agent L/C and apply such amount to all amounts due and owing hereunder. After applying such draw on the Agent L/C to the amounts owing to the Company under this Agreement, the balance of the amount drawn shall be held as security for amounts that may become due and payable to the Company

hereunder, and, once all amounts have been paid to the Company, the balance shall be paid to the Agent.

- (c) In the event that Agent fails to pay the Guaranteed Amount, the Company Sharing Recovery Amount, or any portion thereof, or any Expenses or other obligation hereunder when due, the Company may draw on the Agent L/C in an amount to equal such unpaid obligations after providing the Agent with two (2) Business Days advance notice and provided the Agent has not paid the undisputed portion of such unpaid obligations prior to the expiration of such two (2) Business Day period.
- (d) The Company and the Agent agree that, from time to time upon the Agent's request, the face amount of the Agent L/C shall be reduced by the aggregate amount of payments made by the Agent or received by the Company on account of the Guaranteed Amount to the time of each such request provided that at no time shall the face amount of the Agent L/C be reduced to an amount less than the parties' mutually agreed upon estimate of three weeks of estimated Expenses.

3.4 Intentionally Omitted

3.5 Distribution of Proceeds; Compensation to Agent and Sharing of Proceeds

All Proceeds of the Sale shall be deposited into the Designated Deposit Accounts. During each Weekly Sale Reconciliation during the Sale Term, all Proceeds then received by the Company shall be disbursed, on a weekly basis as part of each Weekly Sale Reconciliation, as follows: (i) first, to the Company, to reimburse the Company for Expenses paid by the Company during the previous week subject to the then Weekly Sale Reconciliation, (ii) second, to Agent, to reimburse Agent for Expenses paid by Agent during the previous week subject to the then Weekly Sale Reconciliation, (iii) third, to the Company, until payment in full of the Guaranteed Amount (iv) fourth, to the Agent, until the Agent has received an amount equal to six percent (6%) of the aggregate Cost Value of the Merchandise ("**Agent's Base Fee**"), and (v) fifth, (x) fifty percent (50%) to Agent ("**Agent Sharing Recovery Amount**") and (y) fifty percent (50%) to the Company ("**Company Sharing Recovery Amount**" and together with the Agent Sharing Recovery Amount, the "**Sharing Amounts**").

ARTICLE 4 GROSS RINGS, VALUATION AND EXCLUDED GOODS

4.1 Intentionally Omitted

4.2 Valuation

- (a) For purposes of this Agreement, "**Cost Value**" shall mean, with respect to each item of Merchandise, the lower of (i) the cost of such item as reflected in the Merchandise File and (ii) the Retail Price; provided however, that any adjustment to the Cost Value as a result of this Section 4.2(a) shall not be factored into the calculation for the purposes of

determining whether the aggregate Cost Value of the Merchandise satisfies the Merchandise Threshold in Section 3.1(b);

- (b) For purposes of this Agreement, “**Retail Price**” shall mean with respect to each item of Merchandise, the lower of (i) the lowest ticketed, marked, shelf price as at the Sale Commencement Date, (ii) the SKU or PLU as at the Sale Commencement Date and (iii) the PLU, SKU, article number or file price contained in the Merchandise File, or other file price as reflected in Company’s books and records for such item; provided, however that the definition of Retail Price expressly excludes temporary point-of-sale discounts (other than those set forth in the Merchandise File).
- (c) Notwithstanding the provisions of Section 4.2(a), with respect to each item of Defective Merchandise, the parties shall mutually agree upon the Cost Value (and if Agent and Company are unable to mutually agree on the Cost Value of any one or more items of Defective Merchandise, such items shall be deemed Excluded Defective Merchandise).
- (d) Notwithstanding the provisions of Sections 4.2(a) or 4.2(b), the Company and the Agent agree that:
 - (i) the Cost Value and Retail Price of each item of DC/25 Merchandise that is received at the Stores after the DC/25 Merchandise Receipt Deadline shall be included in the Sale at the Cost Value and Retail Price, each multiplied by the inverse of the prevailing Sale discount in effect on the date such item is received at the applicable Store; and
 - (ii) the Cost Value and Retail Price of each item of Distribution Center Merchandise (other than the DC/25 Merchandise) and On Order Merchandise that is received at the Stores after the On Order Receipt Deadline shall be included in the Sale at the Cost Value and Retail Price, each multiplied by the inverse of the prevailing Sale discount in effect on the date such item is received at the applicable Store.
- (e) To the extent that there is any material discrepancy in the Merchandise File or the Company’s books and records that is a manifest error, the Cost Value should be determined in a manner that is consistent with the Company’s past practices.
- (f) The Company undertakes to use commercially reasonable efforts to ensure that the DC/25 Merchandise is received in the Stores by no later than the DC/25 Merchandise Receipt Deadline and the Distribution Center Merchandise (other than the DC/25 Merchandise) and On Order Merchandise is received in the Stores by no later than the On Order Merchandise Receipt Deadline, as applicable.

4.3 Gross Rings

At each Store, for the period from the Sale Commencement Date until the Vacate Date for such Store, Agent and Company shall jointly keep (i) a strict count of gross register receipts less applicable Sales Taxes but excluding any prevailing Sale discounts offered by Agent (“**Gross Rings**”), and (ii) cash reports of sales within such Store to determine the actual Cost Value of the Merchandise sold by SKU or article number. Registered receipts shall show for

each item sold the Retail Price for such item and the mark-down or discount, if any, specifically granted by Agent in connection with such Sale. Agent shall pay that portion of the Guaranteed Amount calculated on the Gross Rings basis, to account for shrinkage, on the basis of 101.75% of the aggregate Cost Value of Merchandise (without taking into account any prevailing Sale discounts offered by Agent) sold during the Gross Rings period. All such records and reports shall be made available to Agent and Company during regular business hours upon reasonable notice. Any Merchandise included in the Sale using the Gross Rings method shall be included as Merchandise.

4.4 Excluded Goods

The Company shall retain all rights and responsibilities in respect of any Excluded Goods. Agent shall cooperate with and assist the Company in dealing with any Excluded Goods, as may be elected or required by the Company, including without limitation, the sale, removal or return of any Excluded Goods to such parties as may be identified by the Company, in each case at the Company's sole cost and expense, including reimbursement to Agent of any costs and expenses incurred by Agent in connection therewith. If the Company elects at the beginning of the Sale Term to have the Agent sell some or all of the Excluded Goods, Agent shall accept such Excluded Goods (including Company Consignment Goods for which the Company has obtained all necessary approvals from third parties, or authorizations as may be required), as may be designated by the Company to be sold as part of the Sale at prices and through sales channels mutually acceptable to the Company and Agent (the "**Designated Company Consignment Goods**"). The Agent shall retain 20% of the receipts (net of Sales Taxes) for all sales of Designated Company Consignment Goods, and the Company shall receive 80% of the receipts (net of Sales Taxes) in respect of such sales. Agent shall receive its share of the receipts of sales of Designated Consignment Goods on a weekly basis as part of each Weekly Sale Reconciliation.

If the Company does not elect to have the Agent sell the Excluded Goods or the Company and the Agent are unable to agree upon prices of or appropriate sales channels for the Excluded Goods, then all such Excluded Goods will be removed by the Company from the Stores and the Distribution Centers, at its sole cost and expense, as soon as practicable; provided however, that the Company may designate certain Excluded FF&E which will remain in the Locations during the Sale Term or any portion thereof.

As and from the Sale Commencement Date, in no event shall any Excluded Goods be shipped to the Stores from the Distribution Centers or otherwise, absent Agent's express written consent. Agent shall have no cost, expense or responsibility in connection with any Excluded Goods.

4.5 Additional Agent Goods

(a) Agent shall have the right to supplement the Merchandise in the Sale with additional goods procured by Agent, which additional goods are of like kind, and no lesser quality to the Merchandise in the Sale ("**Additional Agent Goods**") provided that such Additional Agent Goods shall be limited to 5% percent of the aggregate Cost Value of the Merchandise at the Sale Commencement Date. The Additional Agent Goods shall be purchased by Agent as part of the Sale at Agent's sole cost and expense (and such purchase price shall not

constitute an Expense). Sales of Additional Agent Goods shall be run through the Company's cash register systems, provided, however, Agent shall mark the Additional Agent Goods using either a "dummy" SKU or department number, or in such other manner so as to distinguish the sale of Additional Agent Goods from the sale of Merchandise. Agent and the Company shall also cooperate so as to ensure that the Additional Agent Goods are marked in such a way that a reasonable consumer could identify the Additional Agent Goods as non-Company goods. Additionally, Agent shall provide signage, at its sole cost and expense, in the Stores notifying customers that the Additional Agent Goods have been included in the Sale.

(b) In addition to all other amounts due to the Company under this Agreement, Agent shall pay to the Company an amount equal to five percent (5%) of the gross proceeds (excluding Sale Taxes) from the sale of the Additional Agent Goods (the "**Additional Agent Goods Fee**") and Agent shall retain all remaining amounts from the sale of the Additional Agent Goods. In connection with each Weekly Sale Reconciliation with respect to sales of Additional Agent Goods sold by Agent during each then prior week, the Company shall retain its Additional Agent Goods Fee from the proceeds from the sale of Additional Agent Goods and the Company shall transfer to the Agent all proceeds from the sale of Additional Agent Goods (less the Additional Agent Goods Fee).

(c) Agent and the Company intend that the transactions relating to the Additional Agent Goods are, and shall be construed as, a true consignment from Agent to the Company in all respects and not a consignment for security purposes. Subject solely to Agent's obligations to pay to the Company the Additional Agent Goods Fee, at all times and for all purposes the Additional Agent Goods and their proceeds shall be the exclusive property of Agent, and no other person or entity shall have any claim against any of the Additional Agent Goods or their proceeds and no Encumbrances attach to the Additional Agent Goods. The Additional Agent Goods shall at all times remain subject to the exclusive control of Agent.

4.6 Cash

For greater certainty, all cash in the registers at the Stores as at the Sale Commencement Date shall be the exclusive property of the Company and shall not constitute Proceeds.

ARTICLE 5 FF&E

5.1 Sale of FF&E

(a) With respect to FF&E located at the Locations and the Closed Store, the Agent shall have the exclusive right to dispose of all FF&E located at the Locations and the Closed Store. In consideration of its services in selling the FF&E, the Agent shall be entitled to receive a commission (the "**FF&E Commission**") from the Company on the sale of any FF&E by the Agent during the course of the Sale equal to twenty per cent (20%) of the FF&E Proceeds. In addition, the Company shall reimburse the Agent for the Agent's reasonable out of pocket expenses reasonably attributable to the sale or disposition of FF&E which are not duplicative of the Expenses set out herein and are in accordance with the Budget (the "**FF&E Expenses**"). The removal of any FF&E shall be done in a manner consistent with the Sales Guidelines.

- (b) Subject to Section 5.1(h), with respect to the Stores, no later than fourteen (14) days after the Vacate Date for each Store (the “**FF&E Removal Deadline**” and the period commencing on the Vacate Date and ending on the FF&E Removal Deadline, the “**FF&E Removal Period**”), the Agent shall remove all FF&E (other than Excluded FF&E). Subject to Section 5.1(h), with respect to the Non-Store Locations (other than the Closed Store), the Agent shall remove all FF&E (other than Excluded FF&E) by no later than the Sale Termination Date applicable to each such Non-Store Location.
- (c) During (i) the FF&E Removal Period for each such Store and (ii) the period between the Sale Commencement Date and the Sale Termination Date with respect to the Non Store Locations (other than the Closed Store), the Company shall provide the Agent and its invitees with access to each such Location for purposes of selling, disposing, and/or removing the FF&E free of all occupancy costs and expenses associated with each such Location. With respect to the Closed Store, the Agent shall be responsible for selling or disposing, by no later than thirty (30) days from the Sale Commencement Date, all FF&E located therein as the Agent may determine in its discretion, which FF&E shall be subject to the Sale as provided for in this Agreement. The Company shall provide the Agent with access to the Closed Store for the purpose of selling or disposing the FF&E free of all occupancy costs and expenses associated with the Closed Store.
- (d) All gross proceeds from the disposition of the FF&E shall be deposited by the Agent in the Company’s Account on a daily basis. All amounts owing to the Agent and the Company hereunder shall be reconciled and paid as part of the Weekly Sale Reconciliation conducted pursuant to Section 7.1(b), and subject to the Final Reconciliation under Section 7.1(c). All Net FF&E Proceeds paid to the Company or as it may direct as a result of the sale of any FF&E by the Agent during the Sale shall not be included in the calculation of the Guaranteed Amount.
- (e) Notwithstanding Section 2.1 and subject to Section 5.1(h), any FF&E that is not sold by the Agent prior to the applicable deadline in section 5.1(b) (the “**Remaining FF&E**”) shall be removed by the Agent from the applicable Location by no later than such applicable deadline. Subject to Section 5.1(h), the Agent, shall be entitled to dispose of the Remaining FF&E, free and clear of all Encumbrances, at Agent’s discretion and all proceeds from the sale or other disposition of such Remaining FF&E will be treated as Net FF&E Proceeds and any expenses of such removal will be treated as an FF&E Expense and subject to the Budget. The removal of any Remaining FF&E shall be done in a manner consistent with the Sales Guidelines.
- (f) Notwithstanding Section 5.1(a) and (b) above, the Agent and the Company may agree in lieu of the FF&E Commission, upon a lump sum guaranty with respect to the FF&E, in which case all FF&E Expenses shall be the Agent’s sole and exclusive obligation, which FF&E Expenses for the avoidance of doubt shall not include the occupancy costs and expenses as provided for in section 5.1(c) for the account of the Agent.
- (g) Notwithstanding anything in this Agreement to the contrary, Agent shall not have any obligation whatsoever to cap any electrical or plumbing outlets or purchase, sell, make, store, handle, treat, dispose, or remove any Hazardous Materials from the Locations or otherwise. Agent shall have no liability to any party for any environmental action

brought: (i) that is related to the storage, handling, treatment, disposition, generation, or transportation of Hazardous Materials, or (ii) in connection with any remedial actions associated therewith or the Locations. The Company (and not Agent) shall be solely responsible to cap all electrical items and plumbing outlets and to remove all Hazardous Materials from the Locations.

- (h) Notwithstanding anything herein to the contrary, the Company may, in its entire discretion, instruct Agent to abandon any Remaining FF&E in any of the Stores by providing written notice to the Agent by no later than five (5) days after the receipt of the applicable Vacate Notice. If so instructed, as of the FF&E Removal Deadline, the Agent may abandon in place, in a neat and orderly manner, any unsold FF&E at the applicable Store and the Budget and FF&E Expenses shall be reduced by such amounts that would have been spent in connection with the removal of any unsold FF&E. If the Agent chooses to remove any Remaining FF&E notwithstanding receipt of the aforementioned notice from the Company, the Agent shall assume all costs and expenses relating to the removal of such FF&E, which costs and expenses shall not constitute FF&E Expenses.
- (i) The Company may, in its discretion, determine to include the DC FF&E in the Sale. If the Company so determines, it shall advise the Agent in writing prior to the Sale Termination Date in respect of the Distribution Centers (which Sale Termination Date shall be extended by mutual agreement of the parties to allow for the Sale of the DC FF&E) and the provisions of this Agreement relating to the Sale of FF&E shall apply *mutatis mutandis* to the Sale of all DC FF&E which shall be deemed to be FF&E for all purposes hereunder.

ARTICLE 6 CONTROL OF PROCEEDS

6.1 Deposit of Proceeds

- (a) The Agent shall utilize the Company's existing point-of-sale systems for recording all Sales in the Locations. During the Sale Term, all Proceeds and other amounts contemplated by this Agreement (including credit card Proceeds), shall be collected by Company and deposited on a daily basis into Company's existing accounts (the "**Designated Deposit Accounts**"). Company shall be deemed to hold such Proceeds "in trust" for Agent and Company as the case may be, to be dealt with in accordance with the terms of this Agreement.
- (b) In the event that the Agent funds or pays all or any portion of the Company's obligations under this Agreement, such funding or payment cannot be recovered by the Agent under section 6.1(c) by means of an offset, and, as a result of such funding or payment, the Company received more value than the Company would have otherwise received under this Agreement had Agent not funded or paid such obligations, the Company shall pay all such funded or paid amounts to Agent within two (2) Business Days of Agent's request. If and to the extent the Agent over-funds any amounts hereunder, the Company shall, within two (2) Business Days of written demand by Agent, pay to the Agent the over-funded amount (the "**Overfunded Amount**").

- (c) Company and Agent further agree that if at any time during the Sale Term, (i) Agent holds any amounts due to Company under this Agreement, Agent may, in its discretion, after five (5) Business Days' notice to Company, or as part of the Weekly Sale Reconciliation if the Company agrees, offset such amounts being held by Agent against any undisputed amounts due and owing by, or required to be paid by, Company hereunder, and (ii) Company holds any amounts due to Agent under this Agreement, Company may, in its discretion, after five (5) Business Days' notice to Agent, or as part of the Weekly Sale Reconciliation if the Company agrees, offset such amounts being held by Company against any undisputed amounts due and owing by, or required to be paid by, Agent hereunder.

6.2 Credit Card and Debit Card Proceeds

Agent shall use Company's credit card or debit card facilities (including the Company's credit card or debit card terminals and processor(s), credit card and debit card processor coding, the Company identification number(s) and existing bank accounts) for credit card and debit card proceeds. The Company shall process such transactions on behalf of Agent and for Agent's account, applying customary practices and procedures. Without limiting the foregoing, the Company shall cooperate with Agent to download data from all credit card and debit card terminals each day during the Sale Term and to effect settlement with the Company's credit and debit card processor(s), and shall take such other actions necessary to process credit and debit card transactions on behalf of Agent under the Company's merchant identification number(s). The Company shall deposit, as received, all credit and debit card Proceeds into the Designated Deposit Account and such Proceeds shall be distributed as set forth in Section 3.5 hereof. The Company shall not be responsible for and Agent shall pay as an Expense hereunder, all credit and debit card fees, charges, and chargebacks related to the Sale, whether received during or after the Sale Term. The Agent shall not be responsible for and Agent shall not pay as an expense hereunder, all credit and debit card fees, charges, and chargebacks unrelated to the Sale, whether received prior to, during or after the Sale Term.

ARTICLE 7 SALE RECONCILIATION

7.1 Reconciliation

- (a) The Company, the Agent and the Monitor shall have access to the Locations and access to all of the books, records and other accounting documents of the Company and the Agent related to the transaction and shall be entitled to all information necessary in order to investigate and audit any information provided in connection with the transactions contemplated under this Agreement, and for these purposes the Company and the Agent shall respectively obtain and maintain all such books, records and accounting documents.
- (b) On each Thursday during the Sale Term, commencing on the second Thursday after the Sale Commencement Date, the Agent and the Company, in consultation with the Monitor, shall cooperate fully to reconcile Proceeds, Expenses, Gross Rings, the Guaranteed Amount, Agent's Fee, Sharing Amounts, sales of FF&E, sales of Excluded Goods, commissions payable to Agent hereunder and such other Sale related items as either party shall reasonably request, in each case for the prior week or partial week (i.e.

Sunday through Saturday), all pursuant to procedures agreed upon by the Company and the Agent, in consultation with the Monitor (the “**Weekly Sale Reconciliation**”).

- (c) Within thirty (30) days after the Sale Termination Date, the Agent and Company shall jointly prepare a final reconciliation of the Sale including, without limitation, a summary of Proceeds, amounts due to Agent under this Agreement, amounts due to Company under this Agreement, Sales Taxes, Expenses, FF&E Expenses and any other accountings required hereunder (the “**Final Reconciliation**”). Within five (5) days of completion of the Final Reconciliation, Agent shall pay to the Company, and the Company shall pay to Agent, any and all undisputed amounts due to the other and any undisputed and unpaid Expenses shall be paid by Agent. In the absence of an order of the Court, no disputed amount(s) shall be paid until the dispute has been resolved by agreement of the Parties or as determined in the manner prescribed in this Section 7.1(c) hereof. During the Sale Term, and until all of Agent’s obligations under this Agreement have been satisfied, the Company and the Agent shall have reasonable access to Company’s and Agent’s records with respect to Proceeds, Sales Taxes, Expenses, FF&E Expenses and other Sale-related items to review and audit such records.
- (d) In the event that there is any dispute with respect to either (x) the determination of the aggregate Cost Value of the Merchandise and/or (y) the Final Reconciliation and/or (z) the determination of an Overfunded Amount, such dispute shall be promptly (and in no event later than the third (3rd) Business Day following the request by either Company or Agent) submitted to the Court for resolution. In the event of a dispute as to (x) or (y) above, Agent shall extend the Agent L/C in accordance with the provisions set forth in Section 3.3.

ARTICLE 8 EXPENSES

8.1 Expenses

- (a) The Agent shall be unconditionally responsible for all Expenses incurred in conducting the Sale during the Sale Term, which Expenses shall be paid by Agent in accordance with Section 8.1(b).
- (b) Agent shall be responsible for the payment of all Expenses out of Proceeds (or from Agent’s own accounts if and to the extent there are insufficient Proceeds) after the payment of the Guaranteed Amount. All Expenses incurred during each week of the Sale (i.e. Sunday through Saturday) shall be paid from Proceeds or, if Proceeds are insufficient during such week, by Agent to or on behalf of Company, or paid by Company and thereafter reimbursed by Agent as provided for herein, immediately following the Weekly Sale Reconciliation; provided, however, in the event that the actual amount of an Expense is unavailable on the date of the reconciliation (such as payroll), Company and Agent shall agree to an estimate of such amounts, which amounts will be reconciled once the actual amount of such Expense becomes available. Agent and/or Company may review or audit the Expenses at any time.

**ARTICLE 9
REMAINING MERCHANDISE**

9.1 Remaining Merchandise

Notwithstanding Section 2.1, to the extent there is Merchandise remaining at the Sale Termination Date (the “**Remaining Merchandise**”), such Remaining Merchandise shall be deemed transferred to the Agent free and clear of all Encumbrances and Agent shall use commercially reasonable efforts to dispose of all such Remaining Merchandise by means of bulk sale/wholesale or otherwise. The proceeds received by Agent from such disposition shall constitute Proceeds hereunder, the net amount of which allocable to the Company shall be consideration payable for such Remaining Merchandise. To the extent that any of the Remaining Merchandise includes any Merchandise with logos, brand names or other intellectual property of the Company or of any other third party as may be identified by the Company from time to time, the Agent and the Company shall agree on the disposition terms of such Remaining Merchandise prior to the disposition of same by Agent pursuant to the terms hereof.

**ARTICLE 10
CONDUCT OF SALE**

10.1 Rights of Agent

- (a) Subject to the issuance of the Approval Order as provided by Section 14.1(a), the Agent shall have the right to peaceful use and occupancy of the Locations for the purpose of conducting the Sale and shall be permitted to conduct the Sale as a “**Store Closing**”, “**everything on sale**”, “**everything must go**”, or **similar themed** sales throughout the Sale Term, it being understood and agreed that the term “**going out of business**” shall under no circumstances be used by the Agent at any time in connection with the Sale. The Agent shall conduct the Sale in the name of and on behalf of the Company in a commercially reasonable manner and in compliance with the Initial Order, the Approval Order, and any further orders of the Court. In addition to any other rights granted to the Agent hereunder, in conducting the Sale, the Agent, in consultation with the Company and the Monitor, shall have the following rights, subject to the immediately preceding sentence:
- (i) to establish and implement advertising, signage (including exterior banners and signs), and promotion programs consistent with the above noted themes, and as otherwise provided in the Approval Order and the Sales Guidelines subject to the prior approval of the Company and the Monitor as provided for herein;
 - (ii) to establish Sale prices and discounts (provided that Agent shall provide adequate advanced notice to the Company in respect of any discounts to be implemented through the Company’s point of sale systems); and Location hours which are consistent with the terms of applicable Occupancy Agreements and local laws or regulations;
 - (iii) subject to the Company’s Privacy Policies, to have access to, throughout

the Sale Term, central office facilities, central administrative services and personnel to process and perform central services for the Sale consistent with historical practices, such as (but not limited to) accounting, POS administration, inventory handling and processing, warehouse management, information technology, MIS services, sales audit, cash management services, cash and inventory reconciliation, and payroll processing, including any such services as may be provided by third parties or related entities to the Company (collectively, the “**Central Services**”);

- (iv) subject to the Company’s Privacy Policies, to use without charge during the Sale Term, and solely for the purposes of the Sale, point of sale systems, motor vehicles, advertising materials, Designated Company Accounts, computer hardware and software, intangible assets (including the Company’s tax identification numbers), Location keys, case keys, security codes, and safe and lock combinations required to gain access to and operate the Locations, and mailing services (whether owned, leased or licensed);
 - (v) to use reasonably sized offices located at the Company’s Corporate Office to effect the Sale;
 - (vi) subject to Section 10.10, to use (through the Company and its existing procedures and not directly) all customer lists, mailing lists, email lists and web and social networking sites utilized by the Company in connection with its business (but solely in connection with the Sale);
 - (vii) to utilize the services of subcontractors and/or licensees in connection with the performance of its obligations under this Agreement.
- (b) All sales of Merchandise and FF&E will be “final sales” and “as is,” and all advertisements and sales receipts will reflect the same. The Agent shall not warrant the Merchandise, Excluded Goods and FF&E in any manner whatsoever. The sale of Merchandise and FF&E and the Proceeds and Net FF&E Proceeds shall be free and clear of Encumbrances (other than, with respect to the Proceeds, the Agent’s Charge and Security Interest). All sales will be made only for cash and by debit cards, gift cards, by approved cheque and by bank credit cards currently accepted by the Company, including without limitation, the Company’s private labeled credit and debit cards. The Agent, using the Company’s point of sale system shall clearly mark all receipts for the Merchandise sold during the Sale Term so as to clearly distinguish such Merchandise from the goods sold prior to the Sale Commencement Date.
- (c) Agent shall have the right to use, without charge, all existing supplies located at the Locations at the Sale Commencement Date. In the event that additional supplies are required in any of the Locations for use during the Sale, the acquisition of such additional supplies shall be the responsibility of the Agent as an Expense.

10.2 Trade-marks, Trade Names and Advertising

- (a) During the Sale Term, the Agent shall have the right to use the trade names, trademarks and logos of the Company relating to the Merchandise and used in connection with the operation of the Stores and Distribution Centers, solely for the purpose of advertising the Sale in accordance with the terms of this Agreement. Agent acknowledges that it is not acquiring any interest in or other rights to Company's trade names, trade-marks or other intellectual property rights of any nature.
- (b) Prior to the Sale Commencement Date, the Agent shall submit to the Company and the Monitor for approval (which shall not be unreasonably withheld) all initial advertising copy, including without limitation all email and other electronic communications. Thereafter, all advertising copy is to be submitted initially by the Agent to the Company and the Monitor for approval (which shall not be unreasonably withheld) not less than two (2) Business Days prior to its first publication and use by the Agent. If the Company and the Monitor have not objected to the Agent's proposed advertising within such two (2) Business Days, they will be deemed to have approved such advertising. The Agent shall be responsible for paying directly all costs of advertising (other than the cost of the Company and the Monitor to review and approve of such advertising) and such costs shall be an Expense. The Agent will, together with the Company and the Monitor, work with the relevant landlords of the Locations in order to resolve objections to the Sale and Sale Guidelines. The Agent acknowledges that it shall not use or make reference to any Apple trademarks or logos in any of its advertising in connection with the Sale, it being understood that all existing Apple branded advertising located in the Stores as at the Sale Commencement Date shall remain throughout the Sale Term, as required.

10.3 Other Sale Matters and Employee Discounts

- (a) Administration of matters such as gift cards on the Merchandise shall be the responsibility of the Company; provided however that the Agent shall accept the Company's gift cards on the Merchandise issued by the Company prior to the Sale Commencement Date (the "**Accepted Credits**") and shall honor discounts granted to customers who use the Company's private-labeled credit and debit cards (the "**Private Label Discounts**"). The Agent agrees to cooperate fully with the Company in the administration of such matters. Any adjustments required as a result of Accepted Credits and Private Label Discounts, shall be paid for by the Company, accounted for and increase Proceeds, on a dollar for dollar basis, as part of the Weekly Sale Reconciliation set out in Section 7.1(b).
- (b) It is understood and agreed that, during the Sale Term, all active employees of the Company shall be entitled to take advantage of such employee discounts on Merchandise as may be available to them under the Company's policy in respect of same existing as at the Sale Commencement Date (the "**Employee Discounts**"). However, employees will not be entitled to cumulate Employee Discounts and the then-prevailing Sale discounts being offered by Agent. During the Sale Term, to the extent the employee elects the Employee Discount, then the Company shall reimburse the Agent in cash for the differential between the Employee Discount and the then-prevailing Sale discount being offered by the Agent. Any adjustments required as a result of Employee Discounts, shall

be paid for by the Company, accounted for and increase Proceeds, on a dollar for dollar basis, as part of the Weekly Sale Reconciliation set out in Section 7.1(b).

- (c) As and from the Sale Commencement Date and during the Sale Term, no gift certificates, Company or third party gift cards, third party warranties or Merchandise credits shall be issued or sold by the Agent or the Company. Agent shall accept returns of goods sold by the Company prior to the Sale Commencement Date (“**Returned Merchandise**”), provided that such return is in compliance with the Company’s return policy in effect at the time of the purchase of the Returned Merchandise. If such Returned Merchandise is otherwise “Merchandise” it shall be included in the Sale at its Cost Value and Retail Price, multiplied by the inverse of the then prevailing sale discount on the date of the return. The aggregate Cost Value of the Merchandise shall be increased by the adjusted Cost Value of any Returned Merchandise included in the Merchandise (determined in accordance with this Section 10.3(c)). Any adjustments required in respect of any Returned Merchandise (“**Refunds**”) shall be paid for by the Company, accounted for and increase Proceeds on a dollar for dollar basis, as part of the Weekly Sale Reconciliation set out in Section 7.1(b). Except to the extent that the Company and the Agent agree that the Company’s POS or other applicable systems can account for return of goods, all returns must be noted and described in a mutually agreeable Returned Merchandise log on a weekly basis during the Sale. For avoidance of doubt, no returns of Merchandise sold during the Sale Term shall be accepted.
- (d) In the absence of a licensed pharmacist in any Location, and as instructed by the Company, the Agent shall work with the Company to secure all Scheduled Drugs and the Company shall immediately cease the sale of any Scheduled Drugs at such Location. The Agent shall have no responsibility for the Sale, removal or other disposition of Scheduled Drugs.

10.4 Movement of Merchandise and FF&E

- (a) The Agent may move or consolidate Merchandise, Additional Agent Goods, Designated Consignment Goods and FF&E from Location to Location, in consultation with the Company and the Monitor, in connection with the closing of Locations or the conduct of the Sale during the Sale Term, provided that adequate records of the Merchandise, Additional Agent Goods, Designated Consignment Goods or FF&E being moved are maintained.
- (b) Agent shall be responsible for allocating and designating the shipment of Distribution Center Merchandise and On Order Merchandise to the Stores, in consultation with the Company and the Monitor.

10.5 Access to Locations

- (a) The Company shall provide the Agent with access to the Locations for the purposes of carrying out the Sale. The Company shall be responsible for payment of and shall pay all Occupancy Expenses for the Locations, which are required to ensure the continued occupation of the Locations pursuant to the Occupation Agreements for the purposes of

this Agreement until the Sale Termination Date with respect to all of the Locations, subject to being reimbursed for same by the Agent as an Expense.

- (b) Agent acknowledges that the Company has entered into agreements with various third parties including licencees, franchisees and subleasees, as the case may be, pursuant to which such parties shall have access to and occupation of certain premises within certain Locations. To the extent that the Agent shall have access to said Locations pursuant to the terms of this Agreement, the Agent undertakes to not interfere nor disrupt the continued access and peaceful occupation of such premises by such parties.
- (c) The Agent shall also allow such parties as may be identified by the Company or the Monitor including any potential purchaser of the Company's leases in respect of the Locations reasonable access to the Locations during normal business hours during the Sale Term to conduct reasonable inspections of such Locations, provided there is no interference with the Sale as determined by the Agent, acting reasonably.
- (d) Notwithstanding anything to the contrary herein, the Agent acknowledges and agrees that there shall be no Sale of FF&E conducted at the Closed Store.

10.6 Sale Term, Surrender of Locations and Right of Abandonment

Subject to the issuance of the Approval Order as provided in Section 14.1(a) hereof, the Sale shall commence on the Sale Commencement Date and terminate on the Sale Termination Date. The Agent shall deliver vacant possession of the Locations to the Company on or before the Sale Termination Date (and in respect of the Closed Store, as set forth in Section 5.1(c)). The Agent shall be entitled to surrender vacant possession of any Location by providing to the Company prior written notice of its intention to surrender possession of any Location by 12:00 pm (EST) on the tenth (10th) day (the "Vacate Notice") prior to such vacating (as to each such Location, as applicable, the "Vacate Date"). Subject to Section 5.1, on the Vacate Date, the Agent shall vacate in favour of the Company or its representatives or assignee, remove all remaining Merchandise, FF&E and Additional Agent Goods and leave the applicable Location in "broom clean" condition (ordinary wear and tear excepted). The Agent's obligations to pay all Expenses, including Occupancy Expenses, for each Location shall continue until the applicable Vacate Date for such Location. All assets of the Company used by the Agent in the conduct of the Sale (e.g., supplies, etc.) shall be returned by the Agent to the Company or left at the Locations, or disposed of as may be directed by the Company at the Company's sole cost and expense (other than with respect to FF&E as provided for herein). Where reference is made in this Section to vacating the Locations, such shall mean vacating the Locations, as applicable, in favour of the Company, its representatives or assignee and shall not mean vacating possession or disclaimer of lease in favour of the landlord or owner of the relevant Location. The Agent agrees that it shall be obligated to repair any damage caused by the Agent (or any representative, agent or licensee thereof) to any Location during the Sale Term, ordinary wear and tear excepted.

10.7 Extension of Credit

The Agent shall not extend credit (other than by way of credit cards) to any customer in the course of the Sale.

10.8 Security

The Company shall be responsible for taking all necessary security measures to provide the same level of security as was provided by the Company, and the cost of such measures shall be included as an Expense.

10.9 Right to Monitor

In addition to the Company's and the Monitor's right to review the Agent's books and records relating to the Sale, under Section 7.1(a), the Company and the Monitor shall have the right to monitor the Sale and activities attendant thereto and to be present in all Locations at all times.

10.10 Company Personal Information

Agent shall honour and observe, in connection with the transactions contemplated by this Agreement, Company's Privacy Policies and all applicable Privacy Law with respect to the collection, use, transfer, and disclosure of any personal information obtained in connection with this Agreement or the Sale, including personal information about Company's customers and current and past employees of Company ("**Company Personal Information**"). Agent shall collect and use Company Personal Information only for, and only to the extent reasonably necessary for, the purposes of fulfilling its obligations under this Agreement and the Sale. Agent shall not disclose Company Personal Information to any other person other than to its advisors on a strict need-to-know basis. Agent shall implement and maintain physical, technical and administrative measures to protect and safeguard the Company Personal Information against loss, theft and unauthorised collection, use, disclosure, modification or destruction, including limiting access to Company Personal Information only to those employees and authorized agents of Agent who need to have access to the Company Personal Information solely for the purposes of Agent rendering the Services under the Agreement. Agent shall cause its employees and representatives to strictly observe the terms of this Section 10.10, including to protect and safeguard all Company Personal Information in their possession and control in accordance with the terms hereof. Agent shall notify Company in writing immediately upon Agent becoming aware of, or suspecting, any loss, theft, damage or unauthorized or unlawful access to, use, disclosure or modification of Company Personal Information, and comply with all instructions of Company in connection therewith. In the event that Agent sends or causes to be sent any Commercial Electronic Messages (as such term is defined in CASL), in connection with the Agreement or the Sale, Agent shall do so in full compliance with CASL and the Privacy Policies. If either Company or Agent terminates this Agreement as provided herein, Agent shall promptly deliver to Company, or upon written instruction of Company securely destroy, all Company Personal Information in its possession and in the possession of any of its representatives, including all copies, reproductions, summaries or extracts thereof in every media, and certify to Company in writing upon completion of any such delivery or destruction. In the event applicable law does not permit Agent to comply with the delivery or destruction of the Company Personal Information, Agent warrants that it shall ensure the strict confidentiality of the Company Personal Information and that it shall not access, use, disclose or otherwise process any Company Personal Information by or on behalf of Company after termination of the Agreement. Agent shall execute such privacy addendums as Company may require in order to comply with Company's Privacy Policies.

10.11 Force Majeure

If any casualty, act of terrorism or act of God prevents the conduct of business in the ordinary course at any Location for a period in excess of five (5) Business Days, such Location and the Merchandise located at such Location shall, in Agent's discretion, be eliminated from the Sale and considered to be deleted from this Agreement as of the date of such event, and Agent and Company shall have no further rights or obligations hereunder with respect thereto; provided, however, that the proceeds of any insurance attributable to such Merchandise shall constitute Proceeds hereunder, and (ii) the Guaranteed Amount shall be reduced to account for any Merchandise eliminated from the Sale which is not the subject of insurance proceeds, and Company shall reimburse Agent for the amount the Guaranteed Amount is so reduced in connection with the next weekly reconciliation.

ARTICLE 11 EMPLOYEE MATTERS

11.1 Personnel

- (a) Subject to the applicable provisions of the Approval Order and any other provisions in this Agreement relating to employees, the Company shall provide to the Agent such employees as the Agent may designate from time to time in connection with the conduct of the Sale at the Stores (each such employee, a “**Retained Employee**”). Retained Employees shall at all times remain employees of the Company, and shall not be considered or deemed to be employees of the Agent. The Company and the Agent agree that except to the extent that wages and benefits of Retained Employees constitute Expenses hereunder, nothing contained in this Agreement and none of Agent's actions taken in respect of the Sale shall be deemed to constitute an assumption by the Agent of any of the Company's Retained Employees or the Company's obligations relating to any of the Retained Employees including, without limitation, Excluded Benefits, notice and severance claims and other obligations, or any other amounts required to be paid by statute or law; nor shall Agent or Company become liable under any collective bargaining or employment agreement or be deemed a joint or successor employer with respect to such Retained Employees. The Company shall not, without the Agent's prior written consent, raise the salary or wages or increase the benefits for, or pay any bonuses or make any other extraordinary payments to, any of the Retained Employees, except as otherwise provided in this Agreement. The Company shall not transfer any Retained Employee during the Sale Term without the Agent's prior consent.
- (b) The Agent may, in its discretion, stop using any Retained Employee at any time during the Sale. In the event the Agent determines to discontinue its use of any Retained Employee in connection with the conduct of the Sale, Agent will provide written notice to Company at least **three (3) business** days prior thereto. In the event that the Agent no longer requires the assistance of a Retained Employee due to cause (such as dishonesty, fraud or breach of employee duties), the Agent shall notify the Company forthwith and no prior notice shall be required. From and after the date of this Agreement and until the Sale Termination Date, the Company shall not transfer or dismiss Retained Employees of the Stores except “for cause” without Agent's prior consent.

- (c) During the Sale Term, the Company shall process and pay the base payroll and all related payroll taxes, worker's compensation, employment and unemployment insurance, and benefits for all Retained Employees (except for Agent's employees and independent contractors hired by Agent) in accordance with its usual and customary procedures. At the Agent's expense, Company shall also process payroll for additional personnel hired by the Agent for the Sale. For greater clarity, the Company shall have no liability with respect to such additional personnel hired by Agent for the Sale, whether as to salary, notice, pay in lieu of notice, separation pay, severance or any other claim the Company's obligation being limited to providing a payroll service.
- (d) Agent may pay, as an Expense, retention bonuses ("**Retention Bonuses**") (which bonuses shall be inclusive of payroll taxes, but as to which no benefits shall be payable), up to a maximum of ten percent (10%) of base payroll for all Retained Employees, to such Retained Employees who do not voluntarily leave employment and are not terminated "for cause," as Agent may determine in its discretion. The amount of such Retention Bonuses shall be in an amount to be determined by Agent, in its discretion, and shall be payable within thirty (30) days after the Sale Termination Date, and shall be processed through the Company's payroll system.

ARTICLE 12 SALES TAX AND INSURANCE MATTERS

12.1 Authorizations and Remittance of Taxes

- (a) During the Sale Term, all harmonized sales tax, goods and services tax, and all other sales taxes (collectively, "**Sales Taxes**") attributable to sales of Merchandise, Additional Agent Goods, FF&E, and, if applicable, Designated Company Consignment Goods as indicated on Company's point of sale equipment payable to any taxing authority having jurisdiction shall be added to the sales price thereof and collected on the Company's behalf, deposited in the Designated Company Accounts and reconciled as part of the Weekly Sale Reconciliation, except as described below in Section 12.1(c)(ii). Subject to Section 12.1(c)(ii), provided that Agent has collected all Sales Taxes during the Sale and remitted the proceeds thereof to Company, Company shall pay or remit all Sales Taxes and file all applicable reports and documents required by the applicable taxing authorities as and when such amounts become payable; provided, however, notwithstanding anything to the contrary herein, in the event that Agent uses any system other than Company's point of sale system to compute Sales Taxes relating to the Sale, Agent shall reimburse Company for any additional Sales Taxes, interest, fines, penalties, and the like payable to any taxing authority as the result of a Sales Tax audit conducted by or on behalf of such authority which discloses that the Sales Taxes collected by Agent and paid over to Company for any period during the Sale were less than those mandated by applicable law (any such additional Sales Taxes and other amounts are collectively referred to as "**Additional Taxes and Penalties**"). Agent will be given access to the computation of gross receipts for verification of all such Sales Tax collections. Provided that Agent performs its responsibilities in accordance with this Section 12.1, Agent shall have no further obligation to the Company, any taxing authority, or any other party, and Company shall indemnify and hold harmless Agent from and against any and all costs, including, but not limited to, reasonable attorneys' fees, assessments, fines or penalties

which Agent sustains or incurs as a result or consequence of the failure by Company to pay such taxes to the proper taxing authorities and/or the failure by Company to file with such taxing authorities all reports and other documents required by applicable law to be filed with or delivered to such taxing authorities. If Agent fails to perform its responsibilities in accordance with this Section 12.1, and provided Company complies with its obligations in accordance with this Section 12.1, Agent shall indemnify and hold harmless Company from and against any and all costs including, but not limited to, reasonable legal fees, assessments, fines or penalties which Company sustains or incurs as a result or consequence of the failure by Agent to collect Sales Taxes or pay or remit Sales Taxes to Company, and/or, to the extent Agent is required hereunder to prepare reports and other documents, the failure by Agent to promptly deliver any and all reports and other documents required to enable Company to file any requisite returns with such taxing authorities.

- (b) If Sales Tax is exigible on any payment of fees or reimbursement of Expenses by the Company to the Agent for services under this Agreement, the Agent shall promptly register, to the extent not already registered, under the *Excise Tax Act* and provide evidence of such registration, satisfactory to the Company acting reasonably including the effective date thereof, prior to the payment by the Company to the Agent of such tax. Upon receipt of satisfactory evidence of registration of the Agent and documentation otherwise satisfying the statutory requirements in respect of Company's entitlement to input tax credits, the Company shall pay to the Agent, any Sales Tax collectible by the Agent on any payment of fees or reimbursement of Expenses by the Company to the Agent under this Agreement.
- (c) Notwithstanding Section 12.1(a), the Agent shall:
 - (i) pay to Company any Sales Taxes payable on the transfer of the Remaining Merchandise and Remaining FF&E from Company to the Agent; and
 - (ii) shall collect and remit (and not pay to Company) any Sales Taxes collectible by the Agent on any disposition of the Remaining Merchandise and Remaining FF&E by the Agent.

12.2 Insurance

- (a) Company shall continue at its cost and expense until the Sale Termination Date, in such amounts as it currently has in effect, all of its liability insurance policies, including, but not limited to, products liability, comprehensive public liability, auto liability and umbrella liability insurance, covering injuries to persons and property in, or in connection with, Company's operation of the Stores; and Company shall cause Agent to be named as an additional named insured (as its interest may appear) with respect to all such policies. Company shall deliver to Agent certificates evidencing such insurance setting forth the duration thereof and naming Agent as an additional named insured, in form reasonably satisfactory to Agent. All such policies shall, on a best efforts basis, require at least thirty (30) days' prior notice to Agent of cancellation, nonrenewal or material change during the Sale Term. In the event of a claim under any such policies, Company shall be responsible for the payment of all deductibles, retentions or self-insured amounts

thereunder, unless it is determined that liability arose by reason of the willful misconduct or grossly negligent acts or omissions of Agent, or Agent's employees, independent contractors or agents. Company shall not make any change in the amount of any deductibles or self insurance amounts prior to the Sale Termination Date without Agent's prior written consent.

- (b) Company will provide, as an Occupancy Expense, throughout the Sale Term, fire, flood, theft and extended coverage casualty insurance covering the Merchandise in a total amount equal to no less than the Cost Value thereof, which coverage shall be reduced from time to time to take into account the sale of Merchandise. From and after the date of this Agreement until the Sale Termination Date, all such policies will also name Agent as an additional named insured (as its interest may appear). In the event of a loss to the Merchandise on or after the date of this Agreement, the proceeds of such insurance attributable to the Merchandise (net of any deductible to be paid by the Company), shall constitute Proceeds hereunder. Company shall deliver to Agent certificates evidencing such insurance, setting forth the duration thereof and naming the Agent as an additional insured, in form and substance reasonably satisfactory to Agent. All such policies shall, on a best efforts basis, require at least thirty (30) days' prior notice to the Agent of cancellation, non-renewal or material change during the Sale Term. Company shall not make any change in the amount of any deductibles or self insurance amounts prior to the Sale Termination Date without Agent's prior written consent.
- (c) Agent shall maintain at Agent's cost as an Expense hereunder throughout the Sale Term, in such amounts as it currently has in effect, comprehensive public liability insurance policies covering injuries to persons and property in or in connection with Agent's agency at the Store, and shall cause Company to be named as an additional insured with respect to such policies. Agent shall deliver to Company certificates evidencing such insurance policies setting forth the duration thereof and naming Company as an additional insured, in form and substance reasonably satisfactory to Company. In the event of a claim under any such policies, Agent shall be responsible for the payment of all deductibles, retentions or self-insured amounts thereunder, unless it is determined that liability arose by reason of the willful misconduct or grossly negligent acts or omissions of Company or Company's employees, independent contractors or agents (other than Agent or Agent's employees, agents or independent contractors). Agent shall not make any change in the amount of any deductibles or self insurance amounts prior to the Sale Termination Date without Company's prior written consent.
- (d) Company shall at all times during the Sale Term maintain in full force and effect workers' compensation insurance (including employer liability insurance) covering all Retained Employees in compliance with all statutory requirements.
- (e) Without limiting any other provision of this Agreement, the Company acknowledges that the Agent is conducting the Sale on behalf of the Company solely in the capacity of an agent, and that in such capacity (i) the Agent shall not be deemed to be in possession or control of the Locations or the assets located therein or associated therewith, or employees located at the Locations, and (ii) except as expressly provided in this Agreement, the Agent does not assume any of the Company's obligations or liabilities with respect to any of the foregoing. Agent shall not be deemed to be a successor

employer. Company and Agent agree that, subject to the terms of this Agreement, the Company shall bear all responsibility for liability claims of customers, Retained Employees and the Company's employees and other persons arising from events occurring at the Locations during and after the Sale Term, except to the extent any such claim is related to the negligent acts or omissions of the Agent, or its employees, agents or independent contractors (other than the Company's employees and the Retained Employees, agents or independent contractors) located at the Locations (an "**Agent Claim**"). In the event of any such liability claim other than an Agent Claim, the Company shall administer such claim and shall present such claim to the Company's liability insurance carrier in accordance with Company's or Company's historic policies and procedures, and shall provide a copy of the initial documentation relating to such claim to the Agent in accordance with Section 18.1. To the extent that the Company and the Agent agree that a claim constitutes an Agent Claim, the Agent shall administer such claim and shall present such claim to its liability insurance carrier, and shall provide a copy of the initial documentation relating to such claim to the Company in accordance with Section 18.1. In the event that the Company and the Agent cannot agree whether a claim constitutes an Agent Claim, each party shall present the claim to its own liability insurance carrier, and a copy of the initial claim documentation shall be delivered to the other party in accordance with Section 18.1.

ARTICLE 13 AGENT'S CHARGE

13.1 Grant of Agent's Charge and Security Interest

- (a) In consideration of and subject to the issue of the Agent L/C, to secure its obligations to Agent hereunder, the Company hereby grants to the Agent a first ranking priority charge and security interest in and lien upon, ranking ahead of all Encumbrances, the Merchandise, the Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission), and the proceeds of the Sale of Designated Company Consignment Goods (to the extent of the Agent's commission in respect thereof) ("**Agent's Charge and Security Interest**") provided, however, that until payment in full to the Company of the Guaranteed Amount, the Company's Sharing Recovery Amount, the Net FF&E Proceeds and all other amounts owing to the Company by the Agent hereunder (collectively, the "**Unpaid Company's Entitlement**"), the Agent's Charge and Security Interest shall be junior and subordinate in all respects to all Encumbrances, but solely to the extent of any Unpaid Company's Entitlement.
- (b) The Approval Order shall provide that the Agent's Charge and Security Interest shall be automatically perfected without the necessity of the filing or registration of financing statements or other documents and valid and enforceable and deemed perfected as against all charged property and against all persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Company, for all purposes without the need for any further action by or on behalf of the Company or the Agent. The Company shall execute and deliver all such documents and take all such other actions as are reasonably required to perfect and maintain such charge and security interest as a valid and perfected first ranking priority security interest.

**ARTICLE 14
ORDERS**

14.1 Orders

- (a) The obligations of the Company and the Agent hereunder are subject to and conditional upon the following:
- (i) the Company shall have obtained by no later than February 4, 2015 (the “**Court Condition Date**”) an Order of the Court, or such other court that has jurisdiction in the matter in Ontario, substantially in the form attached hereto as Schedule “I” and otherwise satisfactory to the Company, the Agent and the Monitor, authorizing the Sale and the transactions contemplated under this Agreement in accordance with the terms hereof (the “**Approval Order**”); and the Approval Order shall not have been stayed, varied, or vacated; and
 - (ii) no Order shall have been made which in any material respect limits or impairs the ability of the Agent to carry out the terms of this Agreement and to obtain the benefits therefrom.
- (b) The Company covenants and agrees to proceed as expeditiously as possible and to use reasonable commercial efforts to obtain the Approval Order.
- (c) In the event that the Company is unsuccessful in obtaining the Approval Order, the Company, the Monitor and the Agent may elect, in writing, to extend the Court Condition Date to allow the Company to continue to attempt to obtain the Approval Order.
- (d) If the conditions contained in this section are not satisfied at the time or during the time periods specified therein, or if applicable, waived by the parties, then the parties agree that:
- (i) all the obligations of the Company, the Monitor and the Agent pursuant to this Agreement shall be at an end; and
 - (ii) neither party shall have a right to specific performance or other remedy against, or any right to recover damages or expenses from the other.

**ARTICLE 15
DEFAULTS AND TERMINATION**

15.1 Events of Default

The following shall constitute “Events of Default” hereunder:

- (a) The Company’s or the Agent's failure to perform any of their respective material obligations hereunder, which failure shall continue uncured seven (7) days after receipt of written notice thereof to the defaulting Party; or

- (b) Any representation or warranty made by the Company or the Agent proves untrue in any material respect as of the date made or at any time and throughout the Sale Term and, to the extent curable, shall continue uncured ten (10) days after receipt of written notice thereof to the defaulting Party; or
- (c) Subject to Section 10.11 hereof, the Sale is terminated or materially interrupted or impaired at any Location for any reason other than (i) an Event of Default by the Agent, or (ii) any other material breach or action by the Agent not authorized hereunder.

15.2 Termination

In the event of an Event of Default, the non-defaulting Party in the case of a Default under subsection 15.1(a) or 15.1(b) or Agent in the case of subsection 15.1(c) may, in its discretion, elect to terminate this Agreement upon seven (7) Business Days' written notice to the other Party and pursue any and all rights and remedies and damages resulting from such default hereunder in the event such default is not cured by the defaulting Party.

ARTICLE 16 REPRESENTATIONS

16.1 Representations of the Company

The Company hereby represents, warrants, covenants and agrees in favour of the Agent as follows:

- (a) subject to the issuance of the Approval Order:
 - (i) the Company has the right, power and authority to execute and deliver this Agreement and each other document and agreement contemplated hereby (collectively, together with this Agreement, the “**Agency Documents**”) and to perform fully its obligations thereunder;
 - (ii) the Company has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents, and no further consent or approval is required for the Company to enter into and deliver the Agency Documents, to perform its obligations thereunder, and to consummate the Transaction;
 - (iii) each of the Agency Documents has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms;
 - (iv) no court order or decree of any federal, provincial or local governmental authority or regulatory body is in effect that would prevent or impair, or is required for the Company's consummation of, the transactions contemplated by this Agreement, and no consent of any third party which has not been obtained is required therefor; and
 - (v) no contract or other agreement to which the Company is a party or by

which the Company is otherwise bound will prevent or impair the consummation of the Sale and the other transactions contemplated by this Agreement;

- (b) it has maintained its pricing files in the ordinary course of business, that the Merchandise File does not include any goods held on a consignment or similar basis (other than the Company Consignment Goods) and has not and shall not alter such files outside the ordinary course of business;
- (c) as of the date of this Agreement to the Sale Commencement Date, it shall not mark up or raise the price of any items of Merchandise, without the consent of the Agent;
- (d) as of the date of this Agreement to the Sale Commencement Date it shall not implement any further markdowns or discounts of Merchandise at the Locations, without the consent of the Agent, beyond the level of promotional activity in place at the Locations as of the date of this Agreement and has and shall ticket or mark all items of inventory received at the Locations prior to the Sale Commencement Date, in a manner consistent with similar Merchandise located at the Locations and in accordance with the Company's historic practices and policies relative to pricing and marking inventory;
- (e) from the date of this Agreement to the Sale Commencement Date it shall not offer any new POS promotions other than the Company's customary flyers, the last such flyer to be issued on January 23, 2015;
- (f) to the best of the Company's knowledge, all documentation, information and supplements provided by the Company to the Agent in connection with the Agent's due diligence and the negotiation of this Agreement were true and accurate in all material respects at the time provided;
- (g) the Company has not and shall not, throughout the Sale Term, take any action which may result in materially increasing the cost of operating the Sale, including, without limitation, increasing salaries or other amounts payable to Retained Employees;
- (h) it has paid, shall pay and shall continue to pay, all self-insured or company-funded employee benefits programs, including health benefits and insurance, including all proper claims made or to be made under such programs;
- (i) no action, arbitration, suit, notice, or legal, administrative or other proceeding before any court or governmental body has been instituted by or against the Company, or has been settled or resolved, or to the Company's knowledge affects the Company, relative to the Company's business or properties, or which questions the validity of this Agreement, or that if adversely determined, would adversely affect the conduct of the Sale; and
- (j) the Company (i) is not a party to any collective bargaining agreements with its employees, (ii) to the best of the Company's knowledge, no labour unions represent the Company's employees at the Locations, and (iii) to the best of the Company's knowledge, there are currently no strikes, work stoppages or other labour disturbances affecting the Locations.

16.2 Representations of the Agent

Agent hereby represents, warrants, covenants and agrees in favour of the Company, as follows:

- (i) Each entity comprising Agent (i) is a company, duly organized, and validly existing and in good standing under the laws of the Province of its formation; (ii) has all requisite power and authority to carry on its business as presently conducted and to consummate the transactions contemplated hereby; (iii) is entering into this Agreement as principal and not as agent for another person; and (iv) is, and during the Sale Term will continue to be, duly authorized and qualified to do business and in good standing in each jurisdiction where the nature of its business or properties requires such qualification, including all jurisdictions in which the Stores are located, except, in each case, to the extent that the failure to be in good standing or so qualified could not reasonably be expected to have a material adverse effect on the ability of Agent to execute and deliver this Agreement and perform fully its obligations hereunder.
- (ii) Agent has the right, power and authority to execute and deliver each of the Agency Documents to which it is a party and to perform fully its obligations thereunder. Agent has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents, and no further consent or approval is required on the part of Agent for Agent to enter into and deliver the Agency Documents, to perform its obligations thereunder and to consummate the Sale. Each of the Agency Documents has been duly executed and delivered by the Agent and constitutes the legal, valid and binding obligation of Agent enforceable in accordance with its terms. No court order or decree of any federal, provincial or local governmental authority or regulatory body is in effect that would prevent or impair, or is required for, Agent's consummation of the transactions contemplated by this Agreement, and no consent of any third party which has not been obtained is required therefor, other than as provided herein. No contract or other agreement to which Agent is a party or by which Agent is otherwise bound will prevent or impair the consummation of the transactions contemplated by this Agreement.
- (iii) No action, arbitration, suit, notice or legal administrative or other proceeding before any court or governmental body has been instituted by or against Agent, or has been settled or resolved or, to Agent's knowledge, has been threatened against or affects Agent, which questions the validity of this Agreement or any action taken or to be taken by Agent in connection with this Agreement or which, if adversely determined, would have a material adverse effect upon Agent's ability to perform its obligations under this Agreement.
- (iv) The Sale shall be conducted in compliance with this Agreement, the

Approval Order, and the Sale Guidelines.

- (v) Absent prior consent by the Company, Agent will not cause any non-emergency repairs or maintenance (emergency repairs are repairs necessary to preserve the security of a Store premise or to ensure customer safety) to be conducted at the Stores.
- (vi) Each entity comprising Agent shall be duly registered, by no later than the Sale Commencement Date, under Subdivision (d) of Division V of Part IX of the *Excise Tax Act* (Canada) with respect to the goods and services tax and harmonized sales tax and under Division I of Chapter VIII of Title I of *An Act respecting the Quebec sales tax* with respect to the Quebec sales tax. Registration numbers for each entity comprising the Agent are as follows: (i) 814418836 RT0001 for Gordon Brothers Canada ULC; (ii) 810929034 RT0001 for Merchant Retail Solutions ULC; and (iii) GA Retail Canada, ULC shall advise the Company in writing of its registration number by no later than the Sale Commencement Date.
- (vii) Each entity comprising Agent is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada).

ARTICLE 17 INDEMNIFICATION

17.1 Company Indemnification

Company shall indemnify and hold the Agent and its officers, directors, employees, agents and independent contractors harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys' fees and expenses, asserted directly or indirectly against the Agent (including acts or omissions of persons or entities affiliated with or acting on behalf of the Company) resulting from, or related to:

- (a) the Company's material breach of or failure to comply with any of its agreements, covenants, representations or warranties contained in any Agency Documents;
- (b) subject to the Agent's performance and compliance with its obligations relating to Employee's wages, salaries and benefits under the terms of this Agreement, any failure of Company to pay to the Retained Employees any wages, salaries or benefits due to such employees during the Sale Term or other claims asserted against the Agent by the Retained Employees resulting from the Company's (and not Agent's) treatment of its employees;
- (c) subject to Agent's compliance with its obligations under Section 12.1 hereof, any failure by the Company to pay any Sales Taxes to the proper taxing authorities or to properly file with any taxing authorities any reports or documents required by applicable law to be filed in respect thereof; and

- (d) the gross negligence or willful misconduct of the Company or any of its officers, directors, employees, agents (other than Agent) or representatives.

17.2 Agent Indemnification

Agent shall indemnify and hold the Company and its officers, directors, employees, agents and representatives harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys' fees and expenses, asserted directly or indirectly against, the Company (including acts or omissions of persons or entities affiliated with or acting on behalf of Agent) resulting from, or related to:

- (a) the Agent's material breach of or failure to comply (subject to the Approval Order) with any public health and safety laws or any of its agreements, covenants, representations or warranties contained in any Agency Document;
- (b) any tax assessments; in the event that the Agent uses any system other than the Company's point of sale system to compute Sales Taxes relating to the Sale, any Additional Taxes and Penalties;
- (c) any obligation for, or on account of, withholding taxes including interest and penalties applicable thereto, exigible in respect of any payments or disbursements made to Agent under the terms of this Agreement, other than as a result of the Company's failure to remit any withheld amount; and
- (d) the gross negligence or willful misconduct of the Agent or any of its officers, directors, employees, agents or representatives.

ARTICLE 18 GENERAL

18.1 Notices

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery (in which case it shall be left with a responsible officer of the recipient) or by electronic communication addressed to the recipient as follows:

in the case of the Agent:

MERCHANT RETAIL SOLUTIONS ULC
C/O HILCO MERCHANT RESOURCES,
LLC
5 Revere Drive, Suite 206
Northbrook, IL 60062 USA

Attention: Ian S. Fredericks
Tel: (847) 418-2075
Fax: (847) 897-0859
Email: ifredericks@hilcotrading.com

And

GORDON BROTHERS CANADA ULC
 c/o Gordon Brothers Group
 Prudential Tower
 800 Boylston Street
 Boston, MA 02119
 Attn: Michael Chartock
 Tel: 617.210.7116
 Email: mchartock@gordonbrothers.com

with a copy to:

Cassels Brock & Blackwell LLP
 Suite 2100, Scotia Plaza
 40 King Street West, Toronto, ON M5H
 3C2
 Attention: Jane Dietrich
 Email: jdietrich@casselsbrock.com
 Facsimile No.: 416-640-3144

And

GA RETAIL CANADA, ULC
 21860 Burbank Boulevard, Suite 300
 South
 Woodland Hills, CA 91367

Attn: Scott K. Carpenter
 Email: scarpenter@greatamerican.com
 with a copy to:

Great American Group, LLC
 10 South LaSalle Street, Suite 2170
 Chicago, IL 60603
 Attn: Mark P. Naughton
 Email: mnaughton@greatamerican.com

in the case of the Company:

Target Canada Co.
 5570 Explorer Drive
 Mississauga, ON
 L4W OC4

Attention: Mark Wong
 Email: mark.wong@target.com

with a copy to:

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, ON
M5X 1B8

Attention: Tracy Sandler
Email: Tsandler@osler.com
Facsimile No: (416) 862-6666

with a copy to:

1000 Rue de la Gauchetière Ouest
Montréal, QC
H3B 4W5

Attention: Sandra Abitan
Email : Sabitan@osler.com
Facsimile No.: (514) 904-8101

in the case of the Monitor:

Alvarez & Marsal Canada Inc.
200 Bay Street
Toronto, ON
M5J 2J1

Attention: Douglas McIntosh
Email: dmcintosh@alvarezandmarsal.com

with a copy to:

Alvarez & Marsal
100 Pine Street, Suite 900
San Francisco, CA 94111

Attention: Bill Kosturos
Email: bkosturos@alvarezandmarsal.com

with a copy to:

Goodmans LLP
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Jay Carfagnini / Melaney
Wagner
Email: jcarfagnini@goodmans.ca /
mwagner@goodmans.ca

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication shall be conclusively deemed to have been given, if given by personal delivery, on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if transmitted during normal business hours of the recipient on a Business Day and on the Business Day following the transmittal thereof if not so transmitted.

18.2 Time of Essence

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Company and the Agent or by their respective solicitors.

18.3 Currency

All references herein to money amounts are in Canadian currency, unless otherwise noted herein.

18.4 Further Assurances

Each party shall from time to time execute and deliver, or cause to be executed and delivered, all such documents and instruments and do, or cause to be done, all such acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

18.5 Obligations to Survive

The obligations, representations and warranties of the parties hereto shall survive the completion of the Transaction.

18.6 Entire Agreement

This Agreement constitutes the only agreement between the parties with respect to the subject matter hereof and supersedes any and all prior negotiations and understandings. No amendment of this Agreement shall be binding unless in writing and signed by the parties. No waiver by a party of any breach of this Agreement shall take effect or be binding upon the party unless it is in writing and signed by the party and, unless otherwise expressly stated therein, any such waiver shall be limited to the specific breach waived.

18.7 Governing Law

This Agreement shall be governed and construed in accordance with the law of the Province of Ontario, without regard to conflicts of laws principles thereof and all disputes relating directly or indirectly to this agreement shall be resolved by the Courts having jurisdiction in Toronto, Ontario and by execution of this Agreement each party hereby irrevocably accepts and submits to the jurisdiction of such court with respect to any such action or proceeding and to service of process by certified mail, return receipt requested to the address listed above for each party.

18.8 Benefit of Agreement

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Agent shall not assign the benefit of this Agreement without the prior written consent of the Company and approval of the Court. The Company shall not assign the benefit of this Agreement without the prior written consent of the Agent, which shall not be unreasonably withheld. With the consent of the Company to confirm such assignment is not of a beneficial interest, which consent shall not be unreasonably withheld, any JV Member may pledge or assign a security interest in its rights to receive its pro rata portion of amounts due under this Agreement to secure obligations of such JV Member. Notwithstanding the consent of the Company to any such assignment, the JV Member shall not be relieved of any of its obligations or indemnities as Agent under this Agreement.

18.9 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

18.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same Agreement. This Agreement may be executed by facsimile or other electronic transmission, and such facsimile or electronic signature shall be treated as an original signature hereunder.

18.11 Language

The parties have specifically required that the present agreement and all related documents be drafted and executed in English. *Les parties aux présentes ont formellement demandé à ce que la présente convention et tous les documents auxquels celle-ci réfère soient rédigés et signés en langue anglaise.*

18.12 Canadian Withholding Tax

All disbursement and payments made to Agent hereunder shall be paid net of applicable taxes, including for greater certainty taxes required to be withheld and remitted pursuant to

Regulation 105 of the *Income Tax Act* (Canada) and/or section 1015R1.18 of the *Regulation Respecting the Taxation Act* (Quebec) as may be determined by the Company in its discretion (exercised on the basis of ensuring no reasonable risk of liability to the Company on account of any such obligation to withhold and remit).

18.13 Dispute Resolution Mechanism

The parties hereto shall refer to the Canadian Court any disputes under this Agreement which are not promptly resolved by the parties.


18.14 Joint and Several Liability

Each of the entities that comprise the Agent hereunder hereby irrevocably and unconditionally agree that it is jointly and severally liable for all of the liabilities, obligations, covenants and agreements of the Agent hereunder, whether now or hereafter existing or due or to become due. The obligations of each of the entities that comprise the Agent hereunder may be enforced by the Company against any such entity comprising the Agent or all of the entities that comprise the Agent in any manner or order as determined by the Company in its sole discretion. Each entity comprising the Agent hereby irrevocably waives, for the benefit of the Company, any defense to payment based on (i) any rights of subrogation, (ii) any rights of contribution, indemnity or reimbursement, and (iii) all suretyship defenses generally, in each case, that it may acquire or that may arise against the Company due to any payment or performance made under this Agreement.

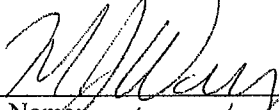
[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each party have caused this Agreement to be signed and delivered by its duly authorized representative(s).

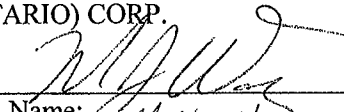
TARGET CANADA CO.

By: 
Name: *MARK WORSLEY*
Title: *General Counsel*

TARGET CANADA PHARMACY CORP.

By: 
Name: *Mark Worsley*
Title: *Secretary and Vice President*

TARGET CANADA PHARMACY (ONTARIO) CORP.

By: 
Name: *Mark Worsley*
Title: *Secretary and Vice President*

MERCHANT RETAIL SOLUTIONS ULC

By: _____
Name:
Title:

GORDON BROTHERS CANADA ULC

By: _____
Name:
Title:

GA RETAIL CANADA, ULC

By: _____
Name:
Title:

IN WITNESS WHEREOF, each party have caused this Agreement to be signed and delivered by its duly authorized representative(s).

TARGET CANADA CO.

By: _____
Name:
Title:

TARGET CANADA PHARMACY CORP.

By: _____
Name:
Title:

TARGET CANADA PHARMACY
(ONTARIO) CORP.

By: _____
Name:
Title:

MERCHANT RETAIL SOLUTIONS ULC

By: _____
Name: Ian Fredericks
Title: Duly Authorized Signatory

GORDON BROTHERS CANADA ULC

By: _____
Name:
Title:

GA RETAIL CANADA, ULC

By: _____
Name:
Title:

IN WITNESS WHEREOF, each party have caused this Agreement to be signed and delivered by its duly authorized representative(s).

TARGET CANADA CO.

By: _____
Name:
Title:

TARGET CANADA PHARMACY CORP.

By: _____
Name:
Title:

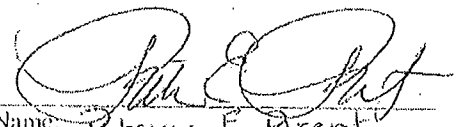
TARGET CANADA PHARMACY
(ONTARIO) CORP.

By: _____
Name:
Title:

MERCHANT RETAIL SOLUTIONS ULC

By: _____
Name:
Title:

GORDON BROTHERS CANADA ULC

By: 
Name: Patricia E. Parent
Title: Treasurer

GA RETAIL CANADA, ULC

By: _____
Name:
Title:

IN WITNESS WHEREOF, each party have caused this Agreement to be signed and delivered by its duly authorized representative(s).

TARGET CANADA CO.

By: _____
Name:
Title:

TARGET CANADA PHARMACY CORP.

By: _____
Name:
Title:

TARGET CANADA PHARMACY
(ONTARIO) CORP.

By: _____
Name:
Title:

MERCHANT RETAIL SOLUTIONS ULC

By: _____
Name:
Title:

GORDON BROTHERS CANADA ULC

By: _____
Name:
Title:

GA RETAIL CANADA, ULC

By: Phillip S. Ahn
Name: Phillip S. Ahn
Title: Director

Schedule A

Per Diem Occupancy Expenses
(Amounts in Actual CAD\$)

		Occupancy Expenses								Total Per Diem Occupancy
Store #	Site Name	Rent	Property Taxes	Repairs, Maintenance	CAM ¹	Utilities ²	Insurance ³	Security	Other ⁴	
7002	Toronto Stockyards	4,110	2,376	522	1,918	764	21	7	17	9,735
3767	Whitby	3,322	1,381	485	561	425	21	20	12	6,226
3648	Edmonton W	1,890	1,654	932	1,994	619	21	11	30	7,152
3548	Victoria Hillside	4,128	1,680	454	302	416	21	2	25	7,028
3755	Quebec Sainte-Foy	2,199	2,677	650	644	235	21	20	2	6,448
3729	Toronto Danforth	2,645	2,041	747	312	638	21	7	19	6,430
3765	Boisbriand	2,830	2,043	568	418	308	21	9	14	6,210
3595	Lasalie	2,248	1,943	602	1,193	97	21	45	16	6,164
7000	Laval Chomedey	3,384	1,686	659	-	377	21	6	20	6,153
3704	Westmount Nihon	2,100	1,978	767	1,076	215	21	6	15	6,177
3742	Toronto East York	2,374	1,922	907	306	706	21	34	17	6,286
3561	Edmonton Kingsway	3,350	882	501	1,144	107	21	9	15	6,029
3647	Anjou	2,329	1,392	748	1,352	376	21	17	12	6,245
3753	Hamilton Central	2,585	1,655	442	377	477	21	14	9	5,579
3636	Mississauga Sq One	1,615	1,441	1,255	368	854	21	38	33	5,625
3762	Hamilton Waterdown	2,633	1,554	529	343	462	21	13	10	5,565
3696	Quebec Nord	2,455	1,730	600	236	344	21	18	46	5,450
3652	Halifax Bayers Lake	2,691	1,416	676	-	466	21	12	104	5,385
3642	Kitchener	2,623	1,293	437	511	479	21	9	13	5,385
3739	Abbotsford	2,734	1,142	531	832	251	21	23	20	5,554
3591	Kingston	2,130	1,329	729	598	504	21	21	16	5,346
3639	Ajax	2,695	1,221	564	298	470	21	24	15	5,306
3630	North Bay	2,090	1,710	456	535	308	21	13	21	5,154
3713	Calgary Sunridge	2,215	688	775	1,395	332	21	20	20	5,465
3671	Hamilton W	2,379	1,664	668	-	490	21	19	67	5,307
3547	Gatineau	2,664	765	840	505	325	21	9	23	5,152
3697	Dartmouth	2,554	899	725	354	580	21	14	19	5,165
3769	Saint-Laurent	2,378	1,275	769	387	289	21	24	13	5,155
3770	Edmonton Mill Woods	2,271	759	1,067	1,141	85	21	22	18	5,383
7001	Niagara Falls	2,328	1,543	457	281	512	21	17	9	5,170
3590	Sherbrooke	2,699	1,115	651	531	376	21	12	10	5,413
3510	London Westmount	2,156	1,468	630	438	390	21	13	11	5,126
3754	Calgary W	2,465	998	645	662	472	21	13	27	5,302
3524	Hamilton E	2,028	1,554	422	598	397	21	39	10	5,068
3634	Brossard	3,083	685	639	17	448	21	23	14	4,930
3534	Richmond	2,663	644	798	795	258	21	9	28	5,215
3708	Windsor	1,616	1,797	606	418	530	21	22	12	5,021
3628	Ottawa Meadowlands	2,259	1,162	440	548	452	21	11	25	4,918

Schedule A

Per Diem Occupancy Expenses

(Amounts in Actual CAD\$)

		Occupancy Expenses								Total Per Diem Occupancy
Store #	Site Name	Rent	Property Taxes	Repairs, Maintenance	CAM ¹	Utilities ²	Insurance ³	Security	Other ⁴	
3764	Ottawa Orleans	2,556	901	520	269	559	21	16	22	4,863
3695	Laval Sainte-Dorothee	2,482	1,076	532	233	332	21	9	13	4,696
3608	Cambridge	2,345	1,165	548	287	438	21	19	13	4,837
3507	Thunder Bay	1,931	1,578	497	284	548	21	10	21	4,889
3715	Toronto Cloverdale	1,939	1,404	569	394	501	21	32	13	4,872
3773	Brampton Trinity	2,429	1,069	476	329	434	21	20	13	4,792
3623	Brampton Bramalea	1,986	1,164	725	283	621	21	21	24	4,843
3714	Calgary Market Mall	1,978	509	813	1,462	125	21	31	28	4,967
3732	St Johns	2,317	996	673	-	483	21	6	220	4,716
3737	Calgary Shawnessy	2,352	1,080	583	247	523	21	17	24	4,847
3509	Nanaimo	2,565	915	616	326	308	21	5	17	4,773
3646	Mississauga W	2,606	1,114	119	613	9	21	7	5	4,494
3617	Surrey	2,043	1,021	901	441	316	21	17	24	4,785
3738	Burlington Central	1,387	830	493	1,158	587	21	62	14	4,551
3559	Oshawa	2,095	1,064	556	390	362	21	13	11	4,512
3693	Saint-Eustache	2,380	495	592	561	304	21	14	16	4,383
3552	Mississauga Dundas	555	1,306	403	1,584	566	21	12	17	4,464
3572	Milton	2,335	688	496	276	464	21	10	11	4,300
3728	Regina Northgate	2,348	808	592	203	482	21	15	19	4,488
3749	Aurora	2,227	819	491	222	489	21	5	15	4,289
3746	Ottawa Bank Street	1,871	845	396	182	374	21	8	21	3,717
3747	Winnipeg S	2,156	1,148	593	258	240	21	15	24	4,454
3565	Newmarket	1,878	856	530	429	499	21	23	22	4,257
3760	Saanich Tillicum	2,149	889	749	312	290	21	5	17	4,432
3772	Calgary Chinook	1,805	555	753	842	399	21	25	21	4,420
3761	Burlington Millcroft	2,216	916	429	196	427	21	11	11	4,225
3663	Pickering	2,121	1,083	529	-	450	21	16	18	4,238
3706	London Masonville	1,747	1,215	657	202	382	21	15	13	4,252
3511	Kanata	1,850	897	492	530	349	21	8	15	4,162
3519	Hamilton S	1,915	1,303	365	218	332	21	17	6	4,178
3677	Sudbury	1,258	1,390	503	567	427	21	5	28	4,198
3609	Toronto Centerpoint	1,637	1,080	766	194	446	21	39	14	4,196
3709	Saint-Bruno	1,753	595	631	548	102	21	15	16	3,680
3717	Burnaby Metrotown	1,599	615	718	1,185	49	21	5	21	4,211
3610	Pointe Claire	1,351	1,819	600	39	301	21	12	14	4,156
3566	Moncton	1,589	1,149	559	235	536	21	6	15	4,109
3719	Prince George	2,404	685	556	224	293	21	11	12	4,206
3644	Winnipeg Kildonan	909	1,191	528	1,293	249	21	12	18	4,220

Schedule A

Per Diem Occupancy Expenses

(Amounts in Actual CAD\$)

Store #	Site Name	Occupancy Expenses								Total Per Diem Occupancy
		Rent	Property Taxes	Repairs, Maintenance	CAM ¹	Utilities ²	Insurance ³	Security	Other ⁴	
3666	Richmond Hill	1,548	892	461	567	541	21	8	20	4,056
3557	Delta	1,868	989	596	385	320	21	8	21	4,207
3616	Coquitlam	2,295	803	540	208	289	21	10	22	4,188
3574	Grande Prairie	2,306	576	536	215	467	21	34	2	4,157
3718	Joliette	1,950	721	550	327	354	21	10	7	3,940
3751	Fergus	1,733	752	509	468	408	21	12	13	3,915
3655	Saint John	830	1,938	557	164	510	21	10	25	4,054
3670	Oakville	1,954	772	428	203	454	21	17	12	3,860
3516	St-Jean-sur-Richelieu	1,110	1,094	524	934	83	21	7	17	3,790
3550	Fredericton	1,248	1,205	473	397	491	21	8	22	3,865
3757	Clarington	1,393	1,095	553	254	473	21	12	12	3,812
3743	Quebec Fleur-de-Lys	1,535	1,076	621	91	385	21	7	9	3,746
3657	Saint-Jerome	738	1,495	538	859	70	21	9	19	3,748
3725	Lévis	1,574	709	782	157	361	21	18	9	3,630
3624	Red Deer	2,056	518	603	214	397	21	19	17	3,845
3592	Trois Rivieres	1,129	1,169	568	548	271	21	8	12	3,725
3560	Lindsay	1,096	1,124	586	285	500	21	6	15	3,632
3530	Sydney	1,432	843	522	290	474	21	4	11	3,596
3564	Sherwood Park	1,830	488	555	353	360	21	12	21	3,640
3637	Charlottetown	1,242	444	647	606	485	21	14	12	3,471
3730	Niagara Pen Centre	822	1,573	578	118	445	21	9	30	3,596
3705	Montreal Versailles	1,672	685	506	224	273	21	16	18	3,415
3668	Brampton SW	1,392	923	522	75	523	21	31	22	3,508
3508	Campbell River	1,736	744	651	165	262	21	13	10	3,602
3669	Mississauga SW	2,314	788	15	69	149	21	-	4	3,359
3645	Welland	425	1,819	534	176	530	21	12	10	3,526
3672	Waterloc	792	1,285	547	249	508	21	38	27	3,466
3763	Brandon	1,632	902	556	84	248	21	27	20	3,489
3759	Guelph	746	1,381	724	55	518	21	5	88	3,540
3682	Winnipeg Southdale	1,800	827	460	32	244	21	10	11	3,404
3538	Calgary Forest Lawn	1,055	842	541	489	386	21	6	19	3,359
3688	Vernon	1,269	1,043	453	249	294	21	9	16	3,353
3533	Chatham-Kent	774	1,498	447	184	360	21	12	7	3,302
3586	Maple Ridge	1,727	494	564	215	245	21	18	13	3,298
3694	St Albert	1,555	553	571	211	338	21	15	12	3,276
3522	Smiths Falls	885	1,191	382	223	445	21	11	9	3,166
3613	Rimouski	1,125	177	470	822	369	21	2	19	3,005
3690	Langley	1,722	498	478	142	255	21	7	15	3,137

Schedule A

Per Diem Occupancy Expenses
(Amounts in Actual CAD\$)

Store #	Site Name	Occupancy Expenses								Total Per Diem Occupancy
		Rent	Property Taxes	Repairs, Maintenance	CAM ¹	Utilities ²	Insurance ³	Security	Other ⁴	
3744	Kamloops	1,740	332	613	-	278	21	25	8	3,016
3702	Longueuil	1,142	627	645	555	376	21	33	10	3,409
3577	Saskatoon N	978	1,079	474	94	336	21	27	20	3,029
3512	Courtenay	1,175	767	553	232	241	21	3	6	2,998
3658	Ottawa St. Laurent	1,266	904	37	456	106	21	0	2	2,793
3766	Saskatoon E	1,378	360	514	253	362	21	20	28	2,935
3698	Kelowna	1,516	460	443	143	278	21	7	8	2,875
3650	Corner Brook	586	947	561	147	546	21	19	5	2,833
3731	Bedford	719	387	502	575	488	21	11	16	2,719
3615	Cranbrook	753	429	605	718	249	21	3	26	2,804
3699	Stratford	733	928	390	309	307	21	10	28	2,725
3614	Medicine Hat	1,096	472	446	363	282	21	9	10	2,698
3710	Edmonton Central	1,382	367	396	160	324	21	17	10	2,676
3665	Orillia	598	628	415	253	505	21	16	19	2,454
3576	Saint-Georges	744	438	538	204	191	21	12	18	2,166
7006	Candiac	-	1,644	218	-	103	21	2	63	2,051
7004	Barrie	-	1,507	109	-	342	21	1	5	1,985
3575	Chilliwack	416	585	518	167	94	21	10	16	1,827
7012	Winnipeg Polo Park	-	1,096	21	-	24	21	-	31	1,192
Grandtotal		242,508	143,279	74,588	56,339	49,945	2,727	1,931	2,639	573,957

NOTES:

- [1] Certain store locations CAM expenses are included in the rent payment without additional obligations to the tenant.
- [2] Due to the timing of certain credits on advanced utility payments or deposits, information was not available to estimate an accurate utilities run rate for sites 3590, 3647, and 3702. The Average of the other 130 stores (CAD\$ 376) was used for those three sites.
- [3] General liability insurance is paid at a rate per store, meanwhile property insurance is paid at the corporate level based on aggregate estimated land value. Both expenses were prorated across all site scheduled.
- [4] Other includes site level fees, telephone service, licenses, trash and snow removal, and other miscellaneous costs

**Target- Canada
Schedule B**

Store List

Store #	Name	Mail Name	Address	City	State	Zip	Gross Sq. Ft.	Selling Sq. Ft.
3507	Thunder Bay	Intercity Shopping Centre	1000 Fort William Rd	Thunder Bay	ON	P7B 6B9	99,153	60,567
3508	Campbell River	Discovery Harbour Shopping Centre	1324 Island Hwy	Campbell River	BC	V9W 8C9	95,709	56,033
3509	Nanaimo	Nanaimo North Town Centre	4750 Rutherford Rd	Nanaimo	BC	V9T 4K6	125,304	80,595
3510	London Westmount	Westmount Shopping Centre	785 Wonderland Rd	London	ON	NGK 1M6	115,268	62,980
3511	Kanata	Hazeldean Mall	300 Eagleson Rd	Kanata	ON	K2M 1C9	103,777	66,876
3512	Courtenay	Driftwood Mall	2801 Cliffe Ave	Courtenay	BC	V9N 2L8	107,041	71,009
3516	St-Jean-sur-Richelieu	Carrefour Richelieu	600 rue Pierre-Caisse	St-Jean-sur-Richelieu	QC	J3A 1M1	114,082	73,349
3519	Hamilton S	South Hamilton Square	1576 Upper James St	Hamilton	ON	L9B 1K3	93,885	55,329
3522	Smiths Falls	County Fair Mall	275 Brockville St	Smiths Falls	ON	K7A 4Z6	93,156	56,200
3524	Hamilton E	Zellers Plaza - Stoney Creek	640 Queenston Rd	Hamilton	ON	L8K 1K2	117,269	76,309
3530	Sydney	Sydney Shopping Centre	322 Prince St	Cape Breton	NS	B1P 5K7	107,911	68,424
3533	Chatham-Kent	Thames-Lea Plaza	671 Grand Ave W	Chatham-Kent	ON	N7L 1C5	91,211	52,925
3534	Richmond	Lansdowne Centre	8311 Lansdowne Rd	Richmond	BC	V6X 3A4	139,970	75,457
3538	Calgary Forest Lawn	Forest Lawn Shopping Centre	5115 17th Ave SE	Calgary	AB	T2A 0V8	96,264	61,469
3547	Gatineau	Les Galeries Gatineau	920 boul. Maloney O.	Gatineau	QC	J8T 3R6	106,756	64,520
3548	Victoria Hillside	Hillside Mall	1610 Hillside Ave	Victoria	BC	V8T 2C5	146,945	79,543
3550	Fredericton	Uptown Centre	1180 Prospect St	Fredericton	NB	E3B 5C7	106,884	65,660
3552	Mississauga Dundas	Westdale Mall	1131 Dundas St W	Mississauga	ON	L5C 1C5	96,635	63,438
3557	Delta	Scottsdale Mall	7155 120th St	Delta	BC	V4E 2B1	114,686	75,182
3559	Oshawa	Five Points Mall	285 Taunton Rd E	Oshawa	ON	L1G 3V2	103,011	62,018
3560	Lindsay	Lindsay Square Mall	401 Kent St W	Lindsay	ON	K9V 4Z1	98,104	60,922
3561	Edmonton Kingsway	Kingsway Garden Mall	1 Kingsway Garden Mall, Suite 60	Edmonton	AB	T5G 3A6	133,839	74,906
3564	Sherwood Park	Sherwood Park Mall	2020 Sherwood Dr	Edmonton	AB	T8A 3H9	115,043	74,211
3565	Newmarket	Upper Canada Mall	17600 Yonge St	Toronto	ON	L3Y 4Z1	120,392	74,958
3566	Moncton	Northwest Centre	1380 Mountain Rd	Moncton	NB	E1C 2T8	110,453	70,813
3572	Milton	Milton Mall Shopping Centre	55 Ontario St S	Toronto	ON	L9T 2M3	114,464	70,801
3574	Grande Prairie	Prairie Mall	11801 100 St	Grande Prairie	AB	T8V 3Y2	112,965	70,758
3575	Chilliwack	Cottonwood Mall	45585 Luckakuck Way	Chilliwack	BC	V2R 1A1	92,493	56,474
3576	Saint-Georges	Carrefour St-Georges	8585 boul. Lacroix	Saint-Georges	QC	G5Y 5L6	85,091	49,595
3577	Saskatoon N	The Mall At Lawson Heights	134 Primrose Dr	Saskatoon	SK	S7K 5S6	99,848	62,101
3586	Maple Ridge	Haney Place Mall	11850 224th St	Maple Ridge	BC	V2X 8S1	111,841	63,926
3590	Sherbrooke	Carrefour De L'Estrie	3050 boul. de Portland	Sherbrooke	QC	J1L 1K1	122,197	69,342
3591	Kingston	Cataraqui Town Centre	945 Gardiners Rd	Kingston	ON	K7M 7H4	120,080	67,777
3592	Trois Rivieres	Les Rivieres Shopping Centre	4575 boul. des Forges	Trois-Rivieres	QC	G8Y 1V9	83,067	49,281
3595	Lasalle	Carrefour Angrignon	7091 boul. Newman	Montreal	QC	H8N 1X1	128,708	80,523
3608	Cambridge	Cambridge Centre	355 Hespeler Road	Kitchener	ON	N1R 6B3	119,795	74,687
3609	Toronto Centerpoint	Centerpoint Mall	6600 Yonge St	Toronto	ON	M2M 3X4	88,619	49,211
3610	Pointe Claire	Terrarium Shopping Centre	195 boul. Hymus	Montreal	QC	H9R 1E9	124,360	79,580
3613	Rimouski	Le Carrefour Rimouski	419 boul. Jessop	Rimouski	QC	G5L 7Y5	93,767	58,082
3614	Medicine Hat	Medicine Hat Mall	3292 Dunmore Rd SE	Medicine Hat	AB	T1B 2R4	101,639	66,743
3615	Cranbrook	Tamarack Mall	1500 Cranbrook St N	Cranbrook	BC	V1C 3S8	100,242	63,605
3616	Coquitlam	Coquitlam Centre	2929 Barnet Hwy	Coquitlam	BC	V3B 5R5	115,965	68,232
3617	Surrey	Surrey Place/Central City	10153 King George Blvd, Unit 2151	Surrey	BC	V3T 5H9	147,435	78,398
3623	Brampton Bramalea	Bramalea City Centre	25 Peel Centre Dr	Toronto	ON	L6T 3R5	138,979	77,994
3624	Red Deer	Bower Place	4900 Molly Bannister Dr	Red Deer	AB	T4R 1N9	119,313	75,689

**Target- Canada
Schedule B**

Store List

Store #	Name	Mall Name	Address	City	State	Zip	Gross Sq Ft.	Selling Sq. Ft.
3628	Ottawa Meadowlands	Meadowlands Shopping Centre	1585 Merivale Rd	Ottawa-Gatineau	ON	K2G 3J4	120,968	77,116
3630	North Bay	1899 Algonquin Avenue	1899 Algonquin Ave	North Bay	ON	P1B 4Y8	116,113	73,288
3634	Brossard	Place Portabello	7200 boul. Taschereau, local 21	Montreal	QC	J4W 1M9	128,755	79,978
3636	Mississauga Sq One	Square One	100 City Center Dr	Toronto	ON	LSB 2C9	162,787	84,487
3637	Charlottetown	Charlottetown Mall	670 University Ave	Charlottetown	PE	C1E 1H6	105,874	65,143
3639	Ajax	Durham Centre	100 Kingston Rd E	Toronto	ON	L1Z 1G1	128,383	81,223
3642	Kitchener	Laurentian Power Centre	245 Strasburg Rd	Kitchener	ON	N2E 3W7	121,351	76,300
3644	Winnipeg Kildonan	Kildonan Place Shopping Centre	1545 Regent Ave W	Winnipeg	MB	R2C 4H7	124,638	74,595
3645	Welland	Seaway Mall	800 Niagara St N	Welland	ON	L3C 5Z4	130,484	81,884
3646	Mississauga W	Erin Mills Town Centre	5100 Erin Mills Parkway	Mississauga	ON	L5M 4Z5	168,420	82,350
3647	Anjou	Galeries D'Anjou	7695 boul. les Galeries d'Anjou	Montreal	QC	H1M 1W7	121,638	60,651
3648	Edmonton W	West Edmonton Mall	8882 170th St NW	Edmonton	AB	T5T 3J7	127,133	68,967
3650	Corner Brook	Corner Brook	44 Maple Valley Rd	Corner Brook	NL	A2H 6L8	88,586	53,914
3652	Halifax Bayers Lake	Bayers Lake Power Centre	194 Chain Lake Dr	Halifax	NS	B3S 1C5	111,686	69,436
3655	Saint John	McAllister Place	517 Westmorland Rd	Saint John	NB	E2J 4B8	102,994	65,087
3657	Saint-Jerome	Carrefour Du Nord	900 boul. Grignon	Montreal	QC	J7Y 3S7	95,191	58,107
3658	Ottawa St. Laurent	St Laurent	1200 Saint Laurent Boulevard	Ottawa	ON	K1K 3B8	152,390	81,900
3663	Pickering	Pickering Town Centre	1355 Kingston Rd	Toronto	ON	L1V 1B8	122,218	76,944
3665	Orillia	Orillia Square	1029 Brodie Dr	Orillia	ON	L3V 6H4	95,075	57,068
3666	Richmond Hill	Hillcrest Mall	9350 Yonge St	Toronto	ON	L4C 5G2	132,871	82,451
3668	Brampton SW	Shoppers World Brampton	499 Main St S, Suite 96	Toronto	ON	L6Y 1N9	122,458	74,303
3669	Mississauga SW	Sheridan Mall	2225 Erin Mills Parkway	Mississauga	ON	L5K 1Y9	130,182	82,128
3670	Oakville	Hopedale Mall	1455 Rebecca St	Toronto	ON	L6L 1Z9	109,344	70,106
3671	Hamilton W	Meadowland Power Centre	60 Martindale Crescent	Hamilton	ON	L9K 1J9	118,187	77,518
3672	Waterloo	Conestoga Mall	550 King St N	Waterloo	ON	N2L 5W6	115,071	74,083
3677	Sudbury	Sudbury Supermall	1485 Lasalle Blvd	Sudbury	ON	P3A 5H7	113,698	67,700
3682	Winnipeg Southdale	Southdale Centre	35 Lakewood Blvd	Winnipeg	MB	R2J 2M8	99,100	61,344
3688	Vernon	Village Green Mall	4900 27th St	Vernon	BC	V1T 7G7	103,615	64,581
3690	Langley	Willowbrook Shopping Centre	19705 Fraser Hwy	Langley	BC	V3A 7E9	103,290	62,233
3693	Saint-Eustache	Carrefour St-Eustache	450 boul. Arthur-Sauvé	Montreal	QC	J7R 4Z3	99,297	62,720
3694	St Albert	St. Albert Centre	375 St. Albert Trail, Unit 139	Edmonton	AB	T8N 3K8	114,330	71,904
3695	Laval Sainte-Dorothee	Mega Centre Autoroute 13	1160 Chomedey A-13 O.	Laval	QC	H7X 4C9	121,361	78,788
3696	Quebec Nord	Les Galeries De La Capitale	5401 boul. des Galeries	Quebec City	QC	G2K 1N4	135,282	79,994
3697	Dartmouth	Mic Mac Mall	21 MicMac Rd	Halifax	NS	B3A 4K7	123,007	71,297
3698	Kelowna	Orchard Park Plaza	1876 Cooper Rd	Kelowna	BC	V1Y 8V5	90,700	54,343
3699	Stratford	Stratford Mall	925 Ontario St	Stratford	ON	N5A 6W5	90,139	57,709
3702	Longueuil	Place Longueuil	825 rue Saint-Laurent O.	Longueuil	QC	J4K 2V1	111,874	54,057
3704	Westmount Nihon	Place Alexis Nihon	1500 av. Atwater	Westmount	QC	H3Z 1X5	111,089	62,236
3705	Montreal Versailles	Place Versailles Shopping Centre	7275 rue Sherbrooke E.	Montreal	QC	H1N 1E9	90,158	51,185
3706	London Masonville	Masonville Place	1680 Richmond St N	London	ON	N6G 3Y9	94,373	51,775
3708	Windsor	Devonshire Mall	3100 Howard Ave	Windsor	ON	N8X 3Y8	121,425	72,993
3709	Saint-Bruno	Les Promenades Saint-Bruno	500 boul. des Promenades	Montreal	QC	J3V 5J6	100,208	60,459
3710	Edmonton Central	Bonnie Doon	116 Bonnie Doon Shopping Centre NW	Edmonton	AB	T6C 4E3	81,008	43,794
3713	Calgary Sunridge	Sunridge Mall	1 2525 36th St NE	Calgary	AB	T1Y 5S4	147,110	79,572
3714	Calgary Market Mall	Market Mall	3625 Shaganappi Trail NW	Calgary	AB	T3A 0E2	121,958	65,971

**Target- Canada
Schedule B**

Store List

Store #	Name	Mail Name	Address	City	State	Zip	Gross Sq. Ft.	Selling Sq. Ft.
3715	Toronto Cloverdale	Cloverdale Mall	250 The East Mall	Toronto	ON	M9B 3Y8	110,482	65,226
3717	Burnaby Metrotown	Metropolis At Metrotown	4545 Central Blvd	Burnaby	BC	V5H 4J1	118,594	62,582
3718	Joliette	Les Galeries Joliette	1055A boul. Firestone	Joliette	QC	J6E 2W4	108,207	67,972
3719	Prince George	Pine Centre	2999 Massey Dr	Prince George	BC	V2N 2S9	118,963	72,202
3725	Lévis	Galeries Chagnon	1200 boul. Alphonse-Desjardins	Levis	QC	G6V 6Y8	170,905	75,993
3728	Regina Northgate	Northgate Mall	355 Albert St N	Regina	SK	S4R 3C4	118,414	73,720
3729	Toronto Danforth	Shoppers World Danforth	3003 Danforth Ave	Toronto	ON	M4C 1N1	134,984	78,968
3730	Niagara Pen Centre	Pen Centre	221 Glendale Ave	St Catharines	ON	L2T 2K9	127,176	74,525
3731	Bedford	Bedford Place	1658 Bedford Hwy	Halifax	NS	B4A 2X9	100,290	58,922
3732	St Johns	Cabot Square	24 Stavanger Dr	St Johns	NL	A1A 5E8	127,414	83,722
3737	Calgary Shawnessy	Shoppes At Shawnessy	295 Shawville Blvd SE	Calgary	AB	T2Y 3H9	126,991	78,455
3738	Burlington Central	Burlington Mall	777 Guelph Line	Hamilton	ON	L7R 3N2	121,660	74,983
3739	Abbotsford	Abbotsford Power Centre	1225 Sumas Way	Abbotsford	BC	V2S 8H2	124,247	77,767
3742	Toronto East York	East York Town Centre	45 Overlea Blvd	Toronto	ON	M4H 1C3	141,805	80,579
3743	Quebec Fleur-de-Lys	Place Fleur De Lys	550 boul. Wilfrid-Hamel	Quebec City	QC	G1M 2S6	116,371	74,349
3744	Kamloops	Sahali Centre Mall	945 Columbia St W	Kamloops	BC	V2C 1L5	114,233	70,991
3746	Ottawa Bank Street	Billings Bridge Plaza	2277 Riverside Dr	Ottawa	ON	K1H 7X6	101,125	57,895
3747	Winnipeg S	Grant Park	1080 Grant Ave	Winnipeg	MB	R3M 2A6	125,289	79,786
3749	Aurora	Aurora Shopping Centre	15400 Bayview Ave	Toronto	ON	L4G 7J1	124,000	79,613
3751	Fergus	Gates Of Fergus	900 Tower St S	Wellington	ON	N1M 3N7	96,297	58,895
3753	Hamilton Central	Centre Mall	1211 Barton St E	Hamilton	ON	L8H 2V4	120,572	78,292
3754	Calgary W	Signal Hill Centre	5696 Richmond Rd SW	Calgary	AB	T3H 3P8	123,146	75,166
3755	Quebec Sainte-Foy	Place Laurier	2700 boul. Laurier	Quebec City	QC	G1V 2L8	134,754	67,509
3757	Clarington	Clarington Town Centre	2383 Hwy 2	Oshawa	ON	L1C 4V4	113,096	71,598
3759	Guelph	Guelph	175 Stone Rd W	Guelph	ON	N1G 5L4	120,745	78,582
3760	Saanich Tillicum	Tillicum Mall	3170 Tillicum Rd, Unit 1444	Victoria	BC	V9A 7C5	122,185	69,179
3761	Burlington Millcroft	Millcroft Centre	2000 Appleby Line	Hamilton	ON	L7L 7H7	120,082	79,048
3762	Hamilton Waterdown	Hamilton Power Centre	30 Horseshoe Crescent RR2	Hamilton	ON	L0R 2H2	120,921	77,873
3763	Brandon	Shoppers Mall	1570 18th St	Brandon	MB	R7A 5C5	108,533	66,793
3764	Ottawa Orleans	Place D'Orleans	110 Place d'Orléans Dr	Ottawa	ON	K1C 2L9	115,496	74,343
3765	Boisbriand	Faubourg Boisbriand	2525D rue d'Annemasse	Montreal	QC	J7H 0A3	119,742	77,947
3766	Saskatoon E	Centre At Circle & Eighth	3510 8th St E	Saskatoon	SK	S7H 0W6	100,319	63,196
3767	Whitby	Taunton Road Power Centre	330 Taunton Rd E	Oshawa	ON	L1R 0H4	120,366	78,090
3769	Saint-Laurent	Place Vertu	3275 boul. de la Côte-Vertu	St Laurent	QC	H4R 1Y8	120,106	68,129
3770	Edmonton Mill Woods	Mill Woods Town Centre	2331 66th St NW	Edmonton	AB	T6K 4B6	129,721	73,372
3772	Calgary Chinook	Chinook Centre	6455 Macleod Trail SW	Calgary	AB	T2H 0L1	116,057	63,446
3773	Brampton Trinity	Trinity Common	80 Great Lakes Dr	Toronto	ON	L6R 2K7	122,144	76,751
7000	Laval Chomedey	Centre Laval	1660 boul. Le Corbusier	Laval	QC	H7S 1Z2	133,054	92,688
7001	Niagara Falls	RioCan Niagara Falls	7190 Morrison St	Niagara Falls	ON	L2E 7K5	132,591	84,728
7002	Toronto Stockyards	Stockyards	1980 St. Clair Ave W, Unit 201	Toronto	ON	M6N 0A3	157,510	83,578
7004	Barrie	Park Place	30 North Village Way	Barrie	ON	L4N 6P3	127,689	81,900
7006	Candiac	Candiac Power Centre	201 rue Strasbourg	Candiac	QC	J5R 0B4	128,598	81,893
7012	Winnipeg Polo Park	Polo Park	875 St. James St	Winnipeg	MB	R3G 0V9	154,086	55,200
133							116,455	69,824

Target Canada Corp.
Merchandise Threshold Schedule C
(\$CAD Actual)

Merchandise Threshold			
Cost Value of Merchandise	Price Adjustment (% of Cost)	Price (% of Cost)	Reduction in Merchandise
575,000,000	0.15%	72.05%	100,000,000
570,000,000	0.15%	72.20%	95,000,000
565,000,000	0.15%	72.35%	90,000,000
560,000,000	0.15%	72.50%	85,000,000
555,000,000	0.10%	72.65%	80,000,000
550,000,000	0.10%	72.75%	75,000,000
545,000,000	0.10%	72.85%	70,000,000
540,000,000	0.10%	72.95%	65,000,000
535,000,000	0.10%	73.05%	60,000,000
530,000,000	0.10%	73.15%	55,000,000
525,000,000	0.10%	73.25%	50,000,000
520,000,000	0.10%	73.35%	45,000,000
515,000,000	0.10%	73.45%	40,000,000
510,000,000	0.10%	73.55%	35,000,000
505,000,000	0.10%	73.65%	30,000,000
500,000,000	0.05%	73.75%	25,000,000
495,000,000	0.05%	73.80%	20,000,000
490,000,000	0.05%	73.85%	15,000,000
485,000,000	0.05%	73.90%	10,000,000
480,000,000	0.05%	73.95%	5,000,000
475,000,000	0.00%	74.00%	-
445,000,000	0.00%	74.00%	-
440,000,000	0.20%	73.80%	(5,000,000)
435,000,000	0.20%	73.60%	(10,000,000)
430,000,000	0.20%	73.40%	(15,000,000)
425,000,000	0.20%	73.20%	(20,000,000)
420,000,000	0.20%	73.00%	(25,000,000)
415,000,000	0.30%	72.70%	(30,000,000)
410,000,000	0.30%	72.40%	(35,000,000)
405,000,000	0.30%	72.10%	(40,000,000)
400,000,000	0.30%	71.80%	(45,000,000)
395,000,000	0.50%	71.30%	(50,000,000)
390,000,000	0.50%	70.80%	(55,000,000)
385,000,000	0.50%	70.30%	(60,000,000)
380,000,000	0.50%	69.80%	(65,000,000)
375,000,000	0.50%	69.30%	(70,000,000)

Note(s):

- Adjustments between the increments shall be on a prorata basis.
- In the event that the Cost value of the Merchandise is greater than \$575,000,000, each \$5,000,000 (or pro rata portion thereof) increment shall decrease the Guaranty by 0.20%.
- In the event that the Cost value of the Merchandise is less than \$375,000,000, each \$5,000,000 (or pro rata portion thereof) increment shall decrease the Guaranty by 0.55%.

Target Canada Corp.
Cost Factor Schedule D

Cost Factor Threshold			
Cost Factor	Adjustment Points	Adjusted Guaranty	
63.0%	0.00%	74.00%	Cumulative
63.1%	0.10%	73.90%	0.10%
63.2%	0.10%	73.80%	0.20%
63.3%	0.10%	73.70%	0.30%
63.4%	0.10%	73.60%	0.40%
63.5%	0.10%	73.50%	0.50%
63.6%	0.15%	73.35%	0.65%
63.7%	0.15%	73.20%	0.80%
63.8%	0.15%	73.05%	0.95%
63.9%	0.15%	72.90%	1.10%
64.0%	0.15%	72.75%	1.25%
64.1%	0.20%	72.55%	1.45%
64.2%	0.20%	72.35%	1.65%
64.3%	0.20%	72.15%	1.85%
64.4%	0.20%	71.95%	2.05%
64.5%	0.20%	71.75%	2.25%
64.6%	0.25%	71.50%	2.50%
64.7%	0.25%	71.25%	2.75%
64.8%	0.25%	71.00%	3.00%
64.9%	0.25%	70.75%	3.25%
65.0%	0.25%	70.50%	3.50%
65.1%	0.30%	70.20%	3.80%
65.2%	0.30%	69.90%	4.10%
65.3%	0.30%	69.60%	4.40%
65.4%	0.30%	69.30%	4.70%
65.5%	0.30%	69.00%	5.00%
65.6%	0.35%	68.65%	5.35%
65.7%	0.35%	68.30%	5.70%
65.8%	0.35%	67.95%	6.05%
65.9%	0.35%	67.60%	6.40%
66.0%	0.35%	67.25%	6.75%
66.1%	0.40%	66.85%	7.15%
66.2%	0.40%	66.45%	7.55%
66.3%	0.40%	66.05%	7.95%
66.4%	0.40%	65.65%	8.35%
66.5%	0.40%	65.25%	8.75%
66.6%	0.45%	64.80%	9.20%
66.7%	0.45%	64.35%	9.65%
66.8%	0.45%	63.90%	10.10%
66.9%	0.45%	63.45%	10.55%
67.0%	0.45%	63.00%	11.00%
67.1%	0.50%	62.50%	11.50%
67.2%	0.50%	62.00%	12.00%
67.3%	0.50%	61.50%	12.50%
67.4%	0.50%	61.00%	13.00%
67.5%	0.50%	60.50%	13.50%
67.6%	0.50%	60.00%	14.00%
67.7%	0.50%	59.50%	14.50%
67.8%	0.50%	59.00%	15.00%
67.9%	0.50%	58.50%	15.50%
68.0%	0.50%	58.00%	16.00%

Notes:

1. Adjustments between the increments shall be on a prorata basis.

Schedule "E"
Agent L/C

(See Attached.)

FORM OF AGENT LETTER OF CREDIT

[NAME OF ISSUING BANK]

[ADDRESS]

Date: _____, 2015

Irrevocable Standby Letter of Credit Number: _____

BENEFICIARY: Target Canada Co.
 5570 Explorer Drive
 Mississauga, ON L4W0C4
 Attention: Mark Wong

Credit No.: _____
 Opener's Reference No.: _____

Gentlemen:

BY ORDER OF: _____

We hereby open in your favor our Irrevocable Standby Letter of Credit (the "Letter of Credit") for the account of _____ (the "Agent") for a sum or sums not exceeding a total of _____ Canadian Dollars (_____) available by your draft(s) at SIGHT on OURSELVES effective immediately and expiring at OUR COUNTERS on _____, 2015, or such earlier date on which the beneficiaries shall notify us in writing that this Letter of Credit shall be terminated accompanied by the original Letter of Credit (the "Expiry Date").

Draft(s) must be accompanied by the original of this Letter of Credit and a signed statement in the form attached hereto as **Exhibit A** signed by an officer of _____ (the "Beneficiaries").

This Letter of Credit may be reduced from time to time when accompanied by a signed statement from the Beneficiaries in the form attached as **Exhibit B**.

If a drawing is received by _____ at or prior to 12:00 noon, Eastern Time, on a Business Day, and provided that such drawing conforms to the terms and conditions hereof, payment of the drawing amount shall be made to the Beneficiaries, as directed below, in immediately available funds on the next Business Day. If however, a drawing is received by _____ after 12:00 noon, Eastern Time, on a Business Day, and provided that such drawing conforms with the terms and conditions hereof, payment of the drawing amount shall be

made to the Beneficiaries in immediately available funds on the second succeeding Business Day.

As used in this Letter of Credit, "Business Day" shall mean any day other than Saturday, Sunday or a day on which banking institutions in _____ are required or authorized to close.

Partial and/or multiple drawings are permitted.

Each draft must bear upon its face the clause, "Drawn under Letter of Credit No. _____, dated _____, 20[] of [NAME AND ADDRESS OF ISSUING BANK]."

Except so far as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600.

We hereby agree that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored if presented to the above mentioned drawee bank on or before the Expiry Date.

Kindly address all correspondence regarding this Letter of Credit to the attention of our Letter of Credit Operations, [ADDRESS OF L/C DEPARTMENT OF ISSUING BANK] attention _____, mention our reference number as it appears above. Telephone inquiries can be made to _____ at _____.

Very truly yours,

Authorized official

EXHIBIT A

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

Re: Drawing for Amounts Due to:

Ladies and Gentlemen:

The undersigned refer to your Letter of Credit No. _____ (the "Letter of Credit"). Capitalized terms used but not defined herein, shall have the meaning assigned to them in the Letter of Credit. The undersigned, duly authorized officers of _____, in their capacity as Beneficiary of the Letter of Credit hereby certifies to you that:

- (i) _____ (the "Agent") has not made a payment when due in respect of or for the Guaranteed Amount, the Expenses, the Additional Agent Goods Fee, the Company Share Recovery Amount, or other amounts due by the Agent to _____ (the "Company"), pursuant to, and as such terms are defined in that certain Agency Agreement, dated as of _____, 2015, by and between the Merchant on the one hand, and the Agent, on the other.
- (ii) The amount to be drawn is \$ _____ (the "Amount Owing").
- (iii) Payment is hereby demanded in an amount equal to the lesser of (a) the Amount Owing and (b) the face amount of the Letter of Credit as of the date hereof.
- (iv) The Letter of Credit has not expired prior to the delivery of this letter and the accompanying sight draft.
- (v) In accordance with the terms of the Letter of Credit, the payment hereby demanded is requested to be made by wire transfer to the following account:

[_____]
Further Credit to: [Account Title]
[Account No. _____]

IN WITNESS WHEREOF, the undersigned have executed and delivered this certificate as of this _____ day of _____, 20[].

By: _____
Name: _____
Title: _____

EXHIBIT B

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

Re: Reduction of Face Amount

Ladies and Gentlemen:

The undersigned refer to your Letter of Credit No. _____ (the "Letter of Credit"). Capitalized terms used but not defined herein, shall have the meaning assigned to them in the Letter of Credit. The undersigned, duly authorized officer of _____, in their respective capacity as Beneficiary of the Letter of Credit hereby confirms to you that the face amount of the Letter of Credit No. _____ shall be reduced from its original face amount to a new face amount of \$ _____.

IN WITNESS WHEREOF, the undersigned have executed and delivered this certificate as of this _____ day of _____, 2015.

By: _____
Name: _____
Title: _____

Schedule "G"**SALE GUIDELINES**

The following procedures shall apply to any Sales to be held at the Locations. All terms not herein defined shall have the meaning set forth in the Agency Agreement between a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "Agent") and the Company dated January 29, 2015 ("Agency Agreement").

1. Except as otherwise expressly set out herein, and subject to: (i) the Approval Order or any further Order of the Court; or (ii) any subsequent written agreement between the Company and the applicable landlord(s) (individually, a "Landlord" and, collectively, the "Landlords") and approved by Agent, or (iii) as otherwise set forth herein, the Sale shall be conducted in accordance with the terms of the applicable leases/or other occupancy agreements for each of the affected Locations (individually, a "Lease" and, collectively, the "Leases"). However, nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the respective Vacate Date of each Store.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws and regulations, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Agent in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Subject to the terms of the Agency Agreement, the Agent may advertise the Sale at the Locations as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Locations (provided however that no signs shall advertise the Sale as "bankruptcy" or a "going out of business" sale). Forthwith upon request from a Landlord, the Landlord's counsel, the Company or the Monitor, the Agent, shall provide the proposed signage packages along with the proposed dimensions and number of signs (as approved by the Company pursuant to the Agency Agreement) by e-mail or facsimile to the applicable Landlords or to their counsel of record. Where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Agent shall not use neon or day-glow or handwritten signage (unless otherwise contained in the sign package). Furthermore, with respect to enclosed mall Locations without a separate entrance from the exterior of the enclosed mall, no exterior signs or signs in common areas of a mall shall be used unless permitted by the applicable Lease. Nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Leases. In addition, the Agent shall be permitted to utilize exterior banners/signs at stand alone or strip mall Locations or enclosed mall Locations with a separate entrance from the exterior of the enclosed mall. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected Location and shall not be wider than the premises

- 2 -

occupied by the affected Location. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Location as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Company.

5. The Agent shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping centre or mall premises.
6. Conspicuous signs shall be posted in the cash register areas of each Location to the effect that all sales are "final" and customers with any questions or complaints shall call the Company's hotline number.
7. The Agent shall not distribute handbills, leaflets or other written materials to customers outside of any of the Locations on Landlord's property, unless permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Location is located. Otherwise, the Agent may solicit customers in the Locations themselves. The Agent shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable Lease or agreed to by the Landlord.
8. The Agent shall vacate the Locations in accordance with the terms and conditions of the Agency Agreement.
9. Subject to the terms of the Agency Agreement, the Agent may sell furniture, fixtures and equipment ("FF&E") owned by the Company and located in the Locations during the Sale. The Company and the Agent may advertise the sale of FF&E consistent with these guidelines. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas or through other areas after a given Location has closed, with Landlord's supervision as required by the Landlord and in accordance with the Initial Order and the Approval Order. The Agent shall repair any damage to the Locations resulting from the removal of any FF&E by Agent or by third party purchasers of FF&E from Agent.
10. The Agent shall not make any alterations to interior or exterior Location lighting, except as authorized pursuant to the affected Lease. No property of any Landlord of a Location shall be removed or sold during the Sale. No permanent fixtures (other than FF&E for clarity) may be removed without the Landlord's written consent unless otherwise provided by the applicable Lease and in accordance with the Initial Order and the Approval Order. The hanging of exterior banners or other signage shall not constitute an alteration to a Location.
11. The Agent and its agents and representatives shall have the same access rights to the Locations as the Company under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Locations during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
12. The Company and the Agent shall not conduct any auctions of Merchandise or FF&E at any of the Locations.

- 3 -

13. The Agent shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact person for Agent shall be Jane Dietrich who may be reached by phone at 416-860-5223 or email at jdietrich@casselsbrock.com. If the parties are unable to resolve the dispute between themselves, the Landlord or Company shall have the right to schedule a "status hearing" before the Court on no less than **two (2) days** written notice to the other party or parties.
14. Nothing herein is, or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or shall, or shall be deemed to, or grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.

Target- Canada
Schedule H

Distribution Centers

Loc #	Name	Address	City	State	Zip
7300	Milton DC	8450 Boston Church Road	Milton	ON	L9T 8E4
7301	Calgary DC	260199 High Plains Blvd	Rocky View	AB	T4A 0P9
7302	Cornwall DC	1501 Industrial Park Dr.	Cornwall	ON	K6H 7M4

Schedule "I"
Form of Approval Order

ONTARIO
 SUPERIOR COURT OF JUSTICE
 COMMERCIAL LIST

THE HONOURABLE [REGIONAL SENIOR JUSTICE MORAWETZ]))))	[WEDNESDAY, THE 4 TH] DAY OF FEBRUARY, 2015
---	------------------	--

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 (collectively the "**Applicants**")

APPROVAL ORDER – AGENCY AGREEMENT

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "CCAA") for an order, *inter alia*, approving: (i) the transactions contemplated under the *Agency Agreement* entered into between Target Canada Co., Target Canada Pharmacy Corp. and Target Canada Pharmacy (Ontario) Corp. (collectively, "**Target Canada**") and a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "**Agent**") on January 29, 2015 (the "**Agency Agreement**") and certain related relief; and (ii) the

- 2 -

granting of the Agent's Charge and Security Interest (as defined below), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants, the Affidavit of Mark Wong sworn on January 29, 2015 including the exhibits thereto (the "**Wong Affidavit**"), and the First Report (the "**Monitor's First Report**") of Alvarez & Marsal Canada Inc., in its capacity as Monitor (the "**Monitor**") filed, and on hearing the submissions of respective counsel for the Applicants and the Partnerships listed on Schedule "A" hereto, the Monitor, Target Corporation, the Agent, and such other counsel as were present, no one else appearing although duly served as appears from the Affidavit of Service of ● sworn [DATE] filed:

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Agency Agreement or the Initial Order in these proceedings dated January 15, 2015, as applicable.

APPROVAL OF THE AGENCY AGREEMENT

AGENCY AGREEMENT

3. THIS COURT ORDERS that the Agency Agreement, including the Sale Guidelines attached hereto as Schedule "B" (the "**Sales Guidelines**"), and the transactions contemplated thereunder are hereby approved, authorized and ratified and that the execution of the Agency Agreement by Target Canada is hereby approved, authorized, and ratified with such minor amendments as Target Canada (with the consent of the Monitor) and the Agent may agree to in writing. Target Canada is hereby authorized and directed to take any and all actions as may be necessary or desirable to implement the Agency Agreement and each of the transactions contemplated therein. Without limiting the foregoing, Target Canada is authorized to execute any

other agreement, contract, deed or any other document, or take any other action, which could be required or be useful to give full and complete effect to the Agency Agreement.

THE SALE

4. THIS COURT ORDERS that subject to receipt of the Agent L/C by Target Canada, the Agent is authorized to conduct the Sale in accordance with this Order, the Agency Agreement and the Sales Guidelines. If there is a conflict between this Order, the Agency Agreement and the Sales Guidelines, the order of priority of documents to resolve such conflicts is as follows: (1) the Order; (2) the Sales Guidelines; and (3) the Agency Agreement.

5. THIS COURT ORDERS that, the Agent, in its capacity as agent of Target Canada, is authorized to market and sell the Merchandise, Additional Agent Goods, FF&E and, if any, Designated Company Consignment Goods, free and clear of all liens, claims, encumbrances, security interests, mortgages, charges, trusts, deemed trusts, executions, levies, financial, monetary or other claims, whether or not such claims have attached or been perfected, registered or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, whensoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or came into existence following the date of this Order, (in each case, whether contractual, statutory, arising by operation of law, in equity or otherwise) (all of the foregoing, collectively "**Claims**"), including, without limitation the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge, and the DIP Lender's Charge, as such terms are defined in the Initial Order, and any other charges hereafter granted by this Court in these proceedings (collectively, the "**CCAA Charges**"), and (ii) all Claims, charges, security interests or liens evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal or removable property registration system (all of such Claims, charges (including the CCAA Charges), security interests and liens collectively referred to herein as "**Encumbrances**"), which Encumbrances, subject to this Order, will attach instead to the Guaranteed Amount and any other amounts received or to be received by Target Canada under the Agency Agreement, in the same order and priority as they existed on the Sale Commencement Date.

6. THIS COURT ORDERS that subject to the terms of this Order, the Agency Agreement and the Sales Guidelines, the Agent shall have the right to enter and use the Locations and all

- 4 -

related store services and all facilities and all furniture, trade fixtures and equipment, including the FF&E, located at the Locations, and other assets of Target Canada as designated under the Agency Agreement, for the purpose of conducting the Sale, free of any interference or impediment from any Person, including all utilities, landlords, creditors, any successor or assignee of Target Canada under any and all leases relating to the Locations and all Persons acting for or on their behalf, and all such Persons shall not interfere with or otherwise impede the conduct of the Sale, or institute any action in any court or before any administrative body which in any way directly or indirectly interferes with or obstructs or impedes the conduct of the Sale.

7. THIS COURT ORDERS that until the applicable Vacate Date, the Agent shall have access to the Locations in accordance with the applicable leases and the Sales Guidelines on the basis that the Agent is an agent of Target Canada and Target Canada has granted the right of access to the Location to the Agent. To the extent that the terms of the applicable leases are in conflict with any term of this Order or the Sales Guidelines, then the terms of this Order and the Sales Guidelines shall govern.

8. THIS COURT ORDERS that except as provided for in this Order, any further order of the Court and the Sales Guidelines, nothing in this Order shall amend or vary, or be deemed to amend or vary the terms of the leases for Target Canada's leased locations. Nothing contained in this Order or the Sales Guidelines shall be construed to create or impose upon Target Canada or the Agent any additional restrictions not contained in the applicable lease or other occupancy agreement.

9. THIS COURT ORDERS that subject to, and in accordance with this Order, the Agency Agreement and the Sales Guidelines, the Agent, as agent for Target Canada, is authorized to advertise and promote the Sale, without further consent of any Person other than Target Canada and the Monitor as provided under the Agency Agreement.

10. THIS COURT ORDERS that until the Sale Termination Date, the Agent shall have the right to use the Company's trademarks and logos relating to and used in connection with the operation of the Locations solely for the purpose of advertising and conducting the Sale in accordance with the terms of the Agency Agreement, the Sales Guidelines, and this Order.

- 5 -

11. THIS COURT ORDERS that upon delivery of a Monitor's certificate to the Agent substantially in the form attached as Schedule "C" hereto, (the "**Monitor's Certificate**") and subject to payment in full by the Agent to Target Canada of the Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement, all of Target Canada's right, title and interest in and to any Remaining Merchandise and Remaining FF&E, shall vest absolutely in the Agent, free and clear of and from any and all Claims, including without limiting the generality of the foregoing, the Encumbrances, and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Remaining Merchandise or the Remaining FF&E shall be expunged and discharged as against the Remaining Merchandise or the Remaining FF&E upon the delivery of the Monitor's Certificate to the Agent; provided however that nothing herein shall discharge the obligations of the Agent pursuant to the Agency Agreement, or the rights or claims of Target Canada in respect thereof, including without limitation, the obligations of the Agent to account for and remit the proceeds of sale of the Remaining Merchandise and the Remaining FF&E (less the FF&E Commission) to the Designated Deposit Accounts.

12. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

AGENT LIABILITY

13. THIS COURT ORDERS that the Agent shall act solely as an agent to Target Canada and that it shall not be liable for any claims against Target Canada other than as expressly provided in the Agency Agreement. More specifically:

- (a) the Agent shall not be deemed to be an owner or in possession, care, control or management of the Stores, of the assets located therein or associated therewith or of Target Canada's employees (including the Retained Employees) located at the Stores or any other property of Target Canada;
- (b) the Agent shall not be deemed to be an employer, or a joint or successor employer or a related or common employer or payor within the meaning of any legislation governing employment or labour standards or pension benefits or health and safety

- 6 -

or other statute, regulation or rule of law or equity for any purpose whatsoever, and shall not incur any successorship liabilities whatsoever;

- (c) Target Canada shall bear all responsibility for any liability whatsoever (including without limitation losses, costs, damages, fines, or awards) relating to claims of customers, employees and any other persons arising from events occurring at the Stores and at the Distribution Centers during and after the term of the Agency Agreement, or otherwise in connection with the Sale, except in accordance with the Agency Agreement.

AGENT AN UNAFFECTED CREDITOR

14. THIS COURT ORDERS that the Agency Agreement shall not be repudiated, resiliated or disclaimed by Target Canada nor shall the claims of the Agent pursuant to the Agency Agreement and under the Agent's Charge and Security Interest (as defined in this Order) be compromised or arranged pursuant to any plan of arrangement or compromise among Target Canada and their creditors (a "**Plan**"). The Agent shall be treated as an unaffected creditor in these proceedings and under any Plan.

15. THIS COURT ORDERS that Target Canada is hereby authorized and directed, in accordance with the Agency Agreement, to remit all amounts that become due to the Agent thereunder.

16. THIS COURT ORDERS that no Encumbrances shall attach to any amounts payable or to be credited or reimbursed to, or retained by, the Agent pursuant to the Agency Agreement, including, without limitation, any amounts to be reimbursed by Target Canada to the Agent pursuant to the Agency Agreement, and Target Canada will pay such amounts to the Agent within two (2) Business Days after the Agent's written request for such reimbursement, and at all times the Agent will retain such amounts, free and clear of all Encumbrances, notwithstanding any enforcement or other process or Claims, all in accordance with the Agency Agreement.

DESIGNATED DEPOSIT ACCOUNTS

17. THIS COURT ORDERS that no Person shall take any action, including any collection or enforcement steps, with respect to amounts deposited into the Designated Deposit Accounts

pursuant to the Agency Agreement, including any collection or enforcement steps, in relation to any Proceeds or FF&E Proceeds, that are payable to the Agent or in relation to which the Agent has a right of reimbursement or payment under the Agency Agreement.

18. THIS COURT ORDERS that amounts deposited in the Designated Deposit Accounts by or on behalf of the Agent or Target Canada pursuant to the Agency Agreement including Proceeds and FF&E Proceeds shall be and be deemed to be held in trust for Target Canada and the Agent, as the case may be, and, for clarity, no Person shall have any claim, ownership interest or other entitlement in or against such amounts, including, without limitation, by reason of any claims, disputes, rights of offset, set-off, or claims for contribution or indemnity that it may have against or relating to Target Canada.

AGENT'S CHARGE AND SECURITY INTEREST

19. THIS COURT ORDERS that subject to the receipt by Target Canada of the Agent L/C, the Agent be and is hereby granted a charge (the "**Agent's Charge and Security Interest**") on all of the Merchandise, Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and, if any, the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to Agent with respect thereto) (and, for greater certainty, the Agent's Charge and Security Interest shall not extend to other Property of the Target Canada Entities as defined in paragraph 5 of the Initial Order) as security for all of the obligations of Target Canada to the Agent under the Agency Agreement, including, without limitation, all amounts owing or payable to the Agent from time to time under or in connection with the Agency Agreement, which charge shall rank in priority to all Encumbrances; provided, however, that the Agent's Charge and Security Interest shall be junior and subordinate to all Encumbrances, but solely to the extent of any unpaid portion of the Unpaid Company's Entitlements due to Target Canada under the Agency Agreement (the "**Subordinated Amount**").

PRIORITY OF CHARGES

20. THIS COURT ORDERS that the priorities of the Agent's Charge and Security Interest, the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge, as among them, shall be as follows:

- 8 -

First - The Agent's Charge and Security Interest (but only in respect of the Merchandise, the Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and, if any, the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto)) each as defined in the Agency Agreement, (but not in respect of any other Property as defined in paragraph 5 of the Initial Order); provided, however, that the Subordinated Amount, as defined in paragraph 19 hereof shall be subordinated in accordance with that paragraph;

Second -- Administration Charge (to the maximum amount of \$6.75 million);

Third -- KERP Charge (to the maximum amount of \$6.5 million);

Fourth -- Directors' Charge (to the maximum amount of \$64 million);

Fifth -- Financial Advisor Subordinated Charge (to the maximum amount of \$3 million); and

Sixth -- DIP Lender's Charge.

21. THIS COURT ORDERS that the filing, registration, recording or perfection of the Agent's Charge and Security Interest shall not be required; and the Agent's Charge and Security Interest shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected prior or subsequent to the Agent's Charge and Security Interest coming into existence, notwithstanding any failure to file, register or perfect any such Agent's Charge and Security Interest. Absent the Agent's written consent or further Order of this Court (on notice to the Agent), Target Canada shall not grant or suffer to exist any Encumbrances over any Merchandise, Proceeds, FF&E Proceeds (to the extent of the FF&E Commission) and, if any, proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto) that rank in priority to, or *pari passu* with the Agent's Charge and Security Interest. For clarity, no Encumbrances shall attach to the Agent Additional Goods or proceeds relating thereto (net of the Additional Agent Goods Fee).

22. THIS COURT ORDERS that the Agent's Charge and Security Interest shall constitute a mortgage, hypothec, security interest, assignment by way of security and charge over the

Merchandise, the Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto) and, if any, other than in relation to the Subordinated Amount, shall rank in priority to all other Encumbrances of or in favour of any Person.

23. THIS COURT ORDERS that notwithstanding (a) the pendency of these proceedings; (b) any application for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) in respect of Target Canada or any of the Applicants, or any bankruptcy order made pursuant to any such applications; (c) any assignment in bankruptcy made in respect of Target Canada or any of the Applicants; (d) the provisions of any federal or provincial statute; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other document or agreement (collectively “**Agreement**”) which binds Target Canada:

(i) the Agency Agreement and the transactions and actions provided for and contemplated therein, including without limitation, the payment of amounts due to the Agent thereunder and any transfer of Remaining Merchandise and Remaining FF&E; and

(ii) the Agent’s Charge and Security Interest;

shall be binding on any trustee in bankruptcy that may be appointed in respect to Target Canada or any of the Applicants and shall not be void or voidable by any Person, including any creditor of Target Canada or any of the Applicants, nor shall they, or any of them, constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue or other challengeable reviewable transaction, under the BIA or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law.

BULK SALES ACT AND OTHER LEGISLATION

24. THIS COURT ORDERS AND DECLARES that the transactions contemplated under the Agency Agreement and any transfer of Remaining Merchandise or Remaining FF&E shall be

exempt from the application of any applicable *Bulk Sales Act* and any other equivalent federal or provincial legislation.

25. THIS COURT ORDERS that Target Canada is authorized and permitted to transfer to the Agent personal information in Target Canada's custody and control, and Agent is permitted to use and disclose such personal information subject to and in accordance with the terms of the Agency Agreement.

GENERAL

26. THIS COURT ORDERS that this Order shall have full force and effect in all provinces and territories in Canada.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any Court, tribunal, regulatory or administrative bodies, having jurisdiction in Canada or in the United States of America, to give effects to this Order and to assist Target Canada, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Target Canada and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist Target Canada and the Monitor and their respective agents in carrying out the terms of this Order.

- 11 -

SCHEDULE "A"
PARTNERSHIPS

Target Canada Pharmacy Franchising LP
Target Canada Mobile LP
Target Canada Property LP

SCHEDULE "B"
SALE GUIDELINES

The following procedures shall apply to any Sales to be held at the Locations. All terms not herein defined shall have the meaning set forth in the Agency Agreement between a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "Agent") and the Company dated January 29, 2015 ("Agency Agreement").

1. Except as otherwise expressly set out herein, and subject to: (i) the Approval Order or any further Order of the Court; or (ii) any subsequent written agreement between the Company and the applicable landlord(s) (individually, a "Landlord" and, collectively, the "Landlords") and approved by Agent, or (iii) as otherwise set forth herein, the Sale shall be conducted in accordance with the terms of the applicable leases/or other occupancy agreements for each of the affected Locations (individually, a "Lease" and, collectively, the "Leases"). However, nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the respective Vacate Date of each Store.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws and regulations, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Agent in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Subject to the terms of the Agency Agreement, the Agent may advertise the Sale at the Locations as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Locations (provided however that no signs shall advertise the Sale as "bankruptcy" or a "going out of business" sale). Forthwith upon request from a Landlord, the Landlord's counsel, the Company or the Monitor, the Agent, shall provide the proposed signage packages along with the proposed dimensions and number of signs (as approved by the Company pursuant to the Agency Agreement) by e-mail or facsimile to the applicable Landlords or to their counsel of record. Where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Agent shall not use neon or day-glow or handwritten signage (unless otherwise contained in the sign package). Furthermore, with respect to enclosed mall Locations without a separate entrance from the exterior of the enclosed mall, no exterior signs or signs in common areas of a mall shall be used unless permitted by the applicable Lease. Nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Leases. In addition, the Agent shall be permitted to utilize exterior banners/signs at stand alone or strip mall Locations or enclosed mall Locations with a separate entrance from the exterior of the enclosed mall. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected

- 13 -

Location and shall not be wider than the premises occupied by the affected Location. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Location as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Company.

5. The Agent shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping centre or mall premises.
6. Conspicuous signs shall be posted in the cash register areas of each Location to the effect that all sales are "final" and customers with any questions or complaints shall call the Company's hotline number.
7. The Agent shall not distribute handbills, leaflets or other written materials to customers outside of any of the Locations on Landlord's property, unless permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Location is located. Otherwise, the Agent may solicit customers in the Locations themselves. The Agent shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable Lease or agreed to by the Landlord.
8. The Agent shall vacate the Locations in accordance with the terms and conditions of the Agency Agreement.
9. Subject to the terms of the Agency Agreement, the Agent may sell furniture, fixtures and equipment ("FF&E") owned by the Company and located in the Locations during the Sale. The Company and the Agent may advertise the sale of FF&E consistent with these guidelines. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas or through other areas after a given Location has closed, with Landlord's supervision as required by the Landlord and in accordance with the Initial Order and the Approval Order. The Agent shall repair any damage to the Locations resulting from the removal of any FF&E by Agent or by third party purchasers of FF&E from Agent.
10. The Agent shall not make any alterations to interior or exterior Location lighting, except as authorized pursuant to the affected Lease. No property of any Landlord of a Location shall be removed or sold during the Sale. No permanent fixtures (other than FF&E for clarity) may be removed without the Landlord's written consent unless otherwise provided by the applicable Lease and in accordance with the Initial Order and the Approval Order. The hanging of exterior banners or other signage shall not constitute an alteration to a Location.
11. The Agent and its agents and representatives shall have the same access rights to the Locations as the Company under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Locations during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
12. The Company and the Agent shall not conduct any auctions of Merchandise or FF&E at any of the Locations.

13. The Agent shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact person for Agent shall be Jane Dietrich who may be reached by phone at 416-860-5223 or email at jdietrich@casselsbrock.com. If the parties are unable to resolve the dispute between themselves, the Landlord or Company shall have the right to schedule a "status hearing" before the Court on no less than **two (2) days** written notice to the other party or parties.
14. Nothing herein is, or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or shall, or shall be deemed to, or grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.

- 15 -

SCHEDULE "C"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE [REGIONAL SENIOR JUSTICE MORAWETZ]))))	[WEDNESDAY, THE 4 TH] DAY OF FEBRUARY, 2015
---	------------------	--

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 (collectively the "**Applicants**")

MONITOR'S CERTIFICATE

RECITALS

All undefined terms in this Monitor's Certificate have the meanings ascribed to them in the Agency Agreement entered into between Target Canada Co., Target Canada Pharmacy Corp. and Target Canada Pharmacy (Ontario) Corp. (collectively, "**Target Canada**") and the contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "**Agent**") on January 29, 2015, a copy of which is attached as Exhibit D to the Affidavit of Mark Wong dated January 29, 2015.

Pursuant to an Order of the Court dated February [4th], 2015, the Court ordered that all of the Remaining Merchandise and the Remaining FF&E shall vest absolutely in the Agent, free and

- 16 -

clear of and from any and all claims and encumbrances, upon the delivery by the Monitor to the Agent of a certificate certifying that (i) the Sale has ended, and (ii) the Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement have been paid in full to the Company.

ALVAREZ & MARSAL CANADA INC., in its capacity as Court-appointed Monitor in the *Companies' Creditors Arrangement Act* proceedings of Target Canada Co., *et al* certifies that it has been informed by the Agent and Target Canada that:

The Sale has ended.

The Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement have been paid in full to the Company.

The Remaining Merchandise includes the Merchandise listed on Appendix "A" hereto.

The Remaining FF&E includes the FF&E listed on Appendix "B" hereto.

DATED as of this • day of •, 2015.

ALVAREZ & MARSAL CANADA INC.,
In its capacity as Court-appointed Monitor of
Target Canada Co., *et al.* and not in its
personal capacity

APPENDIX "A"

LIST OF REMAINING MERCHANDISE

APPENDIX "B"
LIST OF REMAINING FF&E

Target Canada
On Order Merchandise
Schedule J

13.3.21 12-Jan14 2014 Import In Transit_Short Version v.1 UPDATED 1-23.xlsx

Target- Canada
Schedule K

Consignment Vendors

A E MCKENZIE CO INC
CARLTON CARDS CANADA LIMITED
CMMI CANADIAN MASS MEDIA INC.
EXCELL COLLECTIBLES ULC
EXCELL MARKETING
INCOMM CANADA
MESSAGERIES DYNAMIQUES
NEW CUSTOMER SERVICE
PAPYRUS RECYCLED PAPER GREETING CAN
PAPYRUS RG CANADA LTD

Goods Held on Consignment

Greeting Cards

Books

Magazines

Such other consigned goods not owned by the Company (but only to the extent of the amount of this "catch all" sub-category being immaterial)

For greater certainty, all Apple products are not held on consignment by the Company.

Schedule "L"
Excluded FF&E

All (i) furnishings, and (ii) removable trade fixtures, equipment and improvements to real immovable property which are located in the Locations and which:

- 1) incorporate any branding, logos, trademarks, or other indicia of the Company or its affiliates;
or
- 2) are owned by third parties.

**THE FOLLOWING IS EXHIBIT "E" REFERRED
TO IN THE AFFIDAVIT OF MARK J. WONG
SWORN JANUARY 29, 2015**



Commissioner for Taking Affidavits

REAL PROPERTY PORTFOLIO SALE PROCESS

Introduction

On January 15, 2015, Target Canada Co. (the “**Company**”) and those parties listed in Schedule “A” (collectively, the “**Applicants**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an initial order (as amended, restated or varied from time to time, the “**Initial Order**”) granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Alvarez & Marsal Canada Inc. was appointed as monitor in the CCAA proceedings (in such capacity, the “**Monitor**”)

On January 29, 2015, the Applicants served a motion seeking an order for the approval of a sale process (the “**Real Property Portfolio Sales Process**”) whereby the Applicants will seek to sell all or substantially all of their Leases and Real Property under the supervision of the Court and the Monitor and in accordance with the procedures set forth herein (the “**Sales Process Procedures**”).

The purpose of this Real Property Portfolio Sales Process is to seek Sale Proposals from Qualified Bidders and to implement one or a combination of them in respect of the Leases and the Real Property, which implementation may include sales, dispositions, assumptions, assignments, disclaimers, terminations, or other transaction forms.

On February 4, 2015, the Court entered an order approving the Real Property Portfolio Sales Process and the Sales Process Procedures (the “**Sales Process Order**”). Accordingly, the following Sales Process Procedures shall govern the Real Property Portfolio Sales Process with respect to the Applicants.

This Real Property Portfolio Sales Process describes, among other things: (a) the Leases and the Real Property available for sale; (b) the manner in which prospective bidders may gain access to due diligence materials concerning the Leases and the Real Property; (c) the manner in which bidders and bids become Competing or Qualified Bidders and Competing or Qualified Bids, respectively; (d) the manner in which Competing Bidders submit Stalking Horse Bids; (e) the manner in which Stalking Horse Bids become Selected Stalking Horse Bids; (f) the receipt, evaluation and negotiation of bids received; (g) the ultimate selection of one or more Successful Bidders and Backup Bidders; and (h) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Defined Terms

1. The following capitalized terms have the following meanings when used in this Real Property Portfolio Sales Process:
 - (a) “Applicants” is defined in the introduction hereto.
 - (b) “Approval Motion” is defined in paragraph 36.
 - (c) “Auction” is defined in paragraph 30.
 - (d) “Backup Bid” is defined in paragraph 31(h).

- (e) "Backup Bidder" is defined in paragraph 31(h).
- (f) "Baseline Bid" is defined in paragraph 31(d)(i).
- (g) "Broker" means Northwest Atlantic Canada, Inc.
- (h) "Business Day" means a day (other than Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario.
- (i) "CA" means a confidentiality agreement in form and substance satisfactory to the Company, in consultation with the Monitor.
- (j) "CCAA" is defined in the introduction hereto.
- (k) "CCAA Charges" means the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge (as such terms are defined in the Initial Order) together with any other charges approved by the Court.
- (l) "Claims and Interests" is defined in paragraph 4.
- (m) "Company" is defined in the introduction hereto.
- (n) "Confidential Information Memorandum" is defined in paragraph 9.
- (o) "Deposit" is defined in paragraph 27(l).
- (p) "DIP Lender" means Target Corporation.
- (q) "Expense Reimbursement" is defined in paragraph 24(b).
- (r) "Financial Advisor" means Lazard Frères & Co. LLC.
- (s) "Form of Purchase Agreement" means the form of purchase and sale agreement to be developed by the Applicants in consultation with the Monitor and the Financial Advisor and provided to Qualified Bidders that submit a Qualified LOI for a Sale Proposal.
- (t) "Interested Bidder" is defined in paragraph 9.
- (u) "Leases" means the Applicants' leasehold interests and related rights and obligations in connection with the properties listed in Schedule "C" hereto.
- (v) "LOI" is defined in paragraph 8.
- (w) "Monitor" is defined in the introduction hereto.
- (x) "Outside Backup Date" is defined in paragraph 31(h).
- (y) "Permitted Encumbrance" means any permitted encumbrance set forth in a definitive sale agreement executed by an Applicant, and includes any encumbrance

affecting the applicable landlord's interests in the Leases and lands underlying such Lease(s).

- (z) "Phase 1" is defined in paragraph 8.
- (aa) "Phase 1 Bid Deadline" is defined in paragraph 11.
- (bb) "Phase 2" means such period of time from the Phase 1 Bid Deadline to the Approval Motion.
- (cc) "Qualified Bid" means a third party offer or combination of third party offers, in the form of a Sale Proposal or Sale Proposals, which meets the requirements of paragraph 27.
- (dd) "Qualified Bid Deadline" is defined in paragraph 26.
- (ee) "Qualified Bidder" means a bidder that submits a Qualified Bid.
- (ff) "Qualified LOI" is defined in paragraph 12.
- (gg) "Real Property" means the lands and premises described in Schedule "D" hereto.
- (hh) "Sales Process Order" is defined in the introduction hereto.
- (ii) "Sale Process Procedures" is defined in the introduction hereto.
- (jj) "Sale Proposal" means an offer to acquire or otherwise dispose of all or some of the Leases and the Real Property. A "Sale Proposal" may include a transaction involving the assumption, termination and/or surrender of a Lease or Leases.
- (kk) "Selected Stalking Horse Bid" is defined in paragraph 22.
- (ll) "Selected Stalking Horse Bidder" is defined in paragraph 22.
- (mm) "Stalking Horse Bid" is defined in paragraph 19.
- (nn) "Successful Bid" is defined in paragraph 31(g).
- (oo) "Successful Bidder" is defined in paragraph 31(g).
- (pp) "Targeted Outside Date" means May 15, 2015, or such later date as may be determined by the Applicants on the consent of the Monitor, in consultation with the Financial Advisor and the DIP Lender.
- (qq) "Teaser Letter" is defined in paragraph 6.

Supervision of the Real Property Portfolio Sales Process

2. The Monitor will supervise, in all respects, the Real Property Portfolio Sales Process and any attendant sales and, without limitation, will supervise the Financial Advisor's performance under its engagement by the Company in connection therewith. The

Applicants shall assist and support the efforts of the Monitor and the Financial Advisor as provided for herein. In the event that there is disagreement or clarification required as to the interpretation or application of this Real Property Portfolio Sales Process or the responsibilities of the Monitor, the Financial Advisor or the Applicants hereunder, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application of the Monitor or the Applicants. For the avoidance of doubt, and without limiting the rights and protections afforded the Monitor under the CCAA, the Initial CCAA Order and the Sales Process Order, the terms of the Initial Order and the Sales Process Order shall govern the Monitor's role in regards to the Real Property Portfolio Sales Process.

“As Is, Where Is”

3. The sale of the Leases and the Real Property will be on an “as is, where is” basis and without representations or warranties of any kind, nature, or description by the Monitor, the Financial Advisor, the Applicants or any of their respective directors, officers, employees, advisors, professionals, agents, estates or otherwise, except and only to the extent set forth in a definitive sale agreement executed by an Applicant.

Free Of Any And All Claims And Interests

4. In the event of a sale of all or some of the Leases and the Real Property, all of the right, title and interest of the Applicants in and to the Leases and the Real Property or any portion thereof to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon including for greater certainty the CCAA Charges (collectively, the “**Claims and Interests**”) pursuant to section 36(6) of the CCAA, except for any Permitted Encumbrances, such Claims and Interests to attach to the net proceeds of the sale of such Leases and Real Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof).

Solicitation of Interest

5. As soon as reasonably practicable, the Monitor will cause a notice of the Real Property Portfolio Sales Process (and such other relevant information which the Monitor, in consultation with the Financial Advisor and the Applicants, considers appropriate) to be published in The Globe and Mail (National Edition) and The Wall Street Journal (National Edition) and posted on the Monitor's website.
6. As soon as reasonably practicable, but in any event no more than three (3) Business Days after the issuance of the Sales Process Order, the Financial Advisor shall distribute an initial offering summary of the Leases and the Real Property in form acceptable to the Applicants and the Monitor (the “**Teaser Letter**”) notifying those potentially interested parties that are identified by the Financial Advisor, the Broker and the Applicants, each in their sole discretion, of the existence of the Real Property Portfolio Sales Process and inviting such parties to express an interest in making an offer to acquire all or some of the Leases and the Real Property in accordance with the Sales Process Procedures.

Participation Requirements

7. Unless otherwise ordered by the Court, or as otherwise determined by the Applicants in consultation with the Monitor, each person seeking to participate in the Real Property Portfolio Sales Process must deliver to the Financial Advisor at the address specified in Schedule "B" hereto (including by email transmission):
 - (a) a letter setting forth such person's identity, the contact information for such person and full disclosure of the principals of such person; and
 - (b) an executed CA which shall include provisions whereby such person agrees to accept and be bound by the provisions contained herein.

REAL PROPERTY PORTFOLIO SALES PROCESS – PHASE 1

Phase 1 Initial Timing

8. For a period from the date of the Sales Process Order until the Phase 1 Bid Deadline ("**Phase 1**"), the Financial Advisor (with the assistance of the Applicants and the Broker) will solicit non-binding letters of intent from prospective parties to acquire one or more of the Leases and/or the Real Property (each, an "**LOI**").

Due Diligence

9. Subject to the provisions of paragraph 41, a confidential information memorandum (the "**Confidential Information Memorandum**") describing the opportunity to acquire all or some of the Leases and the Real Property will be made available by the Financial Advisor to those parties who have executed a CA (each party who executes a CA shall be deemed to be an "**Interested Bidder**").
10. Subject to the provisions of paragraph 41, the Financial Advisor will provide each Interested Bidder with access to an electronic data room. The Monitor, the Financial Advisor, the Broker, the DIP Lender and the Applicants make no representation or warranty as to the information: (a) contained in the Confidential Information Memorandum or the electronic data room; (b) provided through any diligence process; or (c) otherwise made available, except to the extent expressly contemplated in any definitive sale agreement executed by an Applicant.

Non-Binding Letters of Intent from Interested Bidders

11. Interested Bidders that wish to pursue a Sale Proposal must deliver an LOI to the Financial Advisor at the address specified in Schedule "B" hereto (including by email transmission), so as to be received by the Financial Advisor not later than 5:00 PM (Toronto time) on or before March 5, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the "**Phase 1 Bid Deadline**").
12. An LOI so submitted will be considered a qualified LOI for the purposes hereof (a "**Qualified LOI**") only if:
 - (a) it is submitted on or before the Phase 1 Bid Deadline;

- (b) it contains an indication of whether the Interested Bidder is offering to acquire all or some of the Leases and the Real Property;
 - (c) it identifies or contains the following:
 - (i) the purchase price (or range thereof) in Canadian dollars;
 - (ii) the Leases and/or the Real Property subject to the transaction; and
 - (iii) any proposed allocation of the purchase price as between each Lease and/or Real Property;
 - (d) it provides a general description of any likely financing associated with the proposed transaction;
 - (e) it describes any additional due diligence required to be conducted during Phase 2;
 - (f) it identifies any anticipated terms or conditions of the Sale Proposal that may be material to the proposed transaction; and
 - (g) it contains such other information reasonably requested by the Applicants in consultation with the Monitor and the Financial Advisor.
13. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Qualified LOI. However, for the avoidance of doubt, the completion of any Sale Proposal shall be subject to the approval of the Court and the requirement of such approval may not be waived.

Assessment of Qualified LOIs and Continuation or Termination of Real Property Portfolio Sales Process

14. Within five (5) Business Days following the Phase 1 Bid Deadline, or such later date as may be determined by the Applicants with the consent of the Monitor and in consultation with the Financial Advisor, the Applicants will, in consultation with the Financial Advisor and the Monitor, assess the Qualified LOIs received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Qualified Bid. For the purpose of such consultations and evaluations, the Financial Advisor may request clarification of the terms of any Qualified LOI submitted by an Interested Bidder.
15. In assessing the Qualified LOIs submitted in Phase 1, the Applicants, following consultation with the Monitor and the Financial Advisor will consider, among other things, the following:
- (a) the form and amount of consideration being offered;
 - (b) the effect of accepting Sale Proposals which are not on an en bloc basis;
 - (c) the financial capability of the Interested Bidder to consummate the proposed transaction;

- (d) the anticipated conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);
 - (e) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to close on or before the Targeted Outside Date; and
 - (f) such other criteria as the Applicants may in consultation with the Monitor and the Financial Advisor determine.
16. If one or more Qualified LOIs are received and the Applicants, in consultation with the Monitor and the Financial Advisor, determine there is a reasonable prospect of obtaining a Qualified Bid, the Applicants shall continue the Real Property Portfolio Sales Process as set forth herein.

PHASE 2

Due Diligence

17. Each Interested Bidder that: (a) submits a Qualified LOI; and (b) that is not eliminated from the Real Property Portfolio Sales Process by the Applicants, following consultation with the Financial Advisor and the Monitor, and after assessing whether such Qualified LOI meets the criteria in paragraph 15 herein, may be invited by the Applicants to participate in Phase 2 (each such bidder, a "**Competing Bidder**").
18. Subject to the provisions of paragraph 41, the Financial Advisor will provide each Competing Bidder with access to additional due diligence materials and information relating to the Leases and Real Property as the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, determine appropriate, including information or materials reasonably requested by Competing Bidders.

Stalking Horse Bids from Competing Bidders

19. The Applicants, in their reasonable business judgment, on consent of the Monitor and in consultation with the Financial Advisor, may select one or more bids from Competing Bidders to serve as Selected Stalking Horse Bids. Paragraphs 19 to 25 apply only in the event one or more such bids is so selected to serve as a Selected Stalking Horse Bid. Any Competing Bidder that wishes to submit a stalking horse bid (a "**Stalking Horse Bid**") must deliver a Qualified Bid in accordance with paragraph 27, as applicable, to the Financial Advisor at the address specified in Schedule "B" hereto (including by email transmission) so as to be received by it not later than 5:00 pm (Toronto time) on or before March 26, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the "**Stalking Horse Bid Deadline**").
20. The Applicants, in consultation with the Financial Advisor and the Monitor, will review and evaluate each Stalking Horse Bid in accordance with the criteria set out in paragraph

- 29(b) for the review of Qualified Bids, and, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids specified herein which are applicable to any Stalking Horse Bids.
21. If one or more Stalking Horse Bids is received, the Applicants, exercising their reasonable business judgement, on consent of the Monitor and in consultation with the Financial Advisor, will select the Stalking Horse Bid(s) it considers most favourable and shall negotiate and attempt to settle the terms of a definitive agreement in respect of such Stalking Horse Bid(s).
 22. A definitive agreement negotiated and settled in respect of a Stalking Horse Bid as selected by the Applicants will be a “**Selected Stalking Horse Bid**” hereunder and the person(s) who made the Selected Stalking Horse Bid will be a “**Selected Stalking Horse Bidder**” hereunder. For greater certainty, the Applicants may select more than one Selected Stalking Horse Bid; provided, however, that only one Selected Stalking Horse Bid may be selected in respect of any particular Lease and/or Property.
 23. For the avoidance of doubt, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose one or more successful bidders as Selected Stalking Horse Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
 24. The Applicants may grant, on consent of the Monitor and in consultation with the Financial Advisor, each Selected Stalking Horse Bidder, the following bid protections:
 - (a) a Break-Up Fee not to exceed 3.0% of the negotiated purchase price of the applicable Leases and/or the Real Property (the “**Break-Up Fee**”); and/or
 - (b) an expense reimbursement of documented and reasonable out of pocket costs in pursuing the opportunity to consummate a Sale Proposal to a maximum amount of \$150,000 in the aggregate (the “**Expense Reimbursement**”).
 25. A Selected Stalking Horse Bidder shall only be entitled to payment of a Break-Up Fee and/or an Expense Reimbursement, as applicable, if and when the Applicants consummate a transaction for the applicable Leases and/or Real Property with a Successful Bidder or a Backup Bidder, neither of which is the Selected Stalking Horse Bidder.

Qualified Bids

26. The deadline for submission of bids to be considered for the sales of Lease(s) and/or Real Property (“**Qualified Bids**”) shall be April 23, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the “**Qualified Bid Deadline**”).
27. Any Competing Bidder (other than a Selected Stalking Horse Bidder, which, for the avoidance of doubt, is deemed to be a Qualified Bidder) who wishes to become a Qualified Bidder must submit a Qualified Bid satisfying the conditions set forth below for the applicable Lease(s) and/or Real Property:

- (a) it is received by the Qualified Bid Deadline;
- (b) it is a final binding proposal in the form of a duly authorized and executed purchase agreement, including the purchase price for the Leases and/or the Real Property proposed to be acquired, based on the Form of Purchase Agreement and accompanied by a clean Word version and a blacklined mark-up of the Form of Purchase Agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Competing Bidder with all exhibits and schedules thereto;
- (c) it is irrevocable until the earlier of (i) the approval by the Court of a Successful Bid, and (ii) 28 days following the Qualified Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer will remain irrevocable until the closing of its Successful Bid;
- (d) it includes an irrevocable commitment of the Competing Bidder to serve as the Backup Bidder in accordance with the Sale Process Procedures;
- (e) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate and perform the proposed transaction, that will allow the Monitor, in consultation with the Financial Advisor and the Applicants, to make a reasonable determination as to the Competing Bidder's financial and other capabilities to consummate and perform the transaction contemplated by its Qualified Bid;
- (f) it lists the Leases and/or the Real Property to be subject to the bid and an allocation of the purchase price on a property by property basis;
- (g) it includes details of any liabilities to be assumed by the Competing Bidder;
- (h) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Competing Bidder; or
 - (ii) obtaining financing;
- (i) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- (j) with respect to any condition to closing contained in the definitive documentation, it outlines the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (k) it includes evidence, in form and substance reasonably satisfactory to the Applicants, the Monitor and the Financial Advisor, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid;

- (l) it is accompanied by a deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor on behalf of the Applicants, in trust, in an amount equal to 10% of the purchase price for the Leases and/or the Real Property proposed to be acquired, to be held and dealt with in accordance with the terms of a definitive agreement executed by an Applicant and this Real Property Portfolio Sales Process, provided, however, that such amount may be raised or lowered for any particular Qualified Bid by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor;
 - (m) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and (iii) acknowledges that the occupancy of the premises set forth in the Leases may not be available until the completion of any inventory sale at the premises; and
 - (n) it contains such other information reasonably requested by the Applicants, in consultation with the Monitor and the Financial Advisor.
28. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids specified herein.
29. The Applicants, in consultation with the Financial Advisor and the Monitor:
- (a) may engage in negotiations with Qualified Bidders as they deem appropriate and may accept revisions to Qualified Bids, in their discretion, that are otherwise consistent with these Sales Process Procedures;
 - (b) shall determine which is the most favourable bid with respect to such Lease(s) and/or Real Property, taking into account, among other things:
 - (i) the form and amount of consideration being offered;
 - (ii) whether the Qualified Bid maximizes value for the Leases and/or the Real Property, including the effect of accepting Sale Proposals which are not on an en bloc basis;
 - (iii) the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction;
 - (iv) the conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);

- (v) the terms and provisions of any proposed transaction documentation;
- (vi) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to close on or before the Targeted Outside Date; and
- (vii) such other criteria as the Applicants may in consultation with the Monitor and the Financial Advisor determine.

Auction Process

30. The Applicants, in consultation with the Financial Advisor and the Monitor, shall commence one or more auctions (the "**Auctions**") on or about April 28, 2015.
31. The Applicants, in consultation with the Financial Advisor and the Monitor, shall conduct Auctions on the following terms:
- (a) only Qualified Bidders for the Lease(s) and/or Real Property to be auctioned and their financial and legal advisors shall be entitled to participate in an Auction;
 - (b) the Qualified Bidders who wish to participate at an Auction must appear in person;
 - (c) official actions at any Auction shall be made on the record in the presence of a court reporter;
 - (d) the Applicants and their advisors shall, at the outset of any Auction, announce:
 - (i) the Qualified Bid(s) selected by the Applicants, in their reasonable business judgment and in consultation with the Monitor and the Financial Advisor, that are the most favourable Qualified Bid(s) as of the date thereof (the "**Baseline Bid**"); and
 - (ii) procedures for the conduct of the Auction, including, among other things, any overbid amounts;
 - (e) to make a bid at the Auction, a Qualified Bidder will modify and resubmit its Qualified Bid, which resubmission shall become its new Qualified Bid;
 - (f) subsequent bids after the Baseline Bid must be higher and better (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) by at least the amount of any applicable overbids;
 - (g) the Auction shall continue until there are no further higher and better Qualified Bids (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) that comply with the procedures set forth for the Auction, and such highest and best Qualified Bid at the time shall become the "**Successful Bid**" (and the person(s) who made the Successful Bid shall become the "**Successful Bidder**");

- (h) the entity with the next-highest or otherwise second best Qualified Bid at the Auction (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) shall be required to serve as a backup bidder (the “**Backup Bidder**”). The identity of the Backup Bidder and the amount and material terms of the final Qualified Bid of the Backup Bidder (the “**Backup Bid**”) shall be announced by the Financial Advisor at the conclusion of the Auction concurrently with announcement of the Successful Bidder. The Backup Bidder shall be required to keep its Backup Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Toronto time) on the first Business Day that is 60 days after the date of the Auction (the “**Outside Backup Date**”) and (ii) the closing of the transaction with the Successful Bidder; and
- (i) any break-up fees or other fees due to a Selected Stalking Horse Bidder who is not a Successful Bidder or Backup Bidder shall be payable upon the consummation of the Successful Bid or Backup Bid, as applicable, for the applicable Leases and/or Real Property.
32. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may modify Auction procedures at any time.
33. Notwithstanding the foregoing or anything else contained herein, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose one or more successful bidders as Successful Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
34. All Deposits will be retained by the Monitor and invested in a separate interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by any Successful Bidder whose bid is approved at the Approval Motion will be applied to the purchase price upon closing of the approved transaction and will be non-refundable. The Deposit (plus applicable interest) of each Qualified Bidder not selected as a Successful Bidder will be returned to such Qualified Bidder within five (5) Business Days of the date upon which the Successful Bids are approved by the Court; provided, however, that the Deposit of any Backup Bidder shall not be returned to such Backup Bidder until the earlier of (a) consummation of the Successful Bid and (b) the expiration of the Outside Backup Date. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within five (5) Business Days of the date upon which the Real Property Portfolio Sales Process is terminated in accordance with the Sale Process Procedures.
35. If a Successful Bidder breaches its obligations under its Qualified Bid, its Deposit shall immediately be forfeited to the Applicants without limiting any other of the Applicant’s rights and remedies at law or at equity.

Approval Motion for Definitive Agreements

36. The Applicants will apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid(s), or for Lease(s) and/or Real Property not subject to an Auction, the applicable Qualified Bid(s), and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Bid(s) and Qualified Bid(s), as

applicable, and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid(s) and Qualified Bid(s), as applicable. The Approval Motion may be adjourned or rescheduled by the Applicants, in consultation with the Monitor and the DIP Lender, and without further notice by an announcement of the adjourned date at the Approval Motion.

OTHER TERMS

Approvals

37. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Amendment

38. The Applicants, on consent of the Monitor and the DIP Lender and in consultation with the Financial Advisor, may at any time:
- (a) amend this Real Property Portfolio Sales Process; and/or
 - (b) impose additional terms and conditions and otherwise seek to modify the Real Property Portfolio Sales Process.

DIP Lender Communications

39. The Applicants, the Monitor and the Financial Advisor will communicate and consult with the DIP Lender throughout the Real Property Portfolio Sales Process and will provide information to the DIP Lender in connection with such communications.

Monitor Updates

40. The Monitor will provide periodic updates to the Court on notice to the Service List with respect to the conduct and progress of the Real Property Portfolio Sales Process, including an update to be delivered to the Court prior to the commencement of any Auction.

Reservation of Rights

41. The Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, may provide Interested Bidders with any diligence materials and information, including site visits, that the Applicants deem necessary and appropriate to maximize the value of Real Property Portfolio Sales Process at any time after entry of the Sale Process Order.
42. Notwithstanding anything else herein, at any time after entry of the Sale Process Order, the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, may enter into Lease termination agreements or withdraw Lease(s) and/or Real Property from this Real Property Portfolio Sales Process.

43. The Applicants, after consultation with the Financial Advisor and on the consent of the Monitor, may reject any or all bids.
44. To the extent any notice of changes to these procedures or related dates, time, or locations is required or otherwise appropriate, the Applicants may publish such notices on the Monitor's public web site at <http://www.alvarezandmarsal.com/targetcanada> and such notice shall be deemed satisfactory, subject to any other notice requirements specifically set forth herein or as required by the Court.
45. This Real Property Portfolio Sales Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Applicants and any Qualified Bidder, other than as specifically set forth in a definitive agreement that may be executed by an Applicant. At any time during the Real Property Portfolio Sales Process, the Monitor may apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

Landlord Communications

46. The Applicants, the Monitor and the Financial Advisor will communicate with the landlords under the Leases from time to time, as appropriate, in connection with their respective interests in the Real Property Portfolio Sales Process.

SCHEDULE "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 Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Property LLC

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

SCHEDULE "B"

To the Company:

Target Canada Co.
5570 Explorer Drive
Mississauga, ON L4W 0C3

Attn: Aaron Alt
Email: aaron.alt@target.com

With a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attn: Tracy Sandler & Heather McKean
Email: tsandler@osler.com & hmcckean@osler.com

To the Monitor:

Alvarez & Marsal Canada Inc., Court appointed Monitor of Target Canada Co. et al
Royal Bank Plaza , South Tower, Suite 2900
PO Box 22
Toronto ON M5J 2J1

Attn: Doug McIntosh and Bill Kosturos
Email: dmcintosh@alvarezandmarsal.com & bkosturos@alvarezandmarsal.com

With a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attn: Jay Carfagnini and Kenneth Herlin
Email: jcarfagnini@goodmans.ca & kherlin@goodmans.ca

To the Financial Advisor:

Lazard Freres & Co. LLC.
30 Rockefeller Plaza
New York, NY 10112

Attn: Tim Pohl & Phillip Summers

Email: tim.pohl@lazard.com & phillip.summers@lazard.com

To the Broker:

Northwest Atlantic Canada, Inc.
864 York Mills Road
Toronto, Ontario M3B 1Y4

Attn: Tim Sanderson
Email: tim@nwaretail.com

To the DIP Lender:

Target Corporation
1000 Nicollet Mall
Minneapolis, MN 55403

Attn: Corey Haaland
Email: corey.haaland@target.com

With a copy to:

Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Attn: Dennis M. Ryan
Email: dennis.ryan@faegrebd.com

SCHEDULE "C"Leases

<u>ID #</u>	<u>Description</u>	<u>City</u>	<u>Province</u>
3505	Bayshore Mall	Ottawa	ON
3507	Intercity Shopping Centre	Thunder Bay	ON
3508	Discovery Harbour Shopping Centre	Campbell River	BC
3509	Nanaimo North Town Centre	Nanaimo	BC
3510	Westmount Shopping Centre	London	ON
3511	Hazeldean Mall	Kanata	ON
3512	Driftwood Mall	Courtenay	BC
3516	Carrefour Richelieu	St-Jean-sur-Richelieu	QC
3519	South Hamilton Square	Hamilton	ON
3522	County Fair Mall	Smiths Falls	ON
3524	Queenston Place	Hamilton	ON
3526	Lawrence Square	Toronto	ON
3530	Sydney Shopping Centre	Sydney	NS
3533	Thames-Lea Plaza	Chatham-Kent	ON
3534	Lansdowne Centre	Richmond	BC
3538	Forest Lawn Shopping Centre	Calgary	AB
3547	Les Galeries Gatineau	Gatineau	QC
3548	Hillside Mall	Victoria	BC
3550	Uptown Centre	Fredericton	NB
3552	Westdale Mall	Mississauga	ON
3557	Scottsdale Mall	Delta	BC
3559	Five Points Mall	Oshawa	ON
3560	Lindsay Square Mall	Lindsay	ON
3561	Kingsway Garden Mall	Edmonton	AB
3564	Sherwood Park Mall	Edmonton (Sherwood Park)	AB
3565	Upper Canada Mall	Newmarket	ON
3566	Northwest Centre	Moncton	NB
3572	Milton Mall Shopping Centre	Milton	ON
3574	Prairie Mall	Grande Prairie	AB
3575	Cottonwood Mall	Chilliwack	BC
3576	Carrefour St-Georges	Saint-Georges	QC
3577	The Mall At Lawson Heights	Saskatoon	SK
3586	Haney Place Mall	Maple Ridge	BC
3590	Carrefour De L'Estrie	Sherbrooke	QC
3591	Cataraqui Town Centre	Kingston	ON
3592	Les Rivières Shopping Centre	Trois-Rivières	QC
3595	Carrefour Angrignon	Montreal	QC
3608	Cambridge Centre	Cambridge	ON
3609	Centrepoint Mall	Toronto	ON
3610	Terrarium Shopping Centre	Pointe-Claire	QC
3613	Le Carrefour Rimouski	Rimouski	QC
3614	Medicine Hat Mall	Medicine Hat	AB
3615	Tamarack Mall	Cranbrook	BC
3616	Coquitlam Centre	Coquitlam	BC
3617	Surrey Place/Central City	Surrey	BC
3623	Bramalea City Centre	Brampton	ON
3624	Bower Place	Red Deer	AB
3628	Meadowlands Shopping Centre	Ottawa-Gatineau	ON
3630	1899 Algonquin Avenue	North Bay	ON

3634	Place Portabello	Brossard	QC
3636	Square One	Mississauga	ON
3637	Charlottetown Mall	Charlottetown	PE
3639	Durham Centre	Ajax	ON
3642	Laurentian Power Centre	Kitchener	ON
3644	Kildonan Place Shopping Centre	Winnipeg	MB
3645	Seaway Mall	Welland	ON
3646	Erin Mills Town Centre	Mississauga	ON
3647	Galleries D'Anjou	Montreal	QC
3648	West Edmonton Mall	Edmonton	AB
3650	Corner Brook	Corner Brook	NL
3652	Bayers Lake Power Centre	Halifax	NS
3655	McAllister Place	Saint John	NB
3657	Carrefour Du Nord	Saint-Jerome	QC
3658	RioCan St. Laurent	Ottawa	ON
3663	Pickering Town Centre	Pickering	ON
3665	Orillia Square	Orillia	ON
3666	Hillcrest Mall	Richmond Hill	ON
3667	Bridlewood Mall	Scarborough	ON
3668	Shoppers World Brampton	Brampton	ON
3669	Sheridan Mall	Mississauga	ON
3670	Hopedale Mall	Oakville	ON
3671	Meadowland Power Centre	Hamilton	ON
3672	Conestoga Mall	Waterloo	ON
3677	Sudbury Supermall	Sudbury	ON
3682	Southdale Centre	Winnipeg	MB
3688	Village Green Mall	Vernon	BC
3690	Willowbrook Shopping Centre	Langley	BC
3693	Carrefour St-Eustache	Saint-Eustache	QC
3694	St. Albert Centre	St. Albert	AB
3695	Mega Centre Autoroute 13	Laval	QC
3696	Les Galeries De La Capitale	Quebec City	QC
3697	Mic Mac Mall	Halifax	NS
3698	Orchard Park Plaza	Kelowna	BC
3699	Stratford Mall	Stratford	ON
3702	Place Longueuil	Longueuil	QC
3704	Place Alexis Nihon	Westmount	QC
3705	Place Versailles Shopping Centre	Montreal	QC
3706	Masonville Place	London	ON
3707	Woodbine Centre	Toronto	ON
3708	Devonshire Mall	Windsor	ON
3709	Les Promenades Saint-Bruno	Saint-Bruno-de-Montarville	QC
3710	Bonnie Doon	Edmonton	AB
3711	Oakridge Centre	Vancouver	BC
3713	Sunridge Mall	Calgary	AB
3714	Market Mall	Calgary	AB
3715	Cloverdale Mall	Toronto	ON
3717	Metropolis At Metrotown	Burnaby	BC
3718	Les Galeries Joliette	Joliette	QC
3719	Pine Centre	Prince George	BC
3725	Galleries Chagnon	Levis	QC
3728	Northgate Mall	Regina	SK
3729	Shoppers World Danforth	Toronto	ON
3730	Pen Centre	St. Catharines	ON
3731	Bedford Place	Bedford	NS

3732	Cabot Square	St John's	NL
3737	Shoppes At Shawnessy	Calgary	AB
3738	Burlington Mall	Burlington	ON
3739	Abbotsford Power Centre	Abbotsford	BC
3742	East York Town Centre	Toronto	ON
3743	Place Fleur De Lys	Quebec City	QC
3744	Sahali Centre Mall	Kamloops	BC
3746	Billings Bridge Plaza	Ottawa	ON
3747	Grant Park	Winnipeg	MB
3749	Aurora Shopping Centre	Aurora	ON
3751	Gates Of Fergus	Wellington	ON
3753	Centre Mall	Hamilton	ON
3754	Signal Hill Centre	Calgary	AB
3755	Place Laurier	Quebec City	QC
3757	Clarington Town Centre	Clarington	ON
3759	Stone Road Mall	Guelph	ON
3760	Tillicum Mall	Victoria	BC
3761	Millcroft Centre	Burlington	ON
3762	Flamborough Power Centre	Hamilton	ON
3763	Shoppers Mall	Brandon	MB
3764	Place D'Orleans	Ottawa	ON
3765	Faubourg Boisbriand	Boisbriand	QC
3766	Centre At Circle & Eighth	Saskatoon	SK
3767	Taunton Road Power Centre	Whitby	ON
3768	Eglinton and Warden	Toronto	ON
3769	Place Vertu	St Laurent	QC
3770	Mill Woods Town Centre	Edmonton	AB
3772	Chinook Centre	Calgary	AB
3773	Trinity Common	Brampton	ON
7000	Centre Laval	Laval	QC
7001	RioCan Niagara Falls	Niagara Falls	ON
7002	Stockyards	Toronto	ON
7008	York Street	Toronto	ON
7325	Warehouse space	Mississauga	ON
7326	Warehouse space	Calgary	AB
7327	Warehouse space	Montreal	QC
7328	Warehouse space	Burnaby	BC
7329	Distribution Facility	Hamilton	ON
7330	Distribution Facility	Calgary	AB
7403	Office space	Oshawa	ON
7404			
7405	Office space	Burlington	ON
7406			
7407	Office space	Burnaby	BC
7408			
7409			
7410	Office space	Edmonton	AB
7411	Office space	Calgary	AB
7412	Office space	Winnipeg	MB
7413	Office space	Montreal	QC
7414			
7415			
7416	Office space	Quebec City	QC
7417	Office space	Ottawa	ON
7418	Office space	Dartmouth	NS

9730	Office space	Mississauga	ON
9731 7400 7401 7402 7419	Office space	Mississauga	ON

SCHEDULE "D"**Real Property**

<u>ID #</u>	<u>Description</u>	<u>City</u>	<u>Province</u>
7004	Park Place	Barrie	ON
7006	Candiac Power Centre	Candiac	QC
7012	Polo Park	Winnipeg	MB
7300	Distribution Facility	Milton	ON
7301	Distribution Facility	Calgary	AB
7302	Distribution Facility	Cornwall	ON

**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., et al.**

Applicants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**AFFIDAVIT OF MARK J. WONG
(Sworn January 29, 2015)**

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785

TAB 3

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)	WEDNESDAY, THE 4 TH
)	
REGIONAL SENIOR JUSTICE)	DAY OF FEBRUARY, 2015
)	
MORAWETZ)	

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 (collectively the “**Applicants**”)

ORDER

**(Approving Real Property Portfolio Sales
Process and Extending the Stay Period)**

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the “**CCAA**”) for an order, *inter alia*: (i) approving the Real Property Portfolio Sales Process (defined below); and (ii) extending the Stay Period (as defined in paragraph 17 of the Initial Order of Regional Senior Justice Morawetz dated January 15, 2015 (the “**Initial Order**”)) until and including May 15, 2015, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Mark J. Wong sworn January 29, 2015 and the exhibits thereto (the “**Wong Affidavit**”) and the First Report (the “**Monitor's First Report**”) of Alvarez & Marsal Canada Inc., in its capacity as Monitor (the “**Monitor**”), and on hearing the submissions of respective counsel for the Applicants and the Partnerships listed on Schedule “A” hereto, the Monitor, Target Corporation, and such other counsel as were present, and on being advised that the Service List was served with the Motion Record herein:

Draft

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and that service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

APPROVAL OF THE REAL PROPERTY PORTFOLIO SALES PROCESS

2. THIS COURT ORDERS that the Real Property Portfolio Sales Process attached hereto as Schedule "B" and described in the Wong Affidavit is hereby approved. The Target Canada Entities, the Monitor and Lazard (each as defined in the Initial Order) are hereby authorized and directed to take any and all actions as may be necessary or desirable to implement and carry out the Real Property Portfolio Sales Process.

3. THIS COURT ORDERS that at any time during the Real Property Portfolio Sales Process, the Monitor may apply to the Court for advice and directions with respect to the discharge of its powers and duties in connection with the Real Property Portfolio Sales Process.

EXTENSION OF STAY PERIOD

4. THIS COURT ORDERS that the Stay Period (as defined in paragraph 17 of the Initial Order) is hereby extended until and including May 15, 2015.

5. THIS COURT ORDERS that the extension of the Stay Period set out herein shall not in any way affect the "comeback rights" of any interested party set out in paragraph 77 of the Initial Order.

FIRST REPORT OF THE MONITOR

6. THIS COURT ORDERS that the First Report of the Monitor dated January 30, 2015, and the activities of the Monitor described therein, are hereby approved.

Draft

SCHEDULE "A"
PARTNERSHIPS

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

Draft

SCHEDULE 'B'

REAL PROPERTY PORTFOLIO SALE PROCESS

Introduction

On January 15, 2015, Target Canada Co. (the “**Company**”) and those parties listed in Schedule “A” (collectively, the “**Applicants**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an initial order (as amended, restated or varied from time to time, the “**Initial Order**”) granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Alvarez & Marsal Canada Inc. was appointed as monitor in the CCAA proceedings (in such capacity, the “**Monitor**”)

On January 29, 2015, the Applicants served a motion seeking an order for the approval of a sale process (the “**Real Property Portfolio Sales Process**”) whereby the Applicants will seek to sell all or substantially all of their Leases and Real Property under the supervision of the Court and the Monitor and in accordance with the procedures set forth herein (the “**Sales Process Procedures**”).

The purpose of this Real Property Portfolio Sales Process is to seek Sale Proposals from Qualified Bidders and to implement one or a combination of them in respect of the Leases and the Real Property, which implementation may include sales, dispositions, assumptions, assignments, disclaimers, terminations, or other transaction forms.

On February 4, 2015, the Court entered an order approving the Real Property Portfolio Sales Process and the Sales Process Procedures (the “**Sales Process Order**”). Accordingly, the following Sales Process Procedures shall govern the Real Property Portfolio Sales Process with respect to the Applicants.

This Real Property Portfolio Sales Process describes, among other things: (a) the Leases and the Real Property available for sale; (b) the manner in which prospective bidders may gain access to due diligence materials concerning the Leases and the Real Property; (c) the manner in which bidders and bids become Competing or Qualified Bidders and Competing or Qualified Bids, respectively; (d) the manner in which Competing Bidders submit Stalking Horse Bids; (e) the manner in which Stalking Horse Bids become Selected Stalking Horse Bids; (f) the receipt, evaluation and negotiation of bids received; (g) the ultimate selection of one or more Successful Bidders and Backup Bidders; and (h) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Defined Terms

1. The following capitalized terms have the following meanings when used in this Real Property Portfolio Sales Process:
 - (a) “Applicants” is defined in the introduction hereto.
 - (b) “Approval Motion” is defined in paragraph 36.
 - (c) “Auction” is defined in paragraph 30.

Draft

- (d) “Backup Bid” is defined in paragraph 31(h).
- (e) “Backup Bidder” is defined in paragraph 31(h).
- (f) “Baseline Bid” is defined in paragraph 31(d)(i).
- (g) “Broker” means Northwest Atlantic Canada, Inc.
- (h) “Business Day” means a day (other than Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario.
- (i) “CA” means a confidentiality agreement in form and substance satisfactory to the Company, in consultation with the Monitor.
- (j) “CCAA” is defined in the introduction hereto.
- (k) “CCAA Charges” means the Administration Charge, the KERP Charge, the Directors’ Charge, the Financial Advisor Subordinated Charge and the DIP Lender’s Charge (as such terms are defined in the Initial Order) together with any other charges approved by the Court.
- (l) “Claims and Interests” is defined in paragraph 4.
- (m) “Company” is defined in the introduction hereto.
- (n) “Confidential Information Memorandum” is defined in paragraph 9.
- (o) “Deposit” is defined in paragraph 27(l).
- (p) “DIP Lender” means Target Corporation.
- (q) “Expense Reimbursement” is defined in paragraph 24(b).
- (r) “Financial Advisor” means Lazard Frères & Co. LLC.
- (s) “Form of Purchase Agreement” means the form of purchase and sale agreement to be developed by the Applicants in consultation with the Monitor and the Financial Advisor and provided to Qualified Bidders that submit a Qualified LOI for a Sale Proposal.
- (t) “Interested Bidder” is defined in paragraph 9.
- (u) “Leases” means the Applicants’ leasehold interests and related rights and obligations in connection with the properties listed in Schedule “C” hereto.
- (v) “LOI” is defined in paragraph 8.
- (w) “Monitor” is defined in the introduction hereto.
- (x) “Outside Backup Date” is defined in paragraph 31(h).

- (y) “Permitted Encumbrance” means any permitted encumbrance set forth in a definitive sale agreement executed by an Applicant, and includes any encumbrance affecting the applicable landlord’s interests in the Leases and lands underlying such Lease(s).
- (z) “Phase 1” is defined in paragraph 8.
- (aa) “Phase 1 Bid Deadline” is defined in paragraph 11.
- (bb) “Phase 2” means such period of time from the Phase 1 Bid Deadline to the Approval Motion.
- (cc) “Qualified Bid” means a third party offer or combination of third party offers, in the form of a Sale Proposal or Sale Proposals, which meets the requirements of paragraph 27.
- (dd) “Qualified Bid Deadline” is defined in paragraph 26.
- (ee) “Qualified Bidder” means a bidder that submits a Qualified Bid.
- (ff) “Qualified LOI” is defined in paragraph 12.
- (gg) “Real Property” means the lands and premises described in Schedule “D” hereto.
- (hh) “Sales Process Order” is defined in the introduction hereto.
- (ii) “Sale Process Procedures” is defined in the introduction hereto.
- (jj) “Sale Proposal” means an offer to acquire or otherwise dispose of all or some of the Leases and the Real Property. A “Sale Proposal” may include a transaction involving the assumption, termination and/or surrender of a Lease or Leases.
- (kk) “Selected Stalking Horse Bid” is defined in paragraph 22.
- (ll) “Selected Stalking Horse Bidder” is defined in paragraph 22.
- (mm) “Stalking Horse Bid” is defined in paragraph 19.
- (nn) “Successful Bid” is defined in paragraph 31(g).
- (oo) “Successful Bidder” is defined in paragraph 31(g).
- (pp) “Targeted Outside Date” means May 15, 2015, or such later date as may be determined by the Applicants on the consent of the Monitor, in consultation with the Financial Advisor and the DIP Lender.
- (qq) “Teaser Letter” is defined in paragraph 6.

2. The Monitor will supervise, in all respects, the Real Property Portfolio Sales Process and any attendant sales and, without limitation, will supervise the Financial Advisor's performance under its engagement by the Company in connection therewith. The Applicants shall assist and support the efforts of the Monitor and the Financial Advisor as provided for herein. In the event that there is disagreement or clarification required as to the interpretation or application of this Real Property Portfolio Sales Process or the responsibilities of the Monitor, the Financial Advisor or the Applicants hereunder, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application of the Monitor or the Applicants. For the avoidance of doubt, and without limiting the rights and protections afforded the Monitor under the CCAA, the Initial CCAA Order and the Sales Process Order, the terms of the Initial Order and the Sales Process Order shall govern the Monitor's role in regards to the Real Property Portfolio Sales Process.

“As Is, Where Is”

3. The sale of the Leases and the Real Property will be on an “as is, where is” basis and without representations or warranties of any kind, nature, or description by the Monitor, the Financial Advisor, the Applicants or any of their respective directors, officers, employees, advisors, professionals, agents, estates or otherwise, except and only to the extent set forth in a definitive sale agreement executed by an Applicant.

Free Of Any And All Claims And Interests

4. In the event of a sale of all or some of the Leases and the Real Property, all of the right, title and interest of the Applicants in and to the Leases and the Real Property or any portion thereof to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon including for greater certainty the CCAA Charges (collectively, the “**Claims and Interests**”) pursuant to section 36(6) of the CCAA, except for any Permitted Encumbrances, such Claims and Interests to attach to the net proceeds of the sale of such Leases and Real Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof).

Solicitation of Interest

5. As soon as reasonably practicable, the Monitor will cause a notice of the Real Property Portfolio Sales Process (and such other relevant information which the Monitor, in consultation with the Financial Advisor and the Applicants, considers appropriate) to be published in The Globe and Mail (National Edition) and The Wall Street Journal (National Edition) and posted on the Monitor's website.
6. As soon as reasonably practicable, but in any event no more than three (3) Business Days after the issuance of the Sales Process Order, the Financial Advisor shall distribute an initial offering summary of the Leases and the Real Property in form acceptable to the Applicants and the Monitor (the “**Teaser Letter**”) notifying those potentially interested parties that are identified by the Financial Advisor, the Broker and the Applicants, each in their sole discretion, of the existence of the Real Property Portfolio Sales Process and inviting such parties to express an interest in making an offer to acquire all or some of the Leases and the Real Property in accordance with the Sales Process Procedures.

Participation Requirements

7. Unless otherwise ordered by the Court, or as otherwise determined by the Applicants in consultation with the Monitor, each person seeking to participate in the Real Property Portfolio Sales Process must deliver to the Financial Advisor at the address specified in Schedule “B” hereto (including by email transmission):
- (a) a letter setting forth such person’s identity, the contact information for such person and full disclosure of the principals of such person; and
 - (b) an executed CA which shall include provisions whereby such person agrees to accept and be bound by the provisions contained herein.

REAL PROPERTY PORTFOLIO SALES PROCESS – PHASE 1

Phase 1 Initial Timing

8. For a period from the date of the Sales Process Order until the Phase 1 Bid Deadline (“**Phase 1**”), the Financial Advisor (with the assistance of the Applicants and the Broker) will solicit non-binding letters of intent from prospective parties to acquire one or more of the Leases and/or the Real Property (each, an “**LOI**”).

Due Diligence

9. Subject to the provisions of paragraph 41, a confidential information memorandum (the “**Confidential Information Memorandum**”) describing the opportunity to acquire all or some of the Leases and the Real Property will be made available by the Financial Advisor to those parties who have executed a CA (each party who executes a CA shall be deemed to be an “**Interested Bidder**”).
10. Subject to the provisions of paragraph 41, the Financial Advisor will provide each Interested Bidder with access to an electronic data room. The Monitor, the Financial Advisor, the Broker, the DIP Lender and the Applicants make no representation or warranty as to the information: (a) contained in the Confidential Information Memorandum or the electronic data room; (b) provided through any diligence process; or (c) otherwise made available, except to the extent expressly contemplated in any definitive sale agreement executed by an Applicant.

Non-Binding Letters of Intent from Interested Bidders

11. Interested Bidders that wish to pursue a Sale Proposal must deliver an LOI to the Financial Advisor at the address specified in Schedule “B” hereto (including by email transmission), so as to be received by the Financial Advisor not later than 5:00 PM (Toronto time) on or before March 5, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the “**Phase 1 Bid Deadline**”).
12. An LOI so submitted will be considered a qualified LOI for the purposes hereof (a “**Qualified LOI**”) only if:

Draft

- (a) it is submitted on or before the Phase 1 Bid Deadline;
 - (b) it contains an indication of whether the Interested Bidder is offering to acquire all or some of the Leases and the Real Property;
 - (c) it identifies or contains the following:
 - (i) the purchase price (or range thereof) in Canadian dollars;
 - (ii) the Leases and/or the Real Property subject to the transaction; and
 - (iii) any proposed allocation of the purchase price as between each Lease and/or Real Property;
 - (d) it provides a general description of any likely financing associated with the proposed transaction;
 - (e) it describes any additional due diligence required to be conducted during Phase 2;
 - (f) it identifies any anticipated terms or conditions of the Sale Proposal that may be material to the proposed transaction; and
 - (g) it contains such other information reasonably requested by the Applicants in consultation with the Monitor and the Financial Advisor.
13. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Qualified LOI. However, for the avoidance of doubt, the completion of any Sale Proposal shall be subject to the approval of the Court and the requirement of such approval may not be waived.

Assessment of Qualified LOIs and Continuation or Termination of Real Property Portfolio Sales Process

14. Within five (5) Business Days following the Phase 1 Bid Deadline, or such later date as may be determined by the Applicants with the consent of the Monitor and in consultation with the Financial Advisor, the Applicants will, in consultation with the Financial Advisor and the Monitor, assess the Qualified LOIs received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Qualified Bid. For the purpose of such consultations and evaluations, the Financial Advisor may request clarification of the terms of any Qualified LOI submitted by an Interested Bidder.
15. In assessing the Qualified LOIs submitted in Phase 1, the Applicants, following consultation with the Monitor and the Financial Advisor will consider, among other things, the following:
- (a) the form and amount of consideration being offered;
 - (b) the effect of accepting Sale Proposals which are not on an en bloc basis;

- (c) the financial capability of the Interested Bidder to consummate the proposed transaction;
 - (d) the anticipated conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);
 - (e) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to close on or before the Targeted Outside Date; and
 - (f) such other criteria as the Applicants may in consultation with the Monitor and the Financial Advisor determine.
16. If one or more Qualified LOIs are received and the Applicants, in consultation with the Monitor and the Financial Advisor, determine there is a reasonable prospect of obtaining a Qualified Bid, the Applicants shall continue the Real Property Portfolio Sales Process as set forth herein.

PHASE 2

Due Diligence

17. Each Interested Bidder that: (a) submits a Qualified LOI; and (b) that is not eliminated from the Real Property Portfolio Sales Process by the Applicants, following consultation with the Financial Advisor and the Monitor, and after assessing whether such Qualified LOI meets the criteria in paragraph 15 herein, may be invited by the Applicants to participate in Phase 2 (each such bidder, a "**Competing Bidder**").
18. Subject to the provisions of paragraph 41, the Financial Advisor will provide each Competing Bidder with access to additional due diligence materials and information relating to the Leases and Real Property as the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, determine appropriate, including information or materials reasonably requested by Competing Bidders.

Stalking Horse Bids from Competing Bidders

19. The Applicants, in their reasonable business judgment, on consent of the Monitor and in consultation with the Financial Advisor, may select one or more bids from Competing Bidders to serve as Selected Stalking Horse Bids. Paragraphs 19 to 25 apply only in the event one or more such bids is so selected to serve as a Selected Stalking Horse Bid. Any Competing Bidder that wishes to submit a stalking horse bid (a "**Stalking Horse Bid**") must deliver a Qualified Bid in accordance with paragraph 27, as applicable, to the Financial Advisor at the address specified in Schedule "B" hereto (including by email transmission) so as to be received by it not later than 5:00 pm (Toronto time) on or before March 26, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the "**Stalking Horse Bid Deadline**").

20. The Applicants, in consultation with the Financial Advisor and the Monitor, will review and evaluate each Stalking Horse Bid in accordance with the criteria set out in paragraph 29(b) for the review of Qualified Bids, and, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids specified herein which are applicable to any Stalking Horse Bids.
21. If one or more Stalking Horse Bids is received, the Applicants, exercising their reasonable business judgement, on consent of the Monitor and in consultation with the Financial Advisor, will select the Stalking Horse Bid(s) it considers most favourable and shall negotiate and attempt to settle the terms of a definitive agreement in respect of such Stalking Horse Bid(s).
22. A definitive agreement negotiated and settled in respect of a Stalking Horse Bid as selected by the Applicants will be a “**Selected Stalking Horse Bid**” hereunder and the person(s) who made the Selected Stalking Horse Bid will be a “**Selected Stalking Horse Bidder**” hereunder. For greater certainty, the Applicants may select more than one Selected Stalking Horse Bid; provided, however, that only one Selected Stalking Horse Bid may be selected in respect of any particular Lease and/or Property.
23. For the avoidance of doubt, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose one or more successful bidders as Selected Stalking Horse Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
24. The Applicants may grant, on consent of the Monitor and in consultation with the Financial Advisor, each Selected Stalking Horse Bidder, the following bid protections:
- (a) a Break-Up Fee not to exceed 3.0% of the negotiated purchase price of the applicable Leases and/or the Real Property (the “**Break-Up Fee**”); and/or
 - (b) an expense reimbursement of documented and reasonable out of pocket costs in pursuing the opportunity to consummate a Sale Proposal to a maximum amount of \$150,000 in the aggregate (the “**Expense Reimbursement**”).
25. A Selected Stalking Horse Bidder shall only be entitled to payment of a Break-Up Fee and/or an Expense Reimbursement, as applicable, if and when the Applicants consummate a transaction for the applicable Leases and/or Real Property with a Successful Bidder or a Backup Bidder, neither of which is the Selected Stalking Horse Bidder.

Qualified Bids

26. The deadline for submission of bids to be considered for the sales of Lease(s) and/or Real Property (“**Qualified Bids**”) shall be April 23, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the “**Qualified Bid Deadline**”).
27. Any Competing Bidder (other than a Selected Stalking Horse Bidder, which, for the avoidance of doubt, is deemed to be a Qualified Bidder) who wishes to become a Qualified

Bidder must submit a Qualified Bid satisfying the conditions set forth below for the applicable Lease(s) and/or Real Property:

- (a) it is received by the Qualified Bid Deadline;
- (b) it is a final binding proposal in the form of a duly authorized and executed purchase agreement, including the purchase price for the Leases and/or the Real Property proposed to be acquired, based on the Form of Purchase Agreement and accompanied by a clean Word version and a blacklined mark-up of the Form of Purchase Agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Competing Bidder with all exhibits and schedules thereto;
- (c) it is irrevocable until the earlier of (i) the approval by the Court of a Successful Bid, and (ii) 28 days following the Qualified Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer will remain irrevocable until the closing of its Successful Bid;
- (d) it includes an irrevocable commitment of the Competing Bidder to serve as the Backup Bidder in accordance with the Sale Process Procedures;
- (e) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate and perform the proposed transaction, that will allow the Monitor, in consultation with the Financial Advisor and the Applicants, to make a reasonable determination as to the Competing Bidder's financial and other capabilities to consummate and perform the transaction contemplated by its Qualified Bid;
- (f) it lists the Leases and/or the Real Property to be subject to the bid and an allocation of the purchase price on a property by property basis;
- (g) it includes details of any liabilities to be assumed by the Competing Bidder;
- (h) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Competing Bidder; or
 - (ii) obtaining financing;
- (i) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- (j) with respect to any condition to closing contained in the definitive documentation, it outlines the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (k) it includes evidence, in form and substance reasonably satisfactory to the Applicants, the Monitor and the Financial Advisor, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect

to the submission, execution, delivery and closing of the transaction contemplated by the bid;

- (l) it is accompanied by a deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor on behalf of the Applicants, in trust, in an amount equal to 10% of the purchase price for the Leases and/or the Real Property proposed to be acquired, to be held and dealt with in accordance with the terms of a definitive agreement executed by an Applicant and this Real Property Portfolio Sales Process, provided, however, that such amount may be raised or lowered for any particular Qualified Bid by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor;
 - (m) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and (iii) acknowledges that the occupancy of the premises set forth in the Leases may not be available until the completion of any inventory sale at the premises; and
 - (n) it contains such other information reasonably requested by the Applicants, in consultation with the Monitor and the Financial Advisor.
28. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids specified herein.
29. The Applicants, in consultation with the Financial Advisor and the Monitor:
- (a) may engage in negotiations with Qualified Bidders as they deem appropriate and may accept revisions to Qualified Bids, in their discretion, that are otherwise consistent with these Sales Process Procedures;
 - (b) shall determine which is the most favourable bid with respect to such Lease(s) and/or Real Property, taking into account, among other things:
 - (i) the form and amount of consideration being offered;
 - (ii) whether the Qualified Bid maximizes value for the Leases and/or the Real Property, including the effect of accepting Sale Proposals which are not on an en bloc basis;
 - (iii) the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction;

- (iv) the conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);
- (v) the terms and provisions of any proposed transaction documentation;
- (vi) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to close on or before the Targeted Outside Date; and
- (vii) such other criteria as the Applicants may in consultation with the Monitor and the Financial Advisor determine.

Auction Process

30. The Applicants, in consultation with the Financial Advisor and the Monitor, shall commence one or more auctions (the "**Auctions**") on or about April 28, 2015.
31. The Applicants, in consultation with the Financial Advisor and the Monitor, shall conduct Auctions on the following terms:
 - (a) only Qualified Bidders for the Lease(s) and/or Real Property to be auctioned and their financial and legal advisors shall be entitled to participate in an Auction;
 - (b) the Qualified Bidders who wish to participate at an Auction must appear in person;
 - (c) official actions at any Auction shall be made on the record in the presence of a court reporter;
 - (d) the Applicants and their advisors shall, at the outset of any Auction, announce:
 - (i) the Qualified Bid(s) selected by the Applicants, in their reasonable business judgment and in consultation with the Monitor and the Financial Advisor, that are the most favourable Qualified Bid(s) as of the date thereof (the "**Baseline Bid**"); and
 - (ii) procedures for the conduct of the Auction, including, among other things, any overbid amounts;
 - (e) to make a bid at the Auction, a Qualified Bidder will modify and resubmit its Qualified Bid, which resubmission shall become its new Qualified Bid;
 - (f) subsequent bids after the Baseline Bid must be higher and better (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) by at least the amount of any applicable overbids;
 - (g) the Auction shall continue until there are no further higher and better Qualified Bids (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) that comply with the

procedures set forth for the Auction, and such highest and best Qualified Bid at the time shall become the “**Successful Bid**” (and the person(s) who made the Successful Bid shall become the “**Successful Bidder**”);

- (h) the entity with the next-highest or otherwise second best Qualified Bid at the Auction (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) shall be required to serve as a backup bidder (the “**Backup Bidder**”). The identity of the Backup Bidder and the amount and material terms of the final Qualified Bid of the Backup Bidder (the “**Backup Bid**”) shall be announced by the Financial Advisor at the conclusion of the Auction concurrently with announcement of the Successful Bidder. The Backup Bidder shall be required to keep its Backup Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Toronto time) on the first Business Day that is 60 days after the date of the Auction (the “**Outside Backup Date**”) and (ii) the closing of the transaction with the Successful Bidder; and
 - (i) any break-up fees or other fees due to a Selected Stalking Horse Bidder who is not a Successful Bidder or Backup Bidder shall be payable upon the consummation of the Successful Bid or Backup Bid, as applicable, for the applicable Leases and/or Real Property.
32. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may modify Auction procedures at any time.
 33. Notwithstanding the foregoing or anything else contained herein, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose one or more successful bidders as Successful Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
 34. All Deposits will be retained by the Monitor and invested in a separate interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by any Successful Bidder whose bid is approved at the Approval Motion will be applied to the purchase price upon closing of the approved transaction and will be non-refundable. The Deposit (plus applicable interest) of each Qualified Bidder not selected as a Successful Bidder will be returned to such Qualified Bidder within five (5) Business Days of the date upon which the Successful Bids are approved by the Court; provided, however, that the Deposit of any Backup Bidder shall not be returned to such Backup Bidder until the earlier of (a) consummation of the Successful Bid and (b) the expiration of the Outside Backup Date. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within five (5) Business Days of the date upon which the Real Property Portfolio Sales Process is terminated in accordance with the Sale Process Procedures.
 35. If a Successful Bidder breaches its obligations under its Qualified Bid, its Deposit shall immediately be forfeited to the Applicants without limiting any other of the Applicant’s rights and remedies at law or at equity.

Approval Motion for Definitive Agreements

36. The Applicants will apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid(s), or for Lease(s) and/or Real Property not subject to an Auction, the applicable Qualified Bid(s), and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Bid(s) and Qualified Bid(s), as applicable, and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid(s) and Qualified Bid(s), as applicable. The Approval Motion may be adjourned or rescheduled by the Applicants, in consultation with the Monitor and the DIP Lender, and without further notice by an announcement of the adjourned date at the Approval Motion.

OTHER TERMS

Approvals

37. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Amendment

38. The Applicants, on consent of the Monitor and the DIP Lender and in consultation with the Financial Advisor, may at any time:
- (a) amend this Real Property Portfolio Sales Process; and/or
 - (b) impose additional terms and conditions and otherwise seek to modify the Real Property Portfolio Sales Process.

DIP Lender Communications

39. The Applicants, the Monitor and the Financial Advisor will communicate and consult with the DIP Lender throughout the Real Property Portfolio Sales Process and will provide information to the DIP Lender in connection with such communications.

Monitor Updates

40. The Monitor will provide periodic updates to the Court on notice to the Service List with respect to the conduct and progress of the Real Property Portfolio Sales Process, including an update to be delivered to the Court prior to the commencement of any Auction.

Reservation of Rights

41. The Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, may provide Interested Bidders with any diligence materials and information, including site visits, that the Applicants deem necessary and appropriate to maximize the value of Real Property Portfolio Sales Process at any time after entry of the Sale Process Order.

Draft

42. Notwithstanding anything else herein, at any time after entry of the Sale Process Order, the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor, may enter into Lease termination agreements or withdraw Lease(s) and/or Real Property from this Real Property Portfolio Sales Process.
43. The Applicants, after consultation with the Financial Advisor and on the consent of the Monitor, may reject any or all bids.
44. To the extent any notice of changes to these procedures or related dates, time, or locations is required or otherwise appropriate, the Applicants may publish such notices on the Monitor's public web site at <http://www.alvarezandmarsal.com/targetcanada> and such notice shall be deemed satisfactory, subject to any other notice requirements specifically set forth herein or as required by the Court.
45. This Real Property Portfolio Sales Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Applicants and any Qualified Bidder, other than as specifically set forth in a definitive agreement that may be executed by an Applicant. At any time during the Real Property Portfolio Sales Process, the Monitor may apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

Landlord Communications

46. The Applicants, the Monitor and the Financial Advisor will communicate with the landlords under the Leases from time to time, as appropriate, in connection with their respective interests in the Real Property Portfolio Sales Process.

SCHEDULE "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 Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Property LLC

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

SCHEDULE "B"

To the Company:

Target Canada Co.
5570 Explorer Drive
Mississauga, ON L4W 0C3

Attn: Aaron Alt
Email: aaron.alt@target.com

With a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attn: Tracy Sandler & Heather McKean
Email: tsandler@osler.com & hmckean@osler.com

To the Monitor:

Alvarez & Marsal Canada Inc., Court appointed Monitor of Target Canada Co. et al
Royal Bank Plaza , South Tower, Suite 2900
PO Box 22
Toronto ON M5J 2J1

Attn: Doug McIntosh and Bill Kosturos
Email: dmcintosh@alvarezandmarsal.com & bkosturos@alvarezandmarsal.com

With a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attn: Jay Carfagnini and Kenneth Herlin
Email: jcarfagnini@goodmans.ca & kherlin@goodmans.ca

To the Financial Advisor:

Lazard Freres & Co. LLC.
30 Rockefeller Plaza
New York, NY 10112

Attn: Tim Pohl & Phillip Summers

Draft

Email: tim.pohl@lazard.com & phillip.summers@lazard.com

To the Broker:

Northwest Atlantic Canada, Inc.
864 York Mills Road
Toronto, Ontario M3B 1Y4

Attn: Tim Sanderson
Email: tim@nwaretail.com

To the DIP Lender:

Target Corporation
1000 Nicollet Mall
Minneapolis, MN 55403

Attn: Corey Haaland
Email: corey.haaland@target.com

With a copy to:

Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Attn: Dennis M. Ryan
Email: dennis.ryan@faegrebd.com

Draft

SCHEDULE "C"**Leases**

<u>ID #</u>	<u>Description</u>	<u>City</u>	<u>Province</u>
3505	Bayshore Mall	Ottawa	ON
3507	Intercity Shopping Centre	Thunder Bay	ON
3508	Discovery Harbour Shopping Centre	Campbell River	BC
3509	Nanaimo North Town Centre	Nanaimo	BC
3510	Westmount Shopping Centre	London	ON
3511	Hazeldean Mall	Kanata	ON
3512	Driftwood Mall	Courtenay	BC
3516	Carrefour Richelieu	St-Jean-sur-Richelieu	QC
3519	South Hamilton Square	Hamilton	ON
3522	County Fair Mall	Smiths Falls	ON
3524	Queenston Place	Hamilton	ON
3526	Lawrence Square	Toronto	ON
3530	Sydney Shopping Centre	Sydney	NS
3533	Thames-Lea Plaza	Chatham-Kent	ON
3534	Lansdowne Centre	Richmond	BC
3538	Forest Lawn Shopping Centre	Calgary	AB
3547	Les Galeries Gatineau	Gatineau	QC
3548	Hillside Mall	Victoria	BC
3550	Uptown Centre	Fredericton	NB
3552	Westdale Mall	Mississauga	ON
3557	Scottsdale Mall	Delta	BC
3559	Five Points Mall	Oshawa	ON
3560	Lindsay Square Mall	Lindsay	ON
3561	Kingsway Garden Mall	Edmonton	AB
3564	Sherwood Park Mall	Edmonton (Sherwood Park)	AB
3565	Upper Canada Mall	Newmarket	ON
3566	Northwest Centre	Moncton	NB
3572	Milton Mall Shopping Centre	Milton	ON
3574	Prairie Mall	Grande Prairie	AB
3575	Cottonwood Mall	Chilliwack	BC
3576	Carrefour St-Georges	Saint-Georges	QC
3577	The Mall At Lawson Heights	Saskatoon	SK
3586	Haney Place Mall	Maple Ridge	BC
3590	Carrefour De L'Estrie	Sherbrooke	QC
3591	Cataraqui Town Centre	Kingston	ON
3592	Les Rivières Shopping Centre	Trois-Rivières	QC
3595	Carrefour Angrignon	Montreal	QC
3608	Cambridge Centre	Cambridge	ON
3609	Centrepoint Mall	Toronto	ON
3610	Terrarium Shopping Centre	Pointe-Claire	QC
3613	Le Carrefour Rimouski	Rimouski	QC
3614	Medicine Hat Mall	Medicine Hat	AB
3615	Tamarack Mall	Cranbrook	BC
3616	Coquitlam Centre	Coquitlam	BC
3617	Surrey Place/Central City	Surrey	BC
3623	Bramalea City Centre	Brampton	ON
3624	Bower Place	Red Deer	AB
3628	Meadowlands Shopping Centre	Ottawa-Gatineau	ON
3630	1899 Algonquin Avenue	North Bay	ON

Draft

3634	Place Portabello	Brossard	QC
3636	Square One	Mississauga	ON
3637	Charlottetown Mall	Charlottetown	PE
3639	Durham Centre	Ajax	ON
3642	Laurentian Power Centre	Kitchener	ON
3644	Kildonan Place Shopping Centre	Winnipeg	MB
3645	Seaway Mall	Welland	ON
3646	Erin Mills Town Centre	Mississauga	ON
3647	Galleries D'Anjou	Montreal	QC
3648	West Edmonton Mall	Edmonton	AB
3650	Corner Brook	Corner Brook	NL
3652	Bayers Lake Power Centre	Halifax	NS
3655	McAllister Place	Saint John	NB
3657	Carrefour Du Nord	Saint-Jerome	QC
3658	RioCan St. Laurent	Ottawa	ON
3663	Pickering Town Centre	Pickering	ON
3665	Orillia Square	Orillia	ON
3666	Hillcrest Mall	Richmond Hill	ON
3667	Bridlewood Mall	Scarborough	ON
3668	Shoppers World Brampton	Brampton	ON
3669	Sheridan Mall	Mississauga	ON
3670	Hopedale Mall	Oakville	ON
3671	Meadowland Power Centre	Hamilton	ON
3672	Conestoga Mall	Waterloo	ON
3677	Sudbury Supermall	Sudbury	ON
3682	Southdale Centre	Winnipeg	MB
3688	Village Green Mall	Vernon	BC
3690	Willowbrook Shopping Centre	Langley	BC
3693	Carrefour St-Eustache	Saint-Eustache	QC
3694	St. Albert Centre	St. Albert	AB
3695	Mega Centre Autoroute 13	Laval	QC
3696	Les Galeries De La Capitale	Quebec City	QC
3697	Mic Mac Mall	Halifax	NS
3698	Orchard Park Plaza	Kelowna	BC
3699	Stratford Mall	Stratford	ON
3702	Place Longueuil	Longueuil	QC
3704	Place Alexis Nihon	Westmount	QC
3705	Place Versailles Shopping Centre	Montreal	QC
3706	Masonville Place	London	ON
3707	Woodbine Centre	Toronto	ON
3708	Devonshire Mall	Windsor	ON
3709	Les Promenades Saint-Bruno	Saint-Bruno-de-Montarville	QC
3710	Bonnie Doon	Edmonton	AB
3711	Oakridge Centre	Vancouver	BC
3713	Sunridge Mall	Calgary	AB
3714	Market Mall	Calgary	AB
3715	Cloverdale Mall	Toronto	ON
3717	Metropolis At Metrotown	Burnaby	BC
3718	Les Galeries Joliette	Joliette	QC
3719	Pine Centre	Prince George	BC
3725	Galleries Chagnon	Levis	QC
3728	Northgate Mall	Regina	SK
3729	Shoppers World Danforth	Toronto	ON
3730	Pen Centre	St. Catharines	ON
3731	Bedford Place	Bedford	NS

3732	Cabot Square	St John's	NL
3737	Shoppes At Shawnessy	Calgary	AB
3738	Burlington Mall	Burlington	ON
3739	Abbotsford Power Centre	Abbotsford	BC
3742	East York Town Centre	Toronto	ON
3743	Place Fleur De Lys	Quebec City	QC
3744	Sahali Centre Mall	Kamloops	BC
3746	Billings Bridge Plaza	Ottawa	ON
3747	Grant Park	Winnipeg	MB
3749	Aurora Shopping Centre	Aurora	ON
3751	Gates Of Fergus	Wellington	ON
3753	Centre Mall	Hamilton	ON
3754	Signal Hill Centre	Calgary	AB
3755	Place Laurier	Quebec City	QC
3757	Clarington Town Centre	Clarington	ON
3759	Stone Road Mall	Guelph	ON
3760	Tillicum Mall	Victoria	BC
3761	Millcroft Centre	Burlington	ON
3762	Flamborough Power Centre	Hamilton	ON
3763	Shoppers Mall	Brandon	MB
3764	Place D'Orleans	Ottawa	ON
3765	Faubourg Boisbriand	Boisbriand	QC
3766	Centre At Circle & Eighth	Saskatoon	SK
3767	Taunton Road Power Centre	Whitby	ON
3768	Eglinton and Warden	Toronto	ON
3769	Place Vertu	St Laurent	QC
3770	Mill Woods Town Centre	Edmonton	AB
3772	Chinook Centre	Calgary	AB
3773	Trinity Common	Brampton	ON
7000	Centre Laval	Laval	QC
7001	RioCan Niagara Falls	Niagara Falls	ON
7002	Stockyards	Toronto	ON
7008	York Street	Toronto	ON
7325	Warehouse space	Mississauga	ON
7326	Warehouse space	Calgary	AB
7327	Warehouse space	Montreal	QC
7328	Warehouse space	Burnaby	BC
7329	Distribution Facility	Hamilton	ON
7330	Distribution Facility	Calgary	AB
7403	Office space	Oshawa	ON
7404			
7405	Office space	Burlington	ON
7406			
7407	Office space	Burnaby	BC
7408			
7409			
7410	Office space	Edmonton	AB
7411	Office space	Calgary	AB
7412	Office space	Winnipeg	MB
7413	Office space	Montreal	QC
7414			
7415			
7416	Office space	Quebec City	QC
7417	Office space	Ottawa	ON
7418	Office space	Dartmouth	NS

9730	Office space	Mississauga	ON
9731 7400 7401 7402 7419	Office space	Mississauga	ON

SCHEDULE "D"**Real Property**

<u>ID #</u>	<u>Description</u>	<u>City</u>	<u>Province</u>
7004	Park Place	Barrie	ON
7006	Candiac Power Centre	Candiac	QC
7012	Polo Park	Winnipeg	MB
7300	Distribution Facility	Milton	ON
7301	Distribution Facility	Calgary	AB
7302	Distribution Facility	Cornwall	ON

Draft

**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., *et al.***

Applicants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**ORDER APPROVING REAL PROPERTY
PORTFOLIO SALES PROCESS AND
EXTENDING THE STAY PERIOD**

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785

TAB 4

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)	[WEDNESDAY, THE 4 TH]
)	
[REGIONAL SENIOR JUSTICE)	DAY OF FEBRUARY, 2015
)	
MORAWETZ])	

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 (collectively the "**Applicants**")

APPROVAL ORDER – AGENCY AGREEMENT

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "CCAA") for an order, *inter alia*, approving: (i) the transactions contemplated under the *Agency Agreement* entered into between Target Canada Co., Target Canada Pharmacy Corp. and Target Canada Pharmacy (Ontario) Corp. (collectively, "**Target Canada**") and a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "**Agent**") on January 29, 2015 (the "**Agency Agreement**") and certain related relief; and (ii) the

Draft

granting of the Agent's Charge and Security Interest (as defined below), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants, the Affidavit of Mark Wong sworn on January 29, 2015 including the exhibits thereto (the "**Wong Affidavit**"), and the First Report (the "**Monitor's First Report**") of Alvarez & Marsal Canada Inc., in its capacity as Monitor (the "**Monitor**") filed, and on hearing the submissions of respective counsel for the Applicants and the Partnerships listed on Schedule "A" hereto, the Monitor, Target Corporation, the Agent, and such other counsel as were present, no one else appearing although duly served as appears from the Affidavit of Service of ● sworn [DATE] filed:

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Agency Agreement or the Initial Order in these proceedings dated January 15, 2015, as applicable.

APPROVAL OF THE AGENCY AGREEMENT

AGENCY AGREEMENT

3. THIS COURT ORDERS that the Agency Agreement, including the Sale Guidelines attached hereto as Schedule "B" (the "**Sales Guidelines**"), and the transactions contemplated thereunder are hereby approved, authorized and ratified and that the execution of the Agency Agreement by Target Canada is hereby approved, authorized, and ratified with such minor amendments as Target Canada (with the consent of the Monitor) and the Agent may agree to in writing. Target Canada is hereby authorized and directed to take any and all actions as may be necessary or desirable to implement the Agency Agreement and each of the transactions contemplated therein. Without limiting the foregoing, Target Canada is authorized to execute any

Draft

other agreement, contract, deed or any other document, or take any other action, which could be required or be useful to give full and complete effect to the Agency Agreement.

THE SALE

4. THIS COURT ORDERS that subject to receipt of the Agent L/C by Target Canada, the Agent is authorized to conduct the Sale in accordance with this Order, the Agency Agreement and the Sales Guidelines. If there is a conflict between this Order, the Agency Agreement and the Sales Guidelines, the order of priority of documents to resolve such conflicts is as follows: (1) the Order; (2) the Sales Guidelines; and (3) the Agency Agreement.

5. THIS COURT ORDERS that, the Agent, in its capacity as agent of Target Canada, is authorized to market and sell the Merchandise, Additional Agent Goods, FF&E and, if any, Designated Company Consignment Goods, free and clear of all liens, claims, encumbrances, security interests, mortgages, charges, trusts, deemed trusts, executions, levies, financial, monetary or other claims, whether or not such claims have attached or been perfected, registered or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, whensoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or came into existence following the date of this Order, (in each case, whether contractual, statutory, arising by operation of law, in equity or otherwise) (all of the foregoing, collectively “**Claims**”), including, without limitation the Administration Charge, the KERP Charge, the Directors’ Charge, the Financial Advisor Subordinated Charge, and the DIP Lender’s Charge, as such terms are defined in the Initial Order, and any other charges hereafter granted by this Court in these proceedings (collectively, the “**CCAA Charges**”), and (ii) all Claims, charges, security interests or liens evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal or removable property registration system (all of such Claims, charges (including the CCAA Charges), security interests and liens collectively referred to herein as “**Encumbrances**”), which Encumbrances, subject to this Order, will attach instead to the Guaranteed Amount and any other amounts received or to be received by Target Canada under the Agency Agreement, in the same order and priority as they existed on the Sale Commencement Date.

6. THIS COURT ORDERS that subject to the terms of this Order, the Agency Agreement and the Sales Guidelines, the Agent shall have the right to enter and use the Locations and all

related store services and all facilities and all furniture, trade fixtures and equipment, including the FF&E, located at the Locations, and other assets of Target Canada as designated under the Agency Agreement, for the purpose of conducting the Sale, free of any interference or impediment from any Person, including all utilities, landlords, creditors, any successor or assignee of Target Canada under any and all leases relating to the Locations and all Persons acting for or on their behalf, and all such Persons shall not interfere with or otherwise impede the conduct of the Sale, or institute any action in any court or before any administrative body which in any way directly or indirectly interferes with or obstructs or impedes the conduct of the Sale.

7. THIS COURT ORDERS that until the applicable Vacate Date, the Agent shall have access to the Locations in accordance with the applicable leases and the Sales Guidelines on the basis that the Agent is an agent of Target Canada and Target Canada has granted the right of access to the Location to the Agent. To the extent that the terms of the applicable leases are in conflict with any term of this Order or the Sales Guidelines, then the terms of this Order and the Sales Guidelines shall govern.

8. THIS COURT ORDERS that except as provided for in this Order, any further order of the Court and the Sales Guidelines, nothing in this Order shall amend or vary, or be deemed to amend or vary the terms of the leases for Target Canada's leased locations. Nothing contained in this Order or the Sales Guidelines shall be construed to create or impose upon Target Canada or the Agent any additional restrictions not contained in the applicable lease or other occupancy agreement.

9. THIS COURT ORDERS that subject to, and in accordance with this Order, the Agency Agreement and the Sales Guidelines, the Agent, as agent for Target Canada, is authorized to advertise and promote the Sale, without further consent of any Person other than Target Canada and the Monitor as provided under the Agency Agreement.

10. THIS COURT ORDERS that until the Sale Termination Date, the Agent shall have the right to use the Company's trademarks and logos relating to and used in connection with the operation of the Locations solely for the purpose of advertising and conducting the Sale in accordance with the terms of the Agency Agreement, the Sales Guidelines, and this Order.

11. THIS COURT ORDERS that upon delivery of a Monitor's certificate to the Agent substantially in the form attached as Schedule "C" hereto, (the "**Monitor's Certificate**") and subject to payment in full by the Agent to Target Canada of the Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement, all of Target Canada's right, title and interest in and to any Remaining Merchandise and Remaining FF&E, shall vest absolutely in the Agent, free and clear of and from any and all Claims, including without limiting the generality of the foregoing, the Encumbrances, and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Remaining Merchandise or the Remaining FF&E shall be expunged and discharged as against the Remaining Merchandise or the Remaining FF&E upon the delivery of the Monitor's Certificate to the Agent; provided however that nothing herein shall discharge the obligations of the Agent pursuant to the Agency Agreement, or the rights or claims of Target Canada in respect thereof, including without limitation, the obligations of the Agent to account for and remit the proceeds of sale of the Remaining Merchandise and the Remaining FF&E (less the FF&E Commission) to the Designated Deposit Accounts.

12. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

AGENT LIABILITY

13. THIS COURT ORDERS that the Agent shall act solely as an agent to Target Canada and that it shall not be liable for any claims against Target Canada other than as expressly provided in the Agency Agreement. More specifically:

- (a) the Agent shall not be deemed to be an owner or in possession, care, control or management of the Stores, of the assets located therein or associated therewith or of Target Canada's employees (including the Retained Employees) located at the Stores or any other property of Target Canada;
- (b) the Agent shall not be deemed to be an employer, or a joint or successor employer or a related or common employer or payor within the meaning of any legislation governing employment or labour standards or pension benefits or health and safety

or other statute, regulation or rule of law or equity for any purpose whatsoever, and shall not incur any successorship liabilities whatsoever;

- (c) Target Canada shall bear all responsibility for any liability whatsoever (including without limitation losses, costs, damages, fines, or awards) relating to claims of customers, employees and any other persons arising from events occurring at the Stores and at the Distribution Centers during and after the term of the Agency Agreement, or otherwise in connection with the Sale, except in accordance with the Agency Agreement.

AGENT AN UNAFFECTED CREDITOR

14. THIS COURT ORDERS that the Agency Agreement shall not be repudiated, resiliated or disclaimed by Target Canada nor shall the claims of the Agent pursuant to the Agency Agreement and under the Agent's Charge and Security Interest (as defined in this Order) be compromised or arranged pursuant to any plan of arrangement or compromise among Target Canada and their creditors (a "**Plan**"). The Agent shall be treated as an unaffected creditor in these proceedings and under any Plan.

15. THIS COURT ORDERS that Target Canada is hereby authorized and directed, in accordance with the Agency Agreement, to remit all amounts that become due to the Agent thereunder.

16. THIS COURT ORDERS that no Encumbrances shall attach to any amounts payable or to be credited or reimbursed to, or retained by, the Agent pursuant to the Agency Agreement, including, without limitation, any amounts to be reimbursed by Target Canada to the Agent pursuant to the Agency Agreement, and Target Canada will pay such amounts to the Agent within two (2) Business Days after the Agent's written request for such reimbursement, and at all times the Agent will retain such amounts, free and clear of all Encumbrances, notwithstanding any enforcement or other process or Claims, all in accordance with the Agency Agreement.

DESIGNATED DEPOSIT ACCOUNTS

17. THIS COURT ORDERS that no Person shall take any action, including any collection or enforcement steps, with respect to amounts deposited into the Designated Deposit Accounts

pursuant to the Agency Agreement, including any collection or enforcement steps, in relation to any Proceeds or FF&E Proceeds, that are payable to the Agent or in relation to which the Agent has a right of reimbursement or payment under the Agency Agreement.

18. THIS COURT ORDERS that amounts deposited in the Designated Deposit Accounts by or on behalf of the Agent or Target Canada pursuant to the Agency Agreement including Proceeds and FF&E Proceeds shall be and be deemed to be held in trust for Target Canada and the Agent, as the case may be, and, for clarity, no Person shall have any claim, ownership interest or other entitlement in or against such amounts, including, without limitation, by reason of any claims, disputes, rights of offset, set-off, or claims for contribution or indemnity that it may have against or relating to Target Canada.

AGENT'S CHARGE AND SECURITY INTEREST

19. THIS COURT ORDERS that subject to the receipt by Target Canada of the Agent L/C, the Agent be and is hereby granted a charge (the "**Agent's Charge and Security Interest**") on all of the Merchandise, Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and, if any, the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to Agent with respect thereto) (and, for greater certainty, the Agent's Charge and Security Interest shall not extend to other Property of the Target Canada Entities as defined in paragraph 5 of the Initial Order) as security for all of the obligations of Target Canada to the Agent under the Agency Agreement, including, without limitation, all amounts owing or payable to the Agent from time to time under or in connection with the Agency Agreement, which charge shall rank in priority to all Encumbrances; provided, however, that the Agent's Charge and Security Interest shall be junior and subordinate to all Encumbrances, but solely to the extent of any unpaid portion of the Unpaid Company's Entitlements due to Target Canada under the Agency Agreement (the "**Subordinated Amount**").

PRIORITY OF CHARGES

20. THIS COURT ORDERS that the priorities of the Agent's Charge and Security Interest, the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge, as among them, shall be as follows:

Draft

First - The Agent's Charge and Security Interest (but only in respect of the Merchandise, the Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and, if any, the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto)) each as defined in the Agency Agreement, (but not in respect of any other Property as defined in paragraph 5 of the Initial Order); provided, however, that the Subordinated Amount, as defined in paragraph 19 hereof shall be subordinated in accordance with that paragraph;

Second – Administration Charge (to the maximum amount of \$6.75 million);

Third – KERP Charge (to the maximum amount of \$6.5 million);

Fourth – Directors' Charge (to the maximum amount of \$64 million);

Fifth – Financial Advisor Subordinated Charge (to the maximum amount of \$3 million); and

Sixth – DIP Lender's Charge.

21. THIS COURT ORDERS that the filing, registration, recording or perfection of the Agent's Charge and Security Interest shall not be required; and the Agent's Charge and Security Interest shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected prior or subsequent to the Agent's Charge and Security Interest coming into existence, notwithstanding any failure to file, register or perfect any such Agent's Charge and Security Interest. Absent the Agent's written consent or further Order of this Court (on notice to the Agent), Target Canada shall not grant or suffer to exist any Encumbrances over any Merchandise, Proceeds, FF&E Proceeds (to the extent of the FF&E Commission) and, if any, proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto) that rank in priority to, or *pari passu* with the Agent's Charge and Security Interest. For clarity, no Encumbrances shall attach to the Agent Additional Goods or proceeds relating thereto (net of the Additional Agent Goods Fee).

22. THIS COURT ORDERS that the Agent's Charge and Security Interest shall constitute a mortgage, hypothec, security interest, assignment by way of security and charge over the

Merchandise, the Proceeds, the FF&E Proceeds (to the extent of the FF&E Commission) and the proceeds of the Designated Company Consignment Goods (to the extent of the commission payable to the Agent with respect thereto) and, if any, other than in relation to the Subordinated Amount, shall rank in priority to all other Encumbrances of or in favour of any Person.

23. THIS COURT ORDERS that notwithstanding (a) the pendency of these proceedings; (b) any application for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) in respect of Target Canada or any of the Applicants, or any bankruptcy order made pursuant to any such applications; (c) any assignment in bankruptcy made in respect of Target Canada or any of the Applicants; (d) the provisions of any federal or provincial statute; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other document or agreement (collectively “**Agreement**”) which binds Target Canada:

(i) the Agency Agreement and the transactions and actions provided for and contemplated therein, including without limitation, the payment of amounts due to the Agent thereunder and any transfer of Remaining Merchandise and Remaining FF&E; and

(ii) the Agent’s Charge and Security Interest;

shall be binding on any trustee in bankruptcy that may be appointed in respect to Target Canada or any of the Applicants and shall not be void or voidable by any Person, including any creditor of Target Canada or any of the Applicants, nor shall they, or any of them, constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue or other challengeable reviewable transaction, under the BIA or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law.

BULK SALES ACT AND OTHER LEGISLATION

24. THIS COURT ORDERS AND DECLARES that the transactions contemplated under the Agency Agreement and any transfer of Remaining Merchandise or Remaining FF&E shall be

exempt from the application of any applicable *Bulk Sales Act* and any other equivalent federal or provincial legislation.

25. THIS COURT ORDERS that Target Canada is authorized and permitted to transfer to the Agent personal information in Target Canada's custody and control, and Agent is permitted to use and disclose such personal information subject to and in accordance with the terms of the Agency Agreement.

GENERAL

26. THIS COURT ORDERS that this Order shall have full force and effect in all provinces and territories in Canada.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any Court, tribunal, regulatory or administrative bodies, having jurisdiction in Canada or in the United States of America, to give effects to this Order and to assist Target Canada, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Target Canada and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist Target Canada and the Monitor and their respective agents in carrying out the terms of this Order.

Draft

SCHEDULE "A"
PARTNERSHIPS

Target Canada Pharmacy Franchising LP
Target Canada Mobile LP
Target Canada Property LP

Draft

SCHEDULE "B"
SALE GUIDELINES

The following procedures shall apply to any Sales to be held at the Locations. All terms not herein defined shall have the meaning set forth in the Agency Agreement between a contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "Agent") and the Company dated January 29, 2015 ("Agency Agreement").

1. Except as otherwise expressly set out herein, and subject to: (i) the Approval Order or any further Order of the Court; or (ii) any subsequent written agreement between the Company and the applicable landlord(s) (individually, a "Landlord" and, collectively, the "Landlords") and approved by Agent, or (iii) as otherwise set forth herein, the Sale shall be conducted in accordance with the terms of the applicable leases/or other occupancy agreements for each of the affected Locations (individually, a "Lease" and, collectively, the "Leases"). However, nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the respective Vacate Date of each Store.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws and regulations, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Agent in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Subject to the terms of the Agency Agreement, the Agent may advertise the Sale at the Locations as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Locations (provided however that no signs shall advertise the Sale as "bankruptcy" or a "going out of business" sale). Forthwith upon request from a Landlord, the Landlord's counsel, the Company or the Monitor, the Agent, shall provide the proposed signage packages along with the proposed dimensions and number of signs (as approved by the Company pursuant to the Agency Agreement) by e-mail or facsimile to the applicable Landlords or to their counsel of record. Where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Agent shall not use neon or day-glow or handwritten signage (unless otherwise contained in the sign package). Furthermore, with respect to enclosed mall Locations without a separate entrance from the exterior of the enclosed mall, no exterior signs or signs in common areas of a mall shall be used unless permitted by the applicable Lease. Nothing contained herein shall be construed to create or impose upon the Company or the Agent any additional restrictions not contained in the applicable Leases. In addition, the Agent shall be permitted to utilize exterior banners/signs at stand alone or strip mall Locations or enclosed mall Locations with a separate entrance from the exterior of the enclosed mall. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected

Draft

Location and shall not be wider than the premises occupied by the affected Location. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Location as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Company.

5. The Agent shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping centre or mall premises.
6. Conspicuous signs shall be posted in the cash register areas of each Location to the effect that all sales are “final” and customers with any questions or complaints shall call the Company’s hotline number.
7. The Agent shall not distribute handbills, leaflets or other written materials to customers outside of any of the Locations on Landlord’s property, unless permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Location is located. Otherwise, the Agent may solicit customers in the Locations themselves. The Agent shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable Lease or agreed to by the Landlord.
8. The Agent shall vacate the Locations in accordance with the terms and conditions of the Agency Agreement.
9. Subject to the terms of the Agency Agreement, the Agent may sell furniture, fixtures and equipment (“FF&E”) owned by the Company and located in the Locations during the Sale. The Company and the Agent may advertise the sale of FF&E consistent with these guidelines. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas or through other areas after a given Location has closed, with Landlord’s supervision as required by the Landlord and in accordance with the Initial Order and the Approval Order. The Agent shall repair any damage to the Locations resulting from the removal of any FF&E by Agent or by third party purchasers of FF&E from Agent.
10. The Agent shall not make any alterations to interior or exterior Location lighting, except as authorized pursuant to the affected Lease. No property of any Landlord of a Location shall be removed or sold during the Sale. No permanent fixtures (other than FF&E for clarity) may be removed without the Landlord’s written consent unless otherwise provided by the applicable Lease and in accordance with the Initial Order and the Approval Order. The hanging of exterior banners or other signage shall not constitute an alteration to a Location.
11. The Agent and its agents and representatives shall have the same access rights to the Locations as the Company under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Locations during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
12. The Company and the Agent shall not conduct any auctions of Merchandise or FF&E at any of the Locations.

Draft

13. The Agent shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact person for Agent shall be Jane Dietrich who may be reached by phone at 416-860-5223 or email at jdietrich@casselsbrock.com. If the parties are unable to resolve the dispute between themselves, the Landlord or Company shall have the right to schedule a “status hearing” before the Court on no less than **two (2) days** written notice to the other party or parties.
14. Nothing herein is, or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or shall, or shall be deemed to, or grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.

Draft

SCHEDULE "C"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) [WEDNESDAY, THE 4TH]
)
[REGIONAL SENIOR JUSTICE) DAY OF FEBRUARY, 2015
)
MORAWETZ])

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 (collectively the "Applicants")

MONITOR'S CERTIFICATE

RECITALS

All undefined terms in this Monitor's Certificate have the meanings ascribed to them in the Agency Agreement entered into between Target Canada Co., Target Canada Pharmacy Corp. and Target Canada Pharmacy (Ontario) Corp. (collectively, "Target Canada") and the contractual joint venture composed of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the "Agent") on January 29, 2015, a copy of which is attached as Exhibit D to the Affidavit of Mark Wong dated January 29, 2015.

Pursuant to an Order of the Court dated February [4th], 2015, the Court ordered that all of the Remaining Merchandise and the Remaining FF&E shall vest absolutely in the Agent, free and

Draft

clear of and from any and all claims and encumbrances, upon the delivery by the Monitor to the Agent of a certificate certifying that (i) the Sale has ended, and (ii) the Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement have been paid in full to the Company.

ALVAREZ & MARSAL CANADA INC., in its capacity as Court-appointed Monitor in the *Companies' Creditors Arrangement Act* proceedings of Target Canada Co., *et al* certifies that it has been informed by the Agent and Target Canada that:

The Sale has ended.

The Guaranteed Amount, the Expenses, any Company Sharing Recovery Amount, and all other amounts due to Target Canada under the Agency Agreement have been paid in full to the Company.

The Remaining Merchandise includes the Merchandise listed on Appendix "A" hereto.

The Remaining FF&E includes the FF&E listed on Appendix "B" hereto.

DATED as of this • day of •, 2015.

ALVAREZ & MARSAL CANADA INC.,
In its capacity as Court-appointed Monitor of
Target Canada Co., *et al.* and not in its
personal capacity

APPENDIX "A"

LIST OF REMAINING MERCHANDISE

Draft

APPENDIX "B"
LIST OF REMAINING FF&E

Draft

**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., et al.**

Applicants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**ORDER APPROVING AGENCY
AGREEMENT AND INVENTORY
LIQUIDATION PROCESS**

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785

**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., *et al.***

Applicants

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD
**(Motion for Approval of Agency Agreement
and Inventory Liquidation Process, Approval
of Real Property Portfolio Sales Process and
Stay Extension)**

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

Tel: (416) 362-2111
Fax: (416) 862-6666

Lawyers for the Applicants

Matter No: 1159785