

**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 (the "**Applicants**")

**MOVING PARTY'S MOTION RECORD OF  
PHARMACY FRANCHISEE ASSOCIATION OF CANADA  
(motion returnable Wednesday, February 11, 2015 at 10:00 a.m.)**

February 3, 2015

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TO: SERVICE LIST  
(as at February 2, 2015)

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#1259819

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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**")

**NOTICE OF MOTION**

PHARMACY FRANCHISEE ASSOCIATION OF CANADA will make a motion to a judge presiding over the Commercial List on Wednesday, February 11, 2015 at 10:00 a.m., or as soon after that time as the motion can be heard at the court house, 330 University Avenue, Toronto, Ontario.

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

**THE MOTION IS FOR** an order:

- (a) if necessary, abridging the time for service of this notice of motion and the motion record and declaring that the notice of motion is properly returnable on Wednesday, February 11, 2015 and that further service of this notice of motion and motion record on any interested party, other than those served, may be dispensed with;

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- (b) appointing Pharmacy Franchisee Association of Canada (“PFAC”) as the representative of the Pharmacists and Franchisees under the Pharmacy Franchise Agreements in these proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended (“CCAA”);
- (c) appointing Sutts, Strosberg LLP as Pharmacist Representative Counsel;
- (d) appointing BDO Canada as Pharmacist Financial Adviser;
- (e) directing the reasonable legal and other authorized professional expenses of PFAC to be paid from the estate of the Target Canada Entities;
- (f) directing pursuant to section 32(2) of the CCAA that the “Disclaimer of Franchise Agreements” dated January 26, 2015 from the Franchisor, Target Pharmacy, to each of the Franchisees and Pharmacists under the Pharmacy Franchise Agreement is set aside and declaring the Pharmacy Franchise Agreements and/or related agreements are not to be disclaimed or resiliated without further Court order and directing that Target Pharmacy cannot deny access to premises, discontinue supplies or otherwise interfere with the Pharmacists’ and Franchisees’ operations without further Court order; and
- (g) such further and other relief as to this Honourable Court may seem just.

**THE GROUNDS FOR THE MOTION ARE****PFAC Representative Order**

- (a) the Pharmacists and Franchisees are a vulnerable and an important stakeholder group and deserve meaningful representation in these CCAA proceedings;
- (b) individual representation by the Pharmacists and Franchisees would be too costly for them to have any meaningful representation;
- (c) PFAC is an appropriate representative for the Pharmacists and Franchisees;
- (d) representation by PFAC will enhance the efficiency of the proceedings in a number of ways, including assisting in the communication of the rights of this stakeholder group and provide an efficient and cost-effective means of ensuring that the interests of the Pharmacists and Franchisees are brought to the attention of the Court;
- (e) representation by PFAC will establish a leadership group who will be able to organize a process for obtaining the advice and directions of the Pharmacists and Franchisees on specific issues as required;
- (f) the contemplated representation may also avoid a multiplicity of retainers by the Pharmacists and Franchisees;
- (g) the contemplated representation order will provide for a notice and an opt-out process, allowing any individual who does not wish to be represented by PFAC to opt-out in favour of their own choice of representation;

**Pharmacist Representative Counsel Order**

- (h) Sutts, Strosberg LLP is an appropriate representative counsel as its lawyers have considerable experience in matters pursuant to the CCAA and in class proceedings that require them to act on behalf of class members on common issues;
- (i) there is no material conflict among the Pharmacists and Franchisees at this time, and, if any material conflict does arise in the future, the proposed Pharmacist Representative Counsel would attend before the Court to seek directions;
- (j) appointing Sutts, Strosberg LLP as Pharmacist Representative Counsel can be expected to have the following benefits:
  - (i) inform PFAC, both as a whole and with regard to each particular situation, of the Pharmacists' and Franchisees' rights and of the progression of these proceedings;
  - (ii) provide advice needed with respect to the Pharmacists' and Franchisees' effective participation in these proceedings;
  - (iii) represent the interests of the Pharmacists and Franchisees for the purpose of all decisions which might affect their rights in the course of these CCAA proceedings and, if necessary, bring to the Court's attention any matters to be dealt with;



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- (iv) advise on matters related to any plans put forward by the Target Canada Entities;
- (v) assist in evaluating their provable claims as required; and
- (vi) contribute to overall costs savings and a streamlining of the CCAA process by being the single point of contact for all Pharmacists and Franchisees and as such can provide consistent representation for a variety of claims and entitlements in the CCAA proceedings.

#### **Administrative Charge**

- (k) it is fair and reasonable to grant an administrative charge in favour of the legal fees and other professional expenses of the proposed representative PFAC in the circumstances of this case given that the Pharmacists are a vulnerable group who require representation and professional advice to secure and protect their rights in these CCAA proceedings;

#### **Disclaimer or Resiliation of Pharmacy Franchise Agreements**

- (l) the ability of the Pharmacists to continue to serve their patients will be jeopardized;
- (m) the disclaimer of the Pharmacy Franchise Agreements will likely cause significant financial hardship to the Pharmacists and Franchisees, even financial ruin for many of them;
- (n) Sections 11 and 32 of the CCAA;

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- (o) Rules 2.03, 3.02, 10.01, 12.07 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;
- (p) Section 138 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and
- (q) Such further and other grounds as the lawyers may advise.

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

- (r) Affidavit of Stavros Gavrilidis also known as Steve Gavrilidis sworn February 3, 2015, and the exhibits attached thereto; and
- (s) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

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February 3, 2015

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TO: SERVICE LIST ATTACHED  
(as at February 2, 2015)

#1259796

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

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(as at February 2, 2015)

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

**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 (the  
"Applicants")

**AFFIDAVIT OF STAVROS GAVRILIDIS, also known as  
STEVE GAVRILIDIS  
(sworn February 3, 2015)**

I, Stavros Gavrilidis, also known as Steve Gavrilidis, of the City of Windsor, Province of Ontario, MAKE OATH AND SAY:

1. I am a licensed Ontario pharmacist. I am an officer, director and majority shareholder of T Pharmacy Ltd., an Ontario corporation which owns and operates Target Pharmacy T3708 located at the Devonshire Mall, Windsor. I am the acting secretary of the Pharmacy Franchisee Association of Canada ("PFAC"), a federal corporation incorporated on May 16, 2014. PFAC represents the interests of the "Franchisees" and "Pharmacists" which have been licensed to operate Target-branded retail pharmacies within Target Canada Co. ("Target Canada") stores across Canada under the standard form "Pharmacy Franchise Agreement" with Target Pharmacy Franchising LP ("Target

Pharmacy”). As such, I have personal knowledge of the matters to which I hereinafter depose, unless stated to be based upon information and belief, in which case I state the source of my information and believe it to be true.

2. This affidavit is sworn in support of a motion to:
  - (a) appoint PFAC to represent the Pharmacists and Franchisees in these proceedings pursuant to the *Companies’ Creditors Arrangement Act* (“CCAA”);
  - (b) appoint Sutts, Strosberg LLP (William V. Sasso, senior counsel) as Pharmacist Representative Counsel;
  - (c) appoint BDO Canada (Blair Davidson, senior adviser) as Pharmacist Financial Adviser;
  - (d) order the legal and other professional expenses of PFAC to be paid from the estate of the Target Canada Entities; and
  - (e) pursuant to section 32(2) of the CCAA, setting aside the Disclaimer of Franchise Agreements dated January 26, 2015 from the Franchisor, Target Pharmacy, and directing that Target Pharmacy cannot disclaim the Pharmacy Franchise Agreements or related agreements (collectively “Pharmacy Franchise Agreements”) or deny access to premises, discontinue supplies or otherwise interfere with the Pharmacists’ operations without further court order.
  
3. I have reviewed the following documents relevant to these proceedings which are available on the website of Alvarez & Marsal Canada Inc., the court-appointed monitor (“Monitor”):
  - (a) the Initial Order in these CCAA proceedings, dated January 15, 2015;
  - (b) the endorsement for the Initial Order of Regional Senior Justice Morawetz, dated January 16, 2015;
  - (c) the notice of application and materials filed in support of the application for the Initial Order, including the affidavit of Mark J. Wong, dated January 14, 2015 and exhibits thereto; and



- (d) the motion for a stay extension to May 15, 2015 and other relief, including the affidavit of Mark J. Wong, dated January 28, 2015 and exhibits thereto; and
- (e) the Monitor's pre-filing report dated January 15, 2015 and first report dated January 30, 2015.

4. As set out in more detail below, to the extent that the materials filed with the Court to date suggest that Target Pharmacy and the Monitor are working cooperatively with the Pharmacists and Franchisees to assist them in the orderly relocation of their professional practices and/or that the orderly wind-down of the Target Canada Entities will not cause significant financial harm to the Pharmacists and Franchisees, I disagree completely.

5. Under the wind-down as proposed and implemented to date, Target Pharmacy:

- (a) will not accept responsibility for pharmacy shut-down costs;
- (b) will not continue to pay amounts owing to Pharmacists and Franchisees under their Pharmacy Franchise Agreements following their disclaimer, notice of which was delivered on January 26, 2015;
- (c) has not offered to buy-back the pharmacies or the assets thereof or provide any financial relief to the Pharmacists and Franchisees to date;
- (d) has advised the Pharmacists and Franchisees that they alone are responsible for the closing and/or relocating of their pharmacies;
- (e) has created uncertainty about suppliers to Pharmacists who are trying to continue to meet the needs of their patients;
- (f) while now acknowledging that patient files are the assets of the Pharmacists, has created uncertainty concerning the safeguarding of patient confidentiality and the custody of patient records;

- (g) will not accept any responsibility for pharmacy employees or contractors, advising the Pharmacists and Franchisees that they are “solely responsible for all salaries, fees, benefits, notice of termination, pay in lieu of notice, severance pay, and any other obligation under contract, statute, common law or otherwise”; and
- (h) has ceased communicating with the Pharmacists and Franchisees, with Target Pharmacy advising that effective 11:59 pm Eastern Time on Friday, January 23, 2015 the [targetcanada@target.com](mailto:targetcanada@target.com) mailbox will no longer respond to their emails and Target Pharmacy representatives will no longer respond to voicemail or text messages from the Pharmacists and Franchisees.

6. Many Pharmacists and Franchisees have made significant investments in their franchises operated within Target-branded retail stores. Many Pharmacists and Franchisees also have required financial assistance by Target Pharmacy in welfare programs, which assistance has been discontinued. They are financially vulnerable and are presently in dire financial circumstances.

7. Further, the Pharmacists are health professionals who have ongoing public responsibilities to serve their patients. Absent representation in these CCAA proceedings, funded by the Target Canada Entities, I believe the Pharmacists’ interests and those of the public they serve will not be adequately protected in these CCAA proceedings and the ability of many of the Pharmacists to continue to carry on business to serve their patients in any future location will be seriously compromised.

8. Since January 15, 2015, the Target Canada Entities have consistently directed the Pharmacists to obtain independent legal advice, to consult their respective regulatory authorities about such matters as protecting patient confidentiality, storing

drugs and re-locating their pharmacies in accordance with applicable regulations, but have left the Pharmacists and Franchisees without the means to do so. I will not be able to relocate my pharmacy and do not believe that any Pharmacist will be able to relocate their pharmacy within the 30 day period prescribed in the January 26, 2015 disclaimer and seek the Court's assistance on my own behalf and on behalf of each of the other Pharmacists and Franchisees.

#### **PERSONAL BACKGROUND**

9. I am a pharmacist and an officer, director and majority shareholder of T Pharmacy Ltd., the Ontario corporation which owns and operates the pharmacy within the Target store in Windsor, Ontario.

10. I live in Windsor where I have a history of active involvement in my community, both in municipal politics and within Windsor's Greek community. A copy of my curriculum vitae is annexed hereto as exhibit "A".

11. From September, 2007 until March, 2013, I owned and operated a 1,600 square foot pharmacy in Yorktown Plaza in Windsor, Ontario. Prior to opening Target Pharmacy T3708, I sold my significant database of all existing prescription and patient files to Target Canada Health Co. for \$235,565.00 as part of what I understood were to be long-term franchise arrangements as a Target-branded pharmacy.

12. I am the co-owner and operator of the Target Pharmacy T3708 at 3100 Howard Avenue, Devonshire Mall, Windsor, Ontario which opened March 18, 2013.

#### **THE PHARMACY FRANCHISE ARRANGEMENTS**

13. The affidavits of Mark J. Wong set out a generally accurate description of the number and location of the pharmacies and the franchise arrangements to the best of my knowledge. Target Pharmacy, the Franchisor under the Pharmacy Franchise Agreement, is described in paragraphs 30 and 31 of his January 14, 2015 affidavit and the Pharmacy Franchise Agreement is described in paragraphs 71 to 80 of that same affidavit. For easy reference, these paragraphs are excerpted and annexed hereto as exhibit “**B**”.

14. The post-Initial Order dealings with the Pharmacists are described under the heading “Efforts to Date to Stabilize Business” subheading “B. Pharmacists” paragraphs 11 to 15 of Mark J. Wong’s January 28, 2015 affidavit. For the 93 Target-branded pharmacies in Canada outside of Quebec, the disclaimer of their franchise agreements without prior consultation or financial support is the polar opposite of what Mr. Wong describes as stabilizing business. To the contrary, it is destroying the businesses of each of these Pharmacists and Franchisees leaving them with inadequate time to relocate and devaluing the value of their prescription and patient files.

15. As described in paragraphs 71-80 of the affidavit of Mark. J. Wong, dated January 14, 2015:

- (a) there are 96 Target-branded Pharmacies operating in retail stores in Canada outside of Quebec;
  - (b) 93 of the Pharmacies are operated by Franchisees pursuant to the standard form Pharmacy Franchise Agreements with Target Pharmacy, with the remaining 3 corporate pharmacies operated by TCC Pharmacy Ontario;
  - (c) most Franchisees are independent corporations which are wholly owned by licensed Pharmacists; and
  - (d) a licensed Pharmacist is a party to each Franchise Agreement and a pharmacist must be present on the premises to operate the Pharmacies.
16. The principal terms of the Pharmacy Franchise Agreement are:
- (a) Target Pharmacy licensed the Franchisees the right to operate the Pharmacies within Target Canada stores across Canada, except Quebec;
  - (b) no landlord and tenant relationship exists between Target Pharmacy and any Franchisee;
  - (c) the Franchisees have a temporary licence to use designated space within Target Canada stores for the operation of the pharmacies for an initial term of five (5) years from the date the pharmacy opens;
  - (d) Target Pharmacy may terminate the Pharmacy Franchise Agreement under various circumstances for cause (there is no cause for termination asserted by Target Pharmacy);
  - (e) each Pharmacist/Franchisee operates an independent business;
  - (f) each Pharmacist/Franchisee has the sole responsibility for all aspects of the employment relationship with its own employees;
  - (g) the Pharmacist/Franchisee must purchase and sell products that have been approved by Target Pharmacy from Target Pharmacy-approved suppliers, primarily being McKesson Canada Corporation, which is the primary supplier of pharmaceutical, health and beauty products;
  - (h) Franchisees make monthly payments to Target Pharmacy, including a franchise fee, an operations fee for the Computer System and other services, a licensed space fee and an advertising fee;

- (i) the inventory for prescription drugs is owned by the Franchisees and most of the other inventory in the Pharmacy such as over the counter drugs is owned by Target Pharmacy; and
- (j) all patient data is owned by the Franchisor, and must be safeguarded by the Franchisee.

17. A copy of the Pharmacy Franchise Agreement dated October 12, 2012 between Target Pharmacy, as Franchisor, T Pharmacy Ltd., as Franchisee and me, as Pharmacist, is annexed as Exhibit "C".

#### **PHARMACY FRANCHISEE ASSOCIATION OF CANADA ("PFAC")**

18. On May 16, 2014, PFAC was incorporated.

19. The current PFAC directors are:

- (a) President: Dan Dimovski (my partner in T Pharmacy Ltd.);
- (b) Vice-President: Charles Scerbo (Pharmacist operating in Winnipeg); and
- (c) Secretary: Stavros Gavrillidis.

20. The mission statement of PFAC follows:

*The mission of PFAC is to protect the interest of all franchisees, to give members the resources to provide a more level playing field between the individual franchisee and the franchisor and to be the collective voice of franchisees to provide opportunities for a profitable and healthy pharmacy franchise business. We get involved and can make a difference in your operation.*

21. PFAC was originally formed, as reflected in the mission statement, to provide a collective voice for the Pharmacists and Franchisees because many

Pharmacists and Franchisees operating in Target-branded retail stores wished to effect fundamental and necessary changes to many of the inherently onerous terms and conditions of the Pharmacy Franchise Agreement in order to represent a more independent pharmacy franchise model.

22. At the time PFAC was formed, a letter was sent to all Pharmacists and Franchisees, which is annexed as exhibit “D”, stating that the purpose of PFAC was as follows:

- (a) to represent the interest of the Pharmacists and Franchisees across Canada;
- (b) to offer the Pharmacists and Franchisees a platform to discuss, exchange ideas and find solutions to areas of concerns with the independent franchise model for the purpose of attaining a financially viable pharmacy business model; and
- (c) to represent the best interests of the Pharmacists and Franchisees while working with the Franchisor to improve/change the Pharmacy Franchise Agreement for the benefit of both parties.

23. Since January 15, 2015, PFAC has taken a proactive role to advance the interests of the Pharmacists and Franchisees by taking the following steps:

- (a) retaining Sutts, Strosberg LLP to represent PFAC in these CCAA proceedings;
- (b) seeking and obtaining the authorization from at least 75 Pharmacists and Franchisees to date, which are listed and annexed hereto as exhibit “E” to be represented by PFAC and Sutts, Strosberg LLP in these CCAA proceedings, including the initial steps of seeking a representation order, an order for funding of legal and other expenses, and the other orders now sought;
- (c) convening three conference calls with Sutts, Strosberg LLP (William V. Sasso) and PFAC members to receive preliminary advice on the CCAA process and Initial Order and the s. 32 agreement disclaimer process:

- (i) January 19, 2015: 54 participants: length of call 1.10 hours;
  - (ii) January 26, 2015: 9 participants: length of call 56 minutes; and
  - (iii) January 27, 2015: 73 participants: length of call 1 hour;
- (d) creating a Facebook page to keep PFAC members apprised of current events;
  - (e) creating a media strategy and political strategy to lobby on behalf of PFAC and the Pharmacists and Franchisees;
  - (f) through Sutts, Strosberg LLP, contacting BDO Canada Limited (“BDO”) and obtaining BDO’s consent to be appointed as the financial adviser to the Pharmacist regarding the wind-down of the pharmacies; and
  - (g) through Sutts, Strosberg LLP, contacting Gardiner Roberts LLP to provide advice relating to compliance with professional and regulatory obligations for Pharmacists across Canada.

24. PFAC, in summary, has taken an important, proactive role since January 15, 2015 to protect the interests of the Pharmacists and Franchisees in Target-branded retail stores across Canada.

#### **POST-FILING COMMUNICATION WITH THE PHARMACISTS BY TARGET PHARMACY**

25. As stated above, there has been no real assistance provided by the Monitor, Target Pharmacy or any other Target Canada Entities to the Pharmacists and Franchisees. To PFAC’s knowledge, the Monitor has not contacted any of the Pharmacists and Franchisees (or PFAC) to investigate whether the Target Canada wind-down in general or the disclaimer of the Pharmacy Franchise Agreements in particular would cause significant financial hardship to the Pharmacists and Franchisees or the extent of that hardship.



26. For their part, the Target Canada Entities have provided no meaningful guidance or assistance to the Pharmacists and Franchisees.

27. In further particular, there was absolutely no communication with the Pharmacists and Franchisees concerning the wind-down plan for all of Target Canada's operations prior to January 15, 2015. The announcement of the CCAA court protection filing and discontinuance of the Target Canada operations came as a surprise and shock to all of us.

28. The Pharmacists and Franchisees are completely dependent on the Target Canada Entities for their operations. Not only do we require their cooperation to access our business premises, we are obligated under section 5.2 of the Pharmacy Franchise Agreement to purchase inventory, supplies, Computer System and equipment "exclusively from the Franchisor or from its preferred suppliers" and to even order generic prescription drug products from the Franchisor's preferred suppliers (without being permitted to know the rebates or other benefits received directly or indirectly by the Franchisor from such arrangements).

29. Commencing the day that Target Canada announced that it was discontinuing operations in Canada, the Pharmacists and Franchisees have been given very little information or support. A summary follows.

30. On January 15, 2015, an email was sent from Jeff May, Senior Director Healthcare Operations – Target Canada, which is annexed hereto as exhibit “F” advising that Target Corporation announced that it filed for CCAA protection and intended to discontinue the operations of Target Canada and its subsidiaries and affiliates.

31. The email states that the Pharmacists and Franchisees are responsible for closing and/or relocating their pharmacies and complying with provincial regulatory requirements.

32. The First Report of the Monitor (section 8.3) references a group conference call as part of the Target Canada Entities’ ongoing communication. That conference call took place on January 15, 2015 at which time Jeff May advised the Pharmacists and Franchisees that Target Canada was insolvent and was winding down its operations and had sought and received court protection earlier that day. A transcription of that conference call is annexed hereto as exhibit “G”. Among other things, the Pharmacists and Franchisees were advised:

- (a) Target Canada will terminate all contractual relationships, including the Pharmacy Franchise Agreements;
- (b) the Pharmacists and Franchisees will be responsible for closing or relocating their pharmacy operations;
- (c) the Pharmacists have professional obligations under applicable pharmacy legislation to notify the pharmacy regulator, and in some provinces, the patients of the closing and relocation of the pharmacies;
- (d) the Pharmacists should contact their pharmacy regulators to understand their obligations, as each Pharmacist is responsible for satisfying their professional obligations under applicable pharmacy legislation for the closure and relocation;

- (e) Target Canada will provide a courtesy notice to the pharmacy regulators in each province;
- (f) the Pharmacists are solely responsible for the transfer or disposition of drug inventory products that they own, the custody, retention and transfer of customer files, the transfer or disposal of all inventory, communicating with employees and contractors, the wages, salaries, fees, benefits, notice of termination, pay in lieu of notice, severance pay, or any other obligations owed to employees of the Pharmacists and Target Canada and Target Pharmacy are not responsible for any of these issues;
- (g) outstanding amounts pre-filing owing to the Pharmacists and Franchisees will be dealt with through the CCAA proceedings;
- (h) Target Pharmacy intends on providing the Pharmacists with sufficient advance notice to ensure compliance with pharmacy regulatory obligations; and
- (i) the Pharmacists should seek independent legal advice.

33. No financial or other assistance was offered by Jeff May on behalf of the Target Canada Entities.

34. On January 16, 2015, an email was sent from Target Canada, which is annexed as exhibit “**H**”, which stated as follows:

- (a) no decision has been made about how long the stores will remain open;
- (b) the inventory of drug products are the assets of the Franchisees which must be disposed of in compliance with provincial law and the applicable regulator(s) should be contacted for direction on protocols, guidelines and other information available to secure that inventory;
- (c) Target will not purchase the remaining inventory, and such inventory must be transferred or disposed of as quickly as possible;
- (d) Target will not pay for shut down costs and expenses;

- (e) the employees of the pharmacies are the sole responsibility of the Pharmacists and Franchisees, including wages, salaries, fees, benefits, notice of termination, pay in lieu of notice, severance pay and any other obligation owing under contract, statute, common law or otherwise; and
- (f) all questions should be directed by email to [targetcanadarx@target.com](mailto:targetcanadarx@target.com), as there will be no response to direct emails, voicemails or text messages.

35. On January 19, 2015, Jeff May advised as follows in an email which is annexed as exhibit “I”:

- (a) the patient files are the assets of the Pharmacists and Franchisees who are responsible for safeguarding the personal information of their patients;
- (b) Target is not responsible for the custody and control of patient files;
- (c) Pharmacy regulator(s) should be contacted for direction with respect to Pharmacists’ responsibility related to the retention/transfer of patient information, safeguarding information, and responsibility for the communication with the patients;
- (d) the Pharmacy Franchise Agreements will be terminated;
- (e) the Pharmacists and Franchisees should begin immediate planning to shut down their business in compliance with pharmacy regulations and should contact their provincial regulators in that regard;
- (f) the Pharmacists and Franchisees will receive 30 days notice to close the pharmacies once the disclaimer notice has been served; and
- (g) email inquiries should be directed to the Target Pharmacy general email because individual team leaders will no longer respond.

36. On January 23, 2015, Jeff May advised as follows in an email which is annexed as exhibit “J”:

- (a) efforts are ongoing to facilitate the Pharmacists’ ability to transfer their patient files and customer data;
- (b) the Pharmacists must adhere to the hours of operation required under the Pharmacy Franchise Agreements until the agreements are terminated or the pharmacies are relocated;

- (c) the Pharmacists should immediately begin steps to close or relocate their pharmacies in compliance with pharmacy regulatory obligations; and
- (d) “effective 11:59 pm Eastern Time on Friday, January 23, 2015 the [targetcanadarx@target.com](mailto:targetcanadarx@target.com) mailbox will no longer be responding to emails. The FFOLE, Target Pharmacy Headquarters Team Members and your Store Team Leaders will also be unable to respond to questions, emails, voicemail or text messages”.

37. On January 23, 2015, Target Canada disseminated a press release which is annexed hereto as exhibit “K” which stated among other things as follows:

- (a) all 133 stores will be closed;
- (b) all Target Canada employees who worked at Starbucks locations within Target-branded retail stores will be reassigned to other areas of the store;
- (c) all pharmacies will continue to operate for a limited (unspecified) time;
- (d) Pharmacy Franchisees are responsible for communications with their patients under the direction of their provincial regulator(s); and
- (e) customers of the pharmacies should contact their Pharmacist directly for information.

38. On January 26, 2015, I received a letter enclosing the notice of “Disclaimer of Franchise Agreements” which are annexed hereto as exhibit “L”. Based on my communications with PFAC members and based upon the information contained in paragraph 8.4(b) of the Monitor’s Report, dated January 30, 2015, I understand that notices of disclaimer were delivered to all pharmacies outside of Quebec.

39. According to the Notice, the Pharmacy Franchise Agreements will terminate within 30 days of January 26, 2015 and the Pharmacists and Franchisees must do the following:

- (a) continue to operate the pharmacies in accordance with the Pharmacy Franchise Agreements including the minimum hours of operation, until the Pharmacy Franchise Agreements terminate or the store closes and/or the pharmacy is relocated, whichever is earlier;
- (b) immediately begin to take steps to close and/or relocate the pharmacy in compliance with pharmacy regulatory obligations, including the minimum notice requirements of the regulator, communicating with patients, and providing them access to their personal health information; and
- (c) complete a Target Pharmacy Closing Checklist (to be provided later), including advising management of the proposed last day at the Target Pharmacy.

40. On January 27, 2015, Pharmacists and Franchisees also received the following email, which is annexed as exhibit “M” from Spencer Sonshine of Pharmacy Relations at Kroll Computer Systems Inc., a company charged with providing pharmacy management software, hardware, middleware, training and support to Franchisees, advising:

- (a) all data storage, replication and necessary security measure will be organized and funded by Alvarez & Marsal, the court appointed Monitor;
- (b) Alvarez & Marsal will collect all physical pharmacy hardware as the purchase of existing pharmacy hardware is no longer an option due to privacy and security concerns; and
- (c) Kroll will provide each Pharmacist and Franchisee with a copy of its prescription database on a secure device provided by the Pharmacist and Franchisee, but additional charges (amounts unspecified) may be applicable if a Franchisee wishes to sell or reuse their database.

41. In response to the Notice of Disclaimer, Sutts, Strosberg LLP delivered the following correspondence on behalf of PFAC:

- (a) letter dated January 29, 2015, which is annexed hereto as exhibit “N” to counsel for the Target Canada Entities, requesting the written reasons for

the disclaimer or resiliation within the five day period prescribed by s. 32(8) of the CCAA; and

- (b) letter dated January 29, 2015, which is annexed hereto as exhibit “O” to the Monitor and counsel for the Monitor, requesting copies of any investigations or studies done to determine whether the disclaimer or resiliation would likely cause significant financial hardship to a party to the agreement.

42. On January 30, 2015, counsel for the Applicants responded by letter which is annexed hereto as exhibit “P” with a request to provide the list of specific franchisees, if any, represented by Sutts, Strosberg LLP and confirmation that Sutts, Strosberg LLP has instructions to act on their behalf.

43. On January 31, 2015, Sutts, Strosberg LLP delivered a letter to counsel for the Target Canada Entities, which is annexed hereto as exhibit “Q” confirming its retainers and reiterating the request for the written reasons for the disclaimer or resiliation.

**TARGET CANADA WEBSITE ADVISED THAT THE PHARMACIES ARE CLOSED**

44. On the morning of Friday, January 30, 2015, I was informed by a Franchisee that the Target Canada website displayed the following message:

This Target Pharmacy has closed permanently effective.

All your prescription and patient records from this location have been transferred to a pharmacy operated by Wal-Mart. We have worked with Wal-Mart to ensure a smooth transition of pharmacy services and provide you with continued care. This includes the secure transfer of your prescription records to the new pharmacy manager in accordance with our privacy policy, professional standards of practice and applicable provincial privacy laws. The contact for the Wal-Mart pharmacy is:

45. I then visited the Target Canada website, searched for my Windsor pharmacy and confirmed that the same message appeared when a prescription patient or any other person accessed my pharmacy location via the Target Canada website. Attached as exhibit “**R**” is a screenshot of the page that I took on Friday, January 30, 2015.

46. The information on Target Canada’s website was incorrect. My pharmacy was not closed and the patient records were not being transferred to a pharmacy operated by Wal-Mart or anyone else. I have been advised by several other Pharmacists that the same erroneous posting appeared on the web page for their pharmacies.

47. I immediately forwarded the screenshot to my lawyers at Sutts, Strosberg LLP by email. I am advised by William V. Sasso and verily believe that he attempted to contact the lawyers for both the Monitor and the Target Entities by telephone immediately upon receiving my email and viewing the screenshot, and that voicemail messages were left regarding the website posting and requesting that the posting be removed immediately.

48. I am advised by Mr. Sasso and verily believe that his message was returned by Jeremy Dacks, a lawyer for the Target Canada Entities about an hour later. Mr. Dacks advised that this website posting had been made in error and that the posting was removed. Mr. Dacks advised Mr. Sasso that the message was to be posted on



Target owned pharmacies only and that, in error, it had been posted on the websites for all Target pharmacies.

49. I do not know when the message was posted on the website for all of the pharmacies, when the posting was removed, or how long the posting remained accessible to the public. I also do not know how many, if any, patients may have transferred their prescriptions to Wal-Mart pharmacies as a result of the posting.

**THE ADVICE REQUIRED AS A RESULT OF THE NOTICE OF DISCLAIMER**

50. As a result of the directives from Target Canada, the Pharmacists and Franchisees are in a state of distress. In my opinion, no orderly wind-down of my pharmacy or any of the other pharmacies is possible within the proposed 30 day timeframe prescribed by the Disclaimer of Franchise Agreements dated January 26, 2015. Nor can the Pharmacists and Franchisees even dispose of their patient lists or other assets except at distress prices without the time and assistance to arrange for their orderly disposition.

51. On February 2, 2015, Sutts, Strosberg LLP delivered a letter to counsel for the Target Canada Entities and Monitor, requesting that it be placed on the Service List and advising of its intention to move for the relief requested in this motion. A copy of this letter is attached as exhibit "S".

52. Contrary to the statements made in the Monitor's Report, dated January 30, 2015 at paragraph 8.2, since the Initial Order there has been no assistance given by the Monitor or by the Target Canada Entities to assist in the timely transition of patients and Pharmacists to alternative pharmacies. To the contrary, as set out above, there has been little consultation and as of the date of the swearing of this affidavit, there is currently no means of communication whatsoever.

53. Contrary to the statements made in the Monitor's Report, dated January 30, 2015 at paragraph 8.3, there has been no extensive communication regarding the steps that Pharmacists and Franchisees are required to take to comply with regulatory and professional requirements for the safeguarding of patient files, communication with patients, and the ongoing sale and relocation of scheduled drug inventory. There has been, in summary, no communication at all with the Monitor and the Target Canada Entities have discontinued all communications whatsoever with the Pharmacists three days prior to delivery of the Disclaimers of the Franchise Agreements.

54. Target Pharmacy's demands for the immediate closure of the pharmacies present the following problems for all of the Pharmacists and Franchisees:

- (a) financial
- (b) regulatory; and
- (c) legal

**FINANCIAL ADVICE REQUIRED**

55. As summarized in the letter from Blair Davidson, President of BDO Canada Limited dated February 3, 2015, attached as Exhibit “T”, the Pharmacists and Franchisees require assistance from financial advisers in relocation, asset sales and calculation of provable claims. For the Pharmacists, this is their sole livelihood. The Pharmacy Franchise Agreement requires them to devote full time and attention to the management and operation of the pharmacy (section 5.9). It also prohibits them from carrying on or being engaged in or concerned with or interested in, financially or otherwise, any pharmacy services, including the sale of prescription or over the counter pharmaceuticals and related products or any other business that is competitive with or similar to a Target Pharmacy (section 10.1). To PFAC’s knowledge, the operation of the pharmacy is the sole business for each and every one of the Pharmacists and Franchisees.

**REGULATORY ADVICE REQUIRED**

56. In virtually all of its communications, Target Pharmacy has urged the Pharmacists to contact their provincial regulator(s) to receive guidance about complying with provincial regulations.

57. On behalf of PFAC and the Pharmacists and Franchisees, Sutts, Strosberg LLP has contacted Lad Kucis of Gardiner Roberts LLP to assist in providing advice to the Pharmacists on health law related issues raised by the sudden closure of the Target

pharmacies. Mr. Kucis' letter dated February 3, 2015 consenting to assist in providing this legal advice is attached as exhibit "U".

58. As stated above, the Notice of Disclaimer requires the pharmacies to close within 30 days. I am informed by my lawyers that the applicable legislation and the professional regulations and standards of the Ontario College of Pharmacists requires a pharmacist to take the following steps on any closure and relocation of a pharmacy:

- (a) give notice of closure within seven days;
- (b) give notice of the intention to open a new pharmacy 45 days prior to opening;
- (c) safeguard records of personal health information in its custody or control;
- (d) provide patients with notice prior to the transfer of their records of personal health information;
- (e) provide notice to the Office of Controlled Substances regarding various issues relating to the disposition of narcotics and controlled substances within 10 days of the closure of a pharmacy; and
- (f) properly disposing of all other prescription and non-prescription drugs.

59. Pharmacists in Ontario also have a professional obligation to continue professional services. Regulation 681/93 of the *Pharmacy Act, 1991* states that discontinuing professional services that are needed, without reasonable cause, absent arranging alternative services or giving the patient a reasonable opportunity to arrange alternative services is professional misconduct.

60. I have referred to the legislation and the professional regulations and standards applicable in Ontario. I understand that the legislation and professional regulations and standards may differ from province to province.

61. In short, the directive to close the pharmacies within 30 days forces the Pharmacists into a situation where they cannot possibly comply with their provincial regulations.

62. Absent an order from the Court that the Pharmacy Franchise Agreements are not to be disclaimed, the Pharmacists may have no choice but to interrupt service to their patients and not be in compliance with their professional obligations described above. It is an untenable situation.

63. Common with the other Pharmacists, I am concerned about my patients who depend upon me to provide prescription services. Many of my own clients are seniors or people with disabilities. It is my professional and moral obligation to provide uninterrupted service to these patients even in the midst of the chaos created by the Target Canada closure.

#### **LEGAL ADVICE REQUIRED**

64. I believe that PFAC is a proper representative of the Pharmacists and Franchisees. I and the other members of PFAC will work diligently with the

Pharmacists and Franchisees and bring their issues and concerns to the Court in an orderly and effective manner.

65. The contemplated representation will enhance the efficiency of the proceedings in a number of ways. It will assist in the communication of the rights of this stakeholder group and provide an efficient and cost-effective means of ensuring that the interests of PFAC, Pharmacists and Franchisees are brought to the attention of the Court. PFAC will establish a leadership group to organize a process for obtaining the advice and directions of the Pharmacists and Franchisees on specific issues as required. Further, the contemplated representation of the Pharmacists and Franchisees by PFAC will avoid a multiplicity of retainers to the extent that separate representation is required.

66. PFAC understands that the contemplated representation order will provide for a notice and an opt-out process, allowing any Pharmacist and Franchisee who does not wish to be represented by PFAC or the proposed representative counsel, Sutts, Strosberg LLP, to opt-out in favour of their own choice of representative and/or legal counsel.

67. I also believe that Sutts, Strosberg LLP is an appropriate representative counsel as I understand that its lawyers have considerable experience in matters pursuant to the CCAA and in class proceedings that require them to act on behalf of class members on common issues.

68. I am advised by William V. Sasso of Sutts, Strosberg LLP, the proposed senior representative counsel, that he does not believe there is any material conflict as between the Pharmacists and Franchisees, and that if any material conflict does arise in the future, the proposed representative counsel would attend before the court at that time to seek directions.

69. I am advised by William V. Sasso that Harvey T. Strosberg, Q.C., Sharon Strosberg and Jacqueline A. Horvat of Sutts, Strosberg LLP are also committed to assisting in providing legal advice to the Pharmacists and Franchisees as required and as may be directed by this Court.

70. I believe that the appointment of Sutts, Strosberg LLP as representative counsel to the PFAC can be expected to have the following benefits. Representative counsel will:

- (a) inform PFAC, both as a whole and with regard to each particular situation, of their rights and those of the Pharmacists and Franchisees of the progression of these proceedings;
- (b) provide advice needed with respect to their effective participation in these proceedings;
- (c) represent the interests of PFAC, the Pharmacists and Franchisees for the purpose of all decisions which might affect their rights in the course of these CCAA proceedings and, if necessary, bring to the Court's attention any other matters to be dealt with on their behalf;
- (d) advise on matters related to any plans put forward by the Target Canada Entities;
- (e) assist in evaluating their claims as required; and
- (f) contribute to overall costs savings and a streamlining of the process by being the single point of contact for the Pharmacists and Franchisees,

providing consistent representation for a variety of claims and entitlements in the CCAA proceedings.

### **FINANCIAL HARDSHIP**

71. I understood from my review of Section 6.0 of the Monitor's Report, "Cash Flow Results Relative to Forecast", "during the Reporting Period, the Target Canada Entities experienced a positive net cash flow variance of approximately \$92.5 million relative to the CCAA Cash Flow Forecast." The Target Canada Entities' total receipts were \$29.5 million greater than projected and the total disbursements were \$63 million less than projected. The closing cash balance as at January 24, 2015 was approximately \$79.8 million as compared to the projected balance of \$10 million.

72. I believe that these unexpected positive cash flow results support the Pharmacists' and Franchisees' requests for as much additional time as the Court will permit for the Pharmacists and Franchisees to seek and obtain the professional advice required and to reorganize their own affairs to relocate their pharmacies for the continued service of their patients.

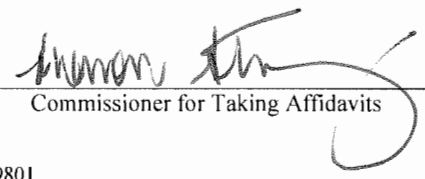
73. Without dwelling on it unduly, the financial situation that my own pharmacy and I face are critical. I currently owe \$212,000 on my business line of credit. My pharmacy fills approximately 2,200 prescriptions per month for the 1,200 prescription patients or so that I serve. I have not had sufficient opportunity to explore

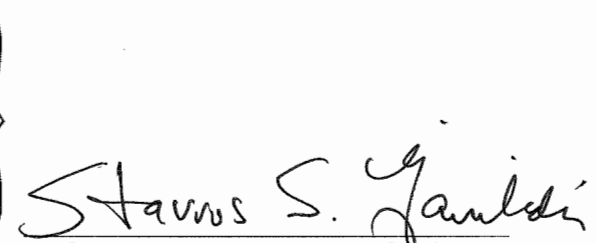


the market, select a permanent relocation site, and reasonably calculate the costs of relocating my pharmacy business.

74. This affidavit is filed in support of a motion for the appointment of representation for the Pharmacists, for an order that the Pharmacy Franchise Agreements are not to be disclaimed without further order of the Court, and for the other relief sought in the notice of motion and for no other or improper purpose.

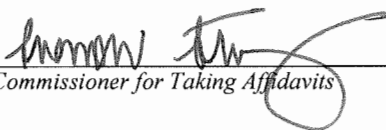
SWORN BEFORE ME at the City of Windsor, in the Province of Ontario on February 3, 2015.

  
Commissioner for Taking Affidavits

  
STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS

#1259801

The attached is exhibit "A" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

Stavros Gavrilidis, R.Ph.  
 10945 Mulberry Rd  
 Windsor, Ontario, N8R 2C6  
 Cell 226-246-2556  
 Email: [targetpharmacy@hotmail.ca](mailto:targetpharmacy@hotmail.ca)

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#### EDUCATION

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Wayne State University, Detroit, Michigan ■ 1987  
 B.Sc. Pharmacy

University of Windsor, Windsor, Ont ■ 1984  
 Biochemistry, Pre-Pharmacy  
 Completed Pre-Pharmacy Requirements as part of the Bachelor Program in  
 Biochemistry

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#### EXTERNSHIP/INTERSHIP

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- Henry Ford Hospital, Detroit, Michigan – Community Pharmacy Externship 1987
- River Rouge Hospital, River Rouge Michigan – Substance Abuse Externship 1987
- Detroit Receiving Hospital, Detroit, Michigan – Hospital Pharmacy Externship 1987
- Big V Drug Stores, Windsor, Ontario – Ontario College of Pharmacists Internship Training 1985, 1986, 1987

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#### PROFESSIONAL WORK EXPERIENCE – WINDSOR, ONTARIO

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Target Pharmacy (T Pharmacy Ltd) - President/Pharmacist/Franchisee-  
 Located in the Target Canada Store- Devonshire Mall Windsor - present

Pharma Health Drug Store – Pharmacist/Owner/Operator - Established Sept 2007 to  
 Mar 2013 , Pharma Health Home Health Care Store Apr 2013 to present

Chatham City Rexall Pharmacy – Pharmacist/Manager- March 2007 to Aug, 2007

Relief Pharmacist – Sept 2006 to Feb 2007  
 -working at various pharmacies on a pharmacist/contractor basis

Riverside Pharmacare Drug Mart – Dec 2005 to July 2006  
 -sold assets of independent business to Riverside Medical Pharmacy Inc and employed  
 as pharmacist/manager on a contractor basis via Parkway Medi-Pharm Inc

Pharmacare Drug Mart – June 1991 to Nov 2005  
 Established pharmacy and adjacent medical office serving the community

Parkway Medi-Pharm Centre – 1999 to 2004  
 Medical Director/Owner of family practice/walk-in clinic

The Medicine Cup Drug Store & Coffee House – 1996 to 1999  
 Established retail pharmacy with onsite restaurant

Brouillette Manor Nursing Home – 1992-1993  
 Provided Comprehensive Pharmacy Services to Nursing Home Staff and Residents

Yee Pharmacy T.L.C. – 1988-1990  
 Pharmacy Manager/40%Partner-established new pharmacy adjacent to Urgent Care Centre

Woolco Pharmacy – 1987-1988  
 Pharmacy Manager – retail and nursing home operations

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#### NON-PROFIT BOARD EXPERIENCE

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PFAC - Pharmacy Franchisee Association of Canada – Secretary 2013 to present

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#### PROFESSIONAL LICENSES & DEGREES

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**Pharmacist License # 94331 (including Narcotic and Controlled Drug License)  
 Ontario College of Pharmacists – Nov.2, 1987- Present**

**Accredited Pharmacy License # 03030163 – Target Pharmacy Windsor- OCP –  
 2013 - present**

Pharmacist License – Michigan Board of Pharmacy – 1987-1990

Republic of Greece – Recognition of Bachelor of Pharmacy Degree - April 14, 2008

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#### CERTIFICATIONS

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**Weight Management & Obesity Certificate Program Level I – Jan 8, 2009  
 Weight Management & Obesity Certificate Level II – April 2009  
 Vaccine Injection Certification 2012 & Vaccine Injection Certification Refresher 2013**

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#### POLITICAL EXPERIENCE

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Fall 2013 – Ward 7 Candidate in City of Windsor Municipal Bi-Election

Fall 2014 – Mayoral Candidate in City of Windsor Municipal Election

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#### TEACHING EXPERIENCE

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St.Clair College of Applied Arts and Technologies – Windsor, Ontario

Pharmacy Technician Program ■ 1992, 1993 - Biology.

Pharmacy Technician Program ■ 1991 Pharmacy Calculations

#### ADDITIONAL WORK EXPERIENCE

Chrysler Canada TPT – 1982 to 1985 , weekends, summer full time, Plant 6, Plant 3

National Auto Radiator – summer 1984 – press operator, spot welding

Holiday Inn Windsor –Maxwell's Riverside Restaurant -Bus Boy, Porter 1980 to 1982

Woolworth's – Ottawa St and Moy – fall of 1978 – stock boy, maintenance

#### SPECIAL ACHIEVEMENTS

Brenda Casey Memorial Award "Boy of the Year" – King Edward S.S. 1976

WSSA, SWOSSA, OFSSA Herman Green Griffins Senior Boys Basketball Champions  
1980-1981

#### VOLUNTEER EXPERIENCE

Riverside Secondary School – Windsor, Ontario  
Junior Boys Basketball Coach – 1997/98, 1998/99

**Holy Cross Greek Orthodox Church** – Windsor, Ontario  
Boys Basketball Coach – 1999/2000, 2001/2001  
Council Member – 2000 & 2001  
Community Vice President –2001 to 2002, 2012 to 2013  
Greek Village (Carousel of Nations) Chairman – 2002, 2012  
**Council Member** – 2014 & 2015

South Windsor Youth Soccer Club – 2005  
Soccer Coach and Team Sponsor ( Under 6 )

Hoops City Basketball League  
Riverside Tavern Pistons  
Sponsor and Player - 2007

**Parkview Public School**  
**Girls Basketball Coach 2014**

Preceptor/Employer for Numerous Pharmacy Students/Interns, Pharmacy Technicians  
and High School CO-OP Students – since 1989,  
**Currently Offering CO-OP to Massey Secondary School Students**

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**LANGUAGES**

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**English** – speak fluently and read/write with high proficiency

**Greek** – original language- speak with reasonable proficiency, read and write with basic competence.

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**PROFESSIONAL MEMBERSHIPS**

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Ontario Pharmacists' Association

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**PERSONAL INFORMATION**

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Place of Birth : Skopia, Florina Makedonia , The Hellenic Republic of Greece

Date of Birth: Dec 21, 1962

Elementary Schools : Prince Edward Public School – Grade 1 – 1969  
King Edward Public School - Grades 2 – 8 1970-1976

Secondary Schools: Walkerville Collegiate Grade 9 – 12, Yrs 1976-1980  
Diploma: Secondary School Graduation Diploma

W.F.Herman Secondary School Grade 13, Yrs 1980-82  
Diploma: Secondary School Honours Graduation Diploma

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**ACADEMIC ACHIEVEMENTS**

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Royal Canadian Legion Scholarship Award - 1982

Holy Cross Greek Orthodox Church Bursary Award – 1982

Rho Chi Pharmacy Honour Society U.S.A. – 1987

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**BUSINESS MEMBERSHIPS**

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**Windsor-Essex County Chamber of Commerce Member 2014**

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**COMPUTER EXPERIENCE**

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**Microsoft Word, Excel, Publisher**

The attached is exhibit "B" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

- 16 -

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.



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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

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(“**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.

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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:

<b>Inventory</b>	<b>Examples</b>	<b>Owner</b>
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).

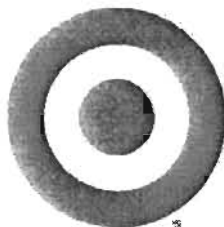
81. I am advised by Mark Austin of Osler and believe that pharmacy regulations throughout Canada generally require a pharmacy operator to provide notice of the termination and closure of a pharmacy. I am further advised by Mr. Austin and believe that TCC Pharmacy Ontario, which operates three pharmacies 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.

The attached is exhibit "C" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*



**PHARMACY**

**TARGET CANADA PHARMACY FRANCHISE AGREEMENT**

1 P5547\_1 5071375X-1

**PHARMACY FRANCHISE AGREEMENT**

THIS AGREEMENT is effective on the date that Franchisor signs this Agreement (the "Effective Date").

BETWEEN:

**TARGET CANADA PHARMACY FRANCHISING LP**, a partnership formed under the laws of Ontario, having its principal place of business at 5570 Explorer Drive, Mississauga, Ontario, Canada, L4W 0C4 ("Franchisor")

- and -

**T PHARMACY LTD.**, a corporation incorporated under the laws of Ontario, having its principal place of business at 10945 Mulberry Road, Windsor, Ontario, Canada, N9R 2C6 ("Franchisee")

- and -

**STAVROS GAVRILIDIS**, an individual residing at 10945 Mulberry Road, in the City of Windsor, in the Province of Ontario, N9R 2C6 ("Pharmacist").

The parties to this Agreement mutually acknowledge the following:

- A. Franchisor has developed and owns a System (as defined below) relating to the establishment, development and operation of retail pharmacies.
- B. Franchisor's Affiliate, Target Canada Co., has been licensed the right to use the Target Pharmacy® trade-mark and other trade-marks including trade dress, domain names, trade names, designs, graphics, logos and commercial symbols, including "Target Pharmacy" and the "Pharmacy at Target" and any translation thereof (the "Marks") and has sublicensed to Franchisor the right to use and sublicense others to use the Marks and other Intellectual Property (as defined below) in connection with the operation of the System, including the advertisement, performance, delivery, distribution and sale of the Approved Products;
- C. Franchisor grants to qualified persons the right to operate a retail pharmacy utilizing Franchisor's System and the Marks.
- D. Pharmacist on his/her own behalf and on behalf of Franchisee has submitted an application to Franchisor to be granted the right to operate such a business and such application has been approved by Franchisor in reliance upon all of the representations and statements contained in and made in connection with such application including, without limitation, representations with respect to the financial resources and experience of Pharmacist and Franchisee.
- E. Franchisee has received and reviewed the Disclosure Document (defined below).

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and for other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties hereto), the parties covenant and agree each with the other as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

When used in this Agreement, the following words and terms shall have the meanings set forth below:

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**"Advertising Fund"** means the marketing and promotion fund established and administered by Franchisor pursuant to Section 7.4 of this Agreement.

**"Affiliate"** has the meaning given to such term in the *Business Corporations Act* (Canada).

**"Approved Products"** means those products which generally are sold in Target Pharmacy pharmacies and which Franchisor authorizes Franchisee to offer for sale and sell at its Licensed Space as set forth in Section 5.2 of this Agreement.

**"Approved Generic Drug Formulary List"** means the list of Generic Prescription Drug Products as set forth in the manual and as may be amended by Franchisor from time to time, established with Franchisor's preferred suppliers.

**"Computer System"** means the information systems, communications systems and related computer hardware, software, connectivity, computer security and associated services, including, without limitation, point-of-sale, inventory control, purchasing, pricing, accounting, order entry, communications, printing, scanning and/or electronic mail systems as Franchisor may require from time to time for use in the operation of the System.

**"Confidential Information"** means all information relating to or used in Franchisor and its Affiliates' business, the System and Franchisee's operation as a Target Pharmacy franchisee, even if it is not marked "confidential." Confidential Information includes, but is not limited to: all business processes and procedures, standards, methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, systems, the entire contents of the Manual, all data and information stored in or retrieved or generated by Franchisee operating as a Target Pharmacy franchisee, and knowledge of and experience in the operation and franchising of Target Pharmacy pharmacies and other trade secret information that Franchisor communicates to Franchisee or that Franchisee otherwise acquires in operating the Pharmacy under the System. Confidential Information does not include information that is or becomes known to the public through no fault of Franchisee; that Franchisee rightfully possessed before Franchisor or its Affiliates disclosed it to Franchisee; is subsequently disclosed to Franchisee by a third party who is not under an obligation of confidentiality to Franchisor or its Affiliates; or that Franchisee develops independently without using the Confidential Information.

**"Customers"** means retail customers and patients of the Pharmacy.

**"Disclosure Document"** means Franchisor's disclosure document for franchisees in Ontario, Alberta, Prince Edward Island and New Brunswick prepared in accordance with the *Arthur Wishart Act (Franchise Disclosure), 2000*, the *Franchises Act* (Alberta), the *Franchises Act* (Prince Edward Island), and the *Franchises Act* (New Brunswick) respectively.

**"Fiscal Year"** means a retail calendar structure where each year, the Fiscal Year will end on the Saturday that falls closest to the last day in January. The next Fiscal Year will commence on the immediately following Sunday.

**"Generic Prescription Drug Products"** means a Prescription Drug that is approved by Health Canada pursuant to an Abbreviated New Drug Submission and which has been designated or recognised as interchangeable with a brand name prescription drug product in the applicable province or territory.

**"Gross Sales"** means the aggregate of all sales and other income of Franchisee from whatever source derived, whether or not collected by Franchisee, arising out of, in connection with or relating to the Pharmacy including, without limitation:

- (a) the provision of any Prescription Drugs or Professional Services;



(b) the sale of Schedule II drug products (as classified under the National Association of Pharmacy Regulatory Authorities' national drug scheduling model; and as adopted in the province or territory in which the Pharmacy is located);

(c) the sale of any Approved Products or other items set forth in Section 5.2;

but excluding:

(d) all refunds or credits issued in good faith to Customers for products returned by Customers; and

(e) any sales, goods and services or harmonized sales taxes and equivalent other taxes which are collected from Customers by Franchisee for or on behalf of any governmental authority and actually remitted to such body.

**"Incapacitated"** and **"Incapacity"** means, in the reasonable opinion of Franchisor, the inability by reason of physical or mental illness or disability of Pharmacist to operate the Pharmacy for a period of time not to exceed ninety (90) days.

**"Intellectual Property"** means the Marks and any plans, discoveries, improvements, designs, processes, systems, techniques, ideas (whether patentable or not), trade dress, copyrights and trade secrets created in connection with the use of, arising out of, comprising or constituting the System, the Marks, the Manual and/or the Confidential Information (but for the purposes of this definition only, excluding Prescription Files).

**"Licensed Space"** means the area designated within the Store for the operation of the Pharmacy that is owned or leased by Franchisor or its Affiliate and licensed to Franchisee, as further described in Schedule "A" of this Agreement.

**"Manual"** means Franchisor's operations manual together with all other manuals, books, pamphlets, bulletins, memoranda, directives, instructions and other materials (whether in written, machine readable, electronic or other form) setting out the Operating Standards, methods, techniques and specifications of the System as the same may be amended, revised, withdrawn or replaced from time to time, as further described in Section 9.1 below.

**"National Brand OTC Products"** means OTC Products sold under a third party brand or trademark.

**"Net Sales"** means all income from sales after the deduction of returns and allowed discounts or promotions (including employee discounts, store coupons, or store rewards programs offered by Franchisor or its Affiliates; manual price overrides; or any other markdown programs approved or offered by Franchisor or its Affiliates).

**"Operating Standards"** means the quality standards and procedures regarding all facets of the operation of Target Pharmacy pharmacies which Franchisor periodically may adopt so as to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Operating Standards may include: (a) the type and quality of Approved Products offered at Pharmacies; (b) the selection of approved service providers to ensure uniformity in products supplied for sale; (c) the methods and procedures relating to customer service; (d) the minimum hours and days during which the Pharmacies must be open for business; (e) the safety, maintenance, cleanliness, function and appearance of the Pharmacy Licensed Space and its fixtures, equipment, furniture, decor, and signs; (f) the dress and general appearance of Pharmacy employees; (g) Pharmacy advertising and promotion; (h) the Pharmacies' merchandising strategy; and (i) the monitoring of and field support provided to franchisees.

**"OTC Products"** means those certain unscheduled over-the-counter drug products (as classified under the National Association of Pharmacy Regulatory Authorities' national drug scheduling model, and as adopted in the province or territory in which the Pharmacy is located), natural

health products and medical devices set forth in Schedule C, as may be amended from time to time by Franchisor, as well as Schedule III drug products (as classified under the National Association of Pharmacy Regulatory Authorities' national drug scheduling model, and as adopted in the province or territory in which the Pharmacy is located).

**"Permanently Incapacitated"** or **"Permanent Incapacity"** means, in the reasonable opinion of Franchisor, the inability by reason of physical or mental illness or disability of Pharmacist to operate the Pharmacy for a period of time that exceeds ninety (90) days.

**"Pharmacy"** means the Target Pharmacy retail pharmacy offering for sale products under the System and Marks from a Licensed Space which Pharmacy Franchisee operates under the provisions of this Agreement.

**"Prescription Drug(s)"** means any drug, substance or product requiring the prescription and/or supervision of a physician or other practitioner licensed to prescribe drug products and the dispensation of which requires the specific control of a licensed pharmacist. This includes all drugs listed in Schedule C, D and F of the Food and Drug Regulations (Canada) and Schedule C and D of the *Food and Drugs Act* (Canada), a controlled drug or a narcotic and Generic Prescription Drug Products. In addition, for purposes of this Agreement "Prescription Drug" shall include Schedule II drug products (as classified under the National Association of Pharmacy Regulatory Authorities' national drug scheduling model and as adopted in the province or territory in which the Pharmacy is located).

**"Prescription Files"** means all prescription and patient files maintained by Franchisee or on its behalf, including without limitation all patient profiles, Customer lists, Customer information and other records of Prescription Drugs filled by the Pharmacy, in whatever form and wherever maintained by Franchisee or on its behalf.

**"Private Label Brand OTC Products"** means OTC Products sold under brand or trade-mark owned by Franchisor or one of its Affiliates.

**"Professional Services"** means services of a professional and clinical nature provided by a licensed pharmacist within the scope of the practice of the profession including, but not limited to: the interpretation, evaluation, preparation and dispensing of prescription orders; participation in drug and device selection (including, where permitted by law, prescribing or adapting prescriptions for drugs); the administering of drugs, including immunizations, where permitted by law; drug regimen reviews; medication consulting and patient counseling which are related to drugs, medical devices or medical conditions; and compounding preparations.

**"Store"** means the Target retail store operated by Franchisor's Affiliate Target Canada Co. in which the Pharmacy is located.

**"System"** means the Target Pharmacy system formulated and developed by or on behalf of Franchisor relating to the establishment, development and operation of retail pharmacies under the Marks, using certain distinctive uniform types of retail facilities, equipment, supplies, Confidential Information (but for the purposes of this definition only, excluding Prescription Files), business techniques, information management systems, methods, procedures, specifications, standards, and sales promotion programs, as Franchisor periodically may introduce, add to, change, modify, withdraw or otherwise revise in its discretion from time to time.

**"Target Pharmacy Franchisee"** means a franchisee authorized by Franchisor to operate a Target Pharmacy retail pharmacy offering for sale products under the System and Marks pursuant to a franchise agreement.

**"Term"** means the Initial Term and, if applicable, any Renewal Term.

**"Territory"** means the geographic area within a two (2) kilometre radius surrounding the perimeter of the Store.

**1.2 Schedules**

The following Schedules are annexed hereto and form part of this Agreement:

Schedule "A"	Licensed Space and Fee
Schedule "B"	Banking Information Form
Schedule "C"	OTC Products

**1.3 Entire Agreement**

This Agreement, including all exhibits, schedules and other documents specifically referenced in this Agreement, constitutes the parties' entire agreement with regard to the subject matter of this Agreement. All prior and contemporaneous negotiations and agreements, whether oral or written, between the parties with regard to the subject matter of this Agreement are expressly superseded by this Agreement. The parties may not amend this Agreement except in a writing that each party signs. This Agreement will not in any way whatsoever be affected by any agreement or arrangement that Franchisor may have or enter into with any other Target Pharmacy franchisee or licensee or other party.

**1.4 No Representations or Warranties.**

Franchisee acknowledges that: (a) Franchisor makes and has made no warranties, inducements, promises or representations to Franchisee respecting the subject matter of this Agreement or in respect of sales, income or profit to be derived by Franchisee with respect to the particular Target Pharmacy to be operated pursuant to this Agreement, whether direct, indirect, collateral, express or implied, except as may be expressly stated in this Agreement or in a Disclosure Document; (b) it is the obligation of Franchisee to conduct its own investigation and analysis in respect of the past or future performance of the Pharmacy, as applicable; and (c) Franchisee acknowledges that it has conducted its own complete and thorough investigation of the accuracy and completeness of any information upon which it relies.

**1.5 Applicable Law**

This Agreement shall be governed by and construed in accordance with the laws of the province or territory in which Franchisee's Pharmacy is located and the laws of Canada applicable therein.

**1.6 Venue and Jurisdiction**

Any action brought by Franchisee against Franchisor shall be brought exclusively, and any action brought by Franchisor against Franchisee may be brought, in the Ontario Superior Court in Toronto, Ontario, provided that if this Agreement is governed by the laws of Alberta, Prince Edward Island, New Brunswick or another province that has enacted franchise disclosure or similar legislation, then any such action may be brought by Franchisee in a court of competent jurisdiction located within such respective province. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**1.7 Time of the Essence**

Time is of the essence.

**1.8 Severability of Provisions**

If any provision of this Agreement is held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not be affected or impaired.

**1.9 No Waiver**

No provision of this Agreement shall be waived except pursuant to a writing executed by the party against whom the waiver is sought. No waiver will be applicable other than in the specific instance in which it is given. No failure to exercise, partial exercise of, or delay in exercising any right or remedy or a failure to

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require the satisfaction of any condition under this Agreement shall operate as a waiver or estoppel of any right, remedy or condition.

## ARTICLE 2 SCOPE OF FRANCHISE LICENCE

### 2.1 Use of System

Franchisee acknowledges Franchisor's exclusive ownership and rights to each and every aspect of the System. Franchisee's right to use the System is specifically limited to the provisions of this Agreement, and is subject to the supervision and control of Franchisor as set out in this Agreement.

### 2.2 Term

Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the right, license and privilege to develop, own and operate a Pharmacy at the Licensed Space within the Territory, and to use the System and the Marks and any Intellectual Property in connection therewith, for an initial term of five (5) years from the date the Pharmacy opens (the "Initial Term"), subject to earlier termination as provided herein.

### 2.3 Territory

During the Term and so long as Franchisee is not in default hereunder, Franchisor shall not directly or indirectly establish or operate or license any other person to establish or operate any other Target Pharmacy pharmacy within the Territory. Notwithstanding the foregoing, if a person residing within the Territory is a customer of another Target Pharmacy located outside the Territory, that Target Pharmacy may provide delivery services to such person.

Franchisee may, at its option, provide delivery services to Customers residing within or outside of the Territory.

### 2.4 Rights Retained by Franchisor

Franchisee expressly acknowledges and agrees that, except as set forth in Section 2.3 above, the rights granted to Franchisee hereunder are non-exclusive, and Franchisor expressly reserves the following rights for itself or its Affiliates:

- (a) the right to establish or operate, or license any other person the right to establish and operate Target Pharmacy pharmacies anywhere outside the Territory and to offer products and services outside the Territory, under conditions as Franchisor deems appropriate even if such activities directly or indirectly compete with Franchisee's Pharmacy;
- (b) the right to develop, use and license the use of, at any location inside or outside the Territory, through similar or dissimilar channels of distribution, proprietary marks other than the Marks, in connection with the operation of a program or system which offers products or services which are the same as or similar to and which may compete with Franchisee's Pharmacy;
- (c) the right to develop, market, own, operate or participate in any business other than Target Pharmacy pharmacies under the Marks or any other trade-marks;
- (d) the right to acquire and convert to a Target Pharmacy pharmacy any business located outside the Territory operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately-owned;
- (e) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by the Pharmacy, and operating,

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franchising, licensing or creating similar arrangements with respect to such businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory provided such businesses are operated in association with proprietary marks other than the Marks);

- (f) the right to be acquired (in whole or in part and regardless of the form of transaction), by a business providing products and services similar to those provided by the Pharmacy, or by another business, even if such business operates, franchises and/or licenses a business involved in the offer or sale of products or services which are the same as or similar to and which may compete with the Pharmacy within the Territory;
- (g) the right to sell the products and services authorized for sale at or from the Target Pharmacy pharmacies under the Marks through dissimilar channels of distribution (i.e., other than the operation of full-service retail Target Pharmacy pharmacies and delivery services associated therewith), including by electronic means such as the Internet and by websites established by Franchisor or its Affiliate, and pursuant to conditions Franchisor or its Affiliate deems appropriate within and outside the Territory; and
- (h) the right to market the System on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of a website using the Marks to promote Franchisor, Target Pharmacy pharmacies and/or the Pharmacy, which website may, in Franchisor's discretion, include a page specific to each Target Pharmacy Franchisee.

## 2.5 Renewal

Franchisee may elect to renew the franchise rights described in this Agreement for three (3) additional terms of five (5) years each (each a "Renewal Term", and collectively the "Renewal Terms") if Franchisee provides written notice to Franchisor of its intent to renew at least six (6) months prior to the end of the Initial Term or a Renewal Term (failing which Franchisee shall be deemed to have elected not to renew this Agreement), and provided that each of the following terms and conditions have been met prior to such renewal:

- (a) Franchisee and Pharmacist shall have substantially complied with all the provisions of this Agreement during the Initial Term, and any subsequent Renewal Term, and any other agreement between Franchisee and/or the Pharmacist and Franchisor or its Affiliates, whether relating to the Pharmacy or any other pharmacy licensed to Franchisee or any Affiliate of Franchisee;
- (b) all monetary obligations owed by Franchisee to Franchisor or its Affiliates shall have been satisfied in full prior to such renewal;
- (c) if Franchisor or its Affiliate leases the site of the Store in which the Licensed Space is located, such lease with the landlord has not expired or been terminated or not been renewed;
- (d) prior to the commencement of the Renewal Term, if requested by Franchisor, Franchisee and Pharmacist shall have executed Franchisor's then current form of franchise agreement for renewing franchisees, and all other agreements, instruments and documents then customarily used by Franchisor in the granting of a Target Pharmacy renewal franchise, on the then prevailing terms, conditions, and fees (without any further rights of renewal other than the rights of renewal described in this Agreement) which may be significantly different from the terms, conditions, and fees contained in this Agreement;
- (e) Franchisee and Pharmacist shall have delivered to Franchisor a complete release, in a form provided by Franchisor, of Franchisor and its Affiliates, and their respective shareholders, directors and officers from all obligations of and all claims against any such persons under or in connection with this Agreement;

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- (f) Franchisee and Pharmacist have successfully completed any refresher training program for renewing franchisees; and
- (g) in Franchisor's discretion, Franchisee has maintained and operated the Pharmacy in accordance with the provisions of this Agreement, has promoted the Marks and sales of the Approved Products, and Franchisee's business practices have not reflected adversely upon the Marks or Franchisor.

## **2.6 No Further Right of Renewal**

For greater certainty, Franchisee hereby acknowledges that Franchisee shall have no further right or option to renew or extend this Agreement, and no representations, warranties, promises, commitments or agreements, whether expressed, implied or collateral, have been made by Franchisor to Franchisee to that effect, other than the rights provided for in Section 2.5, and this Agreement shall expire as at the end of the Initial Term or, if renewed, as at the end of the last Renewal Term.

## **2.7 Franchisee Suggestions**

If Franchisee or Pharmacist make any suggestions or recommendations which are ultimately adopted by Franchisor, then such suggestions and/or recommendations shall form part of the System and shall be owned exclusively by Franchisor. Franchisee shall have the right to use or continue to use any such suggestions or recommendations which become part of the System pursuant to the terms of this Agreement.

# **ARTICLE 3 INCORPORATION, LICENSED SPACE AND OPENING OF PHARMACY**

## **3.1 Incorporation**

Franchisee shall maintain, throughout the Term of this Agreement, its status as a corporation in good standing under the laws of Franchisee's province or territory of residence first noted above. Further, Pharmacist shall:

- (a) cause Franchisee to confine its business exclusively to the operation as a franchisee as provided in this Agreement;
- (b) cause Franchisee to inform Franchisor as to the names and addresses of the current directors and shareholders thereof and those persons who have a financial interest in Franchisee;
- (c) cause Franchisee to restrict the issue of, and its directors and shareholders to restrict the transfer of, shares of Franchisee so that Pharmacist shall continuously own no less than fifty-one percent (51%) of the issued and outstanding voting shares of Franchisee and to have such restrictions noted on all share certificates of Franchisee; and
- (d) cause the directors and shareholders of Franchisee to execute such confidentiality and non-competition agreements as may be required by Franchisor.

### **3.2 Background Check on Pharmacist**

Prior to commencing the initial training program set forth in Section 4.1, Pharmacist must successfully pass a background check to the satisfaction of Franchisor. If in the reasonable opinion of Franchisor, Franchisee fails such background check, then this Agreement and the license granted hereby may be terminated by Franchisor pursuant to Section 12.4.

### **3.3 Licensed Space**

Franchisor hereby grants or shall cause its Affiliate to grant a license to Franchisee to use the Licensed Space. Franchisee hereby expressly acknowledges that such grant is the grant of a license, not a lease or sublease, and that this Agreement conveys no interest of any kind whatsoever in or to the Licensed Space, other than a mere license to temporarily use the Licensed Space for the Term. The parties expressly agree that there exists no landlord and tenant relationship between Franchisor or its Affiliates and Franchisee.

Franchisee shall operate the Pharmacy only at the Licensed Space and shall not relocate the Pharmacy from the Licensed Space without Franchisor's prior written consent. Franchisor reserves the right to move the Licensed Space within the Store at Franchisor's sole expense upon reasonable notice to Franchisee. If Franchisor or its Affiliate leases the site of the Store in which the Licensed Space is located and its lease with the landlord expires or terminates for any reason whatsoever, with or without fault of Franchisor or its Affiliate, or if the lease is not renewed for any reason whatsoever, in each case including without limitation, if the Store or the Licensed Space is destroyed, condemned or otherwise rendered unusable, or if in the judgment of Franchisor, there is a change in the character of the location of the Store and/or the Licensed Space sufficiently detrimental to its business potential to warrant its relocation, Franchisor may in its discretion terminate this Agreement or permit Franchisee to relocate the Pharmacy to an alternate location designated by Franchisor, at Franchisor's sole expense. Upon the completion of such relocation, the location to which the Pharmacy has been moved shall become the Licensed Space for the purposes of this Agreement. Franchisor shall not be liable to Franchisee or Pharmacist for any cost, expense or damages with respect to business interruption or loss of sales or profit, if any, associated with any relocation.

### **3.4 Development and Maintenance of Licensed Space**

The Pharmacy will be constructed and maintained by Franchisor in accordance with applicable laws and as set forth in the plans and specifications described in the Manual (the "Specifications"). Franchisor will install at its sole expense all fixtures, furnishings, leasehold improvements, signs and equipment (the "Equipment") as Franchisor deems appropriate for the operation of the Pharmacy. Any Equipment installed in the Licensed Space is the exclusive property of Franchisor or its Affiliates. Franchisee may not modify or make any material changes to the Pharmacy or any Equipment without Franchisor's prior written approval.

The Licensed Space and Equipment will be maintained in good working condition and repair and according to the standards Franchisor establishes for its Target Pharmacy pharmacies. Franchisee is solely responsible for any and all wilful or negligent damages to the Licensed Space and the Equipment caused by Franchisee, Pharmacist or Franchisee's employees, agents or independent contractors.

### **3.5 Opening**

Franchisee shall open and commence the operation of the Pharmacy on a date and time to be determined by Franchisor. Prior to opening the Pharmacy, Franchisee will obtain any necessary authorizations, permits or licenses to operate a pharmacy in the province or territory and execute any necessary contracts with approved suppliers. By the opening date, Franchisee shall have entered into contracts with at least ninety percent (90%) of the private third party drug benefit payors who operate in the province and any public (federal and provincial) payors necessary to be able to bill to public drug benefit plans in the province.

### 3.6 Failure to Commence Business

If Franchisee fails to commence operations as a Target Pharmacy Franchisee on or by the date designated by Franchisor as the opening date, then this Agreement and the license granted hereby may be terminated by Franchisor upon giving two (2) days' notice to Franchisee. In the event of such termination, Franchisor shall have no further liability to Franchisee including, without limitation, any liability for damages, consequential loss, loss of income or loss of expectation of profit.

### 3.7 Access to the Licensed Space

If applicable, Franchisee shall provide Franchisor with a key(s) to the Licensed Space, and Franchisee will not change the locks to the Licensed Space or to any barrier in the Licensed Space. Subject to applicable laws, Franchisor shall have unrestricted access to all parts of the Licensed Space at all times.

Franchisee shall permit Franchisor to install and maintain Franchisor's video surveillance system for security purposes. Franchisee shall ensure that all notices required by law regarding the use of such video surveillance system are provided to Customers and Franchisee's agent, employees, and independent contractors.

## ARTICLE 4 FRANCHISOR'S OBLIGATIONS

### 4.1 Initial Training Program

Prior to Franchisee commencing operation of a Target Pharmacy, Franchisor shall make available an initial training program for Pharmacist for a period of up to four (4) weeks, or such other period of time as Franchisor deems appropriate. The initial training shall take place at Franchisor's head office, or such other location or locations as Franchisor may designate from time to time. Pharmacist shall have successfully completed the initial training program to the satisfaction of Franchisor prior to the Pharmacy commencing operations. If Franchisor determines, in its discretion, that Pharmacist has failed to satisfactorily complete the initial training program, Franchisor may terminate this Agreement. Franchisor will reimburse Franchisee for all previously-approved costs and expenses incurred in connection with the initial training program, as Franchisor may designate or prescribe from time to time in the Manual or otherwise.

### 4.2 Initial and Ongoing Operating Assistance

Franchisor shall make available to Franchisee, at no additional fee, such initial and ongoing operating assistance, advice, services and training as Franchisor, in its discretion, considers appropriate and, in particular, Franchisor:

- (a) shall, subject to the provisions of Section 9.1, provide Franchisee with access to the Manual;
- (b) shall provide Franchisee with information and materials in the English language, through the Manual or otherwise, which Franchisor reasonably believes is necessary to make Franchisee familiar with the System that Franchisor or its Affiliates currently use for Target Pharmacy pharmacies to assist Franchisee in performing its obligations under this Agreement;
- (c) shall supervise Franchisee as often as Franchisor deems reasonably necessary to assist Franchisee in complying with the System and in promoting the Pharmacy;
- (d) shall, as often as Franchisor deems reasonably appropriate provide onsite training, guidance, assistance or advice on operational issues including: (i) additional Approved Products and services authorized for sale at the Pharmacy; (ii) selecting, purchasing and marketing Approved Products, materials and supplies; (iii) sales, marketing, and promotion programs; (iv) establishing and operating administrative, accounting, inventory



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control, sales and general operating procedures for the proper operation of a Pharmacy; or (v) other operations support;

- (e) shall provide such guidance, in its discretion, through the Manual, other written materials, the Internet, telephone conversations and/or meetings at Franchisor's office, at the Pharmacy in conjunction with an inspection of the Pharmacy or at locations mutually agreed to by the parties;
- (f) may make available to Pharmacist, at such location as may be designated by Franchisor, additional or supplemental training courses, seminars and franchisee meetings of such duration as Franchisor may deem reasonably necessary;
- (g) shall administer the Advertising Fund, if applicable, as contemplated in Section 7.4 for the promotion of the System;
- (h) shall provide Franchisee with an accounting calendar for each Fiscal Year of this Agreement; and
- (i) shall arrange or assist Franchisee in arranging for sources of Approved Products, Equipment and other items required in the operation of the Pharmacy.

#### 4.3 Ongoing Training

Franchisee may be required to participate in refresher or advanced training programs as may be offered from time to time by Franchisor during the Term, at a location designated by Franchisor. Franchisor may also require Franchisee to attend a national business meeting or annual convention of Target Pharmacy Franchisees at a location(s) to be designated by Franchisor. Franchisor will reimburse Franchisee for all previously-approved costs and expenses incurred in connection with attendance at the mandatory programs and meetings, as Franchisor may designate or prescribe from time to time in the Manual or otherwise. If Franchisee or Pharmacist do not attend such training courses Franchisor may, in addition to all of its other remedies pursuant to this Agreement, recover its costs associated with the non-attendance at such meetings, convention or program.

### ARTICLE 5 FRANCHISEE'S OBLIGATIONS

#### 5.1 Operation of the Pharmacy

In order to maintain the high quality and uniformity of the System and the Marks, and to promote and protect the goodwill associated therewith, Franchisee and Pharmacist (where applicable) shall (at Franchisee's sole expense unless otherwise indicated):

- (a) operate the Pharmacy continuously and solely as a Target Pharmacy in accordance with the System;
- (b) provide prompt, courteous and efficient service at all times pursuant to the Operating Standards set forth in the Manual during normal business hours;
- (c) adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct;
- (d) comply at all times with all federal, provincial and municipal laws, regulations, ordinances, by-laws, codes, orders, and rulings (collectively "Laws") having application to the ownership, management, and operation of the Pharmacy;
- (e) obtain and maintain in force all licenses, permits, permissions, approvals and certificates required in the operation of the Pharmacy;

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- (f) operate the Pharmacy in compliance with all applicable federal and provincial privacy, health privacy, and unsolicited commercial electronic messaging legislation ("Privacy Laws") and, in particular, ensure that all necessary consents have been obtained from Franchisee's Customers and other individuals with whom Franchisee is dealing in connection with the Pharmacy in order to collect, use or disclose personal information (as defined in such Privacy Laws) for Franchisee's own purposes, or to transfer or disclose such personal information to Franchisor, its Affiliates, or other Target Pharmacy pharmacists;
- (g) notify Franchisor in writing within two (2) business days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Pharmacy;
- (h) notify Franchisor in writing within two (2) business days of the completion of any inspection conducted by the pharmacy regulatory authority in the Pharmacy's jurisdiction;
- (i) notify Franchisor in writing within two (2) business days of any notices or inquiries from the pharmacy regulatory authority in the Pharmacy's jurisdiction which claims or alleges any violation by Franchisee or its owners, directors, managers, regulated employees or contractors of any applicable pharmacy laws, regulations, standard of practice or code of ethics;
- (j) not conduct any business or advertising practice or engage in any other behaviour or activity which injures or adversely affects Franchisor, the System, the Marks and other Target Pharmacy pharmacies, or which might depreciate the goodwill associated with any of them;
- (k) participate in and adhere to all elements of all promotional, advertising and marketing programs including, without limitation, special discount or free coupon programs (where permitted by law), campaigns, flyers, newsletters and cooperatives, as well as all media, as Franchisor may direct and continuously exert Franchisee's best efforts to promote and enhance Franchisee's operation as a Target Pharmacy pharmacy;
- (l) accept all major credit cards and utilize payment processors as designated by Franchisor in the Manual or otherwise;
- (m) maintain adequate inventory levels;
- (n) comply with all mandatory Operating Standards relating to the appearance or operation of a Target Pharmacy pharmacy (whether contained in the Manual or any other written or oral communication to Franchisee);
- (o) immediately notify Franchisor if any of Franchisee's owners, directors, managers, employees, contractors or agents are arrested;
- (p) ensure that all Equipment used in connection with the Pharmacy conform to the Operating Standards and are maintained in good order and repair, and shall cause the same to be promptly replaced, in accordance with this Agreement, if they become damaged due to the wilful or negligent acts or omissions of Franchisee, Pharmacist or Franchisee's employees, agent or independent contractors;
- (q) participate in a business planning session with Franchisor, which shall occur annually or quarterly at the discretion of Franchisor;
- (r) purchase and wear and cause its employees or contractors to wear such uniforms or apparel as Franchisor may designate from time to time in the Manual or otherwise;

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- (s) ensure that Franchisee's Fiscal Year is consistent with Franchisor's Fiscal Year so that Franchisee's Fiscal Year end and resulting fiscal month ends shall remain consistent with Franchisor's Fiscal Year end and resulting fiscal month ends throughout the Term of the Agreement;
- (t) promptly pay when due all taxes, expenses and charges of any kind (including interest and penalties) levied or assessed by any and all governmental bodies or agencies, in connection with Franchisee's operation of the Pharmacy; and
- (u) obtain and use, at Franchisee's sole expense, the Computer System, as further described in Section 5.8, and such inventory, accounting, record keeping, payroll and reporting systems and related computer systems and software (if not included in or as part of the Computer System) as may be designated or approved by Franchisor from time to time and, subject to applicable privacy laws, to permit Franchisor to have physical and remote electronic access (by way of modem or otherwise) to all such systems at any time.

## 5.2 Approved Products, Suppliers, Equipment and Supplies

Franchisee acknowledges that it is in the interest of Franchisee, Franchisor and all other Target Pharmacy franchisees of Franchisor that the System be fully adhered to by Franchisee. Accordingly, Franchisee shall offer and sell from the Licensed Space, for retail purposes only, only such services and Approved Products and any new services or Approved Products Franchisor may periodically develop or authorize in the Manual or in any other communications to Franchisee. Franchisee shall not offer or sell any other services or products in any manner without Franchisor's express prior written consent except as set forth below and subject to the other obligations set forth in this Section 5.2 and in the Manual:

- (a) Franchisee is responsible for identifying which therapeutic classes of Prescription Drug and which products in such therapeutic classes are appropriate to stock as its on-hand inventory;
- (b) Franchisee may carry as local products OTC Products or other products, provided such products are not part of Franchisor's Affiliate's sales floor inventory; and
- (c) Franchisee may order home health care products or other durable medical equipment or medical devices as necessary to fulfill specific Customer needs, but cannot keep such products as stocked inventory.

Franchisee agrees that Franchisor may from time to time add or delete Approved Products upon notice to Franchisee. Franchisee shall discontinue offering any services or products (whether or not previously authorized by Franchisor) promptly upon notice from Franchisor.

Franchisee shall use only such Computer System, Equipment, forms, supplies and other items required to operate the Pharmacy as are from time to time authorized by Franchisor, in the Manual or otherwise. Franchisee agrees to purchase, lease and/or license, as directed by Franchisor, the Computer System, all Equipment, inventory, supplies, services, and other items from time to time used in the Pharmacy exclusively from Franchisor or from its preferred suppliers (including wholesalers, distributors, manufacturers, and other sources) (which may include Affiliates of Franchisor), approved or designated in writing by Franchisor. Franchisee shall order Generic Prescription Drug Products from Franchisor's preferred suppliers pursuant to the Approved Generic Drug Formulary List. If Franchisor's approved supplier(s) of Prescription Drug, including Generic Prescription Drug Products, is unable to supply a required product, Franchisee may order from an approved secondary source to obtain an interchangeable Generic Prescription Drug Product or a therapeutically equivalent item.

Franchisor will use commercially reasonable efforts to arrange with suppliers for prices and terms of supply which are generally competitive in the marketplace with those offered by other suppliers taking into account the standards of quality, safety, availability of supplies, credit arrangements, delivery and warehousing capabilities and other supply related items. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee or the supplier will submit to Franchisor a written request for

approval. Franchisor's approval will not be unreasonably withheld. Franchisee acknowledges that most Approved Products (such as Prescription Drugs), and certain equipment, inventory, supplies, products and materials may be only available from one source that Franchisor designates.

Where Franchisee purchases the Approved Products, Computer System or any Equipment, inventory, forms, supplies and other items from a third party supplier designated by Franchisor, Franchisee shall comply with the terms and conditions of sale, lease and/or license and delivery as determined by Franchisor or such designated supplier. If Franchisor contracts for the Computer System, Equipment, inventory, forms, supplies or other items on behalf of Franchisee, Franchisee agrees to reimburse Franchisor for or, at the option of Franchisor, pay directly to the suppliers thereof, the cost of such Computer System, Equipment, inventory, forms, supplies and other items.

### 5.3 Rebates

Franchisor and/or its Affiliates may and are entitled to earn revenue from and Franchisor and/or its Affiliates may and are entitled to receive and retain for its and/or their own credit, without accounting to or sharing with Franchisee, all payments, profits, rebates, discounts, advantages, goods, commissions, incentives, or other allowances or benefits (collectively "Rebates") which Franchisor and/or its Affiliates may earn or be granted by suppliers related, directly or indirectly, to the sale of products and services to Franchisee.

Franchisee shall participate, on the same basis as other Target Pharmacy Franchisees, in group purchasing programs for Approved Products, the Computer System, Equipment, inventory, signs, furnishings and forms, supplies, services and other items which Franchisor may from time to time require pursuant to Section 5.2 or otherwise. Franchisee acknowledges that Franchisor and/or its Affiliates may and are entitled to earn revenue from purchases made by Franchisee under such programs and that Franchisor and/or its Affiliates may and are entitled to receive Rebates, from sources or suppliers in respect of such programs for its and/or their own credit without accounting to or sharing with Franchisee.

Notwithstanding the foregoing, and where such payments are not prohibited by law, any Rebates which Franchisor may earn or be granted directly or indirectly from manufacturers of Generic Prescription Drug Products, listed on the Approved Generic Product Formulary List, shall be shared with Franchisee based upon a percentage of Franchisee's purchases of such Generic Prescription Drug Products, subject to applicable laws and as set forth in the Manual.

Franchisee acknowledges that Franchisor and its Affiliates owe no fiduciary, trust or other duty to Franchisee and are under no such duty to account or disclose to Franchisee for such revenues or Rebates, and may retain such revenue and Rebates entirely for its and/or their own account.

### 5.4 Retail Pricing and Dispensing Fee

To the extent permissible by applicable laws, Franchisor reserves the right to specify in writing, in the Manual or otherwise, retail prices and dispensing fees and/or to establish in writing minimum and/or maximum prices and dispensing fees for Approved Products sold or services offered by the Pharmacy, including OTC Products and Professional Services. Franchisee shall sell any such Approved Products and services at the specified retail prices and charge the specified dispensing fees or, if applicable, in accordance with the minimum and/or maximum retail prices and dispensing fees established by Franchisor from time to time. If no retail price or dispensing fee or maximum or minimum prices or dispensing fees have been specified or established by Franchisor with respect to a particular Approved Product or service offered by the Pharmacy, Franchisee may sell such applicable Approved Product or service at any reasonable price and, if applicable, with any reasonable dispensing fee Franchisee chooses. As may be requested by Franchisor, Franchisee will provide Franchisor with its prices and dispensing fees and will provide seven (7) days prior notice before modifying the prices or dispensing fees. Franchisee acknowledges and agrees that the specified retail prices and dispensing fees and maximum and minimum prices and dispensing fees for the Approved Products and services Franchisee and other franchisees sell may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions.

**5.5 Capital**

At all times during the Term Franchisee shall maintain and employ in the Pharmacy such minimum working capital as may be reasonably required by Franchisor from time to time to enable Franchisee to fully carry out all of Franchisee's obligations under this Agreement.

**5.6 Insurance**

Franchisee shall maintain in full force and effect insurance of the kinds and amounts as may be reasonably required by Franchisor from time to time, in the Manual or otherwise. Franchisor reserves the right to add to, change or otherwise modify the types of coverage, or the amounts or minimum amounts of such coverage, from time to time, to reflect industry practices and the effect or amounts of claims experienced by Franchisor.

All such insurance policies shall: (a) be issued by an insurance carrier(s) acceptable to Franchisor; (b) contain a waiver of the insurance company's right of subrogation against Franchisor; and (c) provide that Franchisor will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy.

If requested by Franchisor, Franchisee shall provide a certificate of coverage issued by the insurer indicating that all required insurances are in full force and effect within thirty (30) days following the opening date of the Pharmacy. In addition, Franchisee will provide Franchisor with a copy of the certificate of or other evidence of the renewal or extension of each insurance policy. If Franchisee does not maintain such insurance as required, Franchisor may obtain and keep in force such insurance from an insurer selected by Franchisor at the sole cost of Franchisee.

**5.7 Blanket Insurance**

Franchisor may, at its option, require Franchisee to participate in any blanket insurance program maintained by Franchisor for all or some Target Pharmacy Franchisees. Such insurance program shall include such policies of insurance and in such amounts as are reasonably required by Franchisor from time to time, as set out in Section 5.6 above. Franchisee shall reimburse Franchisor for, or at the option of Franchisor, pay directly to the insurer, Franchisee's share (as reasonably determined by Franchisor or such insurer) of all premiums for such insurance and other expenses incurred by Franchisor in connection with obtaining, arranging for, and administration of such blanket or master insurance. Franchisor shall not be liable in any way to Franchisee or any other person for any deficiency in such insurance. If the said insurance is not sufficient or broad enough for the purposes of Franchisee, Franchisee shall be responsible, at Franchisee's own cost and expense, for the placement of such additional insurance as Franchisee may require in accordance with Section 5.6 or as Franchisee deems appropriate.

**5.8 Computer System**

Franchisor may designate from time to time the Computer System that Franchisee must use in the operation of the Pharmacy which Franchisee shall acquire, install, use and maintain at Franchisee's own expense, which expense shall be included in the Operations Fee.

Franchisor has the right to designate a single source from whom Franchisee must purchase, lease and/or license any component of the Computer System, and Franchisor or its Affiliates may be that single source. Franchisee shall enter into software licences with Franchisor, its Affiliate, or other owners or sublicensors of the software as shall be necessary for the lawful use of such software. Franchisee shall not install personal software on Pharmacy systems and Franchisor can remove or have Franchisee remove any such software found on systems. If such software causes system problems, Franchisee will be responsible for the cost of restoring the system. Franchisee shall store all and only such financial and operational data and information on the Computer System as Franchisor may require and shall not use such data and information for any purpose other than in the operation of the Pharmacy.

Franchisee shall ensure that Franchisor shall at all times have physical and remote electronic (by way of modem or otherwise) access to the Computer System and financial and operational data and information,

and that the Computer System and related computer hardware and software are kept up to date at all times.

All financial and operational data and information stored on the Computer System shall be owned by Franchisor and Franchisor shall have the right, in its discretion, to use such data and information in any manner and for any purpose as it sees fit, provided that Franchisor complies with all applicable privacy and similar laws in doing so.

Subject to applicable laws, Franchisor may access Customer data produced by or otherwise located on Franchisee's Computer System (collectively the "Customer Data"). Franchisee shall participate in any program which may be implemented by Franchisor from time to time, requiring Franchisee to provide anonymous and/or aggregate prescription information collected and maintained by Franchisee in the course of operating the Pharmacy, either directly to the Franchisor and/or an Affiliate of the Franchisor, or indirectly to a third party service provider as directed by the Franchisor, for research and analytics purposes. Franchisee shall comply with all applicable privacy, pharmacy and similar laws in providing Franchisor with Customer Data, and shall implement such measures, including privacy policies, acknowledgements and consents of Customers, as Franchisor may from time to time direct for such purpose. Franchisee shall take such other steps as are necessary to allow the transfer and/or disclosure of Customer Data to Franchisor, and, upon termination or expiration of this Agreement, to Franchisor or its designees.

### **5.9 Operation of Pharmacy; Agents, Employees and Independent Contractors**

The Pharmacy shall be operated only during such days and times as the Store is kept open for business by Franchisor or its Affiliate. Pharmacy shall be operated in accordance with the minimum hours and days of operation prescribed in the Manual or otherwise. Franchisor may, in its discretion, change the minimum hours of operation of the Pharmacy in the Manual or otherwise.

Franchisee is, and shall continue to operate, an independent business and have sole authority and control over its employees. All persons employed in and about or in connection with the Pharmacy shall be, and hereby are, recognized to be employees of Franchisee. Franchisee shall deliver to each of its employees a notice stating that Franchisee but not Franchisor is such employee's employer. Franchisee shall be solely responsible for all aspects of the employment relationship with its employees, including without limitation, all decisions relating to the hiring, dismissal, promotion, demotion, transfer and lay-off of such employees. Franchisee shall be solely responsible for all employment-related obligations to its employees, including without limitation, in respect of wages, salaries, benefits, notice of termination, pay in lieu of notice, severance pay, and any other obligation under contract, statute, common law or otherwise. Franchisee shall exercise reasonable due diligence when selecting, interviewing and engaging or hiring its agents, employees and independent contractors. Franchisee shall perform a background check on all of its agents, employees and independent contractors in accordance with the process set forth in the Manual. Franchisee shall ensure that each such agent, employee or independent contractor is properly qualified and licensed to assist in Franchisee's operation as a Target Pharmacy franchisee and, if applicable, is properly qualified and licensed to perform, deliver and sell the services and to distribute and sell the Approved Products to the Customers. Franchisee shall not permit any such agent, employee or independent contractor to assist in the Franchisee's operation until Franchisee has trained such person in all relevant aspects of the System.

Franchisee shall cause the Pharmacist to devote full-time and attention to the management and operation of the Pharmacy. With the exception of reasonable holiday time, Franchisee shall ensure that the Pharmacist is present a minimum of thirty-five (35) hours per week at the Pharmacy. Subject to compliance with any requirements of the pharmacy regulatory authority in the province or territory regarding use of a temporary licensed pharmacy manager, Franchisee may use a third party service provider to provide a temporary pharmacist manager licensed in the province or territory for coverage during the Pharmacist's vacation, absence due to illness, leaves of absence or parental leaves. Franchisee must obtain Franchisor's prior written approval of the temporary pharmacist manager if the temporary pharmacist manager will provide coverage for more than two (2) weeks. Franchisor may provide a list of preferred third party service providers for such purposes in the Manual, which Franchisee may engage in its discretion. Nothing herein shall be deemed to relieve Franchisee of the Pharmacist's

obligation to devote full-time and attention to the Pharmacy. Franchisee shall not delegate a substantial part of the management of the Pharmacy without the prior written consent of Franchisor.

Franchisee shall monitor the activities of its agents, employees and independent contractors to ensure that any such agents, employees or independent contractors effect customer service in full compliance with all the terms and conditions of this Agreement and do not otherwise engage in any activity or conduct that, if undertaken directly by Franchisee, would constitute a default of this Agreement by Franchisee. Franchisee shall promptly report any such default or suspected default by Franchisee's agents, employees or independent contractors to Franchisor. If it is determined that an agent, employee or independent contractor has engaged in any activity that, if undertaken directly by Franchisee, would constitute a default of this Agreement by Franchisee, Franchisee shall, subject to applicable law, take such remedial steps as are determined to be necessary by Franchisee or required by law.

Franchisee shall be solely responsible for all liabilities arising in respect of its agents, employees and independent contractors and shall take all reasonable steps to ensure that its agents, employees and independent contractors do not make any representations or engage in any acts that could establish an apparent relationship of agency, joint-venture, partnership or employment with Franchisor, which relationships Franchisee and Franchisor agree do not exist. For greater certainty, Franchisor shall not be bound by any agreement, contract, representation or warranty made by any agent, employee or independent contractor retained or hired by Franchisee, except where Franchisee has first obtained the prior written consent of Franchisor. Franchisee shall indemnify and hold harmless Franchisor in respect of any claims by any of its agents, employees or independent contractors that Franchisor is their employer or otherwise liable for any amounts or benefits owing or potentially owing to them in connection with providing services to Franchisee, whether under contract, statute, common or civil law or otherwise.

Franchisee shall comply with all applicable federal, provincial and municipal laws and regulations affecting, concerning or regulating the employer/employee relationship between Franchisee and its employees, if any, including but not limited to requirements under the *Income Tax Act* (Canada), employment or labour standards legislation, and, if applicable, employer health tax legislation. Franchisee shall be solely responsible for remitting in a timely manner to those governmental authorities as may be prescribed by law all applicable federal and provincial taxes (including payroll taxes) and other amounts owing with respect to payments to its employees.

Franchisee agrees to notify Franchisor in writing immediately upon becoming aware of any application for the certification of any bargaining agent of any of the employees or contractors of Franchisee. Franchisee further agrees to notify Franchisor in writing at least ten (10) business days prior to commencing negotiations with any bargaining agent in connection with the entering into, amendment or renewal of a collective agreement or the settlement or compromise of any dispute arising from a collective agreement affecting the employees of Franchisee. Franchisee shall provide to Franchisor (or to such representatives as Franchisor directs) all relevant documents, correspondence and other information relating to the proposed collective agreement, or, in the case of any amendment, renewal or dispute arising from a collective agreement, with respect to any such matters. Franchisee further agrees to notify Franchisor in writing at least seven (7) business days prior to entering into any collective agreement or any amendment or renewal of a collective agreement or any agreement with respect to the settlement or compromise of any dispute arising from a collective agreement affecting Franchisee. Such notice shall be accompanied by a copy of the proposed collective agreement, amendment, renewal, settlement or compromise, as the case may be, failing which the notice shall be deemed ineffective.

For the purpose hereof, "collective agreement" means an agreement in writing between Franchisee or an employer's organization of which Franchisee is a member, on the one hand, and a bargaining agent on the other hand, containing provisions respecting terms or conditions of employment or the rights, privileges or duties of Franchisee, the employer's organization, the bargaining agent, or the employees of Franchisee, as the case may be.

#### **5.10 Waste Diversion**

Franchisee shall participate in such waste recycling or diversion programs, including provincial pill return or sharps programs, as required by law or as may be directed by Franchisor from time to time, and Franchisee shall be responsible for and shall pay its pro rata share of any and all fees and costs

associated with such programs as determined by Franchisor and communicated to Franchisee from time to time.

**ARTICLE 6  
FEES AND REPORTING**

**6.1 Initial Franchise Fee and Deposit**

Franchisee is not required to pay an initial franchise fee.

Franchisee will pay Franchisor, by certified cheque, twenty thousand dollars (\$20,000.00) (the "Deposit") upon executing this Agreement. The Deposit shall be fully refundable within forty-eight (48) hours from the date the Franchisee signs this Agreement if Franchisee exercises its right to terminate this Agreement pursuant to Section 12.3. The Deposit shall also be fully refundable to Franchisee provided the Pharmacist successfully completes the initial training program, opens the Pharmacy on the date designated by Franchisor and operates the Pharmacy for at least thirty (30) days. If Franchisee fails to fulfill these conditions, Franchisee may receive a pro-rated refund of the Deposit, after Franchisor withholds any Sales Tax due on the amount retained, based upon where Franchisee is in the process and as set forth in the Operations Manual. Specifically, provided that the Pharmacist has not yet started the initial training program, fifteen thousand dollars (\$15,000.00) of the Deposit will be refundable to Franchisee within thirty (30) days of executing this Agreement and ten thousand dollars (\$10,000.00) will be refundable between the thirty-first (31<sup>st</sup>) and ninetieth (90<sup>th</sup>) day after signing this Agreement. After ninety-one (91) days have passed since the Franchisee signed the Agreement or if the Pharmacist has started the initial training program, no portion of the Deposit will be refundable under any circumstances.

**6.2 Franchisee Fee**

In consideration of the right and license granted herein, Franchisee shall pay to Franchisor a monthly franchisee fee based on Franchisee's Gross Sales during the previous fiscal month as set forth below (the "Franchisee Fee"):

Monthly Gross Sales		Monthly Franchisee Fee
Greater Than	Less Than or Equal To	
-	\$40,000.00	0.00%
\$40,000.00	\$60,000.00	0.25%
\$60,000.00	\$75,000.00	0.50%
\$75,000.00	\$90,000.00	0.75%
\$90,000.00	\$100,000.00	1.00%
\$100,000.00	\$110,000.00	1.25%
\$110,000.00	\$120,000.00	1.50%
\$120,000.00	\$125,000.00	1.75%
\$125,000.00	\$130,000.00	2.00%
\$130,000.00	\$140,000.00	2.25%



Monthly Gross Sales		Monthly Franchisee Fee
Greater Than	Less Than or Equal To	
\$140,000.00	\$150,000.00	2.50%
\$150,000.00	\$160,000.00	2.75%
\$160,000.00	\$170,000.00	3.00%
\$170,000.00	\$180,000.00	3.25%
\$180,000.00	\$190,000.00	3.50%
\$190,000.00	\$210,000.00	3.75%
\$210,000.00	\$230,000.00	4.00%
\$230,000.00	\$250,000.00	4.25%
\$250,000.00	\$280,000.00	4.50%
\$280,000.00	\$315,000.00	4.75%
\$315,000.00		5.00%

The Franchisee Fee will be invoiced on a monthly basis by Franchisor and is due and payable on the date set forth in such invoice. On or before the date that the Franchisee Fee is due, Franchisee must make an electronic funds transfer to Franchisor's bank account, or Franchisor may elect to withdraw the funds from Franchisee's bank accounts as set forth in Section 6.9.

If, during Franchisee's first four (4) Fiscal Years, Franchisee fails to reach monthly Gross Sales of one hundred thousand dollars (\$100,000.00) at the end of a fiscal month, the Franchisee Fee for that fiscal month shall be waived provided Franchisee is in compliance with its obligations under this Agreement.

Franchisee hereby acknowledges the Franchisee Fee to be fully earned and non-refundable, for any reason whatsoever.

### 6.3 Operations Fee

In consideration of the Pharmacy operations-related goods and services provided by Franchisor to Franchisee, which include without limitation, the Computer System, point of sale technology, dispensing equipment, facsimile service, utilities, waste disposal, and common area maintenance, Franchisee shall pay to Franchisor a recurring monthly fee (the "Operations Fee"). The initial Operations fee will be eight hundred dollars (\$800.00) per fiscal month and will be pro-rated, if appropriate, for the first and last fiscal month of the Agreement. The Operations Fee will be invoiced by Franchisor and is due and payable as set forth in such invoice. On or before the date that the Operations Fee is due, Franchisee must make an electronic funds transfer to Franchisor's bank account, or Franchisor may elect to withdraw the funds from Franchisee's bank accounts as set forth in Section 6.9. The Operations Fee is fully earned upon receipt, and is non-refundable in whole or in part for any reason. Franchisor reserves the right to adjust the amount of the Operations Fee from time to time but no more than one (1) time per Fiscal Year in order to reflect Franchisor's costs and expenses related to the provision of the Pharmacy operations-related goods and services.

#### 6.4 Licensed Space Fee

In consideration of the right and license to use the Licensed Space, Franchisee shall pay to Franchisor a monthly fee based upon the fair market value of the Licensed Space (the "Licensed Space Fee") as determined by Franchisor. The Licensed Space Fee for the Pharmacy is set out in Schedule A to this Agreement. Franchisor reserves the right to adjust the amount of the Licensed Space Fee during every other Fiscal Year to reflect changes in the fair market value of the Licensed Space, including as a result of renovations or refurbishments carried out by Franchisor, as determined by Franchisor acting reasonably.

The Licensed Space Fee will be invoiced by Franchisor and is due and payable as set forth in such invoice and will be pro-rated, if appropriate, for the first and last fiscal month of the Agreement. On or before the date that the Licensed Space Fee is due, Franchisee must make an electronic funds transfer to Franchisor's bank account, or Franchisor may elect to withdraw the funds from Franchisee's bank accounts as set forth in Section 6.9. If, during Franchisee's first four (4) Fiscal Years, Franchisee fails to reach monthly Gross Sales of one hundred thousand dollars (\$100,000.00) at the end of a fiscal month, the Licensed Space Fee for that fiscal month shall be waived provided Franchisee is in compliance with its obligations under this Agreement.

Franchisee hereby acknowledges the Licensed Space Fee to be fully earned and non-refundable, for any reason whatsoever.

#### 6.5 Franchisor OTC Products Royalty Payment

For the Initial Term, Franchisor shall pay to Franchisee a monthly royalty payment based on the Net Sales of OTC Products sold at the Store for Franchisee's previous fiscal month (the "OTC Royalty Payment") as follows:

- (a) Three percent (3%) for National Brand OTC Products; and
- (b) Six percent (6%) for Private Label Brand OTC Products

Notwithstanding the foregoing, Franchisor shall not pay Franchisee an OTC Royalty Payment of more than three thousand five hundred dollars (\$3,500.00) per fiscal month.

For the Renewal Term(s), if any, Franchisor shall pay to Franchisee a monthly royalty payment of fifty percent (50%) of the incremental Net Sales of OTC Products sold at the Store for each Fiscal Month as measured against the same Fiscal Month from the previous Fiscal Year.

#### 6.6 Records and Reporting Systems

Franchisee shall use Franchisor's approved bookkeeping, reporting and cost control systems and Computer System as they exist from time to time, if same is designated by Franchisor, to be used in conjunction with Franchisor's accounting system and prescribed payment system.

Franchisee shall keep accurate books of accounts and records including without limitation accurate records and accounts reporting all Gross Sales and local advertising expenditures in accordance with the accounting, record keeping and reporting system designated by Franchisor. Franchisee shall retain all invoices, cheque stubs, sales, harmonized sales and goods and services tax records and returns and, in particular, Franchisee shall submit to Franchisor:

- (a) upon the written request of Franchisor, by the tenth (10<sup>th</sup>) day of each fiscal month written fill-rate reports, compliance reports, a statement of financial condition for the Pharmacy and any other information Franchisor requires relating to the Pharmacy in the format Franchisor requires;

- (b) upon the written request of Franchisor, copies of all federal and provincial income, retail sales, harmonized sales and goods and services tax returns submitted by Franchisee for any period;
- (c) within thirty (30) days of the end of each Fiscal Year, annual unaudited financial statements prepared on a review engagement basis in accordance with Franchisor's standard reporting system (including an income statement and balance sheet) by an independent chartered accountant acceptable to Franchisor detailing the performance of the Pharmacy, provided that Franchisor shall have the right to require that such financial statements be audited;
- (d) on an annual basis, a third-party audit of physical inventory (at Franchisee's expense) pursuant to the process set forth in the Manual;
- (e) if required by Franchisor and with the assistance of a representative of Franchisor at no additional cost or expense to Franchisee, by the last day of each Fiscal Year during the Term of this Agreement, a final business plan for the Pharmacy for that Fiscal Year; and
- (f) upon the written request of Franchisor, such additional financial or other reports and other documentation relating to the operation of the Pharmacy with such frequency as Franchisor may reasonably require from time to time including, without limitation, a statement by an independent chartered accountant acceptable to Franchisor certifying the sales of Franchisee, copies of all bank statements, cancelled cheques and deposit slips for all bank accounts related to the Pharmacy.

Franchisor shall be authorized to access by the tenth (10<sup>th</sup>) day of each fiscal month a complete and accurate statement of Franchisee's Gross Sales for the preceding fiscal month prepared in the manner prescribed by Franchisor. The statement will include daily sales reports for the Pharmacy and also monthly profit and loss statements, income statements, balance sheets and other information Franchisor reasonably requests.

All records must be kept available in accordance with the retention guidelines stipulated in the Manual or as otherwise directed by Franchisor.

#### **6.7 Inspection and Audit**

Franchisor or its authorized agents and representatives shall have the right, at all reasonable times and without prior notice to Franchisee, to enter and inspect and audit the Pharmacy and all aspects of the operation of the Pharmacy, together with the Computer System and all records, books, documents and materials in the possession or under the control of Franchisee relating to the Pharmacy, Franchisee and the subject matter and terms of this Agreement, including without limitation all records of Franchisee required to be maintained pursuant to applicable law (the "Records"), and to make extracts from or copies of any such Records. Franchisee shall and shall cause its employees to fully cooperate with Franchisor and/or its representatives for such inspection. Without limiting the foregoing, Franchisor may, at any time, conduct an inspection via modem or other electronic means or physical access, of any such records, books and other documents and materials that are kept in electronic format on Franchisee's Computer System, and/or Franchisor may request that Franchisee deliver such material to Franchisor's head office.

If Franchisor gives notice to Franchisee of any deficiency detected during such inspection or audit, Franchisee shall diligently correct such deficiency as soon as possible, but in any event within five (5) days after receipt of such notice. If any inspection or audit discloses an understatement, Franchisee will pay to Franchisor, within fifteen (15) days after receipt of the examination or audit report, the amount of the understatement. Franchisee will be in default under the terms of this Agreement and must reimburse Franchisor for the cost of the audit or inspection, if: (a) an examination or audit is necessary because Franchisee failed to timely provide required information; or (b) any examination or audit results in a determination that amounts owing for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all other remedies and rights of Franchisor under applicable law.

If any inspection or audit results in a determination that more than twice in one twelve month period, amounts owing for any month are understated by greater than two percent (2%) due to clerical errors, Franchisee's monthly Gross Sales statements must be audited by Franchisor at Franchisee's sole expense for the remainder of the Term or until such time as Franchisor determines in its discretion.

Franchisor may, at its expense, conduct periodic inspections and evaluations of the Pharmacy as Franchisor determines in its discretion to offer suggestions on the business performance of the Pharmacy inspected and to consult during such inspections with Franchisee on such business performance subjects as Franchisee reasonably may desire; provided, however, that such periodic inspections do not unreasonably interfere with the day to day business activities of the Pharmacy being inspected. Such inspections may be made at such times as Franchisor, in its discretion, deems appropriate.

#### **6.8 Enquiry by Franchisor**

Franchisee and Pharmacist hereby authorize Franchisor or its authorized agents and representatives to discuss with Franchisee's and Pharmacist's bankers and other creditors, and authorizes and directs all such bankers and creditors to discuss with Franchisor or its authorized agents and representatives, the affairs, finances and accounts of the Pharmacy and the creditors' dealings with Franchisee and Pharmacist concerning the Pharmacy or the subject matter of this Agreement and to obtain information and copies of documents relating thereto. If requested, Franchisee and Pharmacist agree to execute and deliver such directions and other documents as Franchisor may require to authorize such bankers or other creditors to release or disclose any such information and documents to Franchisor.

#### **6.9 Banking and Payments to Franchisor**

Franchisee shall deposit all monies received in the operation of the Pharmacy in an account or accounts to be maintained specifically for such purposes, which accounts shall be maintained with banking institutions acceptable to Franchisor, and shall advise Franchisor of the branch, transit number and account number of such accounts and any changes to those designated accounts, including by completing the Banking Information Form attached as Schedule B to this Agreement.

Franchisee shall make all payments due to Franchisor by electronic funds transfer. To facilitate Franchisee payments to Franchisor, prior to Franchisee commencing operations of the Pharmacy, Franchisor shall advise Franchisee of the branch, transit number and account number of Franchisor's account and any changes to the designated account.

Franchisee will permit Franchisor to deposit amounts Franchisor owes Franchisee in its account. Franchisee will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

If required by Franchisor at any time during the Term, Franchisee shall authorize and do all things necessary to permit Franchisor or Franchisor's Affiliate to receive payments due from Franchisee under this Agreement by automatic bank transfer or withdrawal initiated by Franchisor or Franchisor's Affiliate, including completing and executing a business pre-authorized debit agreement in the form provided by Franchisor. If Franchisor requires payments by automatic bank transfer or withdrawal initiated by Franchisor, Franchisee hereby authorizes Franchisor, and any assignee of Franchisor to withdraw funds electronically from such account or accounts at any time for payment of the Franchisee Fees, Operations Fees, Licensed Space Fees, Advertising Contributions and any other amounts properly due and payable by Franchisee to Franchisor. Franchisee shall maintain sufficient funds in each designated bank account at all times so that any cheque or electronic payment completed and deposited by Franchisor and/or any electronic withdrawal completed by Franchisor hereunder will be honoured.

#### **6.10 Security**

As security for the payment and/or performance by Franchisee of any and all of Franchisee's obligations under this Agreement or under any other agreement or arrangement with suppliers to Franchisee, Franchisee and Pharmacist covenant and agree to enter into such agreements, execute such undertakings, assignments, documents and instruments and take such steps as may be requested by Franchisor or such suppliers from time to time, which may include, without limitation, the execution of

security documentation (including general security agreements or purchase money security interest agreements) and guarantees, and the posting of performance bonds.

## ARTICLE 7 ADVERTISING AND MARKETING

### 7.1 Advertising and Marketing

Franchisor will advertise the System and the Pharmacy to such extent as deemed reasonably necessary by Franchisor. Franchisor periodically will develop advertising aids, programs, media plans, brochures, style guides, designs and other materials for use by franchisees, which may be outlined in the Manual. Franchisor will develop marketing and promotional materials in compliance with Franchisor's standards and specifications and all applicable laws, administrative rules, regulations and policies which will be funded by the Advertising Fund. Franchisee will participate in and adhere to the elements of all promotional, advertising and marketing campaigns executed by Franchisor, including but not limited to, in-store signage, flyers, and receipt marketing. Franchisee will use and distribute only those marketing or promotional materials which Franchisor authorizes in writing prior to use. If Franchisee desires to use any marketing materials not provided by Franchisor, Franchisee shall follow the approval process set forth in the Manual.

### 7.2 Grand Opening Advertising

Franchisee shall participate in such grand opening advertising, marketing and promotional activities within the Territory as may be reasonably requested by Franchisor.

### 7.3 Local Advertising and Other Promotional Campaigns

Franchisor will develop a limited set of marketing and promotional materials for use by Franchisee in local media and with medical and appropriate healthcare providers in the Territory. Franchisee will only use and distribute Franchisor's standard marketing or promotional materials in connection with local advertising and marketing efforts which have been pre-approved by Franchisor. Franchisee is responsible for any expenses incurred in such activities.

### 7.4 Advertising Fund

In recognition of the value of standardized advertising and the promotion of the System, Franchisor reserves the right to establish an Advertising Fund and, upon such establishment, Franchisee shall participate in an advertising and promotional program (the "Program") with respect to the System for the purpose of purchasing or financing the production of media commercials, advertisements, and promotions on a national and/or regional basis, including interactive electronic communications, mobile media and social media tools or pages, and generally to assist in the marketing and promotion of the System. Any such Program shall be established upon the following terms and conditions:

- (a) Franchisee shall pay in the same manner and at the same time as the Franchisee Fee a monthly advertising contribution (the "Advertising Contribution") to the Advertising Fund in an amount equal to one percent (1%) of the Gross Sales for Franchisee's previous fiscal month. Such amount will be prorated for the first and last months of this Agreement.
- (b) Franchisor reserves the right to create, develop and place all such commercials, advertising and promotion and to market the same as agent for and on behalf of Franchisee either directly or through an advertising agency retained or formed for such purpose and funded from the Advertising Fund. All decisions concerning the maintenance, direction and administration of the Program and the selection of particular media shall be within the discretion of Franchisor;
- (c) Franchisee understands and acknowledges that advertising and promotion undertaken as part of the Program (whether detailed herein or otherwise) is intended to increase or enhance general public recognition and acceptance of Target Pharmacy Franchisees for

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the benefit of all Target Pharmacy Franchisees including Franchisee, and Franchisor undertakes no obligation to ensure that any particular franchisee including Franchisee will benefit directly or on a pro rata basis from the placement or conduct of such advertising and promotion, including without limitation the selection and placement of particular media commercials, advertisements, promotions and catalogues;

- (d) the Advertising Fund shall be accounted for separately from other funds of Franchisor and shall not be used to defray any of Franchisor's general operating expenses;
- (e) an unaudited statement of the contributions to and expenditures from the Advertising Fund shall be prepared annually and shall be made available to Franchisee upon request, the cost of such statement to be paid by the Advertising Fund;
- (f) except as expressly provided in this Section 7.4, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Advertising Fund;
- (g) Franchisor shall not be required to expend all of the contributions made to the Advertising Fund in the Fiscal Year in which such contributions are received and any surplus shall be carried over to the following year, and Franchisor shall have the right to terminate the Advertising Fund at any time provided that all amounts in the Advertising Fund shall be expended prior to such termination; and
- (h) Franchisee acknowledges that all copyright in the advertising and promotion undertaken as part of the Program shall be the property of Franchisor.

All decisions with respect to the maintenance, direction and administration of the Advertising Fund and the selection of the particular media shall be within the discretion of Franchisor.

#### **7.5 Solicitation of New Franchisees**

Franchisee acknowledges that Franchisor may from time to time develop advertising and promotional materials and displays respecting the solicitation of Franchisees. Franchisee agrees to display all such materials and displays at the Licensed Space and in such other reasonable manners as required by Franchisor from time to time.

#### **7.6 Media Appearances and Public Statements**

Neither Franchisee nor Pharmacist shall make any public appearance or directly or indirectly (through an agent or otherwise) make any oral or written statement to the public media or any other third party, including on the Internet, Intranet or by other electronic communication, in connection with Franchisor, the System, any other franchisee or the Pharmacy, including regarding any agreement, dispute or potential dispute between Franchisee and Franchisor or between Franchisor and any other of Franchisor's franchisees, unless Franchisee obtains the prior written approval of Franchisor and successfully completes media training as required by Franchisor in its discretion, provided that the foregoing shall in no way limit or prevent the Pharmacist or Franchisee from participating in the activities of an association formed by or for Target Pharmacy Franchisees or from associating with other Target Pharmacy Franchisees.

#### **7.7 Internet Advertising, Participation in Websites, Social Media or Other Online Communications**

The Pharmacy shall not be advertised on the Internet and other electronic media without Franchisor's prior written approval. Franchisee shall not reserve, make, apply for, register or use any domain name, website address, electronic mail address or name, or any similar name, listing, address or identity which includes, in whole or in part, any of the Marks or any other word or mark confusingly similar to any of the Marks. Franchisee acknowledges that any such name, listing, address or identity is owned by Franchisor or its Affiliate or designee and shall transfer and assign all rights thereto to Franchisor or its designee

upon Franchisor's written request. Except as Franchisor may authorize in writing, Franchisee will not: (a) link or frame Franchisor's website; (b) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication) in connection with the Pharmacy; (c) create or register any Internet domain name in connection with the Pharmacy; (d) use any e-mail address which Franchisor has not authorized for use in operating the Pharmacy; or (e) establish any website relating to the Pharmacy. Franchisee shall, immediately upon receipt of notice from Franchisor, dismantle any frames and links if and as required by Franchisor.

Franchisee will participate in a Target Pharmacy website listed on the Internet or other online communications and participate in any Franchisor-controlled intranet system. Franchisor will, at its discretion, determine the content and use of the Target Pharmacy website and intranet system and will establish rules under which franchisees may or will participate.

Franchisor may require Franchisee, at Franchisee's expense, to participate in Franchisor's or its Affiliate's third party social media sites or other online communications as Franchisor may from time to time require. Franchisor has the right to determine the content and use of the website and intranet or extranet system, social media sites or other online communications and will establish the rules under which Franchisee may or must participate or is prohibited or restricted from participating.

Rules and/or policies regarding Franchisee's use of the Target Pharmacy website, Franchisor-controlled intranet system, third party social media sites or other online communications shall be set out from time to time in the Manual or otherwise communicated to Franchisee in writing from time to time. Franchisor will retain all rights relating to the Target Pharmacy website, intranet system and any third party social media sites or other online communications. Franchisee's right to participate in the Target Pharmacy website, intranet system, third party social media sites or other online communications, or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

**ARTICLE 8  
INTELLECTUAL PROPERTY**

**8.1 Use of Intellectual Property**

Franchisee agrees and acknowledges that the right granted herein to Franchisee to use the Intellectual Property applies only to its use in connection with the Pharmacy and not elsewhere, and Franchisee further agrees:

- (a) that it has no interest in or to the Intellectual Property, including the Marks and Franchisee's right to use the Intellectual Property, including the Marks is derived solely from this Agreement and is limited to the conduct of the Pharmacy in compliance with this Agreement and all applicable specifications, standards and operating procedures as may be set by Franchisor in its discretion, and communicated to Franchisee from time to time;
- (b) that Franchisor or Franchisor's Affiliate exclusively owns all right, title and interest in and to all of the Intellectual Property (including all goodwill associated therewith) and any unauthorized use of Intellectual Property is and shall be deemed an infringement of the rights of Franchisor or its Affiliates;
- (c) that, except as expressly provided in this Agreement, Franchisee acquires no right, title or interest in the Intellectual Property, and any and all improvements or modifications to the Intellectual Property shall be exclusive property of Franchisor or its Affiliates, and any and all goodwill associated with the Intellectual Property enures exclusively to the benefit of Franchisor or its Affiliates;
- (d) during the Term and after termination or expiration thereof for any reason, not to dispute or contest for any reason whatsoever, directly or indirectly, the validity, ownership or enforceability of any of the Intellectual Property rights, including any of the Marks, nor directly or indirectly attempt to dilute the value of the goodwill attached to the Marks or the System, nor counsel, procure or assist anyone else to do any of the foregoing;

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- (e) to notify Franchisor promptly of any attempt by any person other than Franchisor or a franchisee of Franchisor, to use any of the Intellectual Property rights, including the Marks, or any variation or imitation thereof, and to notify Franchisor immediately of any action involving the Intellectual Property including the Marks, that is threatened or instituted by any person against Franchisee and to allow Franchisor to undertake the defence of any such action. If Franchisor undertakes any such defence, Franchisee and the Pharmacist shall fully cooperate with Franchisor and execute such documents and do such acts and things as, in the opinion of Franchisor, may be necessary. Franchisee and Pharmacist hereby waive the benefit of Subsection 50(3) of the *Trade-marks Act* (Canada). Franchisee will have no obligation to and will not, without Franchisor's prior written consent, defend or enforce any of the Intellectual Property, including the Marks in any court or other proceedings for or against imitation, infringement, passing off, any claim of prior use, or for any other allegation. Franchisee must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim;
- (f) without Franchisor's prior written consent and except for any registration requirement under applicable provincial business or trade name registration laws, not to use any of the Marks as part of Franchisee's corporate, partnership, trade or other legal name, domain name or electronic mail address or as part of the corporate, partnership, trade or other legal name, domain name or electronic mail address of any corporation, partnership or other entity in which Franchisee or Pharmacist has a direct or indirect interest, nor to hold out or otherwise employ any of the Marks or any portion of Franchisor's corporate name to perform any activity, nor to incur any obligation or indebtedness, in such manner as could reasonably result in thereby making Franchisor liable;
- (g) without Franchisor's consent, not to reserve, apply for or register any trade-mark, service mark, domain name, website address, electronic mail address or name, URL, or any other name, listing or address which includes or consists of any of the Marks or any other word or mark confusingly similar to the Marks nor counsel, procure or assist anyone else to do any of the foregoing;
- (h) to operate and advertise as the Pharmacy only under the Marks and under no other name and use the Marks only with accompanying words or symbols approved in writing by Franchisor;
- (i) to not make any changes or substitutions to the Marks unless Franchisor so directs in writing;
- (j) to use or display the Marks on all products and services as Franchisor specifies in writing;
- (k) to use or display the Marks on signs, forms, stationery, business cards, cheques, invoices, paper goods, delivery service vehicles and other items used in connection with the Pharmacy and other materials only in the manner and form prescribed by Franchisor and as provided for in this Agreement or in the Manual, to provide copies of any materials depicting the Marks to Franchisor when requested, and to affix in a prominent place at the Licensed Space a notice in the form prescribed by Franchisor specifying substantially the following:
 

"The Target trade-marks are owned Target Brands, Inc., and are used under license. The operator of this pharmacy is an independent licensed user of such trade-marks";
- (l) to not use or display the Marks in any external communications, including without limitation, to Customers or third party service providers, without Franchisor's prior written approval;
- (m) to not use the translation of English words in the Marks to another language without Franchisor's prior written approval;



- (n) to permit Franchisor or its authorized representatives, at all reasonable times, to have access to the Licensed Space and any relevant documents, materials and records pertaining to Franchisee's operation as a Target Pharmacy Franchisee in order to determine that Franchisee is complying with this Section 8.1; and,
- (o) to observe such reasonable requirements with respect to copyright notices, trade name registrations and other forms of marking as Franchisor may direct from time to time.

### **8.2 Change in Intellectual Property Laws**

If the *Trade-marks Act* or the intellectual property laws of Canada are amended so as to render inapplicable any of the provisions of Article 8, Franchisee shall promptly execute such documents and do such acts and things as, in the opinion of Franchisor, may be reasonably necessary to effect the intent and purpose of the provisions of Article 8 from time to time.

### **8.3 New Marks**

If it becomes advisable at any time in the discretion of Franchisor for Franchisee to modify or discontinue use of any of the Marks or use one or more additional or substitute names or marks, Franchisee agrees to do so.

### **8.4 Copyright**

Franchisee acknowledges that Franchisor has developed, and may further develop during the Term, the Manual and certain artistic designs, expressions and word combinations designated by Franchisor for use in the operation as a Target Pharmacy Franchisee. Franchisee acknowledges that Franchisor retains all right, title and interest thereto as provided by copyright law to the originator or owner of such works and, further, that Franchisee hereby assigns any derivations thereof it may create to Franchisor, and establish procedures to ensure that its employees, agents and contractors do the same.

## **ARTICLE 9 MANUALS AND CONFIDENTIALITY**

### **9.1 Manual**

During the Term, Franchisor shall provide Franchisee with access to a hard or electronic copy of the Manual containing mandatory and suggested standards, methods, procedures and specifications applicable to the System, Franchisee's operation as a Target Pharmacy Franchisee and information relative to other obligations of Franchisee hereunder. Franchisee acknowledges that the Manual will be provided in the English language only. To the extent a portion of the Manual is in paper format, Franchisor shall lend to Franchisee a copy of the Manual. The Manual shall at all times remain the exclusive property of Franchisor and all hard copies shall be returned to Franchisor and all electronic versions shall be deleted, promptly upon request and, in any event, upon termination or expiration of this Agreement for any reason whatsoever. Franchisee shall not at any time copy, duplicate, record, store or otherwise reproduce or transcribe the Manual or any part thereof or any of the forms supplied by Franchisor hereunder without Franchisor's prior written consent. Franchisee will keep accurate and complete records of persons receiving the Manual. Franchisor shall have the right to add to, modify, withdraw or otherwise revise the provisions of the Manual from time to time to maintain the goodwill associated with the System and the Marks. Franchisor may transmit a copy of the Manual and any additions, modifications, withdrawals or revisions by electronic mail, Internet, Intranet or other electronic means. The provisions of the Manual (as revised from time to time) and the mandatory standards, methods, procedures and specifications applicable to the System and Franchisee's operation as a Target Pharmacy franchisee, and any revisions made thereto from time to time by Franchisor shall constitute provisions of this Agreement and Franchisee shall comply with same as if fully set forth herein. If Franchisee loses the copy of the Manual lent to Franchisee by the Franchisor, Franchisee shall notify Franchisor immediately and shall pay Franchisor five hundred dollars (\$500.00) for a new copy of the Manual to be lent to Franchisee during the Term.

## 9.2 Confidentiality

Franchisee and Pharmacist acknowledge that Confidential Information includes all information that is derived from information disclosed by Franchisor and that all such information is of a proprietary and confidential nature and is a trade secret of Franchisor and is disclosed to Franchisee solely on the condition that Franchisee and Pharmacist agree that they: (a) will not use any of the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit from any of the Confidential Information not specifically described in this Agreement or approved in writing by Franchisor; (b) maintain the absolute confidentiality of all Confidential Information and not make any use or disclosure thereof (disclosing the same to Franchisee's agents, employees and independent contractors only to the extent necessary for the operation of the Pharmacy in accordance with this Agreement) without Franchisor's prior written approval during the Term and after the termination or expiration thereof for any reason whatsoever; (c) will adopt and implement all reasonable procedures Franchisor directs to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Pharmacy employees, agents, and independent contractors; and (d) will require Franchisee's agents, employees and independent contractors to whom any of the Confidential Information is disclosed (on a need to know basis only) to comply with the provisions of this Section 9.2. Upon request by Franchisor, Franchisee shall require such persons to execute confidentiality agreements in a form prescribed by or acceptable to the Franchisor.

## ARTICLE 10 RESTRICTIVE COVENANTS

### 10.1 Non-competition during Term

Once Pharmacist commences the initial training program set forth in Section 4.1, and during the Term, neither Franchisee nor Pharmacist shall individually, or in conjunction with any person, firm, partnership, corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant or guarantor or in any other manner whatsoever, directly or indirectly, (a) carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in the establishment or operation of any business, whether inside or outside the Territory, which distributes, markets or sells, at wholesale or retail, any pharmacy services, including the sale of prescription or over-the-counter pharmaceuticals and related products, or any other business that is competitive with or similar to a Target Pharmacy pharmacy ("Competitive Business"), except pursuant to other franchise agreements between Franchisee and Franchisor; or (b) divert or attempt to divert any business or Customer of any Target Pharmacy or any prospective Target Pharmacy Franchisee to any competitor by direct or indirect inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

The invalidity or unenforceability of any provision of this Section 10.1 shall not affect the validity or enforceability of the other provisions and any such invalid or unenforceable provisions shall be deemed to be severable.

### 10.2 Non-competition, Diversion and Non-Solicitation following Termination or Expiration

In the event of expiration or termination of this Agreement for any reason whatsoever, Franchisee and Pharmacist shall not, without the prior written consent of Franchisor, at any time during the period of one (1) year from the date of such termination or expiry, either individually or in conjunction with any person, firm, partnership or corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant, guarantor or in any other manner whatsoever, directly or indirectly: (a) carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in the establishment or operation of any Competitive Business within the Territory except pursuant to other franchise agreements between Franchisee and Franchisor; or (b) divert or attempt to divert any business or Customer of any Target Pharmacy pharmacy or any prospective Target Pharmacy Franchisee to any competitor by direct or indirect inducement or otherwise.

Notwithstanding the foregoing, during the time period referred to above, Pharmacist shall be entitled to accept a position as a bona fide employee (and in no other capacity) in any Competitive Business or any

other Target Pharmacy franchise. This section shall not apply if Franchisee terminates this Agreement pursuant to Section 12.3.

The invalidity or unenforceability of any of provision or part of a provision of this Section 10.2 shall not affect the validity or enforceability of the other provisions and any such invalid or unenforceable provisions shall be deemed to be severable.

### **10.3 Amendment of Restrictive Covenants**

Franchisee and Pharmacist acknowledge that the covenants set forth in this Article 10 have been inserted for the sole benefit of Franchisor and that Franchisor shall have the right, from time to time during the Term, in its discretion, to waive in whole or in part or otherwise reduce the scope of any such covenants set forth in this Article 10 or any portion thereof without Franchisee's or Pharmacist's consent effective upon Franchisor giving notice thereof to Franchisee and Pharmacist.

### **10.4 Claims No Defense**

Franchisee and Pharmacist acknowledge that the existence of any claim they may individually or jointly have against Franchisor, whether or not arising from this Agreement, shall not constitute a defence to the enforcement of the covenants in this Article 10 by Franchisor.

## **ARTICLE 11 TRANSFER**

### **11.1 Transfer by Franchisor**

Franchisor shall have the right to directly or indirectly sell, assign, transfer or otherwise dispose of or deal with any or all of its rights and obligations under this Agreement to any individual, firm, association, bank, lending institution, corporation, partnership or other third party as it may in its discretion deem appropriate. In the event of any such transfer, Franchisor shall be released from any liability under this Agreement for the obligations transferred, except to the extent that such obligations relate to periods prior to such transfer.

### **11.2 Transfer by Franchisee**

Franchisee and Pharmacist acknowledge that the granting of the rights hereunder is based upon Franchisor's investigation of Franchisee's and Pharmacist's qualifications and that such rights are personal to Franchisee and Pharmacist. Neither Franchisee nor Pharmacist shall (whether voluntary or involuntary) sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights or interest herein or granted hereunder, or any part thereof, or any rights or privileges incidental thereto, or the Pharmacy or any interest therein, (hereinafter collectively referred to as a "Transfer"), to any individual, firm, partnership, bank, lending institution, corporation or other third party.

Any actual, attempted or purported Transfer shall be a default of this Agreement and such Transfer shall be null and void.

### **11.3 Death or Incapacitation**

If Pharmacist dies or becomes Permanently Incapacitated, Franchisor shall have the right in its discretion to terminate this Agreement by notice, to Pharmacist's legal representative(s). To prevent any interruption of the Pharmacy and to protect the goodwill associated with the System, if Pharmacist dies or becomes Incapacitated or Permanently Incapacitated, Franchisor may at its option operate the Pharmacy for so long as Franchisor deems necessary in the circumstances. All revenues received from the Pharmacy during such period of operation by Franchisor shall be kept by it in a separate account and the expenses of the Pharmacy including, without limitation, reasonable compensation and expenses of Franchisor and its agents and employees in operating the Pharmacy, shall be charged to such account. If Franchisor

does not exercise its right to operate the Pharmacy, Franchisee shall continue to be bound by this Agreement.

## ARTICLE 12 TERMINATION AND EXPIRATION

### 12.1 Termination Without Cause

At any time following the third anniversary of the opening date of the Pharmacy, Franchisor may, at its option, terminate this Agreement without cause and all rights granted herein effective immediately, upon sixty (60) days prior written notice.

### 12.2 Termination For Cause

Franchisee shall be deemed to be in default hereunder, and Franchisor may, at its option, terminate this Agreement and all rights granted herein effective immediately, without notice or prior opportunity to cure the default, except as expressly provided, and without any compensation to Franchisee:

- (a) if Franchisee's pharmacy business, narcotics or controlled substance licence is revoked, suspended or has conditions imposed upon it which materially adversely affect the ability of Franchisee to actively conduct its business in accordance with this Agreement, as determined by Franchisor in its discretion;
- (b) if Franchisee or Pharmacist: (i) become insolvent (within the meaning of the *Bankruptcy and Insolvency Act* (Canada) (the "Act")) or make an admission of inability to pay their debts as they become due; (ii) files a voluntary petition for bankruptcy or has filed against it an involuntary petition for bankruptcy; (iii) makes or is deemed to have made a general assignment for the benefit of creditors or a proposal or arrangement under the Act; (iv) applies for the appointment of a receiver or trustee or has any other officer with similar powers appointed of or for Franchisee or Pharmacist; (v) commits an act of bankruptcy or proposes a compromise or arrangement or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings; (vi) commences the filing of a proposal or a notice of intention to enforce security is issued in respect of any other party under the Act; or (vii) any filing is made or proceeding commenced (whether voluntary or involuntary) under the *Companies' Creditors Arrangement Act* (Canada);
- (c) if Franchisor's financial obligations to Franchisee are the subject of a garnishment or if any of the goods or chattels of the Pharmacy are seized or have a writ of execution issued against them;
- (d) if Franchisee without the prior written consent of Franchisor gives any security interest in any of such goods or chattels or sells any of such goods or chattels except in the normal course of business, such that the foregoing materially impairs the operation of the Pharmacy or any security interest which Franchisor may have in respect thereof;
- (e) if Franchisee or Pharmacist, or Franchisee's agent, employee or independent contractor engages in any conduct, including without limitation, impairment by alcohol or drugs, or theft, which, in the reasonable opinion of Franchisor, may materially adversely affect the reputation of Franchisor, the System or the Marks;
- (f) if Franchisee or Pharmacist wilfully or fraudulently misrepresents any fact, condition or report required to be made by this Agreement or previously made in any application submitted by Franchisee or Pharmacist;
- (g) if Franchisee or Pharmacist fails to notify Franchisor in writing within two (2) business days of the initiation of any complaint proceeding or the completion of any inspection conducted by a pharmacy or pharmacist regulatory body or the commencement of any

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action, suit, proceeding or investigation, or of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Pharmacy;

- (h) if Franchisee for a reason other than demonstrable clerical error, the proof of which shall be the obligation of Franchisee, understates the Gross Sales for any period by more than two percent (2%);
- (i) if Franchisee or Pharmacist is in default of any of its obligations under this Agreement or in any other agreement with Franchisor or any Affiliate of Franchisor whether such other agreement relates to the Pharmacy franchised hereunder or any other Target Pharmacy pharmacy licensed to Franchisee or any Affiliate of Franchisee and fails to cure such default and satisfy Franchisor that such default has been cured within fifteen (15) days of receiving notice from Franchisor or such Affiliate of Franchisor to cure the same;
- (j) if Franchisee or Pharmacist makes an unauthorized Transfer in violation of Section 11.2;
- (k) if Franchisee abandons or fails to actively operate or supervise the operation of the Pharmacy for two (2) or more business days or fails to operate the Pharmacy during posted business hours more than 3 times in a fiscal month period;
- (l) if Franchisee has received from Franchisor during any consecutive twelve (12) fiscal month period three (3) or more notices relating to a default of this Agreement (whether such notices relate to the same or different defaults and whether or not such defaults or deficiencies have been remedied by Franchisee);
- (m) if Franchisee's agent, employee or independent contractor engages in any activity or conduct that, if undertaken directly by Franchisee, would constitute a default of this Agreement and, if such default is curable, Franchisee and/or its agent, employee or independent contractor fails to cure such default and satisfy Franchisor that such default has been cured within fifteen (15) days of receiving notice from Franchisor to cure same;
- (n) if Franchisee fails to pay, within a period of thirty (30) days from the due date, any monies owed to suppliers;
- (o) if Franchisee fails to pay, when due, any monies owed to Franchisor or any Affiliate of Franchisor, or fails to submit when due any report required by Franchisor whether pursuant to this Agreement or any other agreement with Franchisor or any Affiliate of Franchisor, whether such other agreement relates to the Target Pharmacy franchise licensed hereunder, and continues in such default for more than thirty (30) days of receiving notice from Franchisor or such Affiliate to cure the same;
- (p) if Franchisee makes any unauthorized use, disclosure or duplication of any portion of the confidential Manual or any other Confidential Information provided to Franchisee by Franchisor; or
- (q) if Franchisee materially misuses or makes an unauthorized use of any Marks or commits any act which can reasonably be expected to materially impair or otherwise is prejudicial to the goodwill associated with any Marks.

During any cure period expressly provided above, Franchisor may, acting reasonably, suspend Franchisee's right to operate as a Target Pharmacy Franchisee until Franchisee and/or the Pharmacist have satisfied Franchisor that it or they have cured any and all defaults identified in the notice of default. Franchisor may at its option operate the Pharmacy during any such suspension period. All revenues received during such period of operation by Franchisor shall be kept in a separate account by Franchisor and the expenses including, without limitation, reasonable compensation and expenses of Franchisor and its agents and employees in operating the Pharmacy shall be charged to such account.

### 12.3 Termination by Franchisee

Franchisee may terminate this Agreement, with or without cause, within forty-eight (48) hours from the date Franchisee signs this Agreement (the "Franchisee Signature Date"). For clarity, the Franchisee Signature Date ends at 11:59 pm, and the forty-eight (48) hour period begins at 12:00 am on the calendar day immediately following the Franchisee Signature Date. Franchisee must notify Franchisor in writing of its intention to terminate this Agreement pursuant to this Section 12.3 within such forty-eight (48) hour period. Upon receipt of Franchisee's notification to terminate, Franchisor will return to Franchisee, within ten (10) business days, the full amount of the Deposit required under Section 6.1. Franchisor will not reimburse Franchisee for any other costs or expenses incurred by Franchisee. Upon termination pursuant to this Section 12.3, Franchisee shall forthwith cease to be a franchisee of Franchisor, and must fulfill its obligations on termination as set out in this Agreement.

### 12.4 Unsatisfactory Background Check

If, in the reasonable opinion of Franchisor, the results of a background check performed on Pharmacist prior to the commencement of the initial training program set forth in Section 4.1, are unsatisfactory to Franchisor, Franchisor shall have the right to terminate this Agreement upon five (5) days' notice to Franchisee, which notice shall be given prior to Franchisee commencing such initial training program. In the event of such termination, Franchisor shall have no liability to Franchisee including, without limitation, no liability for incidental or consequential damages, consequential loss, loss of income or loss of expectation of profit, or any other damages, loss or costs incurred in connection with the Pharmacy.

### 12.5 Unsuccessful Training

Franchisee recognizes that in order to protect the reputation and goodwill of the System, Pharmacist or a licensed pharmacist manager approved by Franchisor must successfully complete Franchisor's initial training program to the satisfaction of Franchisor. If Franchisor determines that Pharmacist or such manager, as the case may be, has failed to demonstrate the qualities and abilities which Franchisor deems necessary for the successful operation of the Pharmacy or if Pharmacist or the licensed pharmacist manager fails to complete such initial training program, Franchisor shall have the right to terminate this Agreement upon five (5) days' notice to Franchisee. In the event of such termination, Franchisor shall have no liability to Franchisee including, without limitation, no liability for incidental or consequential damages, consequential loss, loss of income or loss of expectation of profit, or any other damages, loss or costs incurred in connection with the Pharmacy.

### 12.6 Right of Entry

If Franchisor exercises its right to terminate this Agreement, with or without cause, Franchisor or its designated agents or representatives will have the additional right to enter the Licensed Space at any time and by any means at Franchisee's risk and expense, and to operate the Pharmacy, as the agent of the Franchisee (without being guilty of trespass).

### 12.7 Franchisor as Attorney

Franchisee hereby irrevocably appoints Franchisor to be Franchisee's attorney to accomplish the provisions of this Article 12 and declares that this power of attorney may be executed during any subsequent legal incapacity of Franchisee.

### 12.8 Payments Upon Termination or Expiration

Upon termination or expiration of this Agreement, the following will apply:

- (a) If this Agreement has been terminated with or without cause, all monies received by Franchisor will be applied by Franchisor, when received by it, in the following order:
  - (i) all costs incurred by Franchisor in connection with a sale of the inventories and other assets of the Pharmacy and any costs incurred by Franchisor in operating

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the Pharmacy from the date of termination to the date of the right to operate the Pharmacy is granted to a new franchisee or to an Affiliate of Franchisor;

- (ii) all monies determined by Franchisor to be payable by Franchisee to Franchisor;
- (iii) payment of any other creditors, including but not limited to tax authorities in connection with bulk sales legislation, of Franchisee; and
- (iv) the balance will be paid to Franchisee,

Franchisor will be entitled to retain a maximum of five thousand dollars (\$5,000.00) of the balance payable to Franchisee for a period of one year following termination of this Agreement to ensure payment of all amounts referred to in this Section 12.8.

- (b) If the Franchisee does not exercise its first right of renewal and the Agreement expires at the end of the Initial Term, or if this Agreement is terminated without cause by Franchisor prior to the expiration of the Initial Term, in consideration for the termination of this Agreement and Franchisee's right hereunder, Franchisee will be paid two percent (2%) of the previous twelve fiscal month period's Gross Sales provided that Franchisee and Pharmacist have delivered to Franchisor a complete release, in a form provided by Franchisor, of Franchisor and its Affiliates, and their respective shareholders, directors and officers from all obligations of and claims against any such persons under or in connection with the Agreement.
- (c) If this Agreement expires at the end of the first Renewal Term or this Agreement is terminated without cause by Franchisor during the first Renewal Term, in consideration for the termination of this Agreement and Franchisee's right hereunder, Franchisee will be paid five percent (5%) of the previous twelve fiscal month period's Gross Sales provided that Franchisee and Pharmacist have delivered to Franchisor a complete release, in a form provided by Franchisor, of Franchisor and its Affiliates, and their respective shareholders, directors and officers from all obligations of and claims against any such persons under or in connection with this Agreement or the operation of the Pharmacy.
- (d) If this Agreement expires at the end of the second Renewal Term or this Agreement is terminated without cause by Franchisor during the second Renewal Term, in consideration for the termination of this Agreement and Franchisee's right hereunder, Franchisee will be paid seven percent (7%) of the previous twelve fiscal month period's Gross Sales provided that Franchisee and Pharmacist have delivered to Franchisor a complete release, in a form provided by Franchisor, of Franchisor and its Affiliates, and their respective shareholders, directors and officers from all obligations of and claims against any such persons under or in connection with this Agreement or the operation of the Pharmacy.
- (e) If this Agreement expires at the end of the third Renewal Term or this Agreement is terminated without cause by Franchisor during the third Renewal Term, in consideration for the termination of this Agreement and Franchisee's right hereunder, Franchisee will be paid ten percent (10%) of the previous twelve fiscal month period's Gross Sales provided that Franchisee and Pharmacist have delivered to Franchisor a complete release, in a form provided by Franchisor, of Franchisor and its Affiliates, and their respective shareholders, directors and officers from all obligations of and claims against any such persons under or in connection with this Agreement or the operation of the Pharmacy.

**12.9 Other Relief**

Any termination under Section 12.2 shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which Franchisor may otherwise be entitled against Franchisee or Pharmacist. All moneys paid by Franchisee to Franchisor hereunder or otherwise shall be retained by Franchisor as consideration for the rights and benefits previously conferred on Franchisee and Pharmacist hereunder and as liquidated damages. The foregoing remedy shall not exclude any of the remedies which Franchisor may have at law or in equity by reason of the default, breach or non-observance by Franchisee or Pharmacist of any provision hereof.

**12.10 Franchisee's Obligations on Termination or Expiration**

Upon the termination or expiration of this Agreement for any reason whatsoever, Franchisee shall forthwith cease to be a franchisee of Franchisor and, together with Pharmacist, shall forthwith:

- (a) pay to Franchisor or any Affiliates all amounts as have or will thereafter become due hereunder or under any other agreement between Franchisee and Franchisor or such Affiliates and are then unpaid;
- (b) take such actions as may be required to transfer the Pharmacy's inventory and Prescription Files to Franchisor or its licensed pharmacy operator designee;
- (c) cooperate with Franchisor and take such actions as may be required to assist Franchisor with the orderly wind-down and/or transition of Franchisee's Pharmacy operations;
- (d) cease to use and return to Franchisor all copies of the Manual then in the control or possession of Franchisee, advertising materials, and all other printed materials relating to the System;
- (e) cease to operate as the Pharmacy under the System or otherwise and thereafter not, directly or indirectly, represent to the public that such Pharmacy is operated in association with the System, or hold itself, himself or herself out as a present or former franchisee of Franchisor;
- (f) cease to use, directly or indirectly, in any manner whatsoever the Intellectual Property, including the Marks and any similar name or mark, any other identifying characteristics or indicia of operation of the System, and cease to associate itself as being associated with Franchisor;
- (g) cease to use the Confidential Information and return to Franchisor all documents in Franchisee's possession or under its control that contain Confidential Information;
- (h) take such action as may be required to cancel any advertisements, including white page and yellow page advertisements and similar directories and listings;
- (i) remove from any delivery service vehicles and discontinue using for any purpose any and all signs, decals, equipment, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms or other product or materials and other items which display the Marks or any distinctive feature or device associated with the System;
- (j) cease to use the Computer System and all related computer software programs, and any and all data and information generated by the use of the Computer System (except for data or information required by Franchisee for preservation of records or preparation of goods and services, harmonized, sales tax or income tax returns or filings), and immediately destroy all back-up or other copies of such software;
- (k) at the request of Franchisor, take all such action as may be necessary to cancel any trade or business name registration made under any federal or provincial laws or



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regulations where such registration contains any part of the Marks, and furnish Franchisor with evidence satisfactory to it of compliance with such obligation within fifteen (15) days after termination or expiration; and

- (l) comply with all other applicable provisions of this Agreement.

Upon expiration or termination of this Agreement, Franchisee and Pharmacist shall ensure that Franchisee maintains its status as a corporation in good standing until such time as Franchisor has made any payments, if any, owing by Franchisor pursuant to the terms of this Agreement.

#### **12.11 Franchisor's Rights on Termination or Expiration**

Upon the termination or expiration of this Agreement for any reason whatsoever, Franchisor shall have:

- (a) the right to direct Franchisee to transfer the Prescription Files to Franchisor or its licensed pharmacy operator designee; and
- (b) the option to purchase from Franchisee all or any portion of the inventory of the Pharmacy, such option to be exercised by notice delivered to Franchisee up to thirty (30) days prior to the date of termination or expiration of this Agreement. The purchase price payable for any such inventory shall be its fair market value as determined by Franchisor minus the cost of conducting a third-party audit of the inventory.

Any purchase and sale completed pursuant to this Section 12.11 shall be completed in accordance with applicable bulk sales legislation.

#### **12.12 Equitable Relief**

Franchisee recognizes that its failure to comply with the terms of this Agreement could cause irreparable damage to Franchisor. Therefore, if Franchisee breaches or threatens to breach any of the terms of this Agreement, Franchisor will be entitled to equitable relief restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable legal fees (on a full indemnity basis) and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the court. Franchisor may seek equitable relief in a court having jurisdiction over the parties as provided in this Agreement.

The non-prevailing party will pay all costs and expenses, including reasonable legal fees (on a full indemnity basis), the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

### **ARTICLE 13 RELATIONSHIP AND INDEMNIFICATION**

#### **13.1 Independent Parties**

Franchisee and Pharmacist are and will at all times remain independent contractors with Franchisor and are not and shall not represent themselves to be the agent, joint venturer, co-employer, fiduciary trustee, partner or employee of Franchisor, or to be related to Franchisor other than as its independent franchisee or the shareholder of Franchisee. Neither Franchisee nor Pharmacist shall make any representations or take any acts which could establish any apparent relationship of agency, joint venture, co-employer, fiduciary, trust, partnership, dependent contractor or employment, and Franchisor shall not be bound in any manner whatsoever by any agreements, warranties or representations made by Franchisee or Pharmacist to any other person nor with respect to any other action of Franchisee or Pharmacist. Neither Franchisee nor Pharmacist shall establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in the name or on the credit of Franchisor. No acts of assistance given by Franchisor to Franchisee or Pharmacist shall be construed so as to alter this relationship.

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Franchisee must conspicuously identify itself at the Licensed Space of the Pharmacy and in all dealings with customers, contractors, suppliers, public officials, employees, regulators, and others as the owner of the independent business under a franchise agreement from Franchisor, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Franchisor requires and as required by applicable law.

### **13.2 Liability of Pharmacist**

If two (2) or more individuals execute this Agreement as Pharmacist, the liability of each such individual hereunder shall be joint and several.

### **13.3 Non-Liability**

Franchisor shall not be liable for any injury or death of any person or damage to any property caused by Franchisee's or Pharmacist's action, failure to act, negligence or wilful conduct, nor for any liability of Franchisee or Pharmacist which may not be covered by insurance arranged pursuant to this Agreement.

### **13.4 Franchisee and Pharmacist Indemnity**

Franchisee and Pharmacist each hereby agree to (and do hereby) indemnify and undertake to defend Franchisor and its Affiliates and its and their respective shareholders, directors, officers, employees and agents and hold them harmless from all suits, proceedings, assessments, losses, claims, demands or actions of any nature or kind whatsoever (a "Claim"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with the Pharmacy or Franchisee's operation thereof (or Franchisor's management of the operation thereof pursuant to this Agreement unless such Claim arose by reason of Franchisor's gross negligence in managing the operation of the Pharmacy), including Franchisee's employment of any individuals; and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses), losses, fines or penalties incurred by or on behalf of any of them in the investigation or defence of any and all Claims.

The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

## **ARTICLE 14 ADVISORY COUNCIL**

### **14.1 Advisory Council**

In order to provide a forum to exchange ideas and information between Franchisor and Target Pharmacy Franchisees, Franchisor reserves the right to establish one or more advisory councils (collectively, the "Advisory Council"), the terms of reference of which shall be contained in the Manual and which shall be implemented in good faith and in accordance with reasonable commercial standards. The terms of reference shall set out the terms and conditions upon which Franchisee may be eligible to participate on the Advisory Council.

## **ARTICLE 15 GENERAL**

### **15.1 Counterparts**

This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original, and such counterparts taken together shall constitute one and the same instrument.

## 15.2 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon Franchisor, its legal representatives, successors and permitted assigns, and Franchisee and the Pharmacist and their respective legal representatives, as applicable.

## 15.3 Survival

All obligations of Franchisor, Franchisee and Pharmacist which expressly or by their nature survive termination or expiration or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

## 15.4 Notice

Except as otherwise provided in this Agreement, any party giving any notice required under this Agreement shall be in writing and shall use one of the following methods of delivery: (a) nationally-recognized overnight courier, with such notice effective at the time delivery is shown in the courier's records; (b) postage prepaid by registered or certified mail, return receipt requested, with such notice effective upon receipt or upon the date that delivery is attempted and refused; or (c) delivered personally, with such notice effective upon delivery. Franchisor may also provide notice to Franchisee through Franchisor's portal system, facsimile, or electronic mail. Any notice so given shall be deemed to have been given and received on the date of delivery or transmission by facsimile, electronic mail, or the Franchisor's portal system. Either party may designate another notice address in a notice given pursuant to this Section.

The proper notice address for Franchisee and Pharmacist shall be the address set forth on the first page of this Agreement and at the following email address:

Email: [roh@phdrugstore.com](mailto:roh@phdrugstore.com)

The proper notice address for Franchisor shall be:

Target Canada Pharmacy Franchising LP,  
Director of Franchise Operations,  
5570 Explorer Drive,  
Mississauga, Ontario L4W 0C4.

## 15.5 Taxes

To the extent any sales, use, service, value added, goods and service, harmonized sales or provincial sales taxes (collectively, "Sales Taxes") are payable by Franchisor or Franchisee with respect to the supply of property or services pursuant to this Agreement:

- (a) the supplier shall reflect such Sales Taxes separate from the consideration or other fees stated on the invoices and shall comply with all invoicing disclosure requirements including those prescribed by the Input Tax Credit Information (GST/HST) Regulations under the *Excise Tax Act (Canada)*, and any other applicable law;
- (b) the payor shall pay the supplier the Sales Taxes that are legally payable as reflected on the invoice;
- (c) the supplier shall remit all applicable Sales Taxes to the appropriate taxing authority in a timely fashion;
- (d) Franchisee shall indemnify and hold Franchisor and its affiliates harmless against any assessment or other amounts, including any interest or penalties thereon, in respect of or otherwise arising, directly or indirectly, from any failure by the Franchisee to collect, remit or pay such Sales Taxes.

The Franchisee Fee, Deposit, Operations Fee, Licensed Space Fee and the Advertising Contribution may be subject to applicable Sales Tax.

#### **15.6 Right of Set-off**

Notwithstanding any other provision of this Agreement, if Franchisee or Pharmacist has an obligation to pay Franchisor any sum or amount of money under this Agreement, Franchisor may, at its election, deduct any and all such sum or amount owed from any monies or credit held by Franchisor for the account of Franchisee or due and owing to Franchisee or Pharmacist from Franchisor.

#### **15.7 Not Withhold Payment**

Franchisee and Pharmacist agree that they will not withhold payment of any amounts due to Franchisor or any of its Affiliates on the grounds of the alleged non-performance by Franchisor of any of its obligations hereunder.

#### **15.8 Rights of Franchisor are Cumulative**

The rights of Franchisor hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder or which Franchisor is otherwise entitled by law to enforce.

#### **15.9 Franchisor's Rights**

Subject to applicable laws, whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

#### **15.10 Franchisee Investigation**

Franchisee and Pharmacist acknowledge that they have conducted an independent investigation of the Pharmacy and Franchisor and recognize that the business venture contemplated by this Agreement involves business risks and that Franchisee's and Pharmacist's success will be largely dependent upon the business ability of Franchisee and the Pharmacist. Franchisor expressly disclaims the making of and Franchisee and the Pharmacist acknowledge that neither Franchisee nor the Pharmacist have received any warranty, representation or guarantee, express or implied or collateral, as to the potential volume, profits or success of the Pharmacy, except as such may have been included in any Disclosure Document delivered to Franchisee pursuant to applicable provincial franchise disclosure legislation or provided on a voluntary basis.

#### **15.11 Franchisee Review of Agreement and Disclosure Document**

Franchisee and Pharmacist acknowledge that Franchisee has received, has had ample time to read, and has read this Agreement and, if applicable, the Disclosure Document. Franchisee and Pharmacist further acknowledge that prior to entering into this Agreement, Franchisee and Pharmacist have consulted with independent legal counsel and have had an adequate opportunity to be advised by economic and other advisors of their own choosing, regarding all pertinent aspects of the Pharmacy and Franchisor. Franchisee and the Pharmacist have received such advice prior to executing this Agreement.

#### **15.12 Consent to Disclosure of Personal Information**

Franchisee and Pharmacist hereby expressly permit Franchisor to disclose in its Disclosure Document (whether required by law to be provided to a prospective Target Pharmacy franchisee or made available on a voluntary basis) personal information relating to Pharmacist and the directors and shareholders of Franchisee, including their names, addresses, telephone numbers and facsimile numbers, as well as sales, revenues, expenses, costs, results of operations, and similar information regarding the Pharmacy, and any information regarding the non-renewal, closure, expiry or termination of this Agreement, the

Pharmacy or the Target Pharmacy franchise operated under this Agreement. Franchisee shall obtain the consent of the directors and shareholders of Franchisee necessary to permit the disclosure of their personal information as contemplated under this Section 15.12.

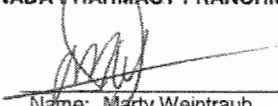
Franchisee hereby expressly permits Franchisor to disclose pharmacy performance information related to the Pharmacy, including sales, revenues, results of operations and similar information, to other franchisees of the System, including through the publication of financial performance ranking on a pharmacy by pharmacy basis.

**15.13 Further Assurances**

The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of the Effective Date.

**TARGET CANADA HEALTH CO., GENERAL PARTNER FOR AND ON BEHALF OF TARGET CANADA PHARMACY FRANCHISING LP**

By:   
Name: Marty Weintraub

Title: President

Date: 12 Oct 12

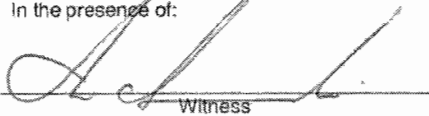
**T PHARMACY LTD.**

By:   
Name: Stavros Gavrillidis

Title: President

Date: Oct 5/2012

SIGNED, SEALED & DELIVERED  
In the presence of:

  
Witness

  
STAVROS GAVRILIDIS

DAN D. DIMOVSKI  
Printed Name

## SCHEDULE "A"

## LICENSED SPACE AND FEE

<b>Name of Target Store:</b>	Windsor
<b>Target Store Number:</b>	T-3708
<b>Target Store Address:</b>	Devonshire Mall 3100 Howard Avenue Windsor, Ontario N8X 3Y8
<b>Target Pharmacy Address:</b>	Same as Target Store Address above.
<b>Licensed Space Fee:</b>	\$3,125.00 per months plus HST.

SCHEDULE "B"

BANKING INFORMATION FORM

Franchisee Bank Information and EFT Payment Authorization

The following information is necessary to allow Target Canada Pharmacy Franchising LP to make payments to Franchisee via electronic funds transfer. Please complete the following form in its entirety.

Franchisee Business Name: T Pharmacy Ltd  
 Franchisee Business Address: 10945 MULBERRY RD  
 (street, city, province, postal code) WINDSOR, ONTARIO N8L 2C6  
 Franchisee Contact Person & Title: STAVROS GAVRILIDIS, PRESIDENT  
 Franchisee Contact Phone: 519-972-5556  
 Franchisee Contact Email: rph@phdrugstore.com  
 Franchisee Contact Fax: 519-972-5558  
 Franchisee HST/GST Number: PENDING  
 Are your receivables factored (Y/N)? NO  
 Name of Factoring Institution: \_\_\_\_\_

NOTE -- If your receivables are factored, the following bank information MUST be the Factor's Bank information. "Factoring" is defined as selling your receivables to a factoring institution. The factoring institution owns the receivable and expected payments. Payments on the receivable are due to the factoring institution.

Bank Name: \_\_\_\_\_  
 Bank Address: \_\_\_\_\_  
 (street, city, province, postal code) \_\_\_\_\_  
 Bank Contact (name, phone, fax, email): \_\_\_\_\_  
 Bank Financial Institution # (3-4 digits): \_\_\_\_\_  
 Bank Transit/Branch # (5 digits): \_\_\_\_\_  
 Bank Account #: \_\_\_\_\_

I hereby authorize Target Canada Pharmacy Franchising LP and its affiliates, hereinafter called COMPANY, to initiate credit entries to the bank account indicated above. This authority is to remain in full force and effect until COMPANY has received written notification from me or another authorized individual of its termination in such time and in such a manner as to afford COMPANY a reasonable opportunity to act on it.

I agree to communicate to COMPANY in writing any change to the information provided above with sufficient time to allow COMPANY to respond to the change. This includes but is not limited to the completion of a new EFT Payment Authorization form. I agree to work with COMPANY to correct any erroneous initiations of payment to my account.

I am authorized to provide this direction.

AUTHORIZATION:

(Authorized Signature Only)

Stavros Gavrilidis  
 OFFICER'S SIGNATURE

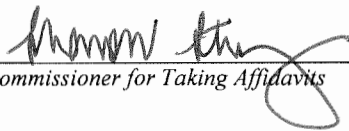
STAVROS GAVRILIDIS / PRESIDENT  
 OFFICER'S NAME / TITLE (Print)

**SCHEDULE "C"**  
**OTC PRODUCT CATEGORIES**

Allergy Relief Products  
Anti-smoking Products  
Baby Care Treatments  
Cold & Cough and Lip Care Products  
Feminine Hygiene Products  
Medicinal Accessories  
Mouth and Gum Treatments  
Pain, Sleeping and Travel Aid Remedies  
Skin and Scalp Treatments  
Stomach Remedies  
Diet Aids  
Eye Care and Ear Care  
Family Planning  
First Aid  
Foot Care  
Incontinent Products and Personal Wipes  
Vitamins and Herbals  
Sanitary Protection



The attached is exhibit "D" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*



Pharmacy  
Franchisee  
Association  
of Canada

Pharmacie  
Association  
des Franchisee  
du Canada



Dear Franchisees,

This letter is to notify you of the formation of the "Pharmacy Franchisee Association of Canada" (P.F.A.C), a registered Canadian non for profit corporation. The Association was formed by Target© Pharmacy Franchisees; the purpose for the Association includes;

- To represent the interest of pharmacy franchisees across Canada.
- To offer pharmacy franchisees across Canada a platform to discuss, exchange ideas and find solutions to areas of concerns with the independent franchise model for the purpose of attaining a financially viable pharmacy business model for all franchisees. ( Independent of the Franchisor)
- To represent the best interest of the pharmacy franchisee while working with the Franchisor to improve / change the franchise agreement for the benefit of both parties.

P.F.A.C is a platform for all interested franchisees who need independent representation. In the past few months several franchisees across Canada have been sharing their experiences and providing input on what the association needs to represent. The message is the same: if we are to survive long term "It is time for a change". It is time for the franchisees to have a collective voice about what changes need to be made and to have an advocate with a legal capacity representing the interest of the franchisee. This representation is on a national level without the influence of the franchisor. Who best understands the needs of the pharmacy franchisee then the operator of the franchise. The current independent pharmacy franchise model is not working for the franchisee/owner.

Right now our Franchisor is facing serious challenges on many levels. Due to our unique relationship with Target©, before they can focus on their franchise area of concern, they need to focus on some fundamental solutions for their non-franchised retail operations. In addition to operational concerns our Franchisor is facing, when it comes to the pharmacy franchise model, there are inherent problems in the language within the franchisee agreement. The franchise agreement is the foundation of our future; if this foundation is not solid and instead is built on a weak platform, it will always be a problem for us. No matter how well our Franchisor will do in their corporate business, we as franchisees will not succeed unless fundamental and necessary changes to the agreement are made to represent a true independent pharmacy franchise model where the best interest of the franchisee is first and foremost above all else.

As a partner of a Target Pharmacy Franchise, I have a vision; this vision includes becoming a part of a successful franchisee "partnership" with Target© Canada.

Right now the state of Target© in Canada is uncertain and this vision is in jeopardy . I am a pragmatic and realistic business person. There is no doubt in my mind that Target© has the experience, the knowledge, the financial and the human resources to change the direction of Target© Canada and ultimately become the business success everyone knew they could be. The question is how fast will it take and whether they will make the necessary changes we need to become viable pharmacy franchises and to participate in a successful business opportunity with Target©.

The first step is to recognize the need for change. A successful and proactive organization does not take a "wait and see position" when business is failing. It takes swift action to identify the problems and implement solutions accordingly. It is the belief of PFAC and my own that the leadership of Target© has already taken the first steps needed for these changes to protect its interest in their non-franchised retail



Pharmacy  
Franchisee  
Association  
of Canada

Pharmacie  
Association  
des Franchisee  
du Canada



business. It is up to us, as the owners of our pharmacy franchise, to also take the first step and bring together solutions to help Target© make the changes needed to obtain success to its franchised business area.

The challenges that are facing the independent pharmacy franchisee are compounded; not only do they include the global retail challenges that Target© is facing in Canada but also the inherent flaws within the pharmacy franchise model that Target© created for the Canadian market. The only way that these flaws can be remedied is if there are changes or amendments to the franchise agreement. This important and necessary step can only be done at a national level and in co-operation with the highest level of Target© leadership.

This is **“the”** reason why changes have not been made or cannot be made. If there has been small changes, they are only temporary and cannot be a part of a permanent solution to fix the “Independent Pharmacy Franchise” model in Canada. PFAC will work to make the following changes in the franchise agreement to bring about success and financial viability for the Independent Pharmacy Franchise model in areas that include the following:

- Allow for autonomy and timely decision making
- Allow control to the hours of operation consistent with the business demands within the local market
- Allow a reward in the form of good will for those franchisee that spend the time, effort and resources to build up the business they are responsible for
- Allow language in the agreement for a fair exit strategy beneficial for both the franchisee and the franchisor
- Treat all franchisees equally and provide the same benefits to all franchisees globally without favouritism and without prejudice.
- Other changes as represented by the majority of franchisees

Knowing that we are all a part of a pharmacy franchisee model that shares the same fate as the Target© non-franchised business, we can choose to ‘wait and see” and continue to endure the problems or we can “choose change” by taking the only true independent option we have at our disposable and be a part of a solution for reform to help Target© and our Independent Pharmacy Franchise model become the success that we all believed it can be. For myself and those that have already chosen to be a part of the solution we have dedicated ourselves to representing the interests of the pharmacy franchisee across Canada and working together with Target© Canada in every capacity allowable to make positive, permanent and reliable changes with the understanding that such changes can only be made by changes or amendments to the franchisee agreement

Our fate is in our hands. The “wait and see” approach has not worked and cannot work for obvious reasons. If you share similar views or have similar positions we ask that you show your support and allow your views and positions to be recognized by the only true representative that shares the same interest, the same views and represents the best interest of all pharmacy franchisees. Change cannot start if you don’t ask for it. Let your voice be heard, ask for it now. Let your Pharmacy Franchisee Association Representative know you want change.

Together we can make a difference, together we can make a change. Join me and those franchisees that have already taken the first step. To register to become a PFAC member or to get more information from our website, please visit us at [www.pfac.ca](http://www.pfac.ca) and log on using your email and a password of your choice.



Pharmacy  
Franchisee  
Association  
of Canada

Pharmacie  
Association  
des Franchisee  
du Canada



As President of PFAC , I am dedicated to representing you and your interests. I am available by phone to answer any questions you may have on our Association and how we will be moving forward. I am also committed to listening to your individual situation to see how it may fit in the interest of our association. We will continue to seek out your opinions, views, positions and experiences. We will take this information and channel it for the benefit of our goals and objectives to represent all pharmacy franchisees across Canada; we will continue to send out communication on a regular basis, giving you information about our association and progress on our goals and objectives.

The only way we can truly help Target© is to help ourselves first. We need to come together through PFAC and work together to show our Franchisor that we care and that we, the independent pharmacy franchisee / owners, are in the best position to come up with solutions.

Thank you for your support.

Yours Truly

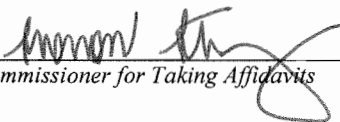
*Dan Dimovski*

Dan Dimovski  
President - PFAC  
International Cell Ph: 313-608-8044  
email : [dan@pfac.ca](mailto:dan@pfac.ca)

About the President of PFAC: Dan Dimovski is a non-pharmacist business partner operating the Target Pharmacy Windsor location. In addition to his role as a pharmacy franchisee owner in Ontario, he heads a consulting company with offices in Michigan and Arizona specializing in Associations and small businesses. His past work experience includes 4 years in the retail pharmacy industry working with the independent pharmacist in the role of business development, 14 years in the casino industry as part of the Casino Operations Management team under Caesars, a Harrah's owned property; specializing in opening three casinos and working within the parameters of multinational corporations such as Hilton , Caesars and Harrah's.

Dan's international business experience spans across all of North America (Canada , United States and Mexico) . He is currently involved in business ventures in all three countries and understands the different business cultures and how to operate within each.

The attached is exhibit "E" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



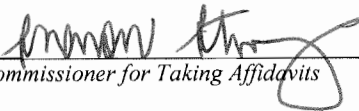
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*Commissioner for Taking Affidavits*

**Official List of Pharmacy Franchisee Association of Canada Target Pharmacists and Franchisee Members**

No.	Pharmacist Name	No.	Pharmacist Name
1	Gigi Dini (Olamarie Tingo Dini)	41	Kleo Dimopoulos
2	Ahmed Samy Abdelhadi	42	Anthony Salerno
3	Banit Budhiraja	43	Michelle Mack
4	Alpesh Kansara	44	Usama Abu Mazen
5	Shadi Alghouti	45	Dan Muzyk
6	Fitzpatrick Obilo	46	Rajesh Sharma
7	Charlie Scerbo	47	Rajesh Sareen
8	Ahmed Nofal	48	Ali Zgheib
9	Luay Khaled	49	Masoud Majlesi
10	Delia Brereton	50	Michael Wilson
11	Ahmed Hany Ali	51	Nazi Malak
12	Nazmuddin Dholasania	52	Fadi Shatara
13	Neil Grewal	53	Stavros Gavrilidis
14	Enrico Perrotta	54	Emmanuel Agoye
15	Shadi Alyazgi	55	Suhas Thaleshvar
16	Milan Tam	56	Michelle Moslim
17	Marissa Panganiban	57	Shamsher Mahii
18	Dactin Tran	58	Rahim Rajan
19	Muhammad Amar	59	Vijay Sarma
20	Navraj Brar	60	Rakesj Sareem
21	Bowen Chen	61	David Swyer
22	Muhammad Maqbool Ahmed	62	Alykan Alladina
23	Karen Moak	63	Dennis Taruc
24	Mohamed Mohamed Aly	64	Leanne Swayze
25	Chandra Evant	65	Tameem Salem
26	Muhammad Asif	66	Jason Pon
27	Shamim Asif	67	John Tang
28	Ramez Rezkalla	68	Graham Foster
29	Syed Zubair Ahmad	69	Kulvinder Kang
30	Amr Farghali	70	Hassan Lalani
31	Shimaa Abdelaziz	71	Azhar Amorjee
32	Naser Ghasemiou	72	Rafik Ramadan
33	Albert Walter (Wally) Kowalchuk	73	Craig Fitzgerald
34	Khalkur Rahman	74	Mohamed Mobarán
35	Georgina Donyina	75	Paul Tenywa
36	Davendra Vyas		
37	Solymer Galindo		
38	Trent White		
39	Shamsher (Sam) Mahil		
40	Trevor Russell		

The attached is exhibit "F" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**From:** Jeffrey.May  
**Sent:** Thursday, January 15, 2015 11:04 AM  
**Subject:** Important Information - Target Canada Announcement

Dear Franchisee,

As you may be aware, Target Corporation announced this morning that it has made the difficult decision to discontinue operations in Canada through its indirect, wholly-owned subsidiary, Target Canada Co. This morning, Target Canada Co. and certain of its subsidiaries and affiliates, including Target Canada Health Co., filed an application for protection under the *Companies' Creditors Arrangement Act* (CCAA) and earlier today that application was granted pursuant to an Initial Order issued by the Ontario Superior Court of Justice (Commercial List) in Toronto.

This was not an easy decision. For many months, the leadership team of Target Corporation and Target Canada have been engaged in a thorough review of our Canadian operations. After extensive due diligence and careful consideration of all available options, we have determined that it is in the best interest of our business and our shareholders to discontinue operations in Canada.

The firm Alvarez & Marsal Canada has been appointed as Monitor in the CCAA proceedings to oversee the liquidation and wind-down process for Target Canada and its subsidiaries. Subject to court approval, Target Corporation has committed to provide a US\$175 million debtor-in-possession credit facility to provide liquidity to Target Canada during the CCAA proceedings.

As one of our pharmacist franchisees in Canada, we want to ensure that you understand the implications of this decision on your pharmacy. Please be advised that you will be responsible for closing or relocating your pharmacy operations in connection with the wind-down, and you should contact your pharmacy regulator promptly to understand your obligations in this regard.

For additional information, below are links to the two press releases issued by Target Corporation today. Further information regarding the CCAA proceedings, including a copy of the Initial Order, may be found on the Monitor's website at [www.alvarezandmarsal.com/targetcanada](http://www.alvarezandmarsal.com/targetcanada). Should this site not answer your question, you can also email Target Pharmacy at [TargetCanadaRx@Target.com](mailto:TargetCanadaRx@Target.com).

I know you likely have additional questions and in order to help address your concerns, Target Pharmacy, along with Alvarez & Marsal, will host a **conference call later today at 1 pm ET** to explain the next steps in the CCAA proceedings and the actions you will need to take over the next few days.

**Participant dial-in number(s): 416-641-6104 / 877-395-0279**

**Participant pass code: 6974158**

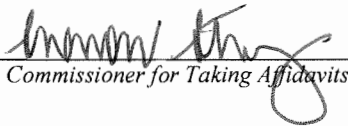
Sincerely,

Jeff May  
Senior Director, Healthcare Operations – Target Canada Co.  
<http://pressroom.target.com/news/target-corporation-announces-plans-to-discontinue-canadian-operations>

<http://www.businesswire.com/news/home/20150115005638/en/Target-Canada-Granted-CCAA-Order#.VLfSiCeR23U>



The attached is exhibit "G" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**TRANSCRIPTION OF VIDEO CONFERENCE CALL ANNOUNCEMENT FROM TARGET**

Received January 15, 2015 from Jeff May, Senior Director, Healthcare Operation - Target Canada

Conference Call Announcing Target Canada CCAA Proceedings and Informing Pharmacists

"...[first part inaudible] and its affiliates including Target Canada Health Co. applied for creditor protection earlier this morning under the *Companies' Creditors Arrangement Act*, or CCAA. Earlier today that application was granted by the Ontario Superior Court of Justice in Toronto. The initial CCAA order also extends the protections of the order to certain partnerships including Target Canada Pharmacy Franchising LP. The CCAA is a Canadian Federal Statute that enables companies to restructure their financial affairs or affect an orderly wind down under the supervision of the courts. During the course of the CCAA proceedings Target Canada will be winding down its operations across Canada closing all of its retail stores and liquidating its assets under the supervision of the court appointed monitor, Alvarez and Marsal.

Why did Target Canada file for CCAA? You may be wondering why we did that. Target had great expectations when it entered the Canadian market but the bottom line is that Target Canada faced significant challenges with operations which resulted in disappointment for our Canadian guests. At this point Target Canada is insolvent. It was ultimately decided that a CCAA filing was the best option available, and would enable Target Canada to wind down its operations and affairs in an orderly way.

To take a moment to explain the initial order and the role of the monitor. Pursuant to the initial order there is an initial 30 day stay of proceedings until February 13, 2015 preventing creditors from taking actions that could destabilize Target Canada or Target Pharmacy. Target Canada intends on returning to court periodically to seek further extensions of this stay during the course of the wind down. As mentioned the initial order also appointed Alvarez and Marsal as the monitor of Target Canada. The monitor is an officer of the Court whose responsibilities include assisting Target Canada with the liquidation and wind down process. The monitor is responsible for reporting to the Court on the progress of the proceedings and ultimately providing a recommendation on any plan of compromise or arrangement. A copy of the initial order issued by the Court earlier today as well as other materials regarding the CCAA proceedings will be posted on the monitor's website. The address for this website was sent out in an e-mail which you received earlier today.

With respect to the impact on the pharmacies as part of the wind down process Target Canada and its subsidiaries will be terminating all of their contractual relationships including the Target Canada Franchise Agreements. You will be responsible for closing or relocating your pharmacy operations. You have professional obligations under applicable pharmacy legislation to notify the pharmacy regulator and in some provinces the patients of the closing and or relocation of the pharmacy. You should contact your pharmacy regulator promptly to understand your obligations in this regard. Target Canada will be providing a courtesy notice to the pharmacy regulators in each province. However, it is up to each of

you to satisfy any professional obligations you may have under applicable pharmacy legislation for the closure or relocation of your pharmacy. You're also responsible for the transfer or disposition of drug inventory products that you own.

It's too early in the process to know for sure what timeline will be for closing the retail stores and closings will occur on a case by case basis. However, Target Canada is committed to moving as quickly as possible to wind down all of its operations and it is estimated stores may be closed within 16 to 20 weeks. Accordingly we recommend that each of you take steps to close or relocate your pharmacy as soon as possible.

With respect to the treatment of patient files, the patient files that you use in the pharmacy are your assets. Please remember that Target Pharmacy is not responsible for the custody and control of your patient files. Accordingly, you should contact your pharmacy regulator who can provide you with information on the retention and or transfer of these files. You should also contact your pharmacy regulator for direction with respect to your responsibility for communicating with your patients. If asked Target Pharmacy will be advising your patients that any questions they may have about their files should be directed to you.

With respect to the treatment of inventory the drug and other inventory that you own are your assets. You are responsible for ensuring that your inventory, schedule I and schedule II, drugs controlled and substances and any other products that you own in your VPC area are transferred and disposed of in compliance with provincial law. Target Pharmacy will not be buying any of your inventory. While Target Canada stores will be operating for a limited period of time during the liquidation sales you should make arrangements to transfer or dispose of the inventory as quickly as possible.

With respect to treatment of employees you are responsible for communicating with your employees and contractors. Target Canada and Target Pharmacy are not responsible for and will not be paying any wages, salaries, fees, benefits, notice of termination, pay in lieu of notice, severance pay or any other obligation to your employees or contractors.

Regarding financial implications. The Court has approved Debtor in Possession, or DIP credit facility made available by Target Corporation to Target Canada to provide it with liquidity to fund its operations during the CCAA proceedings. However, Target Canada may only draw under the DIP facility to pay certain budgeted expenses. Given its limited resources Target Canada cannot fund your shutdown costs. Target Pharmacy will also not be in a position to pay you the amounts which have accrued and are owing to you as of today's date with respect to your OTC royalties and EBIT top-up.

With respect to any amounts that have accrued and are owed to you as of today's date, the company will be seeking court approval for a claims process. Once approved you will have the opportunity to file a claim in the claims process for these pre-filing amounts. Further information regarding the claims process will be posted on the monitor's website during the course of the CCAA proceedings. With

respect to any amounts you may be owed under your Franchise Agreement from today forward Target Pharmacy will continue paying those amounts in the ordinary course of your...ordinary course until your Franchise Agreement is terminated as part of the wind down process.

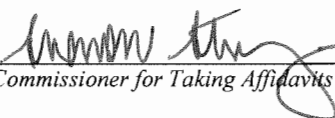
With respect to the timing of termination at this time we cannot tell you when your Franchise Agreement will be terminated. When the company does decide to terminate your Franchise Agreement you will receive formal notice. Target Pharmacy intends on providing you with sufficient advance notice such that you are able to comply with your pharmacy regulatory obligations. If you have any questions regarding your obligations you should contact your provincial regulator for direction. In many cases your pharmacy regulator will have protocols guidelines and other information available to you.

In closing, first we encourage you to seek independent legal advice. I appreciate that today is a difficult day for you and there may be questions that arise after today's call. Your FFOL's will not be answering your questions. Any operational questions should be directed to the general e-mail box that we have established for this purpose and that we identified in our e-mail to you earlier today. That e-mail is targetcanadarx, all one word TARGETCANADARX@target.com, once again that is targetcanadarx@target.com .

We thank you for your time today, a recording of this call will be repeated tomorrow at 1pm Eastern time and you can use the same dial-in information as we provided to you in today's call. This concludes today's call, thank you. Operator we are completed."

#1261158

The attached is exhibit "H" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**From:** TargetCanadaRx  
**Sent:** Friday, January 16, 2015 8:39 PM  
**Subject:** Response to Franchisee Questions January 16, 2015

Dear Franchisees:

We thank you for reaching out to us with your questions and concerns.

In an effort to manage the higher than normal volume of emails that we have been receiving and to ensure that you are all receiving the same information, we will be responding to your questions and concerns on a consolidated basis. We are working towards consolidating the questions and concerns that we receive from you on a daily basis and providing a response within two business days of receiving your emails.

#### McKesson Accounts

We have spoken with McKesson and they have advised us that they have lifted the restrictions they imposed on your accounts. While no decision has been made with respect to how long the Target retail stores will stay open, we recommend that you contact your pharmacy regulator for direction and take steps to close or relocate your pharmacy operations as soon as possible. If you have further issues with suppliers refusing to provide services while you close and/or relocate your pharmacy, please let us know by sending an email to [totargetcanadarx@target.com](mailto:totargetcanadarx@target.com).

#### What will happen to the pharmacy inventory?

The inventory of drug products that you own are your assets. You are responsible for ensuring that the inventory that you own (i.e., Schedule I and Schedule II drugs, controlled drugs and substances and any other products that you own in your BTC area) are transferred or are disposed of in compliance with provincial law. Target will not be purchasing your inventory and recommends that you make arrangements to transfer or dispose of the inventory as quickly as possible. You should contact your pharmacy regulator for direction. In many cases your pharmacy regulator will have protocols, guidelines and other information available to you to ensure that the inventory

of drug products that you own are transferred or disposed of as required under applicable law.

What happens to the patient files?

The patient files that you use in your pharmacy are your assets. Target is not responsible for the custody and control of your patient files. Accordingly, you should contact your pharmacy regulator and legal counsel who can provide you with information on the retention and/or transfer of the patient files. You may have a number of options, including, but not limited to, moving the files to another pharmacy that you operate or selling the files to another pharmacy operator. You should also contact your pharmacy regulator for direction with respect to your responsibility for communicating with your patients.

Will I continue to receive my OTC Royalty and EBIT Top-Up?

Target is not able to pay you any amounts which have accrued and were owing to you as of January 15, 2015. You will have the opportunity to file a claim in the Court-approved claims process for such amounts. Once a claims process has been approved by the Court, you will be notified and will have an opportunity to file a proof of claim with respect to any outstanding claims you may have. With respect to any amounts you may be owed under your Franchise Agreement from January 15, 2015 forward, Target will continue paying those amounts in the ordinary course until your Franchise Agreement is terminated. At this time, we cannot tell you when your Franchise Agreement will be terminated; however, when Target does decide to terminate your Franchise Agreement, you will receive formal notice.

Will Target pay for my shut-down costs and expenses?

No. You will be responsible for your own shut-down costs.

What happens to my employees?

You are solely responsible for your employees and contractors. You will be solely responsible for all obligations to your employees and contractors, including without limitation, in respect of wages, salaries, fees, benefits,

notice of termination, pay in lieu of notice, severance pay, and any other obligation under contract, statute, common law or otherwise.


Please note that in light of the CCAA filing and in order to ensure that we are responding to all franchisee inquiries in a timely manner, all questions and concerns should be directed to [targetcanadarx@target.com](mailto:targetcanadarx@target.com). The FFO and individual Target Pharmacy Headquarters Team Members are unable to respond to direct emails, voicemail or text messages. Accordingly, all such messages should be sent to the above-noted mailbox.

We hope that you will find the above helpful as you work towards closing or relocating your pharmacy operations. We appreciate your patience and understanding during this difficult time.

Jeff May



The attached is exhibit "I" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**From:** TargetCanadaRx  
**Sent:** Monday, January 19, 2015 4:48 PM  
**Subject:** FRANCHISEE QUESTION UPDATE JANUARY 19 2015

Dear Franchisees:

We thank you again for continuing to reach out to us with your questions and concerns.

In an effort to manage the higher than normal volume of emails that we have been receiving and to ensure that you are all receiving the same information, we will be responding to your questions and concerns on a consolidated basis. We are working towards consolidating the questions and concerns that we receive from you on a daily basis and providing a response within two business days of receiving your emails.

Access to Patient Information from Kroll Database

The patient files that you use in your pharmacy are your assets. Target is not responsible for the custody and control of your patient files. Since your Franchise Agreement will be disclaimed (i.e., terminated) as part of the CCAA process, Target Pharmacy will not be directing you to transfer the patient files to Target Pharmacy or its licensed pharmacy operator designee. You will be responsible for the retention and/or transfer of your patient files and realizing any value on such files.

We are working with Kroll to help facilitate your ability to obtain and/or transfer your patient files and related customer data from the Kroll database. We are treating this as a priority and will provide you with further information as soon as it is available. In the interim, you should contact your pharmacy regulator and legal counsel who can provide you with information on your responsibilities related to the retention and/or transfer of the patient information, including safeguarding this information. You should also contact your pharmacy regulator for direction with respect to your responsibility for communicating with your patients.

Closing and/or Relocating your Pharmacy Operations

We have received a number of questions regarding the timing of the pharmacy wind-down. Please note that we do not expect that the pharmacies will continue to operate until the end of the liquidation process. You should begin taking steps now to close and/or relocate your pharmacy operations (i.e., prior to the Target retail store closings) in compliance with your pharmacy regulatory obligations.

In the coming week(s), Target Pharmacy in consultation with the Monitor will make a decision as to when to disclaim your Franchise Agreement. You will receive formal notice of the disclaimer of your Franchise Agreement and your Franchise Agreement will terminate effective 30 days from the date of the disclaimer notice as more particularly detailed in the disclaimer notice. You do not need to wait until you receive the disclaimer notice to close and/or relocate your pharmacy operations. You can close and/or relocate your pharmacy operations at any prior to the termination of your Franchise Agreement, provided you comply with your pharmacy regulatory obligations, including, meeting the minimum notice requirements to your regulator (which generally range from 7 to 30 days depending on the province). In order to realize on the value of your patient files, if not already done so, you should contact your pharmacy regulator as soon as possible and start taking steps to close and/or relocate your pharmacy operations in the coming day(s).

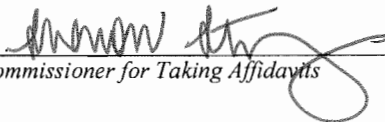
Once you have made arrangements to close and/or relocate your pharmacy operations, please notify Target Pharmacy at [targetcanadarx@target.com](mailto:targetcanadarx@target.com) and advise us of your forwarding email address so that we can direct any patient inquiries to you.

Please note that in light of the CCAA filing and in order to ensure that we are responding to all franchisee inquiries in a timely manner, all questions and concerns should be directed to [targetcanadarx@target.com](mailto:targetcanadarx@target.com). The FFOL and individual Target Pharmacy Headquarters Team Members are unable to respond to direct emails, voicemail or text messages. Accordingly, all such messages should be sent to the above-noted mailbox.

We hope that you will find the above helpful as you work towards closing or relocating your pharmacy operations. We appreciate your patience and understanding during this difficult time.

Best regards,  
Jeff May

The attached is exhibit "J" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**From:** TargetCanadaRx  
**Sent:** Friday, January 23, 2015 4:46 PM  
**Subject:** FRANCHISEE COMMUNICATION UPDATE JANUARY 23 2015

Dear Franchisees;

Access to Kroll and Transfer of Telephone Numbers – Update

We are continuing to work with Kroll to help facilitate your ability to obtain and/or transfer your patient files and related customer data from the Kroll database. We are also continuing to work with our service provider to facilitate the transfer of the telephone and/or fax numbers used in the operation of your Target® Pharmacy to the pharmacy you designate. We are treating these matters as a priority and will provide you with further information as soon as it is available

Reduction of Pharmacy Hours - Update

Target Pharmacy is not in a position to authorize a reduction in the required hours of operation at the pharmacy. Target Pharmacy does not want patient care compromised during the wind-down. Please note that under the terms of the CCAA Initial Order, you are obligated to continue to operate your pharmacy in compliance with the terms of your Franchise Agreement (including, with respect to minimum hours of operation) until your Franchise Agreement terminates or you close and/or relocate your pharmacy operations, whichever is earlier.

Reduction of Pharmacy Hours – IMT Pharmacies

Please note that we were required to reduce our hours of operation at our three corporate-run pharmacies on a temporary basis due to operational issues. These operational issues have now been resolved and our corporate-run pharmacies have returned to standard hours of operation.

Closing and/or Relocating your Pharmacy Operations

We continue to receive questions regarding the timing of the pharmacy wind-down. Please note that you should begin taking steps now to close and/or relocate your pharmacy operations (i.e., prior to the Target retail store closings) in compliance with your pharmacy regulatory obligations.

Target Pharmacy in consultation with the Monitor will be disclaiming your Franchise Agreement in the very near term. You will receive formal notice of the disclaimer of your Franchise Agreement, and your Franchise Agreement will terminate effective 30 days from the date of the disclaimer notice, as more particularly detailed therein.


As previously indicated, you should not wait until you receive the disclaimer notice to close and/or relocate your pharmacy operations. You should be taking steps now in this regard in compliance with your pharmacy regulations. Your pharmacy operations must be closed and/or your operations relocated within the 30 day period set out in the disclaimer notice.

We thank you again for continuing to reach out to us with your questions and concerns. However, please note that effective 11:59 pm Eastern Time on Friday, January 23, 2015 the targetcanadarx@target.com mailbox will no longer be responding to emails. The FFOL, Target Pharmacy Headquarters Team Members and your Store Team Leaders will also be unable to respond to questions, emails, voicemail or text messages.

We appreciate your patience and understanding during this difficult time. We will provide you with further information on your ability to obtain and/or transfer your patient files and related customer data from the Kroll databases and the transfer of the telephone and/or fax numbers used in the operation of your Target® Pharmacy to the pharmacy you designate as soon as it is available.

Jeff May

The attached is exhibit "K" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

[Skip to Main Content](#)

pressroom

# press releases

## Q&A on Target Canada's Exit and Liquidation January 23, 2015

Target Canada is in the process of winding down its operations. The company will be unable to answer all specific questions or provide information on a location-by-location basis. Please refer to the following Q&A which addresses some of the most common topics.

January 15, 2015

### BACKGROUND

What was announced regarding Target Canada?

Target Corporation announced its intent to exit Canada by closing all stores, distribution centres and operations in the country. Target Corporation had great expectations when it entered the Canadian market. However, Target Canada faced significant challenges with operations, disappointing Canadian guests. At this point, Target Canada is insolvent, without additional funding it could not continue to meet its liabilities. It was ultimately decided that a CCAA filing was the best option available and would enable Target Canada to wind down its operations in a fair and orderly way.

What is the CCAA?

The Companies' Creditors Arrangement Act or "CCAA" is a Canadian federal statute that provides companies time and stability to enable them to restructure or wind down their operations in a fair and orderly way.

During the process, the Court appointed Alvarez & Marsal ("A&M") as a "Monitor." What does that mean?

The Monitor is a Court-appointed officer, whose responsibilities include supervising the liquidation and wind-down process for Target Canada. The Monitor is responsible for reporting to the Court on the progress of the proceedings and, ultimately, providing a recommendation on the plan of arrangement. In this case, A&M has been appointed as the Monitor. Representatives of A&M will be on site at Target Canada headquarters on a regular basis working with Target Canada management throughout the wind-down process.

Why is Target taking this action?

Target Corporation conducted a thorough assessment and analysis of all available options and engaged a variety of third parties to do the same. Options ranged from exiting Canada, to dramatically reducing the company's footprint, to closing a few stores. The company was not able to identify a scenario by which Target Canada would become profitable until at least 2021.

How many stores will close?

By the end of the wind-down period, all 133 Target Canada stores will be closed.

Following court approval or a liquidator, it is anticipated that liquidation will likely begin in early February.

**What is the timeline for specific stores now?**

As the company winds down its operations, Target Canada will not be able to provide specific details on every location. Generally speaking, the liquidation process will likely wrap up in the May or June timeframe.

**Can guests make returns?**

Target Canada stores will continue to accept returns of merchandise purchased at Target Canada stores, according to pre-existing policies. Once Target Canada begins the liquidation process, all previously purchased items, as well as those purchased during the liquidation process, will be final sale. United States Target stores have never accepted returns of merchandise purchased from Target Canada stores. That will not change.

**Should guests continue to make their REDcard payments?**

Yes, guests remain responsible for all outstanding balances and need to continue to pay their bills in the normal manner.

**Will REDcard be honoured at Target Canada stores while in liquidation mode?**

Yes.

**Will Target Canada honour gift cards?**

Target Canada will continue to accept gift cards through the liquidation period. U.S. Target stores have never accepted Target Canada gift cards. That will not change.

**What will happen to protection plans or warranties purchased in Target Canada stores?**

Guests should call the company that issued the warranty for additional questions.

**What about Starbucks locations within Target Canada stores?**

All Starbucks locations in Target Canada stores have been closed. Generally speaking, all Target Canada team members who worked at Starbucks have been re-assigned to other areas of the store.

**What happens to the distribution centres? Are the employees there eligible for the Employee Trust?**

Target Canada's distribution centres are operated through a third-party partner, Eleven Points Logistics, and the people working there are not Target team members. The distribution centres will all close as a part of the wind-down process. Additional questions should be directed to Eleven Points Logistics.

**How will Target Canada real estate be handled?**

Target Canada has retained Lazard Freres & Co. LLC who will advise Target Canada on the sale of its real estate assets.

**TARGET CANADA PHARMACY GUESTS**

**Will Target Canada continue to operate pharmacies?**

For a limited time.

**Will Target Canada be notifying patients of the pharmacy's closure?**

The pharmacy franchisee is responsible for any communications with their patients under the direction of the pharmacy regulator. Guests should contact their pharmacy franchisee for additional information.

**TARGET CANADA TEAM****How many people does Target Canada employ in each store?**

A typical Target Canada store employs 100-150 people. Target Canada is not providing specific numbers by store.

**What happens to Target Canada employees?**

All Target Canada-based positions will be eliminated over time. Target Canada management will begin evaluating the needs of each position and will communicate the timing to team members directly. At the request of Target Corporation Chairman and CEO Brian Cornell, Target Corp. has created an Employee Trust to ensure that employees are treated appropriately. The Employee Trust will provide all eligible Target Canada-based team members with a minimum of 16 weeks of compensation, including wages and benefits coverage for those team members who are not required for the full wind-down period.

**When will team members stop working?**

As the company winds down its operations, Target Canada will not be able to provide specific details on every location. Generally speaking, the liquidation process will likely wrap up in the May or June timeframe. Target Canada team members will gradually stop working when they are no longer needed to support the wind-down process. For the Target Canada headquarters office, Jan. 23 was the last day of work for a large portion of the team. The remainder of headquarters team members will stop working over the course of the next few weeks and months.

**What percent of Target Canada team members are eligible for the Employee Trust?**

All current Target Canada team members, including those on both active and approved leaves, are eligible for the Employee Trust. Team members who voluntarily leave the company prior to their separation date forgo ongoing compensation.

**TARGET CANADA VENDORS AND SUPPLIERS****What's the anticipated timeline for the CCAA process?**

Target Canada is committed to moving as quickly as possible through the wind-down proceedings.

**Will all pending orders and shipments be cancelled immediately?**

With respect to Canadian and U.S. vendors, Target Canada intends to immediately cancel all purchase orders that have been placed but have not been received (i.e., title has not been transferred). With respect to overseas vendors, Target Canada 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 Target Canada. For any purchase orders that JP Morgan and/or Target Canada has already paid for or taken title to, Target Canada intends to receive the inventory and include it in the contemplated liquidation sale.

**Will contracts or agreements be honored?**



The Stay of Proceedings, established by Court order, prohibits any contractual parties from ceasing to perform their contracts on account of the CCAA filing or any outstanding amounts due as of the filing date. However, Target Canada will be paying for post-filing goods and services and has arranged for a debtor-in-possession credit facility to continue to fund its operations during the wind-down period (including payment for such post-filing goods and services).

The parties to any contract that Target Canada seeks to terminate (or "disclaim"), will receive formal notice from Target Canada. Any remaining outstanding obligations under disclaimed contracts will be addressed through a Court-approved Claims Process.

**How do vendors get a reconciliation of any outstanding invoices?**

If the request is for a reconciliation of a pre-filing A/P, vendors will receive a proof-of-claim form and instructions for verifying their pre-filing balance once the Court approves a claims process. If a request is regarding post-filing, vendors should contact their normal Target Canada Accounts Payable contact.

**Who should vendors work with to ensure their company receives payment?**

Once the Claims Process is approved by the Court, you will be notified by Target Canada or the Monitor as to how you can file a Proof of Claim for any amounts you may be owed prior to the CCAA filing date. You will be paid by Target Canada for goods and services provided to Target Canada on or after the filing date, provided that Target Canada requires and approves of the goods or services.

**Should vendors continue shipping product or providing service?**

Effective immediately, all outstanding Canadian purchase orders will be cancelled. Target Canada will be closely monitoring all future services that it procures through the balance of the wind-down process. For services provided post-filing approved by Target Canada, Target Canada will continue to pay for those services provided by such vendors in the ordinary course.

**How and when will there be communications about the claims process for vendors?**

Information regarding the claims process, and how to file a proof-of-claim, will be posted on the Monitor's website ([www.alvarezandmarsal.com/targetcanada](http://www.alvarezandmarsal.com/targetcanada)) once the claims process is approved by the Court.

**What will happen to vendor products currently in stores?**

The "Stay of Proceedings" established by the Initial Order precludes vendors from taking back any goods previously delivered to Target Canada. The proceeds from those sales will contribute to the ultimate recovery of creditors as part of the claims process.

**What will happen to equipment that a company is leasing to Target Canada?**

To the extent that Target Canada wishes to continue utilizing any leased equipment during the wind-down process, it will continue to make regularly-scheduled payments under any applicable lease agreements. As equipment is deemed unnecessary, Target Canada will contact the respective lessor(s) to arrange for a pick-up or return of the equipment.

**Additional Inquiries**

Further information regarding the CCAA proceedings, including a copy of the Initial Order and the Claims Process Order (once approved by the Court), will be posted on the Monitor's website at

I am a:	I should contact:
Target Canada Guest	<ul style="list-style-type: none"> <li>Contact Guest Relations at 1.800.440.0680 or <a href="mailto:Guest.Relations@target.com">Guest.Relations@target.com</a></li> </ul>
Target Pharmacy Guest	<ul style="list-style-type: none"> <li>Guests should contact their Target Canada pharmacy franchisee for additional information.</li> </ul>
Target Canada Team Member	<ul style="list-style-type: none"> <li>For further info, refer to the communications you received via mail or contact your Target Canada leader</li> </ul>
Vendor	<ul style="list-style-type: none"> <li>Contact <a href="mailto:Canada.VendorRelations@Target.com">Canada.VendorRelations@Target.com</a></li> <li>Visit Monitor site at <a href="http://alvarezandmarsal.com/targetcanada">alvarezandmarsal.com/targetcanada</a></li> </ul>
TargetCanada REDcard holder	<ul style="list-style-type: none"> <li>For account-specific questions, call the number on the back of your REDcard</li> <li>For general inquiries regarding the impact of this filing to the use of your card, please email Target guest relations at <a href="mailto:Guest.Relations@target.com">Guest.Relations@target.com</a> or call 1.800.440.0680</li> </ul>
Media	<ul style="list-style-type: none"> <li>Contact Media Relations at 612-696-3400 or <a href="mailto:press@target.com">press@target.com</a></li> </ul>

For additional information, please visit [A Bullseye View](#).

**For more information (French)**

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## Target media hotline

Members of the media are invited to call the Target Media Hotline at (612) 696-3400 or email [press@target.com](mailto:press@target.com). We strive to return all calls within one business day.

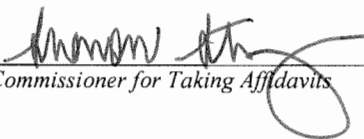


**see how we've become the company we are today.  
our history**



**let's socialize  
our social media channels**

The attached is exhibit "L" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*



January 26, 2015

Target Canada Pharmacy Franchising LP  
5570 Explorer Drive  
Mississauga ON L4W 0C4

**CONFIDENTIAL**

**SENT BY REGISTERED MAIL**

PYF18

T Pharmacy Ltd.  
10945 Mulberry Road  
Windsor ON N8R 2C6

Attention: Stavros Gavrilidis

**AND TO**

Stavros Gavrilidis  
10945 Mulberry Road  
Windsor ON N8R 2C6

Dear Stavros Gavrilidis:

**DISCLAIMER OF FRANCHISE AGREEMENTS**

As you are aware, Target Canada Co. and certain of its subsidiaries and affiliates, including Target Canada Pharmacy Franchising LP, (collectively, the "**Target Canada Entities**") filed for and were granted protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to an Initial Order (the "**Initial Order**") issued by Regional Senior Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) on January 15, 2015 (the "**CCAA Proceedings**").

Please find enclosed a Notice by Debtor Company to Disclaim or Resiliate an Agreement relating to your franchise agreement and all other ancillary agreements (all as amended, restated, supplemented or otherwise modified from time to time, collectively, the "**Franchise Agreements**") granting you the right to operate a retail Target® Pharmacy within the T- 3708 Target Store located at Devonshire Mall, 3100 Howard Avenue, Windsor, ON N8X 3Y8 (the "**Notice of Disclaimer**").

The Notice of Disclaimer is being delivered to you in connection with the CCAA Proceedings pursuant to section 32 of the CCAA. Subject to section 32 of the CCAA, your Franchise Agreements will terminate effective 30 days from the date of the Notice of Disclaimer and as more particularly detailed therein. We remind you that under the terms of the Initial Order, you are obligated to continue to operate your pharmacy in compliance with the terms of your Franchise Agreements (including, with respect to minimum hours of operation) until your

PYF18

Franchise Agreements terminate or you close and/or relocate your pharmacy operations, whichever is earlier.

If you have not already done so, you should contact your pharmacy regulator immediately and start taking steps to close and/or relocate your pharmacy operations prior to the expiration of this 30 day period. Your pharmacy operations must be closed and/or relocated in compliance with your pharmacy regulatory obligations, including, meeting the minimum notice requirements to your regulator, communicating with your patients and providing them with access to their personal health information. In many cases, your pharmacy regulator will have protocols, guidelines and other information available to you to ensure that the patient files and inventory of drug products that you own are transferred or disposed of as required under applicable law.

We are continuing to work with Kroll to help facilitate your ability to obtain and/or transfer your patient files and related customer data from the Kroll database. We are also continuing to work with our service provider to facilitate the transfer of the telephone and/or fax numbers used in the operation of your Target® Pharmacy to the pharmacy you designate. We are treating these matters as a priority and will provide you with further information as soon as it is available.

We will be providing you with a Target® Pharmacy Closing Checklist which must be completed with your Store Team Leader prior to you vacating the Target Store. Once you have made arrangements to close and/or relocate your pharmacy operations, notify Target at [targetcanadarx@target.com](mailto:targetcanadarx@target.com) immediately and advise us of your proposed last day at the Target® Pharmacy so that we can coordinate the timing of the Target® Pharmacy Closing Checklist, which will include further direction related to Kroll.

You should contact your legal counsel about your rights and obligations related to the enclosed Notice of Disclaimer and the termination of your Franchise Agreements.

Regards,

**TARGET CANADA HEALTH CO., GENERAL PARTNER FOR AND ON  
BEHALF OF TARGET CANADA PHARMACY FRANCHISING LP**

By:



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Name: Mark Wong  
Title: Vice President and Secretary

## FORM 4

## NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIAE AN AGREEMENT

To: **Alvarez & Marsal Canada Inc.**, in its capacity as court-appointed Monitor, **T Pharmacy Ltd. and Stavros Gavrilidis**

Take notice that

1. Proceedings under the *Companies' Creditors Arrangement Act* ("the Act") in respect 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., Target Canada Property LLC, Target Canada Pharmacy Franchising LP, Target Canada Mobile LP and Target Canada Property LP** were commenced on the 15<sup>th</sup> day of January, 2015.
2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement:
 

Franchise agreement and all other ancillary agreements (all as amended, restated, supplemented or otherwise modified from time to time, collectively, the "**Agreement**") granting you the right to operate a retail Target® Pharmacy within the T- 3708 Target Store located at Devonshire Mall, 3100 Howard Avenue, Windsor, ON N8X 3Y8.
3. In accordance with subsection 32(2) of the Act, any party to the Agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the Agreement is not to be disclaimed or resiliated.
4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the Agreement is disclaimed or resiliated on the 25th day of February, 2015, being 30 days after the day on which this notice has been given.

Dated at Mississauga, Ontario, on January 26, 2015.

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**TARGET CANADA HEALTH CO.,  
GENERAL PARTNER FOR AND ON  
BEHALF OF TARGET CANADA  
PHARMACY FRANCHISING LP**

The Monitor approves the proposed disclaimer or resiliation.

Dated at Toronto, Ontario, on January 26, 2015.

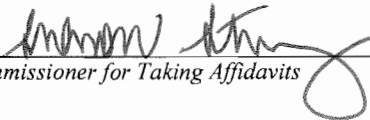


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Monitor's representative  
responsible for the proceedings



The attached is exhibit "M" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*

**From:** Spencer Sonshine [ssonshine@kroll.ca]

**Sent:** Tuesday, January 27, 2015 3:26 PM

**Cc:** Sales

**Subject:** Target Closure Update

Dear Target Franchisee

As an update from our recent meetings with both Target Head Office and the monitor, Alvarez & Marsal Canada Inc., we can advise the following:

1. All data storage, replication and necessary security measures will be organized and funded by Alvarez & Marsal
2. Due to privacy and security issues, purchasing existing pharmacy hardware is no longer an option. Alvarez & Marsal will be organizing the collection and safeguarding of all physical pharmacy hardware from each site.

As you may be aware, Target has agreed to make Rx data available to each franchisee, Kroll can assist with the following:

1. Provide each franchisee with a copy of their Rx database (does not include any Kroll programs or applications) on a secure device provided by the franchisee
2. Should a pharmacy wish to sell their files or reuse their Rx data at a new location additional charges may be applicable

Please contact [sales@kroll.ca](mailto:sales@kroll.ca) at your earliest convenience to notify us of your **proposed closing date** so we make the necessary arrangements.

Thank You

**Spencer Sonshine**

**Pharmacy Relations  
Kroll Computer Systems Inc.**

**220 Duncan Mill Road - Suite 201**


**Toronto Ontario M3B 3J5**

**T: 416 383 1010 | W: [www.kroll.ca](http://www.kroll.ca)**

**Follow us for the latest updates & news!**



The attached is exhibit "N" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**SUTTS, STROSBERG**

LAWYERS  
www.strosbergco.com

**WILLIAM V. SASSO**

T 519.561.6222 | E wvs@strosbergco.com  
F 866.316.5308 | 519.561.6203

January 29, 2015

Our file: 38.138.000

Via e-mail only to: [tsandler@osler.com](mailto:tsandler@osler.com), [jdacks@osler.com](mailto:jdacks@osler.com),  
[sirving@osler.com](mailto:sirving@osler.com) and [rcarson@osler.com](mailto:rcarson@osler.com)

**OSLER, HOSKIN & HARCOURT LLP**

Barristers & Solicitors  
Box 50, 1 First Canadian Place  
Toronto, ON M5X 1B8

**Attention:** Tracy Sandler, Jeremy Dacks, Shawn T. Irving,  
and Robert Carson

Dear Sirs and Madam:

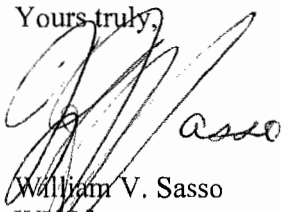
In the Matter of The *Companies' Creditors Arrangement Act*, R.S.C. 1985, C. C-36, As Amended ("CCAA")  
And In the Matter of A Plan of Compromise or Arrangement of **Target Canada Co.** ("TCC"),  
*et al*  
Court file no. CV-15-10832-00CL  
Our Client: **Pharmacy Franchisee Association of Canada** ("PFAC")

We have been retained by PFAC. PFAC represents the interests of the franchisees which have been licensed to operate Target-branded retail pharmacies within TCC stores across Canada.

We are advised that each of these franchisees has received the "Disclaimer of Franchise Agreements" letter in the form of the attached letter dated January 26, 2015 from Target Canada Health Co., general partner for and on behalf of Target Canada Pharmacy Franchising LP, to S.T. Pharmacy Services Inc. and Suhas Thaleshvar.

Pursuant to section 32(8) of the CCAA, we request that Target Canada Pharmacy Franchising LP provide in writing the reasons for the disclaimer or resiliation. We ask that it be delivered within the five day time period prescribed by that section.

Yours truly,



William V. Sasso  
WVS/kp  
#1260152

**SUTTS, STROSBERG**<sup>LLP</sup>  
LAWYERS

Our file: 38.138.000  
page 2 – January 29, 2015

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cc:

By e-mail to [dmcintosh@alvarezandmarsal.com](mailto:dmcintosh@alvarezandmarsal.com) and  
[ahutchens@alvarezandmarsal.com](mailto:ahutchens@alvarezandmarsal.com)

**ALVAREZ & MARSAL CANADA INC.**

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

**Monitor**

**Attention: Doug McIntosh and Al Hutchens**

By email to [jcarfagnini@goodmans.ca](mailto:jcarfagnini@goodmans.ca), [amark@goodmans.ca](mailto:amark@goodmans.ca),  
[grubenstein@goodmans.ca](mailto:grubenstein@goodmans.ca), [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca) and  
[jmighton@goodmans.ca](mailto:jmighton@goodmans.ca)

**GOODMANS LLP**

Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7

**Counsel to Alvarez & Marsal Canada Inc. in its  
Capacity as Monitor**

**Attention: Jay Carfagnini, Alan Mark, Gale Rubenstein,  
Melaney Wagner and Jesse Mighton**



January 26, 2015

Target Canada Pharmacy Franchising LP  
5570 Explorer Drive  
Mississauga ON L4W 0C4

**CONFIDENTIAL**

**SENT BY REGISTERED MAIL**

PYF27

S.T. Pharmacy Services Inc.  
105 Glencoe Boulevard  
Sherwood Park AB T8A 5J5

Attention: Suhas Thaleshvar

**AND TO**

Suhas Thaleshvar  
105 Glencoe Boulevard  
Sherwood Park AB T8A 5J5

Dear Suhas Thaleshvar:

**DISCLAIMER OF FRANCHISE AGREEMENTS**

As you are aware, Target Canada Co. and certain of its subsidiaries and affiliates, including Target Canada Pharmacy Franchising LP, (collectively, the "**Target Canada Entities**") filed for and were granted protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to an Initial Order (the "**Initial Order**") issued by Regional Senior Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) on January 15, 2015 (the "**CCAA Proceedings**").

Please find enclosed a Notice by Debtor Company to Disclaim or Resiliate an Agreement relating to your franchise agreement and all other ancillary agreements (all as amended, restated, supplemented or otherwise modified from time to time, collectively, the "**Franchise Agreements**") granting you the right to operate a retail Target® Pharmacy within the T- 3564 Target Store located at Sherwood Park, 2020 Sherwood Dr., Sherwood Park, AB T8A 3H9 (the "**Notice of Disclaimer**").

The Notice of Disclaimer is being delivered to you in connection with the CCAA Proceedings pursuant to section 32 of the CCAA. Subject to section 32 of the CCAA, your Franchise Agreements will terminate effective 30 days from the date of the Notice of Disclaimer and as more particularly detailed therein. We remind you that under the terms of the Initial Order, you are obligated to continue to operate your pharmacy in compliance with the terms of your Franchise Agreements (including, with respect to minimum hours of operation) until your

PYF27

Franchise Agreements terminate or you close and/or relocate your pharmacy operations, whichever is earlier.

If you have not already done so, you should contact your pharmacy regulator immediately and start taking steps to close and/or relocate your pharmacy operations prior to the expiration of this 30 day period. Your pharmacy operations must be closed and/or relocated in compliance with your pharmacy regulatory obligations, including, meeting the minimum notice requirements to your regulator, communicating with your patients and providing them with access to their personal health information. In many cases, your pharmacy regulator will have protocols, guidelines and other information available to you to ensure that the patient files and inventory of drug products that you own are transferred or disposed of as required under applicable law.

We are continuing to work with Kroll to help facilitate your ability to obtain and/or transfer your patient files and related customer data from the Kroll database. We are also continuing to work with our service provider to facilitate the transfer of the telephone and/or fax numbers used in the operation of your Target® Pharmacy to the pharmacy you designate. We are treating these matters as a priority and will provide you with further information as soon as it is available.

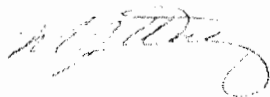
We will be providing you with a Target® Pharmacy Closing Checklist which must be completed with your Store Team Leader prior to you vacating the Target Store. Once you have made arrangements to close and/or relocate your pharmacy operations, notify Target at [targetcanadarx@target.com](mailto:targetcanadarx@target.com) immediately and advise us of your proposed last day at the Target® Pharmacy so that we can coordinate the timing of the Target® Pharmacy Closing Checklist, which will include further direction related to Kroll.

You should contact your legal counsel about your rights and obligations related to the enclosed Notice of Disclaimer and the termination of your Franchise Agreements.

Regards,

**TARGET CANADA HEALTH CO., GENERAL PARTNER FOR AND ON  
BEHALF OF TARGET CANADA PHARMACY FRANCHISING LP**

By:



---

Name: Mark Wong  
Title: Vice President and Secretary



## FORM 4

## NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIAE AN AGREEMENT

To: **Alvarez & Marsal Canada Inc.**, in its capacity as court-appointed Monitor, **S.T. Pharmacy Services Inc. and Suhas Thaleshvar**

Take notice that

1. Proceedings under the *Companies' Creditors Arrangement Act* ("the Act") in respect 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., Target Canada Property LLC, Target Canada Pharmacy Franchising LP, Target Canada Mobile LP and Target Canada Property LP** were commenced on the 15<sup>th</sup> day of January, 2015.
2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement:  
  
Franchise agreement and all other ancillary agreements (all as amended, restated, supplemented or otherwise modified from time to time, collectively, the "**Agreement**") granting you the right to operate a retail Target® Pharmacy within the T- 3564 Target Store located at Sherwood Park, 2020 Sherwood Dr., Sherwood Park, AB T8A 3H9.
3. In accordance with subsection 32(2) of the Act, any party to the Agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the Agreement is not to be disclaimed or resiliated.
4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the Agreement is disclaimed or resiliated on the 25th day of February, 2015, being 30 days after the day on which this notice has been given.

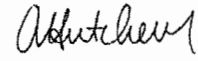
Dated at Mississauga, Ontario, on January 26, 2015.

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**TARGET CANADA HEALTH CO.,  
GENERAL PARTNER FOR AND ON  
BEHALF OF TARGET CANADA  
PHARMACY FRANCHISING LP**

The Monitor approves the proposed disclaimer or resiliation.

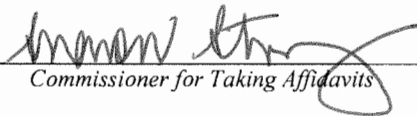
Dated at Toronto, Ontario, on January 26, 2015.



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Monitor's representative  
responsible for the proceedings

The attached is exhibit "O" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*

**SUTTS, STROSBERG**<sup>LLP</sup>  
 LAWYERS  
 www.strosbergco.com

**WILLIAM V. SASSO**  
 T 519.561.6222 | E [wvs@strosbergco.com](mailto:wvs@strosbergco.com)  
 F 866.316.5308 | 519.561.6203

January 29, 2015

Our file: 38.138.000

By e-mail to [dmcintosh@alvarezandmarsal.com](mailto:dmcintosh@alvarezandmarsal.com) and  
[ahutchens@alvarezandmarsal.com](mailto:ahutchens@alvarezandmarsal.com)

**ALVAREZ & MARSAL CANADA INC.**

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

**Monitor**

**Attention: Doug McIntosh and Al Hutchens**

By email to [jcarfagnini@goodmans.ca](mailto:jcarfagnini@goodmans.ca), [amark@goodmans.ca](mailto:amark@goodmans.ca),  
[grubenstein@goodmans.ca](mailto:grubenstein@goodmans.ca), [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca) and  
[jmighton@goodmans.ca](mailto:jmighton@goodmans.ca)

**GOODMANS LLP**

Barristers & Solicitors  
 Bay Adelaide Centre  
 333 Bay Street, Suite 3400  
 Toronto, ON M5H 2S7

**Counsel to Alvarez & Marsal Canada Inc. in its  
 Capacity as Monitor**

**Attention: Jay Carfagnini, Alan Mark, Gale Rubenstein,  
 Melaney Wagner and Jesse Mighton**

Dear Sirs and Mesdames:

In the Matter of The *Companies' Creditors Arrangement Act*, R.S.C. 1985, C. C-36, As  
 Amended ("CCAA")  
 And In the Matter of A Plan of Compromise or Arrangement of **Target Canada Co.** ("TCC"),  
*et al*  
 Court file no. CV-15-10832-00CL  
 Our Client: **Pharmacy Franchisee Association of Canada** ("PFAC")

We have been retained by PFAC. PFAC represents the interests of the franchisees which have  
 been licensed to operate Target-branded retail pharmacies within TCC stores across Canada.

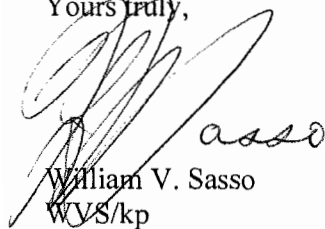
As Monitor you approved the “Disclaimer of Franchise Agreements” dated January 26, 2015 that was delivered to each of these franchisees.

While we may have overlooked it, we do not see any reference in the Monitor’s pre-filing report dated January 14, 2015 or otherwise in the court materials to the consequences of the delivery of the proposed disclaimers to the franchisees. We ask that you direct us to the reference(s) if you are aware of them.

As you appreciate, one of the principal factors to be considered under CCAA section 32(4)(c) in determining whether an agreement should or should not be disclaimed is “whether the disclaimer or resiliation would likely cause significant financial hardship to a party to the agreement.” Please advise us what investigations were conducted or studies were done, if any, by or on behalf of the Monitor to determine whether the franchisees would likely suffer significant financial harm as a consequence of the disclaimers. If any such investigations or studies were done, we also ask that you provide us with copies of them.

We thank you in advance for your prompt reply and remain

Yours truly,



William V. Sasso  
WVS/kp  
#1260140

cc:

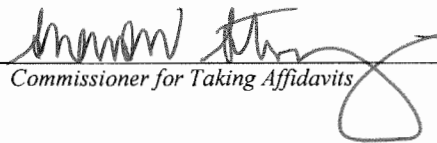
By e-mail to [tsandler@osler.com](mailto:tsandler@osler.com), [jdacks@osler.com](mailto:jdacks@osler.com)  
[sirving@osler.com](mailto:sirving@osler.com) and [rcarson@osler.com](mailto:rcarson@osler.com)

**OSLER, HOSKIN & HARCOURT LLP**  
Barristers & Solicitors  
Box 50, 1 First Canadian Place  
Toronto, ON  
M5X 1B8

**Canadian Counsel to the Applicants**

Attention: **Tracy Sandler, Jeremy Dacks,  
Shawn T. Irving and Robert Carson**

The attached is exhibit "P" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*

**Osler, Hoskin & Harcourt LLP**  
 Box 50, 1 First Canadian Place  
 Toronto, Ontario, Canada M5X 1B8  
 416.362.2111 MAIN  
 416.862.6666 FACSIMILE

**OSLER**

Toronto

January 30, 2015

Montréal

Jeremy Dacks  
 Direct Dial: 416.862.4923  
 JDacks@osler.com  
 Our Matter Number: 1159785

Ottawa

**SENT BY ELECTRONIC MAIL**

Calgary

William V. Sasso  
 Sutts, Strosberg LLP  
 251 Goyeau Street, Suite 600  
 Windsor, ON N9A 6V4

New York

Dear Mr. Sasso:

**Target Canada Co. CCAA Proceeding**

We are in receipt of your letter dated January 29, 2015.

Your letter states that you have been retained by the Pharmacy Franchisee Association of Canada. Section 32(8) of the CCAA provides that the company shall provide written reasons for a disclaimer “on request by a party to the agreement.”

Please provide us with a list of specific franchisees, if any, that you represent in connection with the disclaimer process and confirm that you have instructions to act on their behalf.

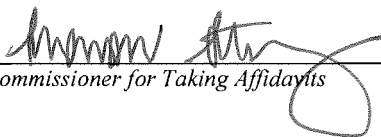
Yours very truly,

**“Jeremy Dacks”**

Jeremy Dacks  
 JD:rc

c: Tracy Sandler (*Osler, Hoskin & Harcourt LLP*)  
 Allan Mark (*Goodmans LLP*)

The attached is exhibit "Q" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*



**SUTTS, STROSBERG**<sup>LLP</sup>  
 LAWYERS  
 www.strosbergco.com

**WILLIAM V. SASSO**  
 T 519.561.6222 | E wvs@strosbergco.com  
 F 866.316.5308 | 519.561.6203

January 31, 2015

Our file: 38.138.000

Via e-mail only to [jdacks@osler.com](mailto:jdacks@osler.com)

**OSLER, HOSKIN & HARCOURT LLP**

Barristers & Solicitors  
 Box 50, 1 First Canadian Place  
 Toronto, ON M5X 1B8

**Attention: Jeremy Dacks**

Dear Sir:

In the Matter of The *Companies' Creditors Arrangement Act*, R.S.C. 1985, C. C-36, As Amended ("CCAA")  
 And In the Matter of A Plan of Compromise or Arrangement of **Target Canada Co. ("TCC")**,  
*et al*  
 Court file no. CV-15-10832-00CL  
 Our Client: **Pharmacy Franchisee Association of Canada ("PFAC")**

---

We acknowledge receipt of your letter dated January 30, 2015.

As earlier advised, we are retained to represent the interests of all franchisees which have been licensed to operated Target-branded retail pharmacies within TCC stores across Canada. We will be applying for, among other things, an order appointing our firm as franchisee representative counsel.

We appreciate that the request for written reasons for a disclaimer must be made on behalf of a party to the agreement being disclaimed under section 32(8) of the CCAA. We attached to our January 29<sup>th</sup> letter the disclaimer letter sent to S.T. Pharmacy Services Inc. and Suhas Thaleshvar, parties to the franchise agreement for Target Store T-3564 located in Sherwood Park, Alberta, and requested written reasons for disclaimer on their behalf. It suffices for the purposes of section 32(8) of the CCAA that the request for written reasons was made on their behalf.

Because the disclaimer notices were sent to all franchisees at the same time, we have assumed that the Target Canada Entities had the same reasons for disclaiming all franchise agreements. However, if there were separate reasons for the disclaimer of certain of the franchise agreements that are not generally applicable to all franchise agreements we also request that you provide us with those reasons.

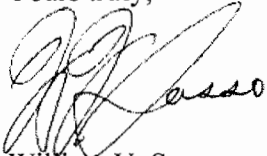
**SUTTS, STROSBERG**  
LAWYERS

Our file: 38.138.000  
page 2 – January 31, 2015

---

We await your reply and remain

Yours truly,




William V. Sasso

WVS/kp

#1261151

cc: Tracy Sandler (Osler, Hoskin & Harcourt LLP)  
[tsandler@osler.com](mailto:tsandler@osler.com)  
Alan Mark (Goodmans LLP)  
[amark@goodmans.ca](mailto:amark@goodmans.ca)

The attached is exhibit "R" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

Target Canada | Pharmacy L...

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locations what's in store flyer coupons pharmacy REDcard® our company

## pharmacy details

**Windsor**

Pharmacy Phone Number: Pharmacy Fax Number: Pharmacy Hours:

Store address: 5100 Howard Ave Windsor, ON N6A 3P2

Mailing address: 5100 Howard Ave Windsor, ON N6A 3P2

Pharmacy Phone Number: (519) 872-9956 Pharmacy Fax Number: (519) 872-5554

Pharmacy Hours: Mon-Fri: 9:00 a.m.-9:00 p.m. Sat: 9:00 a.m.-6:00 p.m. Sun: 9:00 a.m.-6:00 p.m.

Canada location have been transferred to a pharmacy, operated by Wal-Mart. We have worked with Wal-Mart to ensure a smooth transition of pharmacy services and provide you with continued care. This includes the secure transfer of your prescription records to the new pharmacy manager in accordance with our privacy policy, professional standards of practice and applicable provincial privacy laws. The contact information for the Wal-Mart pharmacy is:

**Important Update**

The Target pharmacy has closed permanently. All your prescription and patient records from this pharmacy have been transferred to a pharmacy, operated by Wal-Mart. We have worked with Wal-Mart to ensure a smooth transition of pharmacy services and provide you with continued care. This includes the secure transfer of your prescription records to the new pharmacy manager in accordance with our privacy policy, professional standards of practice and applicable provincial privacy laws. The contact information for the Wal-Mart pharmacy is:

not your location?

enter city & province or |

100%


website showing target pharmacy windsor closed and transferred to walmart Jan 30 2015.pdf - Adobe Acrobat Pro

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## pharmacy details

**Windsor**


**Address:**  
202 Howard Ave  
Windsor, ON N9A 5N8

**Hours:**  
10:00 AM - 6:00 PM  
Windsor, ON N9A 5N8


**Pharmacy Phone Number:** (519) 253-5544

**Pharmacy Hours:** Mon 10:00 AM - 6:00 PM, Tue 10:00 AM - 6:00 PM, Wed 10:00 AM - 6:00 PM, Thu 10:00 AM - 6:00 PM, Fri 10:00 AM - 6:00 PM, Sat 10:00 AM - 6:00 PM, Sun 10:00 AM - 6:00 PM

**Important Update:**  
Windsor Pharmacy has been transferred to Walmart Pharmacy. All our products and services will continue to be available at the new location. Please visit our website for more information.

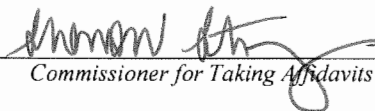


not your location?



11:17 PM 2/2/2015

The attached is exhibit "S" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



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*Commissioner for Taking Affidavits*

**SUTTS, STROSBERG**<sup>LLP</sup>  
 L A W Y E R S  
 www.strosbergco.com

**WILLIAM V. SASSO**  
 T 519.561.6222 | E wvs@strosbergco.com  
 F 866.316.5308 | 519.561.6203

February 2, 2015

Our file: 38.138.000

By email to [jcarfagnini@goodmans.ca](mailto:jcarfagnini@goodmans.ca), [amark@goodmans.ca](mailto:amark@goodmans.ca),  
[grubenstein@goodmans.ca](mailto:grubenstein@goodmans.ca), [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca) and  
[jmighton@goodmans.ca](mailto:jmighton@goodmans.ca)

**GOODMANS LLP**

Counsel to Alvarez & Marsal Canada Inc. in its Capacity as Monitor

**Attention: Jay Carfagnini, Alan Mark, Gale Rubenstein,  
 Melaney Wagner and Jesse Mighton**

By e-mail to [tsandler@osler.com](mailto:tsandler@osler.com), [jdacks@osler.com](mailto:jdacks@osler.com),  
[sirving@osler.com](mailto:sirving@osler.com) and [rcarson@osler.com](mailto:rcarson@osler.com)

**OSLER, HOSKIN & HARCOURT LLP**

Counsel for the Applicants

**Attention: Tracy Sandler, Jeremy Dacks, Shawn T. Irving,  
 and Robert Carson**

Dear Sirs and Madam:

**Target Canada Co., et al**

Court file no. CV-15-10832-00CL

**Our Client: Pharmacy Franchisee Association of Canada ("PFAC")**

As earlier advised, we have been retained to represent Pharmacy Franchisee Association of Canada ("PFAC"), a federal corporation incorporated on May 16, 2014 to represent the interests of the franchisees who are licensed to operate Target-branded retail pharmacies ("Pharmacists") within Target Canada Co. ("TCC") stores across Canada.

PFAC has a membership of 75 Pharmacists across Canada, excluding Quebec. Each of these Pharmacists has authorized PFAC and our law firm to represent them in the Target Canada Entities *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA") proceedings.

First, we ask that our firm be placed on the service list in these CCAA proceedings. Notwithstanding our earlier written and oral communications, our firm has not been added to the service list to date.

Second, we will be moving before the court on the February 11, 2015 comeback motion date referenced in paragraph 77 of the Initial Order or at such other date as may be fixed by the court for the following relief:

- (a) the appointment of PFAC as representative of the Pharmacists;
- (b) the appointment of Sutts, Strosberg LLP (William V. Sasso, senior counsel) as representative counsel to the Pharmacists;
- (c) the appointment of BDO Canada (Blair Davidson, senior adviser) as financial adviser to the Pharmacists;
- (d) the payment of reasonable fees and disbursements incurred by the representative counsel and financial adviser to the Pharmacists by the Target Canada Entities;
- (e) under subsection 32(2) of the CCAA, setting aside the disclaimer of franchise agreements dated January 26, 2015 from Target Canada Pharmacy Franchising LP (“Target Pharmacy”) and directing that the franchise agreements shall not be disclaimed by Target Pharmacy without further court order; and
- (f) directing that Target Pharmacy shall not deny access to premises, discontinue supplies or otherwise interfere with the Pharmacists’ operations without further court order.

Third, we trust you agree that the Pharmacists are a vulnerable group requiring immediate assistance in the circumstances created by these CCAA proceedings, particularly by the disclaimers of their franchise agreements by Target Pharmacy. Without assistance, many, if not most, of the Pharmacists face the imminent prospect of insolvency.

We remind you that in the planned orderly wind-down, Target Pharmacy:

- (a) has not offered to purchase any of the assets of the Pharmacists or provide any financial relief to the Pharmacists to date;
- (b) will not continue to pay amounts owing to Pharmacists under their franchise agreements following their disclaimer;
- (c) will not accept responsibility for pharmacy shut-down costs; and
- (d) will not accept any responsibility for pharmacy employees or contractors, advising the Pharmacists that they are “solely responsible for all salaries, fees, benefits, notice of termination, pay in lieu of notice, severance pay, and any other obligation under contract, statute, common law or otherwise”.

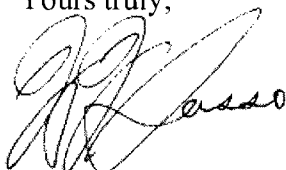


Fourth, Target Pharmacy also advised the Pharmacists that “Target Pharmacy is not in a position to authorize a reduction in the required hours of operation” because “Target Pharmacy does not want patient care compromised during the wind-down.” The Pharmacists agree that patient care cannot be compromised. On their behalf, we ask for the cooperation of the Target Canada Entities, the Monitor and the court to provide the Pharmacists with the tools they require as health care professionals to achieve that common objective.

Our motion material will follow under separate cover. We will be pleased to meet with you at your earliest convenience to discuss the prospects of agreement on any of the matters that we have raised.

We remain

Yours truly,

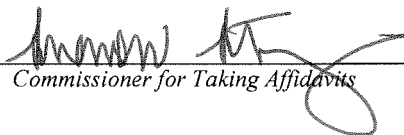
A handwritten signature in black ink, appearing to read 'W. Sasso', written over a horizontal line.

William V. Sasso

WVS/kp

#1261187

The attached is exhibit "T" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*



Tel: 416 865 0210  
 Fax: 416 865 0904  
 www.bdo.ca

BDO Canada Limited  
 123 Front Street W, Suite 1100  
 Toronto ON M5J 2M2 Canada

February 3, 2015

To This Honourable Court:

In the Matter of The *Companies' Creditors Arrangement Act*, R.S.C. 1985, C. C-36,  
 As Amended ("CCAA")  
 And In the Matter of A Plan of Compromise or Arrangement of Target Canada Co. ("TCC"), *et al*  
 Court file no. CV-15-10832-00CL  
 Our Client: Pharmacy Franchisee Association of Canada ("PFAC")

I am President of BDO Canada's Financial Recovery Services practice. I was contacted by Sutts, Strosberg LLP, the lawyers for the Pharmacy Franchisee Association of Canada ("PFAC"), with respect to acting as financial advisor to PFAC and its Target pharmacy franchisee members during the Target Canada Entities' CCAA proceedings.

I understand from the lawyers for PFAC that PFAC will, among other things, be moving before the court for an order appointing PFAC as representative of the class of Target franchisee pharmacies and for an order appointing BDO as the financial adviser to PFAC. In the event that the court deems it appropriate, I consent on behalf of BDO to its appointment as financial advisor to PFAC and its members.

I believe that that there are three principal ways in which the insolvency and restructuring professionals at BDO can assist PFAC and its members:

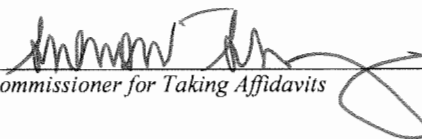
1. Relocation: Individual members will be facing many similar problems with obligations to suppliers, re-location or sale of their business, realizing on inventory to meet the outstanding claims, employee terminations, director liabilities and other consequences of the Target Canada Entities wind-down. BDO would be able to communicate to PFAC's members on matters of general interest to franchisees through the PFAC website. BDO would also be available to provide local BDO representatives to deal with their individual concerns;
2. Asset Sales: As PFAC's financial advisor BDO could initiate a sales process to determine whether certain assets of franchises could be sold en bloc to enhance the bargaining power, to increase the values realized, and to enhance recoveries for the pharmacists; and
3. Provable Claims: There will be significant claims against the Target Canada Entities by the franchisees arising from the disclaimers of franchise agreements and the wind-down process generally and BDO can assist in the quantification of the claims and filing the claims on behalf of the pharmacists.

There will undoubtedly be other matters on which BDO can assist PFAC, PFAC's members, and the court.

Yours very truly,  
 BDO CANADA LIMITED  
 Per:

Blair Davidson, CPA, CA, CIRP, CBV, CMC  
 President

The attached is exhibit "U" to the Affidavit of STAVROS GAVRILIDIS, also known as STEVE GAVRILIDIS sworn before me this February 3rd, 2015



---

*Commissioner for Taking Affidavits*



GARDINER ROBERTS

Lad Kucis  
 Direct Line: 416-864-3114  
 Direct Fax: 416-865-6636  
 LKucis@gardiner-roberts.com

February 3, 2015

To This Honourable Court:

In the Matter of The *Companies' Creditors Arrangement Act*, R.S.C. 1985, C. C-36, As Amended ("CCAA")

And In the Matter of A Plan of Compromise or Arrangement of **Target Canada Co. ("TCC")**, *et al*  
 Court file no. CV-15-10832-00CL

Our Client: **Pharmacy Franchisee Association of Canada ("PFAC")**

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I am a partner at Gardiner Roberts LLP in Toronto. Gardiner Roberts is a business law firm with a diverse client base which includes large banks, municipalities, government entities, high tech and software companies, real estate developers, health professionals, lenders and investors.

I was contacted by Sutts, Strosberg LLP, the lawyers for the Pharmacy Franchisee Association of Canada ("PFAC"), requesting my expert advice on the legislation and regulations governing pharmacists and pharmacies in Ontario and elsewhere in Canada.

#### MY BACKGROUND

My practice focuses on health law, where I provide advice and representation to a wide range of clients in the health sector, including health professionals, providers and organizations. The main aspects of my practice include providing regulatory compliance and risk management advice; representing health professionals in complaints, investigations and discipline matters before their regulatory colleges; representing clients before the Health Professions Appeal and Review Board (Ontario); representing physicians in hospital privileges disputes; providing advice regarding Health Canada issues; and the structuring of business ventures in the health care sector. I also regularly advise retirement home and long-term care home operators regarding various regulatory issues, including licensing, compliance with legislative requirements, inspections, risk management and responding to complaints.

I am also very involved in the Ontario health law community. Among other items, I am a lecturer for the Osgoode Hall Law School – Professional Development Certificate Program (Health Law); the founder of the "Medico-Legal Issues Program" at the University of Toronto, Faculty of Medicine; a member of the Executive of the Health Law Section of the Ontario Bar Association; a member of the Research Ethics Board at Holland Bloorview – Kids Rehabilitation Hospital; and actively write and speak on a variety of health law issues. For further reference, a copy of my Curriculum Vitae is appended to this letter.

#### GARDINER ROBERTS LLP

Scotia Plaza, 40 King Street West Suite 3100  
 Toronto ON, Canada M5H 3Y2  
 Tel. 416 865 6600 Fax: 416 865 6636 www.gardiner-roberts.com





GARDINER ROBERTS

#### PFAC AND THE TARGET CCAA PROCEEDINGS

I understand from the lawyers for PFAC that PFAC will, among other things, be moving before the court for an order appointing PFAC as representative of the class of Target franchisee pharmacies and for an order permitting me to assist the PFAC pharmacy franchisee pharmacists in the proceedings under the *Companies Creditors Arrangement Act* (“CCAA”).

In the event that the court deems it appropriate, I consent to my appointment as a legal advisor to the PFAC pharmacy franchisee pharmacists through the Sutts, Strosberg LLP Retainer. I am willing and able to provide advice on an ongoing and individualized basis on issues the PFAC pharmacy franchisee pharmacists are likely to face surrounding legislative, regulatory and professional compliance.

#### LEGISLATION APPLICABLE TO PHARMACISTS

Pharmacists have a responsibility to deal with patients and drugs. They are regulated health professionals who are obligated to carry on their business in accordance with legislative, regulatory and professional requirements, including those established by their regulatory colleges.

Should Target Canada Co. proceed to administer the winding down of Target Canada Co. in the manner it is, the Ontario pharmacists must be mindful that they may be offside the following legislation and professional rules: *Controlled Drugs and Substances Act* (S.C. 1996. c.19); *Food and Drugs Act*, R.S.C. 1985, c.F-27; *Ontario Drug Benefit Act*, R.S.O. 1990, c. O.10; *Drug Interchangeability and Dispensing Fee Act*, R.S.O. 1990, c. P.23; *Drug and Pharmacies Regulation Act*, R.S.O. 1990, c. H.4; *Personal Health Information Protection Act, 2004*, S.O. 2004, c. 3, Sched. A; *Privacy Act*, R.S.C., 1985, c. P-2; *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5; *Pharmacy Act, 1991*, S.O. 1991, c. 36; *Regulated Health Professions Act, 1991*, S.O. 1991, c. 18; *Ontario College of Pharmacists Code of Ethics*; *Ontario College of Pharmacists – By-Law No. 3*; and their regulations.

A similarly onerous list of legislation, regulations and professional rules exists for each Province across Canada.

Should the PFAC pharmacy franchisee pharmacists be put in a position where compliance with legislative, regulatory and professional rules becomes impossible, it is very likely that the pharmacists could be suspended or face other disciplinary action from the regulators. This would impede service, expose patients to many risks, and hinder the pharmacists ability to practice their profession and earn a living.

I am willing and able to assist the PFAC pharmacy franchisees through the CCAA process with the following:

- Providing notification to their regulatory College regarding the pending closure of the pharmacy;



GARDINER ROBERTS

- Filing pharmacy closure statements with their regulatory College (post-closure), to confirm compliance with various items;
- Providing notification to the Office of Controlled Substances (Federal) regarding various issues relating to the disposition of narcotics and controlled substances, within 10 days of the closure of the pharmacy;
- The disposition of the other prescription and non-prescription drugs in stock in the pharmacy;
- the destruction of any remaining drugs in an environmentally safe manner, including obtaining permission from the Office of Controlled Substances to destroy narcotics or controlled substances;
- The removal of all signage and symbols relating to the practice of pharmacy;
- The disposition of prescription files, drug registers and other records;
- Notifying patients about the closure of the pharmacy and the transfer of their health records before transferring their health records, or if that is not reasonably possible, as soon as possible thereafter. Patients must be able to access their health records at all times;
- Ensuring that health records and other items are maintained in accordance with legislative requirements. For example:
  - patient health records must be maintained for a period of 10 years from the last professional encounter with the patient (Ontario);
  - under the Ontario Drug Benefit Act, drug benefit invoices, eligibility cards and special authorization forms must be available for at least 2 years or as required by the Ontario Drug Benefit Program (Ontario);
  - Narcotic and Controlled Drug registers must be retained for inspection and audit for 2 years after the pharmacy closes (Federal); and
- Submitting detailed applications to regulatory Colleges regarding the re-locating or opening of a new pharmacy which must be completed within a prescribed time before opening and after closing.



GARDINER ROBERTS

In addition to the above, there will undoubtedly be other matters on which I can assist PFAC, PFAC's members, and the court.

Yours truly,

Gardiner Roberts LLP

A handwritten signature in black ink, appearing to read 'Lad Kucis', with a long horizontal flourish extending to the right.

Lad Kucis  
Partner



## **Lad Kucis**

Gardiner Roberts LLP,  
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Toronto, ON M5H 3Y2  
Bus: (416) 864-3114, Cell: (416) 706-0296  
Email: lkucis@gardiner-roberts.com

### **HEALTH LAW REGULATORY LAWYER**

Extensive experience acting for clients across the health sector, including seniors' homes, health clinics, independent health facilities, medical device manufacturers, health professionals/health professions associations, etc., with respect to various legal matters, including regulatory compliance, responding to complaints/investigations, privacy issues, licensing, commercial disputes, drafting and review of contracts and policies, employment law and civil litigation.

### **PROFESSIONAL EXPERIENCE**

**GARDINER ROBERTS LLP, Toronto, Ontario**

**2006 - Present**

#### **Health Law Lawyer (Partner, Health Law Group)**

##### **RETIREMENT HOME & LONG-TERM CARE HOME OPERATIONS**

- Assisting Homes re Licensing Applications
- Advising re Compliance with Legislative Requirements and Regulator Policies
- Preparation of Operations Manuals and Documentation for Information Care Packages
- Risk Management
- Advising re Crisis and Emergency Situations
- Advising re Tenancy Disputes and Related Issues
- Assisting with Inspections
- Responding to Resident Complaints
- Preparation and Review of Contracts and Agreements
- Advising re Consent and Capacity Issues

##### **HEALTH CARE VENTURES**

- Advising re Regulatory Compliance, including with respect to the Health Insurance Act, Commitment to the Future of Medicare Act, Medicine Act, etc.
- Structuring of Health Care Ventures, including Private Health Clinics, Telemedicine, Delivery of Services, etc.
- Preparation of Documentation Relevant to Health Care Ventures, including Operations Manuals, Policies, Forms, etc.

##### **HOSPITAL MATTERS**

- Assisting Physicians with Hospital Appointment Applications/Reapplications
- Representing Physicians in Hospital Privileges Disputes and Departmental Disputes
- Resource Allocation Disputes
- Submissions to the Medical Advisory Committee
- Participation in Hospital Board and Health Professions Appeal and Review Board (HPARB) Hearings

- Preparation and Review of Physician and Department Contracts
- Review of Hospital By-Laws
- Freedom of Information Requests

#### PRIVACY

- Advising re PIPEDA and PHIPA Compliance
- Preparation of Privacy Documentation, including Privacy Manuals
- Conducting Privacy Audits and Privacy Training
- Responding to Privacy Breaches and Privacy Complaints

#### MINISTRY OF HEALTH AND LONG-TERM CARE MATTERS

- Assisting Independent Health Facility Operators with Licensing, Investigations and Operations, including Preparation of Manuals, Policies and Forms
- Representing Physicians in OHIP Payment Disputes and Return of Service Agreement Disputes
- Advising Persons re Out-of-Country Health Treatment Claims

#### REGULATORY COLLEGE MATTERS

- Representing Health Professionals (i.e. physicians, psychologists, massage therapists, pharmacists, etc.) in matters before their Regulatory Colleges, including:
  - Registration Applications;
  - Quality Assurance Reviews;
  - Complaints & Investigations; and
  - Discipline Hearings.
- Representing Health Professionals in HPARB Reviews and Appeals to Divisional Court
- Assisting Health Professions Associations in various matters, including contracts and agreements with third parties and the provision of advice to assist their members

#### HEALTH CANADA

- Providing Advice re Regulatory Compliance
- Representing Corporations re Health Canada Complaints
- Assisting Corporations with Product Risk Assessments/Recalls

#### OTHER HEALTH SECTOR MATTERS

- Human Rights Complaints
- Civil Litigation
- Workplace Harassment and Discrimination
- Employment Disputes
- Labour Law Arbitrations
- Occupational Health and Safety

**TREMAYNE-LLOYD PARTNERS LLP, Toronto, Ontario**  
(firm merged with Gardiner Roberts LLP in January 2006)

**2003 - 2005**

#### **Health Law Lawyer (Associate)**

- Advising and representing health sector clients in professional regulation matters, hospital disputes and privacy matters

- Advising and representing health sector and non-health sector clients in various civil litigation matters
- Providing advice regarding regulatory compliance in health sector

<b>EDUCATION</b>
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- |  |      |
|--|------|
| • <b>Ontario Bar Admissions</b> , Law Society of Upper Canada                | 2002 |
| • <b>LL.B.</b> , Osgoode Hall Law School                                     | 2000 |
| • <b>B.A. (Political Science – High Distinction)</b> , University of Toronto | 1997 |

<b>LEGAL PUBLICATIONS</b>
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- Quoted in “Hospital Class Action Informed by Intrusion Upon Seclusion Case”, *Canadian Lawyer*, July 7, 2014
- “Overview of the RHPA Complaints Process: From the Perspective of Defence Counsel”, *Gardiner Roberts LLP – Legal Bulletin*, June 2014
- “Rent Control & Retirement Homes: Why Newer is Better”, *Gardiner Roberts LLP – Legal Bulletin*, June 2014
- “Overview of RHRA Inspections”, *Gardiner Roberts LLP – Legal Bulletin*, April 2014
- “Regulatory Changes Create New Fire Safety Requirements for Retirement Homes”, *Gardiner Roberts LLP – Legal Bulletin*, January 2014
- “Retirement Homes Act, 2010: Final Phase of Implementation”, *Gardiner Roberts LLP – Legal Bulletin*, December 2013
- “Retirement Homes Act, 2010: Implementation Schedule Released”, *Gardiner Roberts LLP – Legal Bulletin*, May 2012
- “A New Era of Accountability – The Impact of the Rosenhek and Windsor Regional Hospital Decisions”, in *Risk Management in Canadian Health Care*, June 2010
- “Supreme Court of Canada Places New Obligations on Departing Non-Fiduciary Employees”, *Gardiner Roberts LLP – Legal Bulletin*, November 2009
- “Legal Component of the Critical Care Strategy – Ethical Issues of Access: Implications for Policy Development”, Prepared for the Critical Care Secretariat, Ministry of Health and Long-Term Care, February 2007
- “Operating the Private Health Care Facility: Complying with Regulatory, Privacy, Recordkeeping and Reporting Requirements”, in *Establishing Private Healthcare Facilities*, Canadian Institute, June 2006, (co-author – Lonny Rosen)
- “Employer Obligations Following Employee Return from Sick Leave”, *Gardiner Roberts LLP – Legal Briefs*, April 2006 (co-author – Lonny Rosen)

- “Privacy Breaches under PHIPA: Best Practices for Prevention and Response”, in *Privacy Essentials – Tips, Traps and Hot Issues*, Ontario Bar Association, January 2006, (co-author – Lonny Rosen)
- “Cross-Border Prescribing and Internet Pharmacies: Legal Issues for Ontario Physicians and Pharmacists”, April 2005 (co-author, Michael Fraleigh)
- “Canadian Math: The Quantification of Damages in Canadian Wrongful Birth, Wrongful Life and Wrongful Pregnancy Actions”, April 2004 (co-author, Michael Fraleigh)
- OBA Health Law Section Written Submission to Hon. Peter Cory regarding best practice methods to audit fee-for-service claims by Ontario physicians (November 2004) (co-contributors included Neil Abramson, Joe Colangelo, Erin Fitzpatrick, Michael Fraleigh, Gordon Slemko and Lonny Rosen)
- Editor, Teaching Materials for the Medico-Legal Society of Toronto’s “Legal Issues for Medical Professionals Program” at the University of Toronto, Faculty of Medicine, 2003-Present

#### SPEAKING ENGAGEMENTS

- Toronto College of Dental Hygiene and Auxiliaries: re overview of health professional regulation in Ontario (November 2014)
- Osgoode Hall Law School Professional Development Certificate Program (Instructor): re regulation and discipline in the health care sector (June 2014)
- Toronto College of Dental Hygiene and Auxiliaries: re overview of health professional regulation in Ontario (June 2014)
- College of Massage Therapists of Ontario: re discipline hearing demonstration for Discipline Committee members (April 2014)
- Breakfast Seminar for Retirement Home Operators: re implementation of final phase of *Retirement Homes Act, 2010* (November 2013)
- Emergency Department Administration Conference (EDAC): re hospital privileging and physician rights (November 2013)
- Medico-Legal Issues Program at the University of Toronto, Faculty of Medicine: re keynote lecture to medical students regarding pertinent legal issues for new physicians (September 2013)
- Debate at Annual Meeting of the College of Physiotherapists of Ontario: re advertising rules for physiotherapists (June 2013)
- Lakeridge Health Geriatrics Conference: re provision of care to the elderly (April 2010)
- Lorman Education Medical Records Law Program: re requests for medical records (January 2009)

- Sunnybrook Health Sciences Centre – Special Lecture: re critical care & Canadian law in 2008 (May 2008)
- End of Life Communication Skills Course: re legal framework and implications for critical care (April 2008)
- End of Life Decision Making Series: Webcast (Ministry of Health and Long-Term Care: re legal dilemmas in critical care (November 2006)
- OBA Health Law Section Oral Submission to Hon. Peter Cory regarding best practice methods to audit fee-for-service claims by Ontario physicians (November 2004) (co-presenters included Neil Abramson, Joe Colangelo, Erin Fitzpatrick, Michael Fraleigh, Gordon Slemko and Lonny Rosen)
- Medico-Legal Issues Program at the University of Toronto, Faculty of Medicine (Seminar Leader): re informed consent (September 2003 to Present – Twice Yearly)

#### MEMBERSHIPS

- Medico-Legal Society of Toronto
- Ontario Bar Association: Health Law Section (Executive Member)
- Research Ethics Board, Holland Bloorview Kids Rehabilitation Hospital
- Toronto Lawyer's Touch Football League (Commissioner)

#### REFERENCES

- **Lonny Rosen**, Rosen Sunshine LLP, Partner
- **Gord Slemko**, Healthcare Insurance Reciprocol of Canada (HIROC), General Counsel
- **Stella Ball**, Information & Privacy Commissioner, Adjudicator
- **Marc Spector**, Steinecke, Maciura, LeBlanc, Partner
- **Ali Ghiassi**, Chief of Staff, Ministry of Finance (Ontario)

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**MOVING PARTY'S MOTION RECORD OF  
PHARMACY FRANCHISEE ASSOCIATION OF  
CANADA**

(motion returnable Wednesday, February 11, 2015 at 10:00 a.m.)

**SUTTS, STROSBERG LLP**

Lawyers

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OF CANADA

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