

**APPENDIX AA**  
**MUTUAL TERMINATION AGREEMENT**

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## MUTUAL TERMINATION

This Mutual Termination Agreement made as of the 25<sup>th</sup> day of FEBRUARY 2015 (the “**Effective Date**”).

BETWEEN:

**TARGET CANADA CO.**, a Nova Scotia unlimited company  
 (“**TCC**”)

- and -

**TARGET CANADA PROPERTY LLC**, a Minnesota limited liability company (“**Prop Co**”)

- and -

**TARGET CANADA PROPERTY LP**, an Ontario limited partnership (“**Prop LP**”)

**RECITALS:**

- A. Prop LP and TCC entered into Subleases (and Ground Leases) (collectively, the “**Subleases**”) and Subleases (Leasebacks) (and Ground Leases (Leasebacks)) (collectively, the “**Leasebacks**”) of real property for each of numerous sites (the “**Sites**”) used by TCC in its Canadian retail operations and leased by TCC under third party head leases (the “**Headleases**”) for the Sites (or owned by TCC).
- B. The Subleases and Leasebacks are listed and identified in Schedule “A” of this Agreement.
- C. Prop LP and TCC entered into a certain Master Agreement effective as of February 4, 2013 (the “**Master Agreement**”), pursuant to which, among other things, TCC agreed to provide certain services to Prop LP for fees, and Prop LP agreed, as consideration for TCC entering into the Leasebacks, to pay for and complete certain real property improvements which became affixed to the premises located on the Sites.
- D. Effective January 9, 2014: (i) Prop LP assigned to Prop Co all of its right, title and interests in, and Prop Co assumed all of Prop LP’s obligations under, the Subleases; (ii) Prop LP assigned to Prop Co all of its right, title and interests in, and Prop Co assumed all of Prop LP’s obligations under, the Leasebacks; and (iii) Prop LP assigned to Prop Co all of Prop LP’s right, title and interest in, and Prop Co assumed all of Prop LP’s obligations under, the Master Agreement (collectively, the “**Assignments**”).
- E. TCC, Prop Co, and certain other TCC affiliates (collectively, the “**Target Canada Entities**”) applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the Companies' Creditors Arrangement

Act, R.S.C. 1985, c. C-36, as amended, pursuant to an Order of the Court dated January 15, 2015, as amended and restated on February 11, 2015 (the “**Initial Order**”).

- F. The Initial Order provides for the orderly wind-down of the operations and businesses of the Target Canada Entities (the “**Wind-Down**”).
- G. On February 11, 2015, in furtherance of the Wind-Down, the Court made an Order (the “**Real Property Portfolio Sales Process Order**”) approving a process for the sale of the Target Canada Entities’ real property interest, including for the disposition of the Headleases (the “**Sales Process**”).
- H. The parties hereto wish to terminate the Master Agreement, the Subleases and the Leasebacks on mutually acceptable terms satisfactory to them in order to, among other things, facilitate the Wind-Down and the Sales Process.

**NOW THEREFORE** in consideration of the termination of the Master Agreement, the Subleases and the Leasebacks, and for other good and valuable consideration (the receipt and sufficiency of which is acknowledged by the parties hereto), the parties agree as follows:

1. **Rent**

TCC and Prop Co each acknowledge that “Rent”, as that term is defined under the Leasebacks and Subleases respectively, is accrued and payable pursuant to the terms of the Leasebacks and Subleases by TCC and Prop Co respectively, for periods ending on the Effective Date, in the following anticipated aggregate amounts (respectively, the “**Leaseback Accrued Rent**” and “**Sublease Accrued Rent**”):

- (a) Leaseback Accrued Rent: CAD 95,583,451 payable by TCC to Prop Co; and
- (b) Sublease Accrued Rent: CAD 6,428,571 payable by Prop Co to TCC.

2. **Fees**

TCC and Prop Co each acknowledge that “Fees”, as that term is defined in Section 1.2 of the Master Agreement, are accrued and payable by Prop Co to TCC pursuant to the terms of the Master Agreement, in consideration for the provision of “Services”, as that term is defined in Section 1.2 thereof, by TCC to Prop Co through to the Effective Date. The amount of such Fees, as determined in accordance with the terms of Section 1.2 of the Master Agreement, and estimated to be approximately CAD 9,300,000, is hereafter referred to as the “**Accrued Fees**”.

3. **Early Termination Payment**

TCC acknowledges that the early termination of each of the Leasebacks on the Effective Date pursuant to the terms of this Agreement constitutes an “Early Termination”, as that term is defined for purposes of Section 2.8 of the Master Agreement, and a “Termination Payment” as that term is defined in and computed pursuant to Section 2.7 of the Master Agreement is thereby triggered thereunder with respect to each of the Leasebacks (in the aggregate, the “**Early Termination Payment**”). The amount of the Early Termination Payment, calculated in accordance with the terms of the Master Agreement, is anticipated

to be CAD 1,911,494,242, the calculation of which amount is anticipated to be as set out in Schedule "B" hereto. The parties agree that TCC has no additional early termination payment obligations under the terms of Section 3 of the Leasebacks.

4. **Payment Obligations Survive**

Notwithstanding any other provision of this Agreement, the parties agree that the obligation of TCC to pay the Leaseback Accrued Rent and Early Termination Payment to Prop Co, and the obligation of Prop Co to pay the Sublease Accrued Rent and Accrued Fees to TCC, shall survive the termination of the Master Agreement, the Subleases and the Leasebacks hereunder, and TCC and Prop Co shall not hereunder be released from their respective obligations to pay such amounts.

5. **Mutual Termination of Leasebacks**

As of the Effective Date, the Leasebacks and all of the rights and obligations of the parties thereunder, are mutually terminated with no further force or effect, and each of TCC, Prop LP and Prop Co hereby surrender and release any and all of their respective rights, title and interests in and to the Leasebacks.

6. **Mutual Termination of Subleases**

As of the Effective Date, the Subleases and all of the rights and obligations of the parties thereunder, are mutually terminated with no further force or effect, and each of TCC, Prop LP and Prop Co hereby surrender and release any and all of their respective rights, title and interests in and to the Subleases.

7. **Mutual Termination of Master Agreement**

As of the Effective Date, the Master Agreement and all of the rights and obligations of the parties thereunder, are mutually terminated with no further force or effect and each of TCC, Prop LP and Prop Co hereby release any and all of their respective rights, title and interests thereunder.

8. **Claims**

Each of TCC, Prop LP, and Prop Co agree that the claim by Prop Co for Leaseback Accrued Rent and the Termination Payment, and the claim by TCC for Sublease Accrued Rent and Accrued Fees, constitute the only actions, causes of action, claims, complaints or demands (collectively, a "Claim") arising out of, or relating to, the Master Agreement, the Subleases, the Leasebacks or the Assignments.

9. **GST/HST/QST Registration**

- (a) TCC is duly registered under Subdivision (d) of Division V of Part IX of the *Excise Tax Act* (Canada) with respect to the goods and services tax and harmonized sales tax and under Division I of Chapter VIII of Title I of *An Act respecting the Quebec sales tax* with respect to the Quebec sales tax, and its registration numbers are, respectively: 83553 6608 RT0001 and 1217234367 TQ0001.

- (b) Prop Co is duly registered under Subdivision (d) of Division V of Part IX of the *Excise Tax Act* (Canada) with respect to the goods and services tax and harmonized sales tax and under Division I of Chapter VIII of Title I of *An Act respecting the Quebec sales tax* with respect to the Quebec sales tax, and its registration numbers are, respectively: 83682 4375 RT0001 and 1220954249 TQ0001.

10. **GST/HST/OST**

- (a) TCC shall be liable for and shall pay to Prop Co an amount equal to any goods and services tax and harmonized sales tax payable by TCC and collectible by Prop Co under the *Excise Tax Act* (Canada), plus an amount equal to any similar value added or multi-staged tax imposed by any applicable provincial or territorial legislation, in connection with the Leaseback Accrued Rent and the payment of the Early Termination Payment by TCC under this Agreement.
- (b) Prop Co shall be liable for and shall pay to TCC an amount equal to any goods and services tax and harmonized sales tax payable by Prop Co and collectible by TCC under the *Excise Tax Act* (Canada), plus an amount equal to any similar value added or multi-staged tax imposed by any applicable provincial or territorial legislation, in connection with the Sublease Accrued Rent and Accrued Fees under this Agreement.

11. **Governing Law**

Notwithstanding anything to the contrary in the Subleases, Leasebacks or Master Agreement, this Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein, and each of the parties hereto irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

12. **Severability**

If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, the provision shall, as to such jurisdiction, be ineffective only to the extent of the restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

13. **Time**

Time is of the essence in the performance of the parties' respective obligations.

14. **Amendment**

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, is binding unless executed in writing by the party to be bound.

15. **Enurement**

This Agreement enures to the benefit of and is binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party) and permitted assigns.

16. **Assignability**

Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any party without the consent of the other parties.

17. **Further Assurances**

The parties shall, with reasonable diligence, do all things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each party shall provide such further documents or instruments required by any other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

18. **Execution and Delivery**

This Agreement and any amendments thereto (and any other agreements, notices or documents contemplated thereby) may be executed and delivered by facsimile or electronic transmission (including electronic transmission via the internet) and in any number of counterparts and all such facsimile or electronic copies and counterparts shall be deemed to be an original hereof and for all purposes constitute one agreement, be binding on the parties hereto, provided each party hereto has executed and delivered at least one counterpart, and each may be relied upon by each party hereto as such for any and all purposes.

*[The rest of this page left intentionally blank]*

IN WITNESS WHEREOF, the parties have duly executed this Mutual Termination and Release.

**TARGET CANADA CO.**

By: \_\_\_\_\_  
Name:  
Title:

**TARGET CANADA PROPERTY LLC**

By: \_\_\_\_\_  
Name:  
Title:

**TARGET CANADA PROPERTY LP**

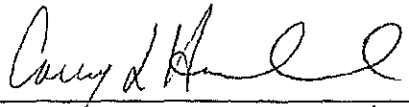
**By: Target Canada Property Holdings Two LP,  
its General Partner**

**By: Target Canada Property Holdings One LP,  
its General Partner**

**By: Target Canada Property Holdings GP,  
LLC, its General Partner**


**By: Nicollet Enterprise GP Holdings S.C.S. , its  
Sole Member**

**By: Target Receivables LLC, its General  
Partner**

By:   
Name: Corey L. Healand  
Title: SUP, Financial Planning & Analysis

IN WITNESS WHEREOF, the parties have duly executed this Mutual Termination and Release.

**TARGET CANADA CO.**

By:   
Name: MARK WORLEY  
Title: General Counsel

**TARGET CANADA PROPERTY LLC**

By: \_\_\_\_\_  
Name:  
Title:

**TARGET CANADA PROPERTY LP**

- By: Target Canada Property Holdings Two LP, its General Partner**
- By: Target Canada Property Holdings One LP, its General Partner**
- By: Target Canada Property Holdings GP, LLC, its General Partner**
- By: Nicollet Enterprise GP Holdings S.C.S. , its Sole Member**
- By: Target Receivables LLC, its General Partner**

By: \_\_\_\_\_  
Name:  
Title:



IN WITNESS WHEREOF, the parties have duly executed this Mutual Termination and Release.

**TARGET CANADA CO.**

By: \_\_\_\_\_  
Name:  
Title:

**TARGET CANADA PROPERTY LLC**

By:         *Avron P. Alt*          
Name: *Avron Alt*  
Title: *V.P.*

**TARGET CANADA PROPERTY LP**

**By: Target Canada Property Holdings Two LP,  
its General Partner**  
**By: Target Canada Property Holdings One LP,  
its General Partner**  
**By: Target Canada Property Holdings GP,  
LLC, its General Partner**  
**By: Nicollet Enterprise GP Holdings S.C.S. , its  
Sole Member**  
**By: Target Receivables LLC, its General  
Partner**

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE "A"**  
**SUBLEASES AND LEASEBACKS**

	A	B	C	D	E	F	G
	T#	Shopping Centre Name	Prov.	City	Landlord	Sublease	Sub-Sublease (Leaseback)
1							
2	T3510	Westmount Shopping Centre	ON	London	Bentall Kennedy (Canada LP)	Y	Y
3	T3729	Shoppers World Danforth	ON	Toronto	Rio Kim Holdings (Ontario) Inc.	Y	Y
4	T3565	Upper Canada Mall	ON	Newmarket (Near Toronto)	Upper Canada Mall Limited	Y	Y
5	T3708	Devonshire Mall	ON	Windsor	Devonshire Mall Limited	Y	Y
6	T3715	Cloverdale Mall	ON	Toronto	Cloverdale Mall Inc.	Y	Y
7	T3753	Centre Mall	ON	Hamilton	Centre Mall Holdings Inc.	Y	Y
8	T3668	Shoppers World Brampton	ON	Brampton (near Toronto)	1388688 Ontario Limited	Y	Y
9	T3636	Square One Shopping Centre	ON	Mississauga	OMERS Realty Management Corporation	Y	Y
10	T3706	Masonville Place	ON	London	CF/Realty Holdings Inc. (as nominee for Ontrea Inc.)	Y	Y
11	T3742	East York Town Centre	ON	Toronto	Revenue Properties Company Limited	Y	Y
12	T3759	Guelph	ON	Guelph	University of Guelph	Y	Y
13	T3560	Lindsay Square Mall	ON	Lindsay	Lindsay Square Nominee Inc. (Westcliff)	Y	Y
14	T3572	Milton Mall	ON	Milton	Westpen Properties Ltd.	Y	Y
15	T3608	Cambridge Centre	ON	Cambridge	Morguard Real Estate Investment Trust	Y	Y
16	T3639	Durham Centre	ON	Toronto (Ajax)	151516 Canada Inc.	Y	Y
17	T3738	Burlington Mall	ON	Burlington	Ivanhoe Cambridge II Inc.	Y	Y
18	T3749	Aurora Centre	ON	Aurora	Morguard Realty Holdings Inc.	Y	Y
19	T3751	Gates of Fergus	ON	Fergus (Toronto)	RioKim Holdings (Ontario II) Inc.	Y	Y
20	T3761	Millcroft Centre	ON	Hamilton	RioCan Holdings Inc.	Y	Y
21	T3762	Flamborough Power Centre	ON	Hamilton	Flamborough Power Centre Inc.	Y	Y
22	T3767	Taunton Road Power Centre	ON	Whitby	Montglen Holdings Inc.	Y	Y
23	T3773	Trinity Common	ON	Brampton (near Toronto)	Riotrin Properties (Brampton) Inc.	Y	Y
24	T3609	Centerpoint Mall	ON	Toronto (North York)	Revenue Properties Company Limited	Y	Y
25	T3665	Orillia Square	ON	Orillia	RioCan Holdings Inc.	Y	Y
26	T3648	West Edmonton Mall	AB	Edmonton	West Edmonton Mall Ltd.	Y	Y
27	T3694	St. Albert Centre	AB	St. Albert	Ivanhoe Cambridge II Inc.	Y	Y
28	T3714	Market Mall	AB	Calgary	Market Mall Leaseholds Inc.	Y	Y
29	T3760	Tillicum Mall	BC	Victoria	RioKim Holdings (Tillicum Centre) Inc.	Y	Y
30	T3508	Discovery Harbour Shopping Centre	BC	Campbell River	Discovery Harbour Shopping Centre Ltd.	Y	Y
31	T3690	Willowbrook Mall	BC	Vancouver (Langley)	2725312 Canada Inc. and 2973758 Canada Inc.	Y	Y
32	T3710	Bonnie Doon	AB	Edmonton	Bonnie Doon Shopping Centre (Holdings) Ltd.	Y	Y
33	T3509	Nanaimo North Town Centre	BC	Nanaimo	Shape Properties (Nanaimo Corp.)	Y	Y
34	T3557	Scottsdale Centre	BC	Vancouver (Delta)	Investors Group Trust Co. Ltd. as trustee for Investors Real Property Fund	Y	Y
35	T3616	Coquitlam Centre	BC	Coquitlam	Pensionfund Realty Limited	Y	Y
36	T3682	Southdale Mall aka Southdale Centre	MA	Winnipeg	Devan Properties Ltd.	Y	Y
37	T3688	Village Green Mall	BC	Vernon	OP Trust Retail Inc.	Y	Y
38	T3737	The Shoppes at Shawnessy	AB	Calgary	RioKim Holdings (Alberta) Ltd.	Y	Y
39	T3615	Tamarack Shopping Centre	BC	Cranbrook	Pellex Holdings Ltd.	Y	Y

	A	B	C	D	E	F	G
	T#	Shopping Centre Name	Prov.	City	Landlord	Sublease	Sub-Sublease (Leaseback)
1							
40	T3644	Kildonan Place Shopping Centre	MA	Winnipeg	Kildonan Place Shopping Centre Ltd.	Y	Y
41	T3763	Shoppers Mall	MA	Brandon	Devan Properties Ltd.	Y	Y
42	T3770	Millwoods Town Centre	AB	Edmonton	Ivanhoe Cambridge II Inc.	Y	Y
43	T3772	Chinook Centre	AB	Calgary	Ontrea Inc.	Y	Y
44	T3624	Bower Place	AB	Red Deer	Bower Place (Red Deer) Limited	Y	Y
45	T3719	Pine Centre Mall	BC	Prince George	Pine Centre Holdings Inc.	Y	Y
46	T3564	Sherwood Park Mall	AB	Edmonton (Sherwood Park)	Sherwood Park Mall Limited	Y	Y
47	T3538	Forest Lawn Shopping Centre	AB	Calgary	Bentall Kennedy	Y	Y
48	T3512	Driftwood Mall	BC	Courtenay	Driftwood Mall Ltd.	Y	Y
49	T3519	South Hamilton Square	ON	Hamilton	RioCan Holdings Inc.	Y	Y
50	T3559	Five Points Mall	ON	Oshawa	Riocan Holdings (Five Points) Inc.	Y	Y
51	T3591	Catarauqui Town Centre	ON	Kingston	Catarauqui Holdings Inc.	Y	Y
52	T3614	Medicine Hat Mall	AB	Medicine Hat	Sleeping Bay Building Corp. and Sears Canada Inc.	Y	Y
53	T3623	Bramalea City Centre	ON	Brampton (near Toronto)	Morguard Corporation and Bramalea City Centre Equities Inc. (per 2007 Amendment)	Y	Y
54	T3671	Meadowland Power Centre	ON	Ancaster	60 Martindale Crescent (Hamilton) Limited	Y	Y
55	T3698	Orchard Plaza Shopping Centre	BC	Kelowna	McIntosh Properties Ltd	Y	Y
56	T3754	Signal Hill Centre	AB	Calgary	RioCan Holdings Inc. & Riotrin Properties Inc.	Y	Y
57	T3524	Queenston Place	ON	Hamilton	First Capital (Stoney Creek) Corporation	Y	Y
58	T3533	Thames-Lea Plaza	ON	Chatham	Brad-Lea Meadows Limited	Y	Y
59	T3766	The Centre at Circle & Eighth	SK	Saskatoon	Centre At Circle and Eighth Property Inc (Morguard)	Y	Y
60	T3507	Intercity Shopping Centre	ON	Thunder Bay	Redcliff	Y	Y
61	T3630	1899 Algonquin Avenue	ON	North Bay	Goldmanco Incorporated	Y	Y
62	T3642	Laurentian Power Centre	ON	Kitchener	Calloway Reit (Laurentian) Inc.	Y	Y
63	T3645	Seaway Mall	ON	Welland	Doral Holdings Limited and 430635 Ontario Inc.	Y	Y
64	T3670	Hopedale Mall	ON	Oakville	Calloway Reit (Hopedale) Inc.	Y	Y
65	T3577	The Mall at Lawson Heights	SK	Saskatoon	3934390 Canada Inc. 1532652	Y	Y
66	T3728	Northgate Mall	SK	Regina	Ontario Limited	Y	Y
67	T3547	Les Galeries Gatineau	QC	Gatineau	Canpro Investments Ltd.	Y	Y
68	T3592	Les Rivières Shopping Centre	QC	Quebec (Trois-Rivières)	Les Rivières Shopping Centre Limited	Y	Y
69	T3634	Place Portobello	QC	Montreal (Brossard)	9084-9837 Québec Inc.	Y	Y
70	T3647	Les Galeries D'Anjou	QC	Montréal (Anjou)	Les Galeries D'Anjou Leaseholds Inc.	Y	Y
71	T3709	Les Promenades St-Bruno	QC	Montréal (St-Bruno)	Les Promenades St-Bruno Leaseholds Inc.	Y	Y
72	T3725	Les Galeries Chagnon	QC	Lévis	I.G. Investment Management Ltd.	Y	Y
73	T3755	Place Laurier	QC	Québec	Ivanhoe Cambridge Inc.	Y	Y
74	T3695	Mega Centre Autoroute 13	QC	Laval	Riochim Holdings (Quebec II) Inc.	Y	Y

	A	B	C	D	E	F	G
	T#	Shopping Centre Name	Prov.	City	Landlord	Sublease	Sub-Sublease (Leaseback)
1							
75	T3511	Hazeldean Mall	ON	Ottawa (Kanata)	Hazeldean Mall (L) (Bentall)	Y	Y
76	T3522	County Fair Mall	ON	Smiths Falls	RioCan Holdings Inc.	Y	Y
77	T3705	Place Versailles	QC	Montreal	Place Versailles Inc.	Y	Y
78	T3576	Carrefour St. Georges	QC	St-Georges de Beauce	9130-1093 Quebec Inc.	Y	Y
79	T3613	Carrefour Rimouski	QC	Rimouski	9130-1168 Québec Inc.	Y	Y
80	T3652	Bayers Lake Power Centre	NS	Halifax	Canadian Property Holdings (Nova Scotia) Inc.	Y	Y
81	T3731	Bedford Place Mall	NS	Bedford	Halifax 1658 Bedford Highway Inc.	Y	Y
82	T3743	Place Fleur De Lys	QC	Québec	Place Fleur de Lys GP Inc.	Y	Y
83	T3746	Billings Bridge Plaza	ON	Ottawa	Capital City Shopping Centre Limited	Y	Y
84	T3764	Place D'Orleans	ON	Ottawa (Orleans)	Place D'Orleans Holdings Inc.	Y	Y
85	T3765	Faubourg Boisbriand	QC	Boisbriand	Faubourg Boisbriand Shopping Centre Holdings Inc.	Y	Y
86	T3697	Mic Mac Mall	NS	Dartmouth	Mic Mac Mall Limited Partnership	Y	Y
87	T3718	Les Galeries Joliette	QC	Joliette	Les Centres d'Achats Beauward Ltée	Y	Y
88	T3769	Place Vertu	QC	Montréal (St-Laurent Borough)	Place Vertu S.E.N.C.	Y	Y
89	T3505	Bayshore Shopping Centre	ON	Ottawa (Nepean)	Ivanhoe Cambridge Beauward Shopping Centre Ltd.	Y	Y
90	T3693	Carrefour St-Eustache	QC	St-Eustache		Y	Y
91	T3730	Niagara Pen Centre	ON	St. Catharines (Niagara Falls)	OPB Realty Inc.	Y	Y
92	T3590	Carrefour de l'Estrie	QC	Montreal (Sherbrooke)	Carrefour de l'Estrie Holdings Inc.	Y	Y
93	T3704	Place Alexis Nihon	QC	Westmount (Montréal)	Homburg Real Estate Trust	Y	Y
94	T3516	Carrefour Richelieu	QC	St-Jean-sur-Richelieu	Carrefour Richelieu Realities Ltd.	Y	Y
95	T3575	Cottonwood Mall	BC	Chilliwack	2046459 Ontario Inc.	Y	Y
96	T3586	Haney Place Mall	BC	Vancouver (Maple Ridge)	Narland Properties (Haney) Ltd.	Y	Y
97	T3610	Terrarium Shopping Centre	QC	Montréal (Pointe-Claire)	Centre Terrarium Inc.	Y	Y
98	T3617	Surrey Place	BC	Vancouver (Surrey)	CC Eastern Holdings Ltd. F49	Y	Y
99	T3628	Meadowlands Shopping Centre	ON	Ottawa-Gatineau	ADMNS Meadowlands Investment Corporation	Y	Y
100	T3666	Hillcrest Mall	ON	Toronto (Richmond Hill)	Ontrea Inc.	Y	Y
101	T3672	Conestoga Mall	ON	Kitchener	Ivanhoe Cambridge II Inc.	Y	Y
102	T3699	Stratford Mall	ON	Stratford	RioCan Holdings Inc.	Y	Y
103	T3702	Place Longueuil	QC	Montreal (Longueuil)	9090-7155 Québec Inc.	Y	Y
104	T3713	Sunridge Mall	AB	Calgary	Sunridge Mall Holdings Inc.	Y	Y
105	T3717	Metropolis at Metrotown Centre	BC	Vancouver (Burnaby)	Ivanhoe Cambridge II Inc.	Y	Y
106	T3732	Cabot Square	NL	St. John's	Homburg L.P. Management Incorporated,	Y	Y
107	T3739	Abbotsford Power Centre	BC	Abbotsford	RioKim Holdings	Y	Y
108	T3747	Grant Park Shopping Centre	MA	Winnipeg	Grant Park Ventures Inc.	Y	Y
109	T3757	Clarington Town Centre	ON	Bowmanville	Halloway Holdings Limited	Y	Y
110	T3677	Sudbury Supermall	ON	Sudbury	RioCan Holdings (Sudbury) Inc.	Y	Y
111	T3530	Sydney Shopping Centre	NS	Sydney	Crombie Developments Limited	Y	Y

	A	B	C	D	E	F	G
	T#	Shopping Centre Name	Prov.	City	Landlord	Sublease	Sub-Sublease (Leaseback)
1							
112	T3550	Uptown Centre fka Fredericton Mall	NB	Fredericton	Crombie Developments Limited	Y	Y
113	T3566	Northwest Centre	NB	Moncton	Northwest Plaza Ltd.	Y	Y
114	T3595	Carrefour Angrignon	QC	Montreal (LaSalle borough)	Carrefour Richelieu Realties Ltd.	Y	Y
115	T3637	Charlottetown Mall	PEI	Charlotte town	RioKim Holdings (PEI) Inc.	Y	Y
116	T3650	Cornerbrook Plaza	NL	Corner Brook	Montez (Corner Brook) Inc.	Y	Y
117	T3655	McAllister Place	NB	Saint John	The Cadillac Fairview Corporation Limited	Y	Y
118	T3552	Westdale Plaza	ON	Mississauga	Paula-Dale Limited	Y	Y
119	T3663	Pickering Town Centre	ON	Pickering (Toronto)	OPB Realty Inc.	Y	Y
120	T3696	Les Galeries De La Capitale	QC	Québec	Les Galeries De La Capitale Holdings Inc.	Y	Y
121	T3657	Carrefour du Nord	QC	St-Jérôme	Carrefour Richelieu Realties Ltd.	Y	Y
122	T3548	Hillside Shopping Centre	BC	Victoria	Hillside Centre Holdings Inc. (Bentall)	Y	Y
123	T3561	Kingsway Mall	AB	Edmonton	Kingsway Garden Holdings Inc.	Y	Y
124	T3669	Sheridan Centre	ON	Toronto	Bentall	Y	Y
125	T3707	Woodbine Centre	ON	Toronto	2058790 Ontario Limited	Y	N
126	T3646	Erin Mills Town Centre	ON	Mississauga	The Erin Mills Town Centre Corporation	Y	Y
127	T3658	Boulevard Centre II	ON	Ottawa St. Laurent	RioKim Holdings (Ontario) Inc.	Y	Y
128	T3711	Oakridge Centre	BC	Vancouver	Oakridge Centre Vancouver Holdings Inc.	Y	N
129	T3574	Prairie Mall	AB	Grande Prairie	Revenue Properties Company Limited	Y	Y
130	T3768	Warden & Eglinton	ON	Toronto (Scarborough)	2076031 Ontario Limited	Y	N
131	T3526	Lawrence Square	ON	Toronto	RioCan Holdings Inc.	Y	N
132	T7000	Centre Laval	QC	Laval	Homburg Trust (186)	Y	N
133	T7001	Niagara Falls	ON	Niagara Falls	First Niagara Developments Ltd.	Y	Y
134	T7004	Barrie	ON	Barrie, ON	N/A	Y	Y
135	T7006	Candiac	QC	Candiac	N/A	Y	Y
136	T7002	Stockyards	ON	Stockyards Toronto	Riotrin Properties (Weston) Inc.	Y	Y

**SCHEDULE "B"**  
**EARLY TERMINATION PAYMENTS CALCULATION**

**Target Canada Co  
Summary of Estimated Early Termination Calculation**

**DRAFT**

**Early Termination Payment**

Per clause 2.7 of the Assignment and Assumption Agreement (Master Agreement):

If Target Canada decides to terminate the Sublease for particular premises, then Target Canada shall pay to Can Prop Co a payment ("Termination Payment") calculated as:

an amount equal to the present value (using a 7% discount rate) of the total remaining payments of Rent, as defined in Section 3(ii) of the Sublease, which were to be paid for the remainder of the Term as defined in 2(ii) of the Sublease plus the anticipated value of the remaining Sublease term to Can PropCo.

The Termination Payment shall be due within 60 days after the effective date of the Early Termination.

**Process for Estimating Termination Payment**

The following procedures were conducted to estimate the Termination Payment Target Canada Co would owe Prop Co within 60 days of terminating a Sublease:

- 1) Sublease (Leaseback) Agreement for one location, T3648-West Edmonton Mall, was reviewed to identify the clauses referenced in the Termination Calculation of 2.7 of the Master Agreement.

Note - Leaseback Agreements for each location were drafted with under the same template. Therefore the terms of T3648 are assumed to be consistent with the other Subleases. Further analysis may be required.

**T3648 Terms:**

3. Rent. Canada Co hereby agrees to pay Canada Property monthlyh an amount equal to:

- (i) the "Rent" as that term is defined in the Sublease, plus
- (ii) additional rent computed under the following formula: the total cost of the Real Property Improvements multiplied by 12.5% and then divided by 12.

In addition and if applicable, Canada Co hereby agrees to pay Canada Property additional rent in an amount agreed to in writing by the parties for unpaid rent and Real Property Improvements costs not recovered if the term of this Agreement ends before March 3, 2038

2. Term. The term of this Agreement commences on the Effective Date and expires on the date that is the earlier of:

- (i) xxx
- (ii) March 18, 2033



2) Following the language of 2.7 of the Master Agreement, the Termination Calc was estimated with the following methodology:

	<b>Example</b>	<b>Notes</b>
Real Property Cost	12,000,000	Estimated Monthly Markup (12.5% of the Real Property Improvement costs per store) based on the December Leaseback calc payment.
Annual Markup %	12.50%	
Annual Markup	1,500,000	
	<u>12</u>	
Monthly Markup	<u>125,000</u>	Multiplied by the Remaining Term of the Leaseback as defined in Section 2(ii) (Note: Following the T3648 Leaseback Agreement, a full 20 year Term of the Leaseback has been used from the Effective Date of the Leaseback. The Remaining Term has been estimated based on a 1/31/2015 termination).
Multiplied by:		
Remaining Term (months)	<u>280</u>	
Total Undiscounted	<u>35,000,000</u>	
Present Value (at 7%)	<u>17,324,622</u>	





TA	Product	Store	Sublease Effective Date	Sublease Effective Date	Current Investment Projection (Dec 31)	Investment Markup	Annual Markup Rent	Monthly Markup Rent	Leaseback Term	Leaseback Term	Total Months of Leaseback Term	Months Remaining Rent Paid (Months)	Annual Discount Rate	Estimated Termination Payment (with Payment Rate Applied)	Notes	
T012	MB	T012	8/28/2014	8/28/2014	36,164,893	12.50%	4,770,962	397,542	240	240	240	6	7%	503,989,513	Jumpover 9/15/2017; not to spend	
T036	ON	T036				12.50%									not submitted	
T034	BC	T034				12.50%									not submitted	
T035	BC	T035				12.50%									terminated	
T070	MB	T070				12.50%										
				Totals	1,482,343,219		185,792,203	15,441,073							\$1,911,494,242	
				Totals	185,292,602										\$37,981,951	
				Totals											\$1,949,476,193	
<ul style="list-style-type: none"> <li>1. Per Sublease (Leaseback agreement)</li> <li>2. Assumptions</li> <li>3. Reference to Tab 'Leaseback Info for Sublease and Leaseback Begin Dates'</li> <li>4. Reference to Tab 'PropCo Update 10.19.2014 for Sublease and Leaseback Termination Dates'</li> </ul>																
<ul style="list-style-type: none"> <li>2(a). Term- 20 years for majority of leases; note handoff have been changed to reflect a few at 11 and 15 years.</li> <li>3(a). Rent- Real Property Improvements multiplied by 12.5% and then divided by 12</li> <li>Do not tack on an additional 5 years - language in paragraph 3 of leasebacks does not seem to mandate an additional payment.</li> <li>- 7% Discount</li> </ul>																
<ul style="list-style-type: none"> <li>- Used 2/24/2015 as the termination date</li> <li>- Did not include stores without leaseback effective dates if no spend was reported by PropCo, we've assumed that a termination would apply so that PropCo can recover its expenses incurred (see T3505 and T7000)</li> <li>- Data agree to the Leaseback revenue calculation prepared in Dec 2014</li> </ul>																
<ul style="list-style-type: none"> <li>- Selected sample of leases and verified SI effective date, term, and rent language from legal docs.</li> </ul>																

**APPENDIX BB**

**CANADA REVENUE AGENCY – GST/HST RULING**

See Next Page

Excise and GST/HST Rulings  
Directorate  
Place de Ville, Tower A, 15th floor  
320 Queen Street  
Ottawa ON K1A 0L5

Ernst & Young LLP  
Ernst & Young Tower  
222 Bay Street, P.O. Box 251  
Toronto ON M5K 1J7

Case Number: 168201

Attention: [Redacted]

Dear [Redacted]

**Subject: GST/HST RULING**  
**GST/HST Treatment of a lease termination payment**

Thank you for your letter of February 23, 2015, concerning the application of the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) to the GST/HST treatment of a lease termination payment.

The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%.

All legislative references are to the *Excise Tax Act* (ETA) unless otherwise specified.

You provided for our examination a copy of:

- The Master Agreement between Target Canada Property LP (Target LP) and Target Canada Company (Target Canada), effective February 4, 2013, labelled Appendix D.
- A Sublease agreement dated April 8, 2013, between Target Canada and Target LP for property at the Hillcrest Mall, Richmond Hill, ON, reference T3666 and labelled Appendix C.
- A Leaseback agreement for the property at the Hillcrest Mall, Richmond Hill, ON, effective September 17, 2013, between Target Canada and Target LP reference T3666 and labelled Appendix E. This sample Leaseback agreement is understood to be representative in all material aspects of all of the Leasebacks entered into between Target Canada and Target LP.
- The Assignment and Assumption Agreement, between Target LP and Target Canada Property LLP (Target LLP), effective January 9, 2014, labelled Appendix B.

- The Assignment and Assumption Agreement, between Property LLC and Target LP, effective January 9, 2014, labelled Appendix A.

## STATEMENT OF FACTS

Our understanding of the facts is as follows:

1. Target Corporation (Target US) is a publicly held company formed under and governed by the laws of the state of Minnesota and is resident in the United States for US federal income tax purposes.
  2. Target Canada is a Canadian unlimited liability corporation formed in and governed by the laws of Nova Scotia and is registered for GST/HST purposes.
  3. Target Canada has entered into lease agreements with third party landlords to lease certain properties in Canada where Target Canada has carried on retail business operations in Canada.
  4. On January 15, 2013, Target LP, a limited partnership governed by the laws of the Province of Ontario was created. Target LP is registered for GST/HST purposes.
  5. Target Canada and Target LP are ultimately owned by Target US. No GST/HST related party elections have been filed. The parties charge and collect the GST/HST on intercompany supplies made between them.
  6. Beginning February 4, 2013, Target Canada and Target LP entered into agreements under which Target Canada agreed to sublease certain properties to Target LP (Subleases). Target LP agreed to make improvements to the properties and then lease the same properties back (Leasebacks) to Target Canada. The supplies made under the Subleases and Leasebacks are taxable (other than zero-rated) supplies made in Canada.
  7. Effective February 4, 2013, Target Canada and Target LP entered into an agreement (the Master Agreement), which provided for various payments between the parties in respect of the Subleases and Leasebacks.
  8. On October 7, 2013, Property LLC was formed. Property LLC is a limited liability company formed under and governed by the laws of the state of Minnesota. Property LLC is not resident in Canada for purposes of the *Income Tax Act*.
  9. Property LLC is registered for GST/HST purposes. Property LLC is ultimately owned by Target US. Property LLC has not filed any GST/HST related party elections with Target Canada. The parties charge and collect the GST/HST on intercompany supplies made between them.
-

10. On January 9, 2014, all leasehold interests (Subleases and Leasebacks) were assigned by Target LP to Property LLC for consideration which you state represented the fair market value of the Subleases and Leasebacks, plus the applicable GST/HST. All rights and interests under the Master Agreement were assigned to Property LLC, which assumed all of the obligations under the Master Agreement.
11. On January 15, 2015, Target Canada, Property LP and Property LLC and certain other affiliates obtained an order from the Ontario Superior Court of Justice for creditor protection under the *Companies' Creditors Arrangement Act*.
12. Pursuant to a Mutual Termination Agreement of February 25, 2015, Target Canada, Target LP and Property LLC mutually terminated the Leasebacks, the Subleases, and the Master Agreement.
13. The payment obligation resulting from the termination of the Sublease or Leaseback for particular premises (Termination Payment) is described in sections 2.7 and 2.8 of the Master Agreement. In the Master Agreement, Target LP is referred to as "Can Prop Co".

2.7 Early Termination – Additional Improvements

If, at any time, Target Canada has requested additional Real Property Improvements in respect of particular premises that have previously been subleased pursuant to a Sublease [or Leaseback], Can Prop Co may request the negotiation of new Sublease [or Leaseback] before the commencement of any additional Real Property Improvements. If the new Sublease [or Leaseback] is not agreed to within 90 days of Can Prop Co receiving a written request for additional Real Property Improvements, Target Canada may terminate the Sublease [or Leaseback] ("Early Termination") related only to those specific premises. If Target Canada decides to terminate the Sublease [or Leaseback] for particular premises, then Target Canada shall pay to Can Prop Co a payment ("Termination Payment") calculated as:

an amount equal to the present value (using a 7% discount rate) of the total remaining payments of Rent, as defined in Section 3(ii) of the Sublease, which were to be paid for the remainder of the Term as defined in 2(ii) of the Sublease plus the anticipated value of the remaining Sublease term to Can Prop Co.

The termination Payment shall be due within 60 days after the effective date of the Early Termination.

2.8 Early Termination – Other Terminations

If the Term of a Sublease ends before the date specified in Section 2(ii) thereof (for example, because a Master Lease is not extended or renewed) and a new Sublease is not renegotiated within 90 days in accordance with Section 2.7 of this Agreement, then this shall also constitute an Early Termination and a Termination



Payment as defined in Section 2.7 above shall be due within 60 days of such Early Termination.

14. As a consequence of the assignment of leasehold interests to Property LLC by Target LP, Target Canada shall make a payment to Property LLC in the event of Early Termination or cancellation of the Leaseback. The post-amble of Section 3 of the Leaseback Agreement states: In addition and if applicable, Canada Co. (Target Canada) hereby agrees to pay Canada Property (Property LP) additional rent in an amount agreed to in writing by the parties for unpaid rent and Real Property Improvements costs not recovered if the term of this Agreement ends before April 7, 2038.
15. Under the Leaseback Agreement, mutual termination of the Leaseback will occur before September 16, 2033, which is the expiry date specified in Section 2(ii) of the Sublease (Leaseback) agreement. This constitutes an "Early Termination" for purposes sections 2.7 and 2.8 of the Master Agreement.

#### **RULING REQUESTED**

You are requesting confirmation that if, as a result of the Mutual Termination of the Leaseback a Termination Payment or a portion of the Termination Payment is ultimately paid by Target Canada to Property LLC, subsection 182(1) of the ETA will apply and tax will be deemed to have been paid by Target Canada and collected by Property LLC in an amount determined by the formula described in subsection 182(1) as a proportion of the amount that is paid (and, in the event of a partial payment not as a proportion of the entire Termination Payment that may be payable) at (and not before) the time the amount is paid. Also, you request confirmation that GST/HST will not otherwise be exigible as a result of a Termination Payment having become payable.

#### **RULING GIVEN**

Where, as a result of the Mutual Termination of the Leaseback a Termination Payment or a portion of the Termination Payment is ultimately paid by Target Canada to Property LLC, subsection 182(1) of the ETA will apply and tax will be deemed to have been paid by Target Canada and collected by Property LLC in an amount determined by the formula described in subsection 182(1) as a proportion of the amount that is paid (and, in the event of a partial payment not as a proportion of the entire Termination Payment that may be payable) at (and not before) the time the amount is paid. Based on the facts, GST/HST will not otherwise be exigible as a result of a Termination Payment having become payable.

In accordance with the qualifications and guidelines set out in GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, the Canada Revenue Agency (CRA) is bound by the ruling given in this letter provided that: none of the issues discussed in the ruling are currently under audit, objection, or appeal; no future changes to the ETA, regulations or the CRA's interpretative policy affect its validity; and all relevant facts and transactions have been fully and accurately disclosed.

**EXPLANATION**

Generally, subsection 182(1) applies where, at any time, as a consequence of the breach, modification or termination of an agreement for the making of a taxable (other than zero-rated) supply of property or a service in Canada by a registrant to a person, an amount is paid or forfeited to the registrant otherwise than as consideration for the supply. Where subsection 182(1) applies, the person is deemed to have paid, at the time the amount is paid or forfeited, an amount of consideration for the supply determined by the formula set out in the provision based on the tax rate that was payable in respect of the supply. In addition, the registrant is deemed to have collected, and the person is deemed to have paid, at that time, all tax at the applicable rate in respect of the supply calculated on the deemed amount of consideration.

Based on the facts, subsection 182(1) will apply to a Termination Payment paid by Target Canada to Property LLC as described in the facts. In particular, Target Canada and Property LLC, both GST/HST registrants, entered into Leasebacks, pursuant to which Property LLC made taxable (other than zero-rated) supplies in Canada to Target Canada. Furthermore, the Termination Payment occurs as a consequence of the termination of the Leasebacks and is paid to Property LLC otherwise than as consideration for the supplies made pursuant to the Leasebacks.

As a result, if a Termination Payment or a portion of the Termination Payment is paid by Target Canada to Property LLC, subsection 182(1) will deem Target Canada to have paid, at that time, an amount of consideration for the supplies determined by the formula set out in that provision as a proportion of the amount of the Termination Payment that is paid. Furthermore, Property LLC will be deemed to have collected, and Target Canada will be deemed to have paid, at that time, all tax at the applicable rate in respect of the supplies calculated on the deemed amount of consideration.

If you require clarification with respect to any of the issues discussed in this letter, please call me directly at [REDACTED]. Should you have additional questions on the interpretation and application of GST/HST, please contact a GST/HST Rulings officer at 1-800-959-8287.

Yours truly,

[REDACTED]

Manager  
Goods Unit  
General Operations and Border Issues Division  
Excise and GST/HST Rulings Directorate

**APPENDIX CC**

**CLAIM 6.C: TARGET CANADA PROPERTY LLC claim against TCC –  
EXPLANATORY NOTES**

See Next Page

## SCHEDULE "C"

### CLAIM AGAINST TARGET CANADA CO.

#### (POST FILING ACCOUNTS RECEIVABLE)

<u>Description of Indebtedness</u>	<u>Amount</u>
Base Rent - Leaseback Accrued Rent: Indebtedness owing by Target Canada Co. ("TCC") to Target Canada property LLC ("PropCo") as of February 24, 2015 on account of accrued rent payable pursuant to the Leasebacks (as defined below).	\$10,737,732.36 + applicable sales, goods and services and harmonized sales taxes
Mark-Up Rent - Leaseback Accrued Rent: Indebtedness owing by TCC to PropCo as of February 24, 2015 on account of accrued rent payable pursuant to the Leasebacks (as defined below).	\$22,828,126.50 + applicable sales, goods and services and harmonized sales taxes
	\$8,636,586.83
GST/HST Payment: Indebtedness owing by TCC to PropCo as of February 24, 2015 on account of a payment made by PropCo for federal goods and services and harmonized sales tax under the <i>Excise Tax Act</i> (Canada) ("GST") payable but not collected on accrued Leaseback Rent (as defined below) owing by TCC.	\$1,448,727.57
QST Payment: Indebtedness owing by TCC to PropCo as of February 24, 2015 on account of a payment made by PropCo for goods and services and Quebec sales tax under <i>An Act respecting the Quebec Sales Tax</i> (Quebec) ("QST") payable but not collected on accrued Leaseback Rent (as defined below) owing by TCC.	(\$5,470,262.30) + applicable sales, goods and services and harmonized sales taxes
Less: Accrued Sublease Rent – Indebtedness owing by PropCo to TCC as of February 25, 2015 on account of accrued rent payable pursuant to the Subleases (as defined below)	(\$683,509.17)
GST/HST Payment: Indebtedness owing by PropCo to TCC as of February 24, 2015 on account of a payment made by TCC GST payable but not collected on accrued Sublease Rent (as defined below) owing by PropCo.	(\$149,849.84)
QST Payment: Indebtedness owing by PropCo to TCC	

**Description of Indebtedness**

**Amount**

as of February 24, 2015 on account of a payment made by TCC for QST payable but not collected on accrued Sublease Rent (as defined below) owing by PropCo.

Contingent claims by PropCo against TCC arising out of or relating to Post Filing Account Receivable Claims asserted by one or more Persons against one or more of the Target Canada Entities

Unknown

**TOTAL INDEBTEDNESS**

**\$ 37,347,551.5+**

Terms used but not defined herein shall have the meanings ascribed thereto in the Claims procedure order issued by the Ontario Superior Court of Justice (Commercial List) dated June 11, 2015 issued in these proceedings under the *Companies' Creditors Arrangement Act* (Court File No. CV-15-10832-00CL) (as amended, restated, supplemented and/or modified from time to time).

**DETAILS OF CLAIM**

Each of the claims detailed in this Schedule "C" relate to the period from and after the Filing Date, which amount is not subject to compromise and is payable at 100 cent dollars.

The amounts claimed in this Proof of Claim are derived from general ledger accounts that have been maintained by Target Corporation, a United States public company, for and on behalf of the Target Canada Entities, in accordance with United States generally accepted accounting principles (US GAAP). The Target Canada Entities were wholly-owned and consolidated subsidiaries of Target Corporation until January 14, 2015.

Delivered concurrently with this Proof of Claim is a separate binder of materials labelled Annex "A". The materials in Annex A provide detailed information from general ledger accounts, bank statements, and other sources to prove costs incurred on account of the "RPI" under the "Leasebacks" as recorded in the general ledger, and further supports the determination of all "Leaseback Rent" amounts as set out in this Schedule (as these terms are defined below).

PropCo has concurrently delivered an electronic copy of this Proof of Claim and related schedules to the Monitor for ease of reference. To the extent that the Monitor requires any additional information or documentation in connection with this Proof of Claim, PropCo would be pleased to work with the Monitor to address any such requests.

**Amounts Payable to PropCo**

*Leaseback Accrued Rent*

1. TCC was tenant under certain master leases (each, a “Master Lease”) with third party landlords. The Master Leases are identified in Schedule A.1. We understand the Monitor has or has access to copies of all Master Leases.
2. TCC entered into a sublease/leaseback arrangement with Target Canada Property LP (“PropLP”) with respect to each of the leased premises that were the subject of the Master Leases (the “Leased Premises”).
3. The sublease/leaseback arrangement between PropLP and TCC is contained in, among others, the following agreements (collectively, the “Agreements”):
  - (a) Master Agreement effective as of February 4, 2013 between TCC and PropLP (the “Master Agreement”);
  - (b) Subleases from TCC to PropLP for each of the Leased premises (the “Subleases”);
  - (c) Leasebacks from PropLP to TCC for each of the Leased (subleased) Premises (the “Leasebacks”).

All of the Subleases and Leasebacks are substantively identical as to their terms as identified herein. A copy of the Master Agreement, and a sample copy of each of the Subleases and Leasebacks, are attached as Schedule A.2. We understand the Monitor has or has access to copies of all Subleases and Leasebacks.

4. Under the terms of the Master Agreement, PropLP was required to make certain real property improvements to the Leased Premises (the “RPI”).<sup>13</sup>

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<sup>13</sup> Master Agreement section 2.2(b).

5. Under the terms of each Sublease, PropLP is required to pay to TCC monthly rent (“Sublease Rent”) with respect to the applicable Leased Premises determined as follows:

- (i) a base rent amount equal to the base rent payable by TCC for the month for the Leased Premises under the Master Lease; and
- (ii) all common area maintenance and similar costs, percentage rent, and any other additional rent, due and owing for the month by TCC for the Leased Premises under the Master Lease for the month.<sup>14</sup>

The Sublease Rent is a Canadian dollar obligation.

6. Under the terms of each Leaseback, TCC is required to pay to PropLP monthly rent (“Leaseback Rent”) with respect to the applicable Leased Premises determined as follows:

- (i) an amount equal to the Sublease Rent for the Leased Premises for the month (“Base Rent”);
- (ii) additional rent (“Mark-Up Rent”) computed as the total cost to PropLP of the RPI made to the Leased Premises multiplied by 12.5% and then divided by 12.<sup>15</sup>

The Leaseback Rent is a Canadian dollar obligation.

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<sup>14</sup> Subleases section 3.

<sup>15</sup> Leasebacks section 3.

7. PropLP assigned to Target Canada Property LLC (PropCo”) all of PropLP’s rights, and PropCo assumed all of PropLP’s obligations, under the Subleases, the Leasebacks, and the Master Agreement effective January 9, 2014, pursuant to:
  - (a) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Master Agreement; and
  - (b) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Subleases and Leasebacks.

Copies of the Assignment and Assumption Agreements are attached as Schedule A.3. These assignments and assumptions did not cause PropLP to be released from any obligation under the Master Agreement, the Subleases, or the Leasebacks.

8. After January 9, 2014, TCC and PropCo entered into Sublease/Leaseback agreements with respect to an additional leased premise (additional “Leased Premises”) governed by a master lease with a third party landlord (an additional “Master Lease”). The additional Leased Premises is identified in Schedule A.4. The additional Sublease/Leaseback arrangement is governed by the Master Agreement.
9. The term of the Master Agreement is 30 years.<sup>16</sup>
10. Effective February 25, 2015, the Sublease/Leaseback arrangements entered into between PropCo and TCC and PropLP were terminated pursuant to the terms of a Mutual

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<sup>16</sup> Master Agreement section 5.1.



Termination Agreement (the “MTA”) entered into between these parties on that date. A copy of the MTA is attached as Schedule A.5.

11. Under the terms of the MTA, TCC and PropCo acknowledge that Leaseback Rent for periods ended on the February 25, 2015 effective date of the MTA is payable by TCC to PropCo. An estimate of the liability is provided.
12. Total Leaseback Rent not paid for the period January 15, 2015 to February 25, 2015 is \$33,565,858.86, which amount is net of all applicable sales, goods and services, and harmonized sales taxes. This amount is composed of \$22,828,126.50 of Mark-Up Rent and \$10,737,732.36 of Base Rent. Attached as Schedule C.1 is a summary of the calculation of this amount with associated journal entries and supporting calculations.
13. The 2015 Leaseback Rent remains unpaid.

*Remitted GST*

14. Propco was required to remit to the Canada Revenue Agency and TCC was required to pay to Propco GST on account of Leaseback Rent that became payable by TCC to Propco during the Propco GST reporting period of February 1 - 28, 2015 (the “February Period”). Payment was required to be made not later than March 31, 2015.
15. In the February Period, there became payable by TCC Leaseback Rent accruing for the period. Total Leaseback Rent for the period is estimated to be \$19,979,678, which estimate is based on actual December, 2014 Leaseback Rent numbers, on the assumption that conditions regarding the Master Leases and rent payable thereunder would not have changed over that time, and no additional RPI was then being incurred. The GST amount payable thereon is \$1,765,957. Attached as Schedule C.2 is an entry summary (with

supporting calculations on a lease-by-lease basis) (the “Entry Summary”) showing details of the computation of these Leaseback Rent and GST amounts, under column “Feb FY15”.

16. Under the terms of the MTA, TCC and PropCo acknowledge that Leaseback Rent for periods ended prior to the February Periods were payable by TCC to PropCo. An estimate of the liability is provided. As result of acknowledging this liability, TCC became required to pay GST thereon and Propco became required to remit such amounts to the Canada Revenue Agency for the February Period.
17. Propco was then also required to remit and TCC was obligated to pay GST on account of Leaseback Rent that became payable for the period January 1 – 30, 2015. The Entry Summary (columns “Accrued for Jan (14<sup>th</sup>)” and “Jan 15-Jan 31”) shows total Leaseback Rent for this period to be \$8,791,058 (accrual for January 1 to 14) plus \$13,586,181 (accrual for the period January 15 to 31). Total GST payable thereon is \$777,021 and \$1,200,851 respectively.
18. Propco was then also required to remit and TCC was obligated to pay GST on account of Leaseback Rent that became payable for the period December 1 – 31, 2014. The Entry Summary (column “Accrued for Dec”) shows total Leaseback Rent for this period to be \$22,377,239. Total GST payable thereon is \$1,977,872.
19. Propco was then also required to remit and TCC was obligated to pay GST on account of periods prior to December 1, on account of Leaseback Rent determined to have been payable by TCC as part of a “true up” calculation of Leaseback Rent owing by TCC as determined after that time. These amounts are recorded in the Entry Summary under columns “Full FY13” and “Accrued through Nov 30”. They columns show total GST owing on account of Leaseback Rent for the periods, and total GST paid. The difference,

GST remittable by Propco, is shown in the Entries Required” rows. The total GST amounts owing are recorded as \$1,628,567 and \$1,286,320 respectively.

20. The total GST required to be remitted by Propco and required to be Paid by TCC on account of Leaseback Rent as of the February Period, and payable by Propco, was \$8,636,589 (see Entry Summary “Total Entries” column). On March 30, 2015, Propco made a payment to the Canada Revenue Agency for the February Period on account of this amount. The total payment was \$7,953,076.66. This payment is determined as 8,636,588.83 less an amount of \$683,509.17 on account of an input tax credit claimed by Propco in its GST return for the February Period. See schedule C.3 for supporting documentation with respect to this payment including the applicable Propco GST return for the February Period, the Electronic Payment Form for the payment, and receipt information.
21. Propco has not received or collected from TCC the \$8,636,589 remitted by Propco to the Canada Revenue Agency. This amount is payable to Propco under the *Excise Tax Act* (Canada). In addition, TCC has been unduly enriched by this payment, as TCC is entitled to claim and have paid to it by the Canada Revenue Agency an input tax credit of \$8,636,589, on account of the GST paid on its behalf.

*Remitted QST*

22. Propco was required to remit to the Agence de Revenue Quebec and TCC was required to pay to Propco QST on account of Leaseback Rent that became payable by TCC to Propco during the Propco QST reporting period of February 1 - 28, 2015 (i.e., the February Period). Payment was required to be made not later than March 31, 2015.

23. In the February Period, there became payable by TCC Leaseback Rent accruing for the period. Total Leaseback Rent for the period is estimated to be \$19,979,678, which estimate is based on actual December, 2014 Leaseback Rent numbers, on the assumption that conditions regarding the Master Leases and rent payable thereunder would not have changed over that time, and no additional RPI was then being incurred. The QST amount payable thereon is \$1,488,728. The Entry Summary shows details of the computation of these Leaseback Rent and QST amounts, under column "Feb FY15".
24. Under the terms of the MTA, TCC and PropCo acknowledge that Leaseback Rent for periods ended prior to the February Periods were payable by TCC to PropCo. An estimate of the liability is provided. As result of acknowledging this liability, TCC became required to pay QST thereon and Propco became required to remit such amounts to the Canada Revenue Agency for the February Period.
25. Propco was then also required to remit and TCC was obligated to pay QST on account of Leaseback Rent that became payable for the period January 1 – 30, 2015. The Entry Summary (columns "Accrued for Jan (14<sup>th</sup>)" and "Jan 15-Jan 31") shows total Leaseback Rent for this period to be \$8,791,058 (accrual for January 1 to 14) plus \$13,586,181 (accrual for the period January 15 to 31). Total QST payable thereon is \$168,239 plus \$260,006 respectively.
26. Propco was then also required to remit and TCC was obligated to pay QST on account of Leaseback Rent that became payable for the period December 1 – 31, 2014. The Entry Summary (column "Accrued for Dec") shows total Leaseback Rent for this period to be \$22,377,239. Total QST payable thereon is \$428,245.

27. Propco was then also required to remit and TCC was obligated to pay QST on account of periods prior to December 1, on account of Leaseback Rent determined to have been payable by TCC as part of a “true up” calculation of Leaseback Rent owing by TCC as determined after that time. These amounts are recorded in the Entry Summary under columns “Full FY13” and “Accrued through Nov 30”. These columns show total QST owing on account of Leaseback Rent for the periods, and total QST paid. The difference, QST remittable by Propco, is shown in the “Entries Required” rows. The total GST amounts owing are recorded as \$142,289 and \$67,588 respectively.
28. The total QST required to be remitted by Propco and required to be paid by TCC on account of Leaseback Rent as of the February Period, and payable by Propco, was \$1,488,728 (see Entry Summary “Total Entries” column). On March 30, 2015, Propco made a payment to the Agence Revenue Quebec for the February Period on account of this amount. The total payment was \$1,298,877.73. This payment is determined as \$1,488,727.57 less an amount of \$149,849.84 on account of an input tax credit claimed by Propco in its QST return for the February Period. See schedule C.4 for supporting documentation with respect to this payment including the applicable Propco GST return for the February Period, the Electronic Payment Form for the payment, and receipt information.
29. Propco has not received or collected from TCC the \$1,488,728 remitted by Propco to the Agence Revenue Quebec. This amount is payable to Propco under *An Act respecting the Quebec Sales Tax* (Quebec). In addition, TCC has been unduly enriched by this payment, as TCC is entitled to claim and have paid to it by the Agence Revenue Quebec an input tax credit of \$1,488,728, on account of the QST paid on its behalf.

### **Net Claim By TCC**

*Accrued Sublease Rent*

30. Under the terms of the MTA, TCC and PropCo acknowledge that Sublease Rent is payable by PropCo to TCC for periods ended on the February 25, 2015 effective date of the of the MTA. An estimate of the liability is provided.
31. The total Sublease Rent payable by PropCo for the period of January 15 to February 25, 2015 is \$10,737,732.36. This amounts is determined as \$4,346,225 for January + 6,391,507.36 for February. Attached as Schedule C.1 is a summary of the calculation of this amount with associated journal entries and supporting calculations. These amounts are not inclusive of applicable sales, goods and services, or harmonized sales taxes.
32. An amount on account of Sublease Rent was received in December 2014 by TCC from PropCo in the amount of \$8,079,733.06 on account of Sublease Rent payable by PropCo for the period of January 1 to January 31, 2015. See Schedule C.5. As shown in Schedule C.1, the estimated Sublease Rent for the period January 1 to January 14 is \$2,812,263. Accordingly, an amount equal to  $\$8,079,733.06 - \$2,812,263 = \$5,267,470.06$  is applied to reduce the post-January 14 Sublease Rent owing by PropCo. Accordingly, the net estimated Sublease Rent owing by PropCo to TCC for the period January 15 to February 25, 2015 is  $\$10,737,732.36 - \$5,267,470.06 = \$5,470,262.30$ .

*Accrued Fees*

33. Under the terms of the Master Agreement, TCC agreed to provide to PropLP through its own resources or through contractual relationships with affiliated companies the following

services: (i) property management; (ii) administrative and business; and (iii) procurement (the “Services”).<sup>17</sup>

34. In consideration for the Services provided by TCC, Prop LP agreed to pay to TCC a fee (the “Fee”) equal to the amount of actual costs incurred by TCC for performing the Services.<sup>18</sup> The Fee is payable for each fiscal year of TCC, accrues throughout the year, and is payable throughout or at the end of the year, with payment to be made no later than 30 days following the end of the fiscal year. The Fee is a Canadian dollar obligation.
35. The fiscal year of TCC is ended January 31.
36. PropLP assigned to PropCo all of PropLP’s rights, and PropCo assumed all of PropLP’s obligations, under the Subleases, the Leasebacks, and the Master Agreement effective January 8, 2014.
37. TCC performed Services for PropCo for the period January 15 to January 31, 2015.
38. Under the terms of the MTA, TCC and PropCo acknowledge that Fees are payable by PropCo to TCC for periods ended on the February 25, 2015 effective date of the of the MTA. An estimate of the liability is provided.
39. The determination of the Fee amount payable by PropCo amount is set out in the “Admin Fee True-Up Summary” with related schedules and computations attached as Schedule A.12. These materials show the determination of the monthly Fee accrual for the period January 9, 2014 to January 31, 2015, based on monthly TCC costs for payroll and non-

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<sup>17</sup> Master Agreement section 1.1.

<sup>18</sup> Master Agreement section 1.2.

payroll items. There is also included a one month sample to tie out charges to actual GL detail or payroll detail support as applicable.

40. Included in the Fee amount owing by PropCo to TCC for the period January 1 – 31, 2015 as recorded in the Admin Fee True-Up Summary is 90% of \$496,752 on account of applicable allocated costs for the period January 1- 31, 2015. This January, 2015 amount must be allocated as between the period January 1-14, 2015 and January 15 – 31, 2015 on a pro-rata basis. The Fee amount payable for the period January 15 – 31, 2015 is:  $\$496,752 * 17/31 * 90\% = \$245,171.15$ . This amounts is not inclusive of applicable sales, goods and services, or harmonized sales taxes (if any).

*Remitted GST*

41. TCC was required to remit to the Canada Revenue Agency and PropCo was required to pay to Propco GST on account of Sublease Rent that became payable by PropCo to TCC during the TCC GST reporting period of February 1 - 28, 2015 (i.e., the February Period). Payment was required to be made not later than March 31, 2015.
42. In the February Period, there became payable by PropCo to TCC Sublease Rent of \$7,508,612.12. The rent payable on a lease-by-lease basis is set out at Schedule C.6. The aggregate GST amount payable thereon is shown as \$683,509.17.
43. On March 30, 2015, TCC made a payment to the Canada Revenue Agency for the February Period on account of this amount. See schedule C.7 for supporting documentation with respect to this payment including the applicable TCC GST return for the February Period, the Electronic Payment Form for the payment, and receipt information. Also included is a copy of a Monthly Account Reconciliation for TCC GST payment obligations for the



February Period showing the addition of the \$683,509.17 accrual on account of GST on Sublease Rent to the total GST payable balance for the February Period. See also Schedule C.3 which shows the input tax credit claimed by PropCo on account of this tax remittance.

44. TCC has not received or collected from TCC the \$683,509.17 remitted by TCC to the Canada Revenue Agency. This amount is payable to TCC under the *Excise Tax Act* (Canada). In addition, PropCo has been unduly enriched by this payment, as PropCo is entitled to claim and have paid to it by the Canada Revenue Agency an input tax credit of \$683,509.17, on account of the GST paid on its behalf.

*Remitted QST*

45. TCC was required to remit to the Agence Revenue Quebec and PropCo was required to pay to Propco QST on account of Sublease Rent that became payable by PropCo to TCC during the TCC QST reporting period of February 1 - 28, 2015 (i.e., the February Period). Payment was required to be made not later than March 31, 2015.
46. In the February Period, there became payable by PropCo to TCC Sublease Rent of \$7,508,612.12. The rent payable on a lease-by-lease basis is set out at Schedule C.6. The aggregate QST amount payable thereon is shown as \$149,849.84.
47. On March 30, 2015, TCC made a payment to the Agence Revenue Quebec for the February Period on account of this amount. See schedule C.8 for supporting documentation with respect to this payment including the applicable TCC QST return for the February Period, the Electronic Payment Form for the payment, and receipt information. See also Schedule C.4 which shows the input tax credit claimed by PropCo on account of this tax remittance.

48. TCC has not received or collected from PropCo the \$149,849.84 remitted by TCC to the Agence Revenue Quebec. This amount is payable to TCC under *An Act respecting the Quebec Sales Tax* (Quebec). In addition, PropCo has been unduly enriched by this payment, as PropCo is entitled to claim and have paid to it by the Agence Revenue Quebec an input tax credit of \$149,849.84, on account of the QST paid on its behalf.

**APPENDIX DD**

**CLAIM 7: TCC PROOF OF CLAIM AGAINST THE TARGET CANADA ENTITIES**

See Next Page

**PROOF OF CLAIM FORM FOR CLAIMS AGAINST  
THE TARGET CANADA ENTITIES<sup>1</sup>**

**1. Name of Target Canada Entity or Entities (the “Debtor”):**

Debtor: Target Canada Property LLC; Target Canada Property Holdings GP, LLC, on behalf of Target Canada Property Holdings One LP, on behalf of Target Canada Property Holdings Two LP, on behalf of Target Canada Property LP; Target Canada Health Co., on behalf of Target Canada Pharmacy Franchising LP; Target Canada Pharmacy (Ontario) Corp., Target Canada Pharmacy (BC) Corp.; Target Canada Pharmacy Corp.; Target Canada Pharmacy (SK) Corp.; and Target Canada Mobile GP Co., on behalf of Target Canada Mobile LP

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**2(a) Original Claimant (the “Claimant”)**

Legal Name of Claimant	<u>Target Canada Co.</u>	Name of Contact	<u>Mark Wong</u>
Address		Title	<u>General Counsel &amp; Assistant Secretary</u>
<u>c/o Osler, Hoskin &amp; Harcourt LLP</u>		Phone #	<u>416-427-3761</u>
<u>Box 50, 1 First Canadian Place</u>		Fax #	<u>416-862-6666</u>
		Email	<u>mark.wong@target.com</u>
City	<u>Toronto</u>	Prov / State	<u>Ontario</u>
Postal/Zip Code	<u>M5X 1B8</u>		

**2(b) Assignee, if claim has been assigned**

Legal Name of Assignee	<u>N/A</u>	Name of Contact	<u>                                </u>
Address		Phone #	<u>                                </u>
<u>                                </u>		Fax #	<u>                                </u>
<u>                                </u>		Email	<u>                                </u>
City	<u>                                </u>	Prov / State	<u>                                </u>
Postal/Zip Code	<u>                                </u>		

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<sup>1</sup> Target Canada Co., Target Canada Health Co., Target Canada Mobile GP Co., Target Canada Pharmacy (BC) 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 (collectively, the “Target Canada Entities”).

**3. Amount of Claim**

The Debtor was and still is indebted to the Claimant as follows:

Currency	Amount of Claim (including interest up to and including January 14, 2015)	Unsecured Claim	Secured Claim
CAD	\$19,619,511.06 + Unknown against Target Canada Property LLC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$6,303,621.31 + Unknown against Target Canada Property LLC (post-filing account receivable payable at 100 cents)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$528,730 + Unknown against Target Canada Property Holdings GP, LLC, on behalf of Target Canada Property Holdings One LP, on behalf of Target Canada Property Holdings Two LP, on behalf of Target Canada Property LP	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$12,346,347.73 + Unknown against Target Canada Health Co., on behalf of Target Canada Pharmacy Franchising LP	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$621,363.54 + Unknown against Target Canada Pharmacy (Ontario) Corp.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$61,378.51 + Unknown against Target Canada Pharmacy (BC) Corp.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	Unknown against Target Canada Pharmacy Corp.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	Unknown against Target Canada Pharmacy (SK) Corp.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAD	\$50,728.14 + Unknown against Target Canada Mobile GP Co., on behalf of Target Canada Mobile LP	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**4. Documentation**

Provide all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim, including any claims assignment/transfer agreement or similar document, if applicable, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the affected Debtor to the Claimant and estimated value of such security.

See attached Schedules A, B, C, D, E, F, G, H and I and Annex A.

**5. Certification**

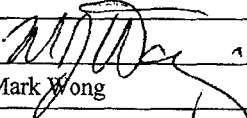
I hereby certify that:

1. I am the Claimant or authorized representative of the Claimant.
2. I have knowledge of all the circumstances connected with this Claim.
3. The Claimant asserts this Claim against the Debtor as set out above.
4. Complete documentation in support of this claim is attached.

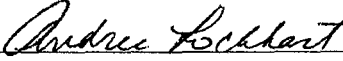
Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

  
Mark Wong  
General Counsel & Secretary

Witness: \_\_\_\_\_

  
(signature)

Andrea Lockhart  
(print)

Dated at: \_\_\_\_\_

Toronto

this 30<sup>th</sup> day of \_\_\_\_\_

July

, 2015

**6. Filing of Claim**

This Proof of Claim must be received by the Monitor on or before 5:00 p.m. (Toronto time) on August 31, 2015 by prepaid ordinary mail, registered mail, courier, personal delivery or electronic transmission at the following address:

**Alvarez & Marsal Canada Inc., Target Canada Monitor**  
**Royal Bank Plaza, South Tower**  
**200 Bay Street, Suite 2900, P.O. Box 22**  
**Toronto, ON Canada M5J 2J1**  
**Attention: Greg Karpel**  
**Email: [targetcanadaclaims@alvarezandmarsal.com](mailto:targetcanadaclaims@alvarezandmarsal.com)**  
**Fax No.: 416-847-5201**

For more information see [www.alvarezandmarsal.com/targetcanada](http://www.alvarezandmarsal.com/targetcanada) or contact the Monitor by telephone (1-844-864-9548)

**APPENDIX EE**

**CLAIM 7.A: TCC claim against TARGET CANADA PROPERTY LLC –  
EXPLANATORY NOTES**

See Next Page

**SCHEDULE "A"**

**CLAIM AGAINST TARGET CANADA PROPERTY LLC**

**(PRE-FILING)**

<b><u>Description of Indebtedness</u></b>	<b><u>Amount</u></b>
Indebtedness owing by Target Canada Property LLC ("PropCo") to Target Canada Co. ("TCC") as of January 14, 2015, on account of fees payable pursuant to the Master Agreement (as defined below)	\$6,418,606 plus applicable sales, goods and services and harmonized sales tax, if any
Indebtedness owing by PropCo to TCC as of January 14, 2015 on account of payments made by TCC on behalf of PropCo.	\$1,016,395.06
Indebtedness owing by PropCo to TCC as of January 14, 2015 on account of "RIP" (as defined below) expenditures incurred by TCC for the benefit of and payable by PropCo	\$12,184,510
Contingent claims by TCC against PropCo arising out of or relating to Pre-Filing Claims and/or Restructuring Period Claims asserted by one or more Persons against one or more of the Target Canada Entities	Unknown
<b><u>TOTAL INDEBTEDNESS</u></b>	<b><u>\$ 19,619,511.06 +</u></b>

Terms used but not defined herein shall have the meanings ascribed thereto in the Claims procedure order issued by the Ontario Superior Court of Justice (Commercial List) dated June 11, 2015 issued in these proceedings under the *Companies' Creditors Arrangement Act* (Court File No. CV-15-10832-00CL) (as amended, restated, supplemented and/or modified from time to time).

**DETAILS OF CLAIM**

The amounts claimed in this Proof of Claim are derived from general ledger accounts that have been maintained by Target Corporation, a United States public company, for and on behalf of the Target Canada Entities, in accordance with United States generally accepted accounting principles (US GAAP). The Target Canada Entities were wholly-owned and consolidated subsidiaries of Target Corporation until January 14, 2015.

TCC has concurrently delivered an electronic copy of this Proof of Claim and related schedules to the Monitor for ease of reference. To the extent that the Monitor requires any additional information or documentation in connection with this Proof of Claim, TCC would be pleased to work with the Monitor to address any such requests.



**Amounts Payable to TCC**

*Fee Payable*

1. TCC was tenant under certain master leases (each, a “Master Lease”) with third party landlords. The Master Leases are identified in Schedule A.1. We understand the Monitor has or has access to copies of all Master Leases.
2. TCC entered into a sublease/leaseback arrangement with Target Canada Property LP (“PropLP”) with respect to each of the leased premises that were the subject of the Master Leases (the “Leased Premises”).
3. The sublease/leaseback arrangement between PropLP and TCC is contained in, among others, the following agreements:
  - (a) Master Agreement effective as of February 4, 2013 between TCC and PropLP (the “Master Agreement”);
  - (b) Subleases from TCC to PropLP for each of the Leased premises (the “Subleases”);
  - (c) Leasebacks from PropLP to TCC for each of the Leased (subleased) Premises (the “Leasebacks”).

All of the Subleases and Leasebacks are substantively identical as to their terms as identified herein. A copy of the Master Agreement, and a sample copy of each of the Subleases and Leasebacks, are attached as Schedule A.2. We understand the Monitor has or has access to copies of all Subleases and Leasebacks.

4. PropLP assigned to Target Canada Property LLC (“PropCo”) all of PropLP’s rights, and PropCo assumed all of PropLP’s obligations, under the Subleases, the Leasebacks, and the Master Agreement effective January 9, 2014, pursuant to:
  - (a) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Master Agreement; and
  - (b) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Subleases and Leasebacks.

Copies of the Assignment and Assumption Agreements are attached as Schedule A.3. These assignments and assumptions did not cause PropLP to be released from any obligation under the Master Agreement, the Subleases, or the Leasebacks.

5. After January 9, 2014, TCC and PropCo entered into Sublease/Leaseback agreements with respect to an additional leased premise (additional “Leased Premises”) governed by a master lease with a third party landlord (an additional “Master Lease”). The additional Leased Premises is identified in Schedule A.4. The additional Sublease/Leaseback arrangement is governed by the Master Agreement.
6. Effective February 25, 2015, the Sublease/Leaseback arrangements entered into between PropCo and TCC and PropLP were terminated pursuant to the terms of a Mutual Termination Agreement (the “MTA”) entered into between these parties on that date. A copy of the MTA is attached as Schedule A.5.
7. Under the terms of the Master Agreement, TCC agreed to provide to PropCo through its own resources or through contractual relationships with affiliated companies the following

services: (i) property management; (ii) administrative and business; and (iii) procurement (the “Services”).<sup>1</sup>

8. In consideration for the Services provided by TCC, PropCo agreed to pay to TCC a fee (the “Fee”) equal to the amount of actual costs incurred by TCC for performing the Services.<sup>2</sup> The Fee is payable for each fiscal year of TCC, accrues throughout the year, and is payable throughout or at the end of the year, with payment to be made no later than 30 days following the end of the fiscal year. The Fee is a Canadian dollar obligation.
9. The fiscal year of TCC is ended January 31.
10. TCC performed Services for PropCo for the period January 9 to January 14, 2015.
11. Under the terms of the MTA, TCC and PropCo acknowledge that Fees are payable by PropCo to TCC for periods ended on the February 25, 2015 effective date of the MTA.
12. The determination of the Fee amount payable by PropCo amount is set out in the “Admin Fee True-Up Summary” with related schedules and computations attached as Schedule A.6. These materials show the determination of the monthly Fee accrual for the period January 9, 2014 to January 31, 2015, based on monthly TCC costs for payroll and non-payroll items. There is also included a one month sample to tie out charges to actual GL detail or payroll detail support as applicable.
13. The Fee amount owing by PropCo to TCC for the period January 9, 2014 to January 14, 2015 is recorded in the Admin Fee True-Up Summary as \$6,418,606 (i.e., 90% of incurred

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<sup>1</sup> Master Agreement section 1.1.

<sup>2</sup> Master Agreement section 1.2.

allocated TCC costs). This amount includes the allocated costs for the month of January, 2015 pro-rated as between the January 1- 14, 2015 and January 15 – 31, 2015 periods. This amount is not inclusive of applicable goods and services, sales or harmonized sales taxes (if any).

14. The total Fee owing by PropCo to TCC is:  $\$6,670,257 - \$245,171.15 = \$6,425,085.85$ .

*Payment Made on Behalf of PropCo*

15. On or shortly after June 27, 2014, TCC made a payment (the “Tax Payment”) of \$1,016,395.09 to Agence Revenu Quebec on account of a Quebec sales tax liability of PropCo, for the period ended June 30, 2014. Attached as Schedule A.7 is a copy of a signed internal authorization with respect to this amount. The signed form is completed on behalf of Company Division “Target Canada Prop LLC” (i.e., PropCo). Under the heading “General Ledger Debit Account Information”, the SAP Company Code “2001” identifies the payer of the amount as TCC. Beside the heading “Special Instructions to Beneficiary to include with payment”, the account number identified is the Quebec sales tax account of PropCo. Attached as Schedule A.8 is a print out from the Revenue Québec official website confirming the details of the June 30, 2014 return and sale tax amount owing.
16. The Tax Payment was made for the benefit and with the concurrence of PropCo. The Tax Payment enriched PropCo in an amount equal to the full amount of the Tax Payment.
17. TCC is claiming a full refund of the Tax Payment amount from PropCo.

18. The Tax Payment was made for the benefit and with the concurrence of PropCo. The Tax Payment enriched PropCo in an amount equal to the full amount of the Tax Payment.
19. TCC is claiming a full refund of the Tax Payment amount from PropCo.

*Real Property Spend Reconciliation*

20. Under the terms of the Master Agreement, PropLP was required to make certain real property improvements to the Leased Premises (the “RPI”).<sup>3</sup>
21. Under the terms of each Sublease, PropLP was required to pay to TCC monthly rent (“Sublease Rent”) with respect to the applicable Leased Premises determined as follows:
  - (i) a base rent amount equal to the base rent payable by TCC for the month for the Leased Premises under the Master Lease; and
  - (ii) all common area maintenance and similar costs, percentage rent, and any other additional rent, due and owing for the month by TCC for the Leased Premises under the Master Lease for the month.<sup>4</sup>

The Sublease Rent is a Canadian dollar obligation.

22. Under the terms of each Leaseback, TCC was required to pay to PropLP monthly rent (“Leaseback Rent”) with respect to the applicable Leased Premises determined as follows:
  - (i) an amount equal to the Sublease Rent for the Leased Premises for the month (“Base Rent”);

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<sup>3</sup> Master Agreement section 2.2(b).

<sup>4</sup> Subleases section 3.

(ii) additional rent (“Mark-Up Rent”) computed as the total cost to PropLP of the RPI made to the Leased Premises multiplied by 12.5% and then divided by 12.<sup>5</sup>

23. All of the rights and obligations under these agreement were assigned to/assumed by PropCo pursuant to the Schedule A.3 Assignment and Assumption Agreements.

24. As part of the analysis performed in support of the Claims, it was determined that the total RPI investment recorded for purposes of supporting the Leaseback Rent determinations, and also the “Termination Payment” as defined in the Master Agreement exceeded PropCo’s actual cash expenditure on account of RPI by a total of \$12,284,510. This amount reflects RPI paid for by TCC, and accordingly is an amount owing by PropCo to TCC. Attached as Schedule A.9 is a detailed note outlining the necessary charge to reconcile total RPI (i.e., Fixed Assets) to Propco’s total investment in RPI. The amounts cited in the Note refer to and are reflected in the Annex “A” materials attached hereto.

25. The amount owing by PropCo to TCC on account of RPI expenditures incurred by TCC is: \$12,284,510.

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<sup>5</sup> Leasebacks section 3.

**APPENDIX FF**

**CLAIM 7.B: TCC claim against TARGET CANADA PROPERTY LLC –  
EXPLANATORY NOTES**

See Next Page

**SCHEDULE "B"**

**CLAIM AGAINST TARGET CANADA PROPERTY LLC**

**(POST-FILING ACCOUNTS RECEIVABLE)**

<u>Description of Indebtedness</u>	<u>Amount</u>
Accrued Sublease Rent – Indebtedness owing by Canada Property LLC (“Propco”) to Target Canada Co. (“TCC”) as of February 25, 2015 on account of accrued rent payable pursuant to the Subleases (as defined below)	\$5,470,262.30 plus applicable sales, goods and services and harmonized sales taxes
GST/HST Payment: Indebtedness owing by PropCo to TCC as of February 24, 2015 on account of a payment of goods and services/harmonized sales (“GST”) made by TCC under the <i>Excise Tax Act</i> (Canada) payable but not collected on accrued Sublease Rent (as defined below) owing by PropCo.	\$683,509.17
QST Payment: Indebtedness owing by PropCo to TCC as of February 24, 2015 on account of a payment made by TCC for Quebec sales tax under <i>An Act respecting the Quebec Sales Tax</i> (Quebec) (“QST”) payable but not collected on accrued Sublease Rent (as defined below) owing by PropCo.	\$149,849.84
Contingent claims by TCC against PropCo arising out of or relating to Post-Filing Accounts Receivable asserted by one or more Persons against one or more of the Target Canada Entities	Unknown
<b><u>TOTAL INDEBTEDNESS</u></b>	<b><u>\$ 6,303,621.31+</u></b>

Terms used but not defined herein shall have the meanings ascribed thereto in the Claims procedure order issued by the Ontario Superior Court of Justice (Commercial List) dated June 11, 2015 issued in these proceedings under the *Companies’ Creditors Arrangement Act* (Court File No. CV-15-10832-00CL) (as amended, restated, supplemented and/or modified from time to time).

**DETAILS OF CLAIM**

Each of the claims detailed in this Schedule “B” relate to the period from and after the Filing Date, which amount is not subject to compromise and is payable at 100 cent dollars.



The amounts claimed in this Proof of Claim are derived from general ledger accounts that have been maintained by Target Corporation, a United States public company, for and on behalf of the Target Canada Entities, in accordance with United States generally accepted accounting principles (US GAAP). The Target Canada Entities were wholly-owned and consolidated subsidiaries of Target Corporation until January 14, 2015.

TCC has concurrently delivered an electronic copy of this Proof of Claim and related schedules to the Monitor for ease of reference. To the extent that the Monitor requires any additional information or documentation in connection with this Proof of Claim, TCC would be pleased to work with the Monitor to address any such requests.

### **Amounts Payable to TCC**

#### *Accrued Sublease Rent*

1. TCC was tenant under certain master leases (each, a “Master Lease”) with third party landlords. The Master Leases are identified in Schedule A.1. We understand the Monitor has or has access to copies of all Master Leases.
2. TCC entered into a sublease/leaseback arrangement with Target Canada Property LP (“PropLP”) with respect to each of the leased premises that were the subject of the Master Leases (the “Leased Premises”).
3. The sublease/leaseback arrangement between PropLP and TCC is contained in, among others, the following agreements (collectively, the “Agreements”):
  - (i) Master Agreement effective as of February 4, 2013 between TCC and PropLP (the “Master Agreement”);
  - (ii) Subleases from TCC to PropLP for each of the Leased premises (the “Subleases”).
  - (iii) Leasebacks from PropLP to TCC for each of the Leased (subleased) Premises (the “Leasebacks”).

All of the Subleases and Leasebacks are substantively identical as to their terms as identified herein. A copy of the Master Agreement, and a sample copy of each of the Subleases and Leasebacks, are attached as Schedule A.2. We understand the Monitor has or has access to copies of all Subleases and Leasebacks.

4. Under the terms of each Sublease, PropLP is required to pay to TCC monthly rent (“Sublease Rent”) with respect to the applicable Leased Premises determined as follows:
  - (i) a base rent amount equal to the base rent payable by TCC for the month for the Leased Premises under the Master Lease; and
  - (ii) all common area maintenance and similar costs, percentage rent, and any other additional rent, due and owing for the month by TCC for the Leased Premises under the Master Lease for the month.
5. The Sublease Rent is a Canadian dollar obligation.
6. PropLP assigned to Target Canada Property LLC (PropCo”) all of PropLP’s rights, and PropCo assumed all of PropLP’s obligations, under the Subleases, the Leasebacks, and the Master Agreement effective January 9, 2014, pursuant to:
  - (i) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Master Agreement; and
  - (ii) an Assignment and Assumption Agreement between PropLP and PropCo with respect to the Subleases and Leasebacks.

Copies of the Assignment and Assumption Agreements are attached as Schedule A.3. These assignments and assumptions did not cause PropLP to be released from any obligation under the Master Agreement, the Subleases, or the Leasebacks.

7. After January 9, 2014, TCC and PropCo entered into Sublease/Leaseback agreements with respect to certain additional leased premises (additional "Leased Premises") governed by master leases with third party landlords (each, an additional "Master Lease"). The additional Leased Premises are identified in Schedule A.4. These additional Sublease/Leaseback arrangements are governed by the Master Agreement.
8. Effective February 25, 2015, the Sublease/Leaseback arrangements entered into between PropCo and TCC and PropLP were terminated pursuant to the terms of a Mutual Termination Agreement (the "MTA") entered into between these parties on that date. A copy of the MTA is attached as Schedule A.5.
9. Under the terms of the MTA, TCC and PropCo acknowledge that Sublease Rent is payable by PropCo for periods ended on the February 25, 2015 effective date of the of the MTA. An estimate of the liability is provided.
10. Under the terms of the MTA, TCC and PropCo acknowledge that Sublease Rent is payable by PropCo to TCC for periods ended on the February 25, 2015 effective date of the of the MTA. An estimate of the liability is provided.
11. The total estimated Sublease Rent payable by PropCo for the period of January 15 to February 25, 2015 is \$10,737,732.36. This amounts is determined as \$4,346,225 for January + 6,391,507.36 for February. Attached as Schedule B.1 is a summary of the calculation of this amount with associated journal entries. This estimate is based on actual

December, Sublease Rent numbers on the assumption that conditions regarding the Master Leases and rent payable thereunder would not have changed over that time.

12. An amount on account of Sublease Rent was received in December 2014 by TCC from PropCo in the amount of \$8,079,733.06 on account of Sublease Rent payable by PropCo for the period of January 1 to January 31, 2015. See Schedule B.2. As shown in Schedule B.1, the Sublease Rent for the period January 1 to January 14 is \$2,812,263. Accordingly, an amount equal to  $\$8,079,733.06 - \$2,812,263 = \$5,267,470.06$  is applied to reduce the post-January 14 Sublease Rent owing by PropCo. Accordingly, the net Sublease Rent owing by PropCo to TCC for the period January 15 to February 25, 2015 is  $\$10,737,732.36 - \$5,267,470.06 = \$5,470,262.30$ . This amount is not inclusive of applicable goods and services, sales or harmonized sales taxes.

*Remitted GST*

13. TCC was required to remit to the Canada Revenue Agency and PropCo was required to pay to Propco GST on account of Sublease Rent that became payable by PropCo to TCC during the TCC GST reporting period of February 1 - 28, 2015 (the "February Period"). Payment was required to be made not later than March 31, 2015.
14. In the February Period, there became payable by PropCo to TCC Sublease Rent of \$7,508,612.12. The rent payable on a lease-by-lease basis is set out at Schedule B.3. The aggregate GST amount payable thereon is shown as \$683,509.17.
15. On March 30, 2015, TCC made a payment to the Canada Revenue Agency for the February Period on account of this amount. See schedule B.4 for supporting documentation with respect to this payment including the applicable TCC GST return for the February Period,

the Electronic Payment Form for the payment, and receipt information. Also included is a copy of a Monthly Account Reconciliation for TCC GST payment obligations for the February period showing the addition of the \$683,509.17 accrual on account of GST on Leaseback Rent to the total GST payable balance for the February Period. Also included in the Schedule is the PropCo GST return for the February Period which shows the input tax credit claimed by PropCo on account of this tax remittance.

16. TCC has not received or collected from TCC the \$683,509.17 remitted by TCC to the Canada Revenue Agency. This amount is payable to TCC under the *Excise Tax Act* (Canada). In addition, PropCo has been unduly enriched by this payment, as PropCo is entitled to claim and have paid to it by the Canada Revenue Agency an input tax credit of \$683,509.17, on account of the GST paid on its behalf.

*Remitted QST*

17. TCC was required to remit to the Agence Revenue Quebec and PropCo was required to pay to Propco QST on account of Sublease Rent that became payable by PropCo to TCC during the TCC QST reporting period of February 1 - 28, 2015 (i.e., the February Period). Payment was required to be made not later than March 31, 2015.
18. In the February Period, there became payable by PropCo to TCC Sublease Rent of \$7,508,612.12. The rent payable on a lease-by-lease basis is set out at Schedule C.4. The aggregate QST amount payable thereon is shown as \$149,849.84.
19. On March 30, 2015, TCC made a payment to the Agence Revenue Quebec for the February Period on account of this amount. See schedule B.5 for supporting documentation with respect to this payment including the applicable TCC QST return for the February Period,

the Electronic Payment Form for the payment, and receipt information. Also included in the Schedule is the PropCo QST return for the February Period which shows the input tax credit claimed by PropCo on account of this tax remittance.

20. TCC has not received or collected from PropCo the \$149,849.84 remitted by TCC to the Agence Revenue Quebec. This amount is payable to TCC under *An Act respecting the Quebec Sales Tax* (Quebec). In addition, PropCo has been unduly enriched by this payment, as PropCo is entitled to claim and have paid to it by the Agence Revenue Quebec an input tax credit of \$149,849.84, on account of the QST paid on its behalf.

**APPENDIX GG**

**CLAIM 7.C: TCC claim against TARGET CANADA PROPERTY LP – EXPLANATORY  
NOTES**

See Next Page

**SCHEDULE “C”**

**CLAIM AGAINST TARGET CANADA PROPERTY LP**

**(PRE-FILING)**

**Description of Indebtedness**

**Amount**

Indebtedness owing by Target Canada Property LP (“PropLP”) to Target Canada Co. (“TCC”) as of January 14, 2015, on account of fees payable pursuant to the Master Agreement (as defined below)	\$528,730 + plus applicable sales, goods and services and harmonized sales taxes if any
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Contingent claims by TCC against PropLP arising out of or relating to Pre-Filing Claims and/or Restructuring Period Claims asserted by one or more Persons against one or more of the Target Canada Entities	Unknown
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**TOTAL INDEBTEDNESS**

**\$528,730 +**

Terms used but not defined herein shall have the meanings ascribed thereto in the Claims procedure order issued by the Ontario Superior Court of Justice (Commercial List) dated June 11, 2015 issued in these proceedings under the *Companies’ Creditors Arrangement Act* (Court File No. CV-15-10832-00CL) (as amended, restated, supplemented and/or modified from time to time).

**DETAILS OF CLAIM**

The amounts claimed in this Proof of Claim are derived from general ledger accounts that have been maintained by Target Corporation, a United States public company, for and on behalf of the Target Canada Entities, in accordance with United States generally accepted accounting principles (US GAAP). The Target Canada Entities were wholly-owned and consolidated subsidiaries of Target Corporation until January 14, 2015.

TCC has concurrently delivered an electronic copy of this Proof of Claim and related schedules to the Monitor for ease of reference. To the extent that the Monitor requires any additional information or documentation in connection with this Proof of Claim, TCC would be pleased to work with the Monitor to address any such requests.



**Amount Payable to TCC**

*Fee Payable*

1. TCC was tenant under certain master leases (each, a “Master Lease”) with third party landlords. The Master Leases are identified in Schedule A.1. We understand the Monitor has or has access to copies of all Master Leases.
2. TCC entered into a sublease/leaseback arrangement with Target Canada Property LP (“PropLP”) with respect to each of the leased premises that were the subject of the Master Leases (the “Leased Premises”).
3. The sublease/leaseback arrangement between PropLP and TCC is contained in, among others, the following agreements:
  - (a) Master Agreement effective as of February 4, 2013 between TCC and PropLP (the “Master Agreement”);
  - (b) Subleases from TCC to PropLP for each of the Leased premises (the “Subleases”);
  - (c) Leasebacks from PropLP to TCC for each of the Leased (subleased) Premises (the “Leasebacks”).

All of the Subleases and Leasebacks are substantively identical as to their terms as identified herein. A copy of the Master Agreement is attached as Schedule A.2.

4. Under the terms of the Master Agreement, TCC agreed to provide to PropLP through its own resources or through contractual relationships with affiliated companies the following

services: (i) property management; (ii) administrative and business; and (iii) procurement (the “Services”).<sup>6</sup>

5. In consideration for the Services provided by TCC, Prop LP agreed to pay to TCC a fee (the “Fee”) equal to the amount of actual costs incurred by TCC for performing the Services.<sup>7</sup> The Fee is payable for each fiscal year of TCC, accrues throughout the year, and is payable throughout or at the end of the year, with payment to be made no later than 30 days following the end of the fiscal year. The Fee is a Canadian dollar obligation.
6. TCC performed the Services for PropLP for the period February, 2013 to January 8, 2014. The estimated Fee payable by PropLP for the TCC fiscal period ended January 31, 2014 was computed, accrued and paid up to December 31, 2013. This amount was \$8,324,208.
7. The determination of the actual Fee amount payable by PropLP is set out in the “Admin Fee True-Up Summary” with related schedules and computations attached as Schedule A.6. These materials show the determination of the monthly Fee accrual, based on monthly TCC costs for payroll and non-payroll items. There is also included a one month sample to tie out charges to actual GL detail or payroll detail support as applicable.
8. The Fee amount owing by PropLP for the period ended January 9, 2014 is recorded in the Admin Fee True-Up Summary as \$8,852,938 (i.e., 90% of \$9,836,597 applicable allocated costs for the period).
9. The total Fee owing by PropLP to TCC is:  $\$8,852,938 - \$8,324,208 = \$528,730$ .

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<sup>6</sup> Master Agreement section 1.1.

<sup>7</sup> Master Agreement section 1.2.

This amount is not inclusive of applicable goods and services, sales or harmonized sales taxes (if any).

**APPENDIX HH**

**CLAIM 7.D: TCC claim against TARGET CANADA PHARMACY FRANCHISING LP –  
EXPLANATORY NOTES**

See Next Page

## SCHEDULE "D"

### CLAIM AGAINST TARGET CANADA HEALTH CO., ON BEHALF OF TARGET CANADA PHARMACY FRANCHISING LP

<u>Description of Indebtedness</u>	<u>Amount</u>
Indebtedness owing by Target Canada Health Co. (" <b>Pharmacy GP</b> "), on behalf of Target Canada Pharmacy Franchising LP (" <b>Target Pharmacy</b> "), to Target Canada Co. (" <b>TCC</b> ") as of January 14, 2015 pursuant to the Master Agreement (as defined and described below) and the Target Pharmacy Cash Management Agreement (as defined and described below)	\$14,797,748.74 plus applicable sales, goods and services and harmonized sales tax, if any
Less: Indebtedness owing by TCC to Pharmacy GP, on behalf of Target Pharmacy, as of January 14, 2015 pursuant to the Target Pharmacy Cash Management Agreement	(\$2,451,401.01)
Contingent claims by TCC against Pharmacy GP, on behalf of Target Pharmacy, arising out of or relating to Pre-Filing Claims and/or Restructuring Period Claims asserted by one or more Persons against one or more of the Target Canada Entities	Unknown
<b><u>TOTAL INDEBTEDNESS</u></b>	<b><u>\$12,346,347.73 +</u></b> <b><u>Unknown</u></b>

Terms used but not defined herein shall have the meanings ascribed thereto in the Claims Procedure Order issued by the Ontario Superior Court of Justice (Commercial List) dated June 11, 2015 issued in these proceedings under the *Companies' Creditors Arrangement Act* (Court File No. CV-15-10832-00CL) (as amended, restated, supplemented and/or modified from time to time, the "**Claims Procedure Order**").

The amounts claimed in this Proof of Claim are derived from general ledger accounts that have been maintained by Target Corporation, a United States public company, for and on behalf of the Target Canada Entities, in accordance with United States generally accepted accounting principles (US GAAP). The Target Canada Entities were wholly-owned and consolidated subsidiaries of Target Corporation until January 14, 2015.

TCC has concurrently delivered an electronic copy of this Proof of Claim and related schedules to the Monitor for ease of reference. To the extent that the Monitor requires any additional information or documentation in connection with this Proof of Claim, TCC would be pleased to work with the Monitor to address any such requests.

#### **Background**

Target Pharmacy is an Ontario limited partnership that licensed to franchisees across Canada (other than Quebec) (the "**Franchisees**") the right to operate Target-branded retail pharmacies within

TCC stores pursuant to various franchise agreements with franchisees (the “**Franchise Agreements**”). TCC is the limited partner of Target Pharmacy and owns 99.999% of Target Pharmacy. Target Pharmacy’s general partner is Pharmacy GP, a wholly-owned direct subsidiary of TCC, which holds the remaining ownership interest. As a limited partnership, Target Pharmacy has no officers or directors. All actions by Target Pharmacy are taken on its behalf exclusively by Pharmacy GP.

Franchisees made monthly payments to Target Pharmacy, including a franchisee fee (based on sales), an operations fee (e.g., computer systems, utilities, etc.), a licensed space fee (based on fair market value of the licensed space) and an advertising fee (based on sales). In addition, in some provinces Target Pharmacy passed on certain monies to Franchisees in relation to certain generic drug rebates and/or professional allowance payments which had been received by Target Pharmacy from generic drug manufacturers, where such rebates/payments were permitted by applicable legislation.

In Quebec, TCC, Target Pharmacy, McMahon Distributeur Pharmaceutique Inc. (“**McMahon**”) and Metro Inc. were parties to a co-branding and services agreement dated as of August 9, 2013 pursuant to which Target Pharmacy licensed to McMahon the right to use the Target trade-mark conjunctively with the “Brunet” trade-mark in respect of the pharmacies operating within TCC stores in Quebec and granted to McMahon the right to enter into franchise agreements with third-party franchisees for the operation of the co-branded pharmacies within such TCC stores. Under these arrangements, McMahon owed Target Pharmacy certain fees based on franchisee’s sales. TCC also entered into sublease agreements with McMahon relating to the space within the TCC stores used for the operation of the Quebec pharmacies, which McMahon further subleased to its franchisees.

Target Pharmacy obtained the rights to licence floor space within the TCC pharmacies to the Franchisees pursuant to a Master Agreement with TCC effective as of March 8, 2012 (the “**Master Agreement**”), which Master Agreement is effective until termination on 30 days prior written notice in accordance with section 6.2 thereof (the “**Term**”). A copy of the Master Agreement is appended as Schedule “D.1” hereto.

Under the Master Agreement, TCC agreed to perform or provide the following services for Target Pharmacy (through its own resources or through contractual relationships with other Target entities): (i) operations-related goods and services, advertising support, rebate processing and training services as more fully described on schedule 1.1(a) of the Master Agreement (the “**Pharmacy Operation Support Services**”); (ii) floor space within TCC’s retail stores for the operation of pharmacies, as more fully described on schedule 1.1(b) of the Master Agreement (the “**Licensed Space**”); and (iii) administrative and business services as more fully described on schedule 1.1(c) of the Master Agreement (the “**Administrative and Business Services**”, and together with the Pharmacy Operation Support Services and the Licensed Space, the “**Services**”).

Pursuant to section 5.1 of the Master Agreement, Target Pharmacy agreed to pay TCC arm’s length fees for the Services during the Term as set out on schedules 1.1(a), 1.1(b) and 1.1(c) of the Master Agreement (collectively, the “**Fee**”). Pursuant to section 5.2 of the Master Agreement, the Fee owed by Target Pharmacy and any related materials and property is accrued and charged

throughout or at the end of TCC's fiscal year<sup>1</sup> and is required to be paid no later than 30 days after the end of TCC's fiscal year. All payments are required to be made in Canadian dollars unless otherwise agreed by the parties.

TCC and Target Pharmacy are also parties to a Cash Management Agreement effective as of May 1, 2012 (the "**Target Pharmacy Cash Management Agreement**"). A copy of the Target Pharmacy Cash Management Agreement is appended as Schedule "D.2" hereto.

Under the Target Pharmacy Cash Management Agreement, Target Pharmacy agreed to participate in a centralized cash management and treasury operating process managed by TCC and administered by Target Corporate Services, Inc. Pursuant to section 1 of the Target Pharmacy Cash Management Agreement, TCC agreed to manage cash receipts and disbursements on behalf of Target Pharmacy. As part of these services, TCC conducted a daily sweep of all collections deposited into Target Pharmacy's bank account to TCC's master bank account and funded Target Pharmacy's disbursements in the ordinary course of Target Pharmacy's business from TCC's master bank account. The amount of cash collections and disbursements under these arrangements are to be cash settled on a regular basis as may be mutually agreed between the parties (the "**Settlement**").

Pursuant to section 2 of the Target Pharmacy Cash Management Agreement, the parties promise to pay to each other on demand any amount owed by such party upon Settlement (each such amount owed being an "**Advance**"). Interest accrues on the average balances of the Advances outstanding during any month at a monthly rate equal to 1/12 of the IRS published "short term 100% annual compounding" AFR rate published for such month in accordance with section 3 of the Target Pharmacy Cash Management Agreement, with any interest credited to the outstanding balance monthly.<sup>2</sup>

### **Amounts Receivable from Target Pharmacy**

Amounts receivable from Pharmacy GP, on behalf of Target Pharmacy, include Fees for Services provided by TCC to Target Pharmacy under the Master Agreement and amounts advanced by TCC on behalf of Target Pharmacy pursuant to the Target Pharmacy Cash Management Agreement, including in respect of payments to Franchisees under the Franchise Agreements. The general ledger detail relating to the amounts receivable from Target Pharmacy as at January 14, 2015 is set out on Schedule "D.3" hereto (the "**Target Pharmacy Receivables Ledger**").

The total amount owing by Target Pharmacy to TCC as at January 14, 2015 was \$14,797,748.74, as evidenced by the Target Pharmacy Receivables Ledger.<sup>3</sup>

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<sup>1</sup> TCC's 2014 fiscal year commenced on February 2, 2014 and ended January 31, 2015.

<sup>2</sup> However, no interest has been charged or accrued to the outstanding amounts owing between TCC and Target Pharmacy.

<sup>3</sup> The ledger entries highlighted in yellow on the Target Pharmacy Receivables Ledger with a posting date of January 13, 2015 or January 14, 2015 relate to invoices not yet paid by TCC as at January 14, 2015 due to the CCAA filing in the total aggregate amount of \$615,925.61. This aggregate sum has been deducted from the general ledger balance of \$15,413,674.35 to arrive at a total claim of \$14,797,748.74. The highest ledger entry with the next most recent posting date of January 7, 2015 in the pre-tax amount of \$2,985.57 is highlighted in

All ledger entries are coded by a two-letter key that identifies the business transaction type in SAP. The document type determines where the document is stored, as well as the account types to be posted. The document types for the Target Pharmacy Receivables Ledger comprise the following: (i) invoice payments (code “KN”) - \$6,813,985.00; (ii) reconciliation adjustments (code “ZI”) - \$4,871,679.93; (iii) various manual entries (code “SA”) - \$3,630,658.14; (iv) accrual entries that automatically reversed in the following period (code “AC”) - \$751,028; and (v) accrual reversals (code “ZM”) - (\$653,676.72).

The following discussion addresses all ledger entries in excess of \$100,000. Details relating to additional ledger entries are available upon request.

The ledger entry of \$4,050,587.69 arose due to the original accounting for Target Pharmacy as a separate profit centre within TCC. Upon establishing a company code for Target Pharmacy in SAP, the accumulated balances relating to Target Pharmacy were transferred over to the Target Pharmacy company code from the separate TCC Target Pharmacy profit centre on June 1, 2014 in the amount of \$436,795.16 (as reflected by the fifth largest ledger entry). The remaining majority of the accumulated balances (i.e., \$4,050,587.69) was transferred over on June 30, 2014 to reflect residual activity flowing through the original profit centre.

The ledger entry of \$2,892,350.98 relates to a manual adjustment arising out of the pharmacy reconciliation appended as Schedule “D.4”. TCC maintains a monthly reconciliation account to record all amounts received or receivable by TCC from third parties (including Franchisees) for and on behalf of Target Pharmacy during such month that have not yet been posted to the general ledger. TCC then makes a corresponding general ledger entry at the end of the month reflect the change in the value of the amount payable by TCC to Target Pharmacy over the course of such month. As reflected in this pharmacy reconciliation, TCC paid \$2,892,350.98 on behalf of Target Pharmacy to the Franchisees, resulting in an increase in the amount payable by Target Pharmacy to TCC.

The ledger entry of \$931,155.32 relates to the total Fees payable by Target Pharmacy to TCC for Services rendered under the Master Agreement as at January 14, 2015. A summary of the Fees, segmented by type of Service, is appended as Schedule “D.5”, together with the underlying detail comprising each of the Fees. These Fees are not inclusive of applicable goods and services, sales or harmonized sales taxes (if any).

The ledger entries of (\$668,452.33) and \$420,033.64 also relate to further balance transfers to the Target Pharmacy company code from the separate TCC Target Pharmacy profit centre on June 30, 2014 and July 2, 2014, respectively, to reflect residual activity flowing through the original profit centre as described above.

The ledger entry of \$107,061.78 relates to the payment by TCC of Apotex invoice 1800001585 for and on behalf of Target Pharmacy pursuant to the Target Pharmacy Cash Management

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blue. This relates to an invoice that was paid on January 8, 2015 per the screenshot at the bottom of Schedule “D.3”.



Agreement. A copy of the Apotex invoice and a screen shot evidencing the payment of same is appended as Schedule “D.6”.<sup>4</sup>

### **Amounts Payable to Target Pharmacy**

TCC is indebted to Pharmacy GP, on behalf of Target Pharmacy, for various amounts received by TCC for and on behalf of Target Pharmacy in the ordinary course of operations pursuant to the Target Pharmacy Cash Management Agreement, including any amounts received from McMahon and the Franchisees. All such amounts were recorded by ledger entry in SAP, the particulars of which as at January 14, 2015 are set out in Schedule “D.7” (the “**Target Pharmacy Payables Ledger**”).

The document types for the Target Pharmacy Payables Ledger comprise the following: (i) general ledger account documents, comprising manual adjustments (code “SA”) – \$5,736,626.42; (ii) accounting documents that are system-assigned upon document reversal (code “AB”) - \$167,971.83; (iii) vendor credit memos (code “KG”) - \$20,000.00; and (iv) reconciliation adjustments (code “ZI”) – \$(3,473,197.24).

The total amount owing by TCC to Pharmacy GP, on behalf of Target Pharmacy, as at January 14, 2015 was \$2,451,401.01, as evidenced by the Target Pharmacy Payables Ledger (the “**Aggregate Target Pharmacy Payable**”).

Most of the ledger entries on the Target Pharmacy Payables Ledger relate to the EBIT “top-up” program that Target Pharmacy introduced in February 2014. Under this program, Target Pharmacy provided a financial support package for eligible Franchisees based on an annualized earnings before interest and tax calculation through which eligible Franchisees received financial support up to the total amount of their annualized EBIT gap (*i.e.*, the Franchisee’s annualized EBIT less the EBIT Threshold). In June 2014, Target Pharmacy revised the EBIT “top-up” program to increase the annual EBIT Threshold from \$75,000 to \$110,000, resulting in greater financial support being made available to eligible Franchisees. Initially, the EBIT “top-up” expenses were treated as a direct liability of TCC. As Target Pharmacy had the contractual relationship with the Franchisees, the EBIT “top-up” expenses were charged back by Target Pharmacy to TCC. It was subsequently determined that there was no agreement supporting this accounting treatment and that Target Pharmacy should bear the EBIT “top-up” expenses. Accordingly, from and after November 26, 2014, offsetting entries were recorded on the Target Pharmacy Payables Ledger to reverse the prior accounting treatment.<sup>5</sup>

The remaining majority of the ledger entries on the Target Pharmacy Payables Ledger relate to amounts payable by TCC to Pharmacy GP, on behalf of Target Pharmacy, as a result of the sweeping of cash by TCC out of the Target Pharmacy bank account to TCC’s master bank account

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<sup>4</sup> TCC paid the tax on this invoice but did not record the tax on the Target Pharmacy Receivables Ledger as TCC could claim an input tax credit relating to such amount.

<sup>5</sup> All of these EBIT “top-up” expense charge-backs and offsetting ledger entries are highlighted in green on the Target Pharmacy Payables Ledger.

under the Target Pharmacy Cash Management Agreement as described above.<sup>6</sup> A summary of these ledger entries together with bank statements relating thereto is appended as Schedule “D.8.”

**Net Claim by TCC**

As described above, the total net amount owing by Pharmacy GP, on behalf of Target Pharmacy, to TCC as reflected by the Target Pharmacy Receivables Ledger (after setting off the Aggregate Target Pharmacy Payable), is \$12,346,347.73.

In addition, TCC may have one or more contingent claims against Pharmacy GP, on behalf of Target Pharmacy, arising out of or relating to Pre-Filing Claims and/or Restructuring Period Claims asserted by one or more Persons against one or more of the Target Canada Entities. The particulars of such claims will not be known until such time as the Monitor has received all Proofs of Claim pursuant to the Claims Procedure Order. Accordingly, TCC reserves the right to amend this Proof of Claim against Pharmacy GP, on behalf of Target Pharmacy, at any time.

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<sup>6</sup> These ledger entries are highlighted in orange on the Target Pharmacy Payables Ledger.