

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

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

**EIGHTEENTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

JULY 15, 2015

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1.0 INTRODUCTION

- 1.1 On January 15, 2015, Target Canada Co. (“**TCC**”) and those companies listed in **Appendix “A”** (collectively, the “**Applicants**”), together with the Partnerships also listed in **Appendix “A”** (the “**Partnerships**”, and collectively with the Applicants, the “**Target Canada Entities**”), applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated January 15, 2015, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed Monitor of the Target Canada Entities in the CCAA proceedings (the “**Monitor**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 On February 11, 2015, this Court issued the “**Amended and Restated Initial Order**” (hereinafter, unless the context otherwise requires, the “**Initial Order**”), which incorporates certain changes to the Initial Order granted January 15, 2015 that were described in the Second Report of the Monitor (the “**Second Report**”) dated February 9, 2015.
- 1.3 In connection with the CCAA Proceedings, the Monitor has provided to this Court seventeen reports and one supplementary report (the “**Supplementary Report**”, and collectively, the “**Monitor’s Reports**”). A&M has also provided to this Court the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) dated January 14, 2015 (together with the Monitor’s Reports, the “**Prior Reports**”). The Prior Reports, the Initial Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/targetcanada.
- 1.4 The Monitor has previously provided: (i) in the Eleventh Report of the Monitor dated May 12, 2015 (the “**Eleventh Report**”), a comprehensive update on the Real Property Portfolio Sales

Process; (ii) in the Twelfth Report of the Monitor dated May 15, 2015 (the “**Twelfth Report**”), detailed information regarding a series of motions brought by the Applicants for the approval of transactions in respect of a total of 46 of TCC’s owned and leased real estate assets; and (iii) in the Thirteenth Report of the Monitor dated May 29, 2015 (the “**Thirteenth Report**”), information regarding two motions brought by the Applicants for approval of transactions in respect of five of TCC’s owned and leased real estate assets, four of which were in respect of back-up bids and were already subject to lease transfer or sale agreements.

1.5 The purpose of this Eighteenth Report of the Monitor (the “**Eighteenth Report**”) is to provide this Court with:

- (1) information regarding the following:
 - (a) the Inventory Liquidation Process;
 - (b) the aggregate net proceeds realized through the Real Property Portfolio Sales Process, and further details with respect to real property leases that have been disclaimed and other aspects of the Real Property Portfolio Sales Process;
 - (c) the receipts and disbursements of the Target Canada Entities from April 26, 2015 to July 4, 2015;
 - (d) the commencement of the claims process;
 - (e) the Employee Trust;
 - (f) the Consultative Committee; and
 - (g) the Monitor’s activities since the date of the Third Report of the Monitor (February 27, 2015); and

- (2) the Monitor's conclusions and recommendations in support of: (a) the Monitor's motion for approval of its Third to Eighteenth Reports and its activities set out therein originally returnable on June 11, 2015 and adjourned to July 30, 2015; and (b) the Monitor's requested approval of the Consultative Committee Member's Fee (as defined below).

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

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

2.3 Capitalized terms not otherwise defined in this Eighteenth Report are as defined in the Prior Reports, the Initial Order and the Real Property Portfolio Sales Process, as applicable.

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

3.0 INVENTORY LIQUIDATION PROCESS

3.1 On February 4, 2015, this Court issued an order (the "**Approval Order – Agency Agreement**") approving: (a) the Agency Agreement, including the Sales Guidelines, entered into between

TCC, Target Canada Pharmacy Corp. and Target Canada Pharmacy (Ontario) Corp. (collectively, “**Target Canada**”), and a contractual joint venture comprised of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the “**Agent**”) on January 29, 2015 (the “**Agency Agreement**”), and certain related relief; and (b) the granting of the Agent’s Charge and Security Interest (as defined in the Approval Order – Agency Agreement).

3.2 The Approval Order – Agency Agreement, authorized the Agent to conduct the Sale of inventory and furniture, fixtures and equipment (“**FF&E**”) in accordance with the Order, the Agency Agreement and the Sales Guidelines. The Inventory Liquidation Process commenced in the retail stores (“**Stores**”) on February 5, 2015.

3.3 The Approval Order – Agency Agreement approved the Agency Agreement with such minor amendments as Target Canada (with the consent of the Monitor) and the Agent may agree in writing. In early March 2015, the Agent, TCC and the Monitor commenced discussions regarding the possible sale and disposal of FF&E located at certain additional locations, being TCC’s ten regional office suites and other ancillary locations (the “**Additional Locations**”), that were not included in the Agency Agreement. As discussions involving FF&E at the Additional Locations progressed, it was concluded that certain inventory that was not specifically included in the Agency Agreement, such as returned and salvaged merchandise, specialty Store fixtures, and promotional merchandise and fixtures held at a third party warehouse (collectively, the “**Additional Goods**”), should also be addressed. Target Canada and the Agent, with input from and the consent of the Monitor, completed an Amendment Agreement in order to incorporate the FF&E at the Additional Locations and the Additional Goods into the Inventory Liquidation Process. Further, the Amendment Agreement extended the time period for the sale and removal of FF&E at the corporate headquarters and at an unopened Store. The Monitor provided its consent to the Amendment Agreement as it further facilitated the sale and removal of FF&E and

inventory, and the objectives of maximizing proceeds to the estate and ultimately vacating all locations with no realizable assets being abandoned to the extent practicable.

- 3.4 Pursuant to the Agency Agreement, Target Canada was required to use commercially reasonable efforts to ensure that: (a) all inventory held at TCC's three distribution centres ("DCs") as at January 25, 2015 was delivered to the Stores not later than 21 days from the Sale Commencement Date (as defined in the Agency Agreement, being the day after the date the Approval Order – Agency Agreement was granted) of February 5, 2015; and (b) all goods-in-transit and inventory held at the DCs as at the Sale Commencement Date were delivered to the Stores not later than 42 days from the Sale Commencement Date. With these dates in mind, TCC and the Monitor worked extensively with vendors, freight forwarders and consolidators, ocean freight carriers and other transportation companies, and TCC's customs broker, to ensure that goods continued to move throughout TCC's supply chain in order to minimize disruptions and meet the timing requirements of the Agency Agreement. TCC and the Monitor also worked extensively with the Agent in order to coordinate the movement and redirection of inventory from Eastern Canada to Central and Western Canada, as well as Store-to-Store transfers within regions, in order to accelerate the Inventory Liquidation Process and Store closures and minimize costs to the estate.
- 3.5 The 42-day time period from the Sale Commencement Date ended on March 18, 2015. As at that date, all goods-in-transit and inventory held at TCC's DCs as at the Sale Commencement Date had been shipped to the Stores (except for a very small amount of inventory that was later sold at port and certain returned/salvaged goods located at the Milton DC which were included in the Amendment Agreement), such that operation of the DCs had been discontinued with no further inventory to be received or shipped at/from the DCs. Throughout the Inventory Liquidation Process, TCC and the Monitor worked with Eleven Points Logistics Inc. ("**Eleven Points**"), the third party logistics services provider that operated TCC's DCs, in order to assist Eleven Points in managing its staffing levels and inventory handling capabilities with the amount of activity

associated with the anticipated receipts of goods into the DCs and shipments of goods to the Stores.

3.6 All of TCC's 133 Stores that were in operation as at the January 15, 2015 CCAA filing date (the "**Filing Date**") were closed to the public on or before April 12, 2015.

3.7 As described in the First Report of the Monitor, the Agency Agreement¹:

- (a) guaranteed the Company a minimum recovery of 74% of the Cost Value of the Merchandise, which reflects the lower of cost or Retail (as at the Sale Commencement Date) for each item of Merchandise sold through the Stores, subject to the total amount of Merchandise sold totaling between \$445 million and \$475 million at Cost Value, with a Cost Factor Threshold of 63%, and subject to other adjustments as applicable such as a provision for Merchandise shrinkage and the satisfaction of delivery time covenants;
- (b) provided that the Agent is responsible for Store-level operating expenses during the Sale, which consisted of twenty categories of Expenses, such as occupancy expenses, employee wages and benefits, advertising and promotional costs, third party fees, insurance and other costs;
- (c) required the Agent to deliver to the Company an irrevocable and unconditional standby letter of credit in the original face amount of \$50 million to secure the Agent's obligations, including the Guaranteed Amount, under the Agency Agreement;
- (d) provided that once Proceeds from the sale of Merchandise covered TCC's Expenses, the Agent's Expenses and the Guaranteed Amount to TCC, any further

¹ All capitalized terms used by not defined in this section have the meaning given to them in the Agency Agreement.

Proceeds, if any, would be utilized to pay the Agent's Fee (based on 6% of Gross Rings) with any Proceeds beyond the Agent's Fee to be split equally between TCC and the Agent; and

- (e) provided the Agent with a 20% commission on its sale of FF&E, Additional Goods and Consignment Goods.

3.8 Following the final sales of inventory and FF&E, TCC and the Monitor worked extensively with the Agent over a period of several weeks to reconcile sales and other data utilized in the calculation of the fees and profit sharing amounts due to the Agent pursuant to the Agency Agreement and to resolve any disputed items related to same. The Guaranteed Amount of 74% of the Cost Value of the Merchandise was determined to be \$341.7 million. The results of the Inventory Liquidation Process were quite successful such that there were sufficient recoveries above the Guaranteed Amount to provide for the payment of the Agent's Fee and invoke the profit sharing mechanism. The financial success of the Inventory Liquidation Process is attributable in part to the Agent's ability to complete the sale of inventory and close TCC's 133 operating Stores earlier than originally anticipated, reducing the overall costs of realization.

3.9 Net proceeds to TCC generated from the Inventory Liquidation Process were approximately \$386 million, comprised of the Guaranteed Amount of \$341.7 million, TCC's share of the profit sharing mechanism of \$12.8 million (based on 50% of Remaining Proceeds, as defined in the Agency Agreement), net proceeds from the sale of FF&E of \$25.6 million and net proceeds from the sale of miscellaneous assets under the Agency Agreement of \$5.9 million.

3.10 Based upon TCC's sales data, the aggregate Agent's Fee and profit sharing amount due to the Agent was negotiated and settled at approximately \$39.8 million, comprised of the Agent's Fee of \$27.0 million and the Agent's profit sharing of \$12.8 million. The aggregate amount due to the Agent was in line with the forecast amount of \$37.1 million included in the cash flow forecast

appended to the Ninth Report of the Monitor (the “**Ninth Report**”) dated May 4, 2015, with the higher than forecast amount due to the Agent attributable primarily to an increased profit sharing that resulted from better than anticipated results in the liquidation process. The foregoing amounts were paid to the joint venture participants on July 8, 2015. In addition, the Agent received approximately \$8.8 million throughout the Inventory Liquidation Process in respect of its 20% commission on the sale of FF&E, Additional Goods and Consignment Goods.

4.0 REAL PROPERTY PORTFOLIO SALES PROCESS

4.1 The Monitor provided a comprehensive update on the Real Property Portfolio Sales Process in the Eleventh Report, a copy of which is attached as **Appendix “B”** to this Eighteenth Report. As described in the Eleventh Report:

- (a) leading up to and during the course of the three day Auction period (May 5, 6 and 7, 2015), as well as the days immediately following the Auction, TCC finalized and executed thirteen separate agreements in respect of its three owned distribution centres (“**DCs**”), two owned stores (“**Stores**”) and 43 Store leases, for combined consideration (subject to adjustments) totalling approximately \$390.2 million. In addition, there were four smaller transactions for combined consideration of \$250,000 where agreements were being finalized at the time of the Eleventh Report;
- (b) when taken together with the proceeds from the Oxford/Ivanhoe Cambridge transaction (11 Store leases) that closed on March 6, 2015 and the Cadillac Fairview transactions (five Store leases and one owned Store) which, at the time of the Eleventh Report, were subject to pending approval motions before the Court on May 19, 2015, the anticipated aggregate proceeds from the Real Property Portfolio Sale Process were approximately \$573.6 million (in respect of

the three DCs, three owned Stores and 64 Store leases), subject to adjustments. At the time of the Eleventh Report, each of the agreements were subject to Court approval (with the exception of the Oxford/Ivanhoe Cambridge Lease Transaction Agreement, which had been approved and closed, and a transaction with One York Street Inc., which had also concluded), and the satisfaction of certain terms and conditions, including, where applicable, obtaining all required landlord and other consents, lease amendments, waivers and/or non-disturbance agreements; and

- (c) a summary of the executed agreements generated through the Real Property Portfolio Sales Process (including the four smaller agreements that were being finalized at that time) was provided in the Eleventh Report.

4.2 The Monitor provided extensive details regarding a series of motions to be brought by the Applicants on May 19, 20 and 21 for the approval of transactions in respect of a total of 46 of TCC's owned and leased real estate assets in the Twelfth Report, a copy of which is attached as **Appendix "C"** to this Eighteenth Report.

4.3 Each of the proposed transactions described in the Twelfth Report were approved by the Court on May 19, 20 or 21, and TCC and the Monitor subsequently worked with the purchasers or assignees, third parties and the respective landlords to close the transactions.

4.4 As at July 15, 2015, all of the transactions described in the Twelfth Report had closed in their entirety, with the exception of: (a) one of the 13 leases included in the Lease Transfer Agreement with Lowe's Companies Canada, ULC ("**Lowe's**"), which was disclaimed on July 14, 2015 as described in paragraph 4.7 below; and (b) the transaction with Rona Inc. ("**Rona**") for the Cottonwood Mall lease, where the transaction did not close and the lease was disclaimed on June 30, 2015. In addition: (a) a transaction with OPB (EMTC) Inc. in respect of the Erin Mills Town

Centre lease was not yet completed as of July 15, 2015, which transaction will not generate any cash proceeds, but if completed will result in an assignment of the lease to Wal-Mart as described in the Monitor's Seventeenth Report and a release of TCC and Target Corporation, which transaction is expected to close on or about July 17, 2015 and for which a motion to approve is pending before the Court; and (b) a transaction with Brad-Lea Meadows Limited in respect of the Thames Lea Plaza lease was completed on July 15, 2015, which transaction did not generate any cash proceeds but resulted in an assignment of the lease to Xtaabay Holdings Ltd. and a release of TCC and Target Corporation. By Orders dated June 24 and 29, respectively, the Court granted an extension of the outside date under the Real Property Portfolio Sales Process to July 15, 2015 in respect of the leases subject to the Lowe's and Wal-Mart transactions that were not yet closed and by Order dated June 30, 2015, granted an extension of the outside date under the Real Property Portfolio Sales Process to July 17, 2015 in respect of the leases relating to the Erin Mills Town Centre and the Thames Lea Plaza. In respect of each of these leases, the outside date may be further extended on the consent of the applicable parties.

Aggregate Net Proceeds Realized Through the Real Property Portfolio Sales Process

4.5 A summary of the aggregate net proceeds realized to date through the Real Property Portfolio Sales Process is provided in the table below.

| Target Canada Co., et al | | | | | | |
|---|--|----------------------------------|----------------------|-----------------------|----------------------|----------------------|
| Summary of Aggregate Net Proceeds Realized Through the Real Property Portfolio Sales Process | | | | | | |
| Acquirer | Agreement Type | Property(ies) Acquired | Cash | | | Net Proceeds |
| | | | Consideration | Adjustments* | Cure Costs** | |
| Summary of Transactions Completed/Agreed to as part of Auction Process | | | | | | |
| <i>Distribution Centres:</i> | | | | | | |
| Lowe's Companies Canada, ULC | Agreement of Purchase and Sale | Milton Distribution Centre | \$125,000,000 | \$100,664 | NA | \$125,100,664 |
| Wal-Mart Canada Corp. | Agreement of Purchase and Sale | Cornwall Distribution Centre | 80,750,000 | 437,183 | NA | 81,187,183 |
| Sobeys Capital Incorporated | Agreement of Purchase and Sale | Calgary Distribution Centre | 50,000,000 | 552,327 | NA | 50,552,327 |
| Total Distribution Centres | | | \$255,750,000 | \$1,090,175 | | \$256,840,175 |
| <i>Owned Stores:</i> | | | | | | |
| Wal-Mart Canada Corp. | Agreement of Purchase and Sale | #7006 - Candiac Power Centre | \$14,000,000 | \$197,197 | NA | \$14,197,197 |
| Park Place Acquisition Corporation | Agreement of Purchase and Sale | #7004 - Park Place | 3,475,000 | (77,685) | NA | 3,397,315 |
| Total Owned Stores | | | \$17,475,000 | \$119,512 | | \$17,594,512 |
| <i>Leased Stores:</i> | | | | | | |
| Wal-Mart Canada Corp. | Lease Transfer Agreement - Closed | 12 Store Leases | \$70,000,000 | (\$3,006,517) | (\$1,972,965) | \$65,020,518 |
| Lowe's Companies Canada, ULC | Lease Transfer Agreement - Closed | 12 Store Leases | 22,750,000 | (5,977,308) | (2,491,718) | 14,280,974 |
| Canadian Tire Real Estate Limited | Lease Transfer Agreement - Closed | 12 Store Leases | 17,654,000 | 230,986 | (527,012) | 17,357,974 |
| The Berezan Real Estate Partnership | Lease Surrender Agreement | #3744 - Sahali Centre Mall | 1,200,000 | (48,787) | - | 1,151,213 |
| West Edmonton Mall Property Inc. | Disclaimer and Release Agreement | #3648 - West Edmonton Mall | 1,000,000 | - | - | 1,000,000 |
| Canpro Investments Ltd. | Amendment and Resiliation of Lease | #3547 - Les Galeries Gatineau | 106,756 | - | - | 106,756 |
| Cominar Real Estate Investment Trust | Lease Surrender Agreement | #7000 - Centre Laval | 100,000 | 25,765 | - | 125,765 |
| Morguard Real Estate Investment Trust | Lease Surrender Agreement | #3766 - Centre at Circle & Eight | 100,000 | (33,711) | - | 66,289 |
| Vanprop Investments Ltd. | Lease Surrender Agreement | #3534 - Lansdown Centre | 50,000 | (90,379) | - | (40,379) |
| Brad-Lea Meadows Limited | Waiver and Release Agreement | #3533 - Thames-Lea Plaza | - | - | - | - |
| Paula-Dale, Ltd. | Disclaimer and Release Agreement | #3552 - Westdale Mall | - | - | - | - |
| Total Leased Stores | | | \$112,960,756 | (\$8,899,950) | (\$4,991,696) | \$99,069,110 |
| | | | \$386,185,756 | (\$7,690,263) | (\$4,991,696) | \$373,503,797 |
| Summary of Closed and Pending Transactions Agreed to Prior to Auction | | | | | | |
| <i>Owned Stores:</i> | | | | | | |
| The Cadillac Fairview Corporation Limited | Agreement of Purchase and Sale | #7012, Polo Park | \$18,500,000 | (\$2,558,025) | - | \$15,941,975 |
| Total Owned Stores | | | \$18,500,000 | (\$2,558,025) | | \$15,941,975 |
| <i>Leased Stores:</i> | | | | | | |
| Ivanhoe Cambridge Inc. and Oxford Properties Corporation, et al | Lease Transaction Agreement | 11 Store Leases | \$138,000,000 | (\$5,869,030) | - | \$132,130,970 |
| CF/Realty Holdings Inc., et al | Lease Surrender Agreement*** | 5 Store Leases | 29,172,000 | (2,912,599) | - | 26,259,401 |
| One York Street Inc. | Termination, Disclaimer, Surrender and Release Agreement | #7008 - One York Street | - | - | - | - |
| Total Leased Stores | | | \$167,172,000 | (\$8,781,629) | | \$158,390,371 |
| | | | \$185,672,000 | (\$11,339,654) | | \$174,332,346 |
| | | | \$571,857,756 | (\$19,029,918) | (\$4,991,696) | \$547,836,142 |
| <i>Leased Stores (Pending):</i> | | | | | | |
| OPB (EMTC) Inc. (20 Vic Management) | Assignment and Assumption Agreement | #3646 - Erin Mills Town Centre | - | - | (\$76,339) | (\$76,339) |
| * Adjustments primarily include amounts for stub-period rents, CAM charges and/or realty taxes and in some cases payments relating to third party waivers and in respect of landlord obligations. | | | | | | |
| ** Cure costs primarily include payments for rent arrears, realty taxes arrears, repair costs or other arrear amounts. | | | | | | |
| *** Indicated Cash Consideration is shown gross of a \$2,572,951 Termination Fee included in the Lease Surrender Agreement and illustrated in Adjustments. | | | | | | |

4.6 Aggregate net proceeds realized to date through the Real Property Portfolio Sales Process are approximately \$547.8 million, after net aggregate closing adjustments and cure costs of approximately \$24.0 million.

4.7 As anticipated in connection with the Lowe's lease transactions, there were significant covenants and other restrictions that needed to be addressed between and among TCC, the applicable landlords and other tenants. Significant adjustments became necessary in order to complete certain of the transactions for the benefit of the estate and its creditors, resulting in aggregate net

cash proceeds to the estate of approximately \$14.3 million. For one leased property subject to the Lowe's lease transfer agreement, the parties were unable to reach a resolution that would generate a positive economic benefit to the estate as a result of use restrictions. Accordingly, such property was removed from the lease transfer agreement in accordance with its terms and the lease was disclaimed on July 14, 2015.

Notices of Disclaimer or Resiliation

4.8 In addressing the status of each individual property during the Real Property Portfolio Sales Process and whether such property lease should be maintained or disclaimed by TCC at any point in the process, the Monitor considered a number of factors in attempting to ensure that net proceeds to the estate were maximized to the extent possible, and the interests of individual landlords were being addressed. These factors included but were not limited to:

- (a) the time needed on a Store-by-Store basis to conduct the Orderly Wind-down to closure, including the Inventory Liquidation Process and the time required thereafter to remove FF&E in accordance with arrangements with individual purchasers and landlords and return the premises to broom-swept condition. TCC was not in a position to disclaim any Store leases until at least such time as a Vacate Date notice had been issued by the Agent indicating that a Store would be closing;
- (b) whether there was interest expressed in the lease at the LOI submission stage (March 5, 2015) or at the Qualified Bid deadline (April 23, 2015);
- (c) whether Lazard believed that there was a reasonable prospect of a sale transaction/lease surrender agreement;

- (d) whether Northwest Atlantic (Canada) Inc., the broker advisor, had provided an indicative estimate of value for the lease;
- (e) whether there was a reasonable prospect of an alternative arrangement beneficial to the estate; and
- (f) the amount of ongoing rental costs.

4.9 The LOI deadline of March 5, 2015 and the Qualified Bid deadline of April 23, 2015 were established for the purpose of qualifying bidders, not for removing specific leases from the Real Property Portfolio Sales Process. Definitive outside dates for the removal of leases from the Real Property Portfolio Sales Process (June 1, 2015 if there was no definitive agreement by that time, and June 30, 2015 for any properties where such an agreement had not yet closed) were established as part of the Real Property Portfolio Sales Process through negotiations with landlord representatives prior to Court approval of the process in order to address landlord concerns that leases not be retained beyond a reasonable point in time in the process. If no definitive agreement or closing, as the case may be, had been achieved by the applicable outside date, the lease in question was required to be disclaimed at such time.

4.10 Even within the confines of the outside dates reflected in the Real Property Portfolio Sales Process, the Monitor was very focused on trying to balance the sometimes conflicting objectives of individual landlords and the interests of the estate as a whole, including the importance of maximizing the net proceeds to the estate for the benefit of all creditors, including the landlords. This balance was reflected in the terms of the Real Property Portfolio Sales Process negotiated with landlord representatives and was implemented by the Monitor utilizing the measure of “reasonable prospect” of a transaction being achieved in assessing whether individual leases should be disclaimed, once notices of Store closings had been received from the Agent. Beyond the Monitor’s ongoing communication with TCC and Lazard concerning the status of individual

properties and disclaimer prospects, and the Monitor's oversight of the Real Property Portfolio Sales Process as a whole, a specific disclaimer protocol was established under which, among other things, the Monitor and TCC obtained from Lazard prompt, formal communication with respect to individual leases under review that had become candidates for disclaimer.

- 4.11 All of TCC's 133 Stores in operation as at the Filing Date were closed to the public on or before April 12, 2015, well in advance of the original anticipated timeline for the completion of the Orderly Wind-down process. Following individual Store closures, TCC, the Agent and the Monitor worked to conclude the remaining sales of FF&E in preparation for vacating the Stores (the Real Property Portfolio Sales Process provided for a 14-day period from the date each Store closed to the public for the sale and removal of remaining FF&E and for the premises to be put into broom-swept condition). TCC and the Monitor, and their respective legal counsel also worked extensively with landlords to consensually resolve any issues related to the sale and removal of FF&E and the release of Stores back to landlords.
- 4.12 After the Phase 1 Bid Deadline (March 5, 2015), there were 38 Store leases² for which no LOI had been received. During the period after the Phase 1 Bid Deadline but before the Qualified Bid Deadline (April 23, 2015), the Target Canada Entities, with the consent of the Monitor, delivered 31 disclaimer notices pursuant to section 32 of the CCAA with respect to leases for 12 Stores and 19 office and/or warehouse facilities, for properties where no LOIs had been received. In addition, during this period the Termination, Disclaimer, Surrender and Release Agreement dated March 26, 2015 was entered into and became effective with respect to the One York Street location. In the case of the 12 Stores, the Agent had provided vacate notices to TCC, and in the view of Lazard and the Applicants, in consultation with the Monitor, there was little or no reasonable prospect of the leases being included in a larger transaction with a Qualified Bidder or being addressed by an alternative consensual arrangement.

² Including the One York Street agreement to lease. The One York Street location was never opened.

- 4.13 Of the 38 Store leases where no LOIs were submitted, 26 leases were retained in the Real Property Portfolio Sales Process until the Qualified Bid Deadline in cases where, in the view of Lazard (after discussions with certain bidders) and the Applicants, and in consultation with the Monitor and Northwest, it was considered that there was a reasonable prospect of the leases being included in a larger transaction with a Competing Bidder or addressed by an alternative consensual arrangement. The interests of Competing Bidders in TCC's lease portfolio, including the above leases where there were no LOIs initially submitted, evolved substantially during the process and, accordingly, where interest was believed to exist, Lazard continued to explore such interest for the benefit of the estate. Further, landlords had expressed interest at the outset of the Real Property Portfolio Sales Process in being able to acquire the leases for their properties and had negotiated the ability for properties to be withdrawn from the Real Property Portfolio Sales Process at any time in the event of such a landlord transaction. Such opportunities to remove leases from the Real Property Portfolio Sales Process in such a manner became easier to address post the Phase 1 Bid Deadline when the initial relative level of interest from third party buyers became known to TCC, Lazard and the Monitor. Finally, as indicated above, these leases were required to be maintained for varying periods of time past the Phase 1 Bid Deadline in any event in order to support the Orderly Wind-down process as Stores continued to need to be occupied, with the last of the vacate notices being issued by the Agent on April 2, 2015 and effective April 12, 2015, followed by the 14-day period for removal of FF&E.
- 4.14 Of the 113 Store leases remaining in the Real Property Portfolio Sales Process as at the Qualified Bid Deadline of April 23, 2015 (137 leased Stores, less 11 leases included in the Oxford/Ivanhoe Cambridge transaction, the One York Street location and 12 leases disclaimed prior to the Qualified Bid Deadline), Qualified Bids in respect of 50 leased Stores were submitted. In addition, before the Qualified Bid Deadline, an alternative agreement was entered into with a landlord with respect to one leased property in respect of which no LOI had been received.

Following the Qualified Bid Deadline and prior to the Auction, the Target Canada Entities, with the consent of the Monitor, delivered 44 notices of disclaimer between April 24 and April 30, 2015 with respect to the leases for a further 44 Stores (bringing the total disclaimed Stores to that point to a total of 56) where no Qualified Bids had been submitted and where, in the view of Lazard (after discussions with certain bidders) and the Applicants, and in consultation with the Monitor, there was little or no reasonable prospect of the leases being included in a larger transaction with a Qualified Bidder before or during the Auction or addressed by an alternative consensual arrangement. The leases for these locations were accordingly promptly withdrawn from the Real Property Portfolio Sales Process.

- 4.15 There were 18 Store leases that were retained after the Qualified Bid Deadline where no Qualified Bid had been received. Of these 18 leases, Lazard continued to explore potential opportunities for sale transactions, lease surrenders or alternative arrangements for a short period of time up until the Auction process was completed, where the prospect of some interest or an alternative transaction was believed to exist. Lazard's continued discussions ultimately resulted in transactions on three of these 18 properties. On May 8, 2015, immediately after the Auction, the remaining 15 leases were disclaimed, together with two additional leases that were subject to Qualified Bids but where the parties had concluded that such transactions could not be finalized.
- 4.16 In aggregate, 75 Store leases have been disclaimed³. Of these 75 Store lease disclaimers, 14 Stores were closed to the public in the latter half of March and 57 were closed during the first half of April (four Stores with leases disclaimed had never opened). A summary schedule of relevant dates with respect to the 75 Store leases that have been disclaimed (the "**Disclaimer Summary**") is attached as **Appendix "D"** to this Eighteenth Report.

³ Including the Cottonwood Mall lease subject to a lease transaction agreement with Rona that did not close and was disclaimed on June 30, 2014 and the Burlington Mall lease subject to a lease transaction with Lowe's that did not close and was disclaimed on July 14, 2015.

4.17 Other than with respect to four Stores where lease transaction agreements were still being finalized, as at May 10, 2015, all of TCC's property leases were either subject to a definitive agreement or had been disclaimed, such that:

- (a) notices of disclaimer had been delivered with respect to 73 Stores and 19 office and/or warehouse facilities; and
- (b) TCC had entered into termination and release or similar agreements with respect to three leases for its former head office and two other ancillary offices.

All of the foregoing was achieved well in advance of the June 1, 2015 outside date for execution of definitive agreements or delivery of disclaimer notices under the Real Property Portfolio Sales Process (such date having been negotiated with representatives of the landlord group that comprised several large retail landlords that held or managed, in aggregate, the majority of TCC's Store leases). Most of the Store leases not subject to a transaction (56 out of 73 or 77%) were disclaimed within 15 weeks of the Filing Date, with all such disclaimers issued less than four months after the Filing Date.

4.18 There were a number of challenges experienced during the course of the Real Property Portfolio Sales Process, including limited use restrictive clauses associated with a number of properties, tenant waiver requirements and the short time line reflected in the Real Property Portfolio Sales Process (relative to fairly long term investment decisions on the part of potential acquirers). The set timelines in the Real Property Portfolio Sales Process were negotiated with landlord representatives but TCC, Lazard and the Monitor were cognizant of the greater time pressure brought to bear by the accelerated closing schedule and the reality of the need for TCC, where appropriate, to vacate premises and stop paying rent post the 30-day disclaimer notice period as soon as possible. At the same time, TCC, Lazard and the Monitor worked to ensure that sufficient time had been provided on a property-by-property basis to maximize the opportunity

for transactions to be achieved with a view to maximizing net realizations available to the estate for the benefit of all creditors.

- 4.19 TCC, Lazard and the Monitor were very focused on managing this balance, but were also faced with evolving interests on the part of third party buyers and landlords over the course of the process. For example, 38 leases subject to an LOI did not result in corresponding Qualified Bids. Where such LOIs were in hand, the related leases could not be disclaimed until after the Qualified Bid Deadline (April 23, 2015) unless there were reasons to conclude that a Qualified Bid would not be submitted. This applied regardless of whether or when the Stores subject to such leases had been closed. Further, interest in individual properties continued to develop and evolve even for leases where no LOIs had originally been received. In particular, those parties with wider interest in multiple properties continued to add and subtract locations from potential transactions as the Real Property Portfolio Sales Process advanced.
- 4.20 The end result of the dynamics of the Real Property Portfolio Sales Process described above was that the average time between the Vacate Date and disclaimer date for leases that were not subject to transactions was kept to approximately 26 days.

Participation of Target Corporation

- 4.21 Certain creditors have requested that the Monitor provide more information with respect to the role of Target Corporation in the context of the execution of the Real Property Portfolio Sales Process and the Inventory Liquidation Process. The Monitor has provided information to such parties and thought it would be of interest to provide additional commentary to the broader constituencies of the estate.

In the Real Property Portfolio Sales Process

- 4.22 Paragraph 41 of the Real Property Portfolio Sales Process contemplated that Target Corporation would be involved in the Real Property Portfolio Sales Process; it provided that the Target Canada Entities, the Monitor and Lazard would communicate and consult with Target Corporation, in its capacity as DIP Lender, throughout the process. In addition, the DIP Facility requires TCC to consult with Target Corporation with respect to the Real Property Portfolio Sales Process and to update and provide information to Target Corporation on material developments in the CCAA Proceedings.
- 4.23 As set out in the Eleventh Report, Target Corporation was involved in the Real Property Portfolio Sales Process to the extent that they could be facilitative given their position as guarantor of certain leases (e.g. where there was a request for inducement from a prospective bidder or landlord). Further, Target Corporation had discussions with certain landlords with respect to their lease obligations that could potentially have resulted in benefits to the estate and the landlord(s).
- 4.24 Target Corporation was very helpful to TCC, Lazard and to the Monitor in supporting their efforts in connection with the Real Property Portfolio Sales Process. The real estate portfolio group and related accounting service and legal support personnel provided to Target Canada before the Filing Date were all located at Target Corporation's headquarters in Minneapolis. Such personnel were employees of Target Corporation, with these services provided to Target Canada under the shared services arrangements through Target Brands. After the Filing Date and during the course of the Real Property Portfolio Sales Process, these Target Corporation employees were invaluable resources to TCC, Lazard and the Monitor given their extensive knowledge of individual sites, lease-specific issues and the positioning/potential interest of prospective interested parties. Support from Target Corporation personnel was also required by TCC in order to address closing cost adjustments/statements and cure costs issues in connection

with all lease transactions, often a very extensive and urgent exercise requiring detailed knowledge of specific properties and related issues.

4.25 Certain representatives of Target Corporation at times attended periodic formal real estate process update calls conducted by Lazard reporting to TCC and the Monitor to provide helpful background information where appropriate and to field and respond to facilitative requests in connection with inducements requested from potential third party buyers and/or landlords communicated to Lazard in connection with leases subject to Target Corporation guarantees. Representatives of Target Corporation received details of the LOIs received during Phase 1 of the Real Property Portfolio Sales Process. At a meeting on March 9, 2015 among TCC, the Monitor, Lazard and representatives of Target Corporation, Lazard provided an overview of the results of the Real Property Portfolio Sales Process and Qualified LOIs received. Representatives of Target Corporation also received details of the Qualified Bids received during Phase 2 of the Real Property Portfolio Sales Process. On April 27, 2015, TCC, the Monitor and Lazard met to discuss the results of the Real Property Portfolio Sales Process and the Qualified Bids received, and to determine which leases in respect of which no Qualified Bids were received should be immediately disclaimed. Representatives of Target Corporation attended a subsequent meeting with TCC, the Monitor and Lazard where Lazard provided a more general overview of the results of the Real Property Portfolio Sales Process to the Qualified Bid Deadline and properties to be disclaimed. Representatives of Target Corporation also attended and observed the Auction process from May 5 to May 7, 2015.

4.26 Certain creditors have also requested more detailed information concerning disclaimers of leases that were guaranteed by Target Corporation and those that were not guaranteed. Of the 73 Store leases that were disclaimed as at May 10, 2015, 44 leases (approximately 60%) are guaranteed by Target Corporation (excluding Zellers) and 31 of the 64 leases that were included in a transaction agreement (approximately 48%) are subject to a Target Corporation guarantee. From the

Monitor's perspective, whether a lease was supported by a Target Corporation guarantee or not was irrelevant to the conduct of the Real Property Portfolio Sale Process, except in two key respects: (a) to the extent that Target Corporation could be facilitative by providing funding incentives (to a third party buyer or to a landlord) where guarantees existed to make a transaction happen where the economics of the situation might have dictated otherwise; and (b) where a guarantee did exist, it was very much in the interest of the creditors of the estate that a release be sought from the landlord not just from their claim against the estate but also with respect to the guarantee due to the subrogation rights that Target Corporation would otherwise have.

In the Inventory Liquidation Process

4.27 TCC required the extensive involvement of Target Corporation to facilitate the Inventory Liquidation Process as all accounting, treasury and cash management functions were managed by Target Corporation through the shared services arrangements with Target Brands, certain of which, in the form of providing insurance and security measures at specific Stores, continue. Further, through these shared services arrangements, among other things: (a) substantial records and data were provided to the prospective liquidators in the Liquidation Agent Solicitation Process to facilitate due diligence; (b) daily sales, gross margin and inventory reporting was developed for the Agent's use in managing and accounting for the inventory liquidation; and (c) weekly reporting was developed to reconcile operating costs as between TCC and the Agent.

5.0 CASH FLOW RESULTS RELATIVE TO FORECAST

5.1 Receipts and disbursements for the period April 26, 2015 to July 4, 2015 (the "**Reporting Period**", noting that cash flow results through April 25, 2015 were previously reported in the Ninth Report), as compared to the cash flow forecast that was attached as Appendix "C" to the

Ninth Report (the “**Cash Flow Forecast**”), are summarized on the following page. Forecast proceeds from the Real Property Portfolio Sales Process were not included in the Cash Flow Forecast as they were indeterminable at the time the Cash Flow Forecast was prepared.

5.2 With the exception of the net proceeds of approximately \$132.1 million generated from the Oxford/Ivanhoe Cambridge lease transaction, which were paid by the Monitor to TCC shortly after the transaction closed, and approximately \$932,000 that was paid to TCC directly in one of the other closed lease transactions, all other net proceeds realized through the Real Property Portfolio Sales Process, as set out in the table on page 11 of this Eighteenth Report, continue to be held in trust by the Monitor. The Monitor is holding in trust approximately \$414.7 million of the net proceeds realized through the Real Property Portfolio Sales Process, plus certain other amounts held in escrow subject to the closing of the related transaction. The aggregate cash position of the Target Canada Entities as at July 4, 2015 was approximately \$874.7 million (\$460.0 million as shown below, plus \$414.7 million held in trust by the Monitor – updated to July 15, 2015).

(\$ in 000's CAD, unless otherwise noted)

| <i>Period Ended</i> | Cumulative | | |
|---|--------------------------|--------------------------|-----------------------------|
| | Budget 04-Jul | Actual 04-Jul | Variance B / (W) |
| OPERATING RECEIPTS | | | |
| Sales Receipts | \$ 3,000 | \$ 4,646 | \$ 1,646 |
| RPPSP Receipts | 2,964 | 3,896 | 932 |
| Other Receipts | 1,465 | 8,216 | 6,751 |
| TOTAL RECEIPTS | 7,430 | 16,758 | 9,329 |
| OPERATING DISBURSEMENTS | | | |
| Employee Payments | 16,232 | 22,496 | (6,264) |
| Rent & Occupancy | 30,088 | 27,885 | 2,203 |
| DC / Logistics | 2,138 | 3,166 | (1,028) |
| Normal Course Taxes | 19,633 | 19,146 | 486 |
| Professional Fees | 13,530 | 8,414 | 5,116 |
| All Other | 49,495 | 12,356 | 37,138 |
| Current Operating Disbursements | 131,115 | 93,463 | 37,653 |
| OPERATING CASH FLOW | (123,686) | (76,704) | 46,982 |
| INTERCOMPANY DISBURSEMENTS | | | |
| Intercompany Services | 8,920 | 7,549 | 1,371 |
| DIP Interest | - | - | - |
| Intercompany Disbursements | 8,920 | 7,549 | 1,371 |
| NET CASH FLOW | \$ (132,606) | \$ (84,253) | \$ 48,353 |
| WEEKLY LIQUIDITY | | | |
| Beginning Bank Cash Balance [1] [2] | \$ 545,153 | \$ 545,153 | \$ - |
| (+/-) Net Cash Flow | (132,606) | (84,253) | 48,353 |
| (+/-) Change in Cheque Float | - | (797) | (797) |
| (+/-) DIP Draws/(Repayments) | - | - | - |
| (+/-) FX Translation | - | (96) | (96) |
| Ending Bank Cash Balance [1] | 412,547 | 460,006 | 47,459 |
| Funds held in Monitor's Trust Account re: RPPSP [3] | - | 414,705 | 414,705 |
| Ending Cash Balance | \$ 412,547 | \$ 874,711 | \$ 462,164 |

[1] Actuals assume \$1.21 CAD/ \$1 USD.

[2] Beginning Cash Balance was actualized in the cash flow forecast that was attached as Appendix "C" to the Ninth Report.

[3] Excludes amounts relating to pending transactions.

- 5.3 During the Reporting Period, the Target Canada Entities' total receipts (excluding funds paid to the Monitor pursuant to the Real Property Portfolio Sales Process) were approximately \$9.3 million greater than projected in the Cash Flow Forecast. Approximately \$7.7 million of the variance was due to the return of deposits, tax refunds, vendor income and other miscellaneous receipts that were not included in the Cash Flow Forecast.
- 5.4 The Target Canada Entities' total disbursements during the Reporting Period were approximately \$39.0 million less than projected in the Cash Flow Forecast. Management attributes most of this variance to: (a) timing differences in the disbursement of fees and profit sharing amounts to the Agent (which were forecast but not paid during the Reporting Period); and (b) a permanent variance in payroll due to more time taken to facilitate FF&E removals and consensually resolve vacate issues at the Stores, necessitating the retention of certain employees for longer periods than had been forecast.
- 5.5 Overall, during the Reporting Period, the Target Canada Entities experienced a positive net cash flow variance of approximately \$48.4 million relative to the Cash Flow Forecast, however, most of this variance reversed in the following week as the Agent's fees and profit sharing amounts were paid.
- 5.6 The closing cash balance as at July 4, 2015 was approximately \$460.0 million (excluding funds held in trust by the Monitor related to the Real Property Portfolio Sales Process), as compared to the projected cash balance of \$412.5 million.
- 5.7 An updated and extended cash flow forecast will be provided to the Court in connection with a future motion by the Applicants' to extend the stay of proceedings beyond the current Stay Period of August 14, 2015.

5.8 The Initial Order entitles the Target Canada Entities to continue to utilize their existing Cash Management System, as described in the Pre-Filing report. The Cash Management System of the Target Canada Entities continues to operate in the same manner as it had prior to the commencement of the CCAA Proceedings, with the exception that all 133 retail Stores were closed to the public on or before April 12, 2015.

6.0 COMMENCEMENT OF THE CLAIMS PROCESS

6.1 On June 11, 2015, this Court approved the claims procedure order (the “**Claims Procedure Order**”) approving the claims process (the “**Claims Process**”) to identify and determine claims of creditors of the Target Canada Entities. The proposed Claims Procedure Order was summarized in the Fifteenth Report of the Monitor dated June 5, 2015 (the “**Fifteenth Report**”).

6.2 In accordance with the provisions of the Claims Procedure Order, the Monitor has undertaken the following:

- (a) on June 12, 2015, posted a copy of the Claims Package to the Monitor’s website;
- (b) arranged for the Notice to Claimants to be published in the Wall Street Journal (National Edition) and La Presse newspaper on June 16, 2015 and June 23, 2015;
- (c) arranged for the Notice to Claimants to be published in The Globe and Mail (National Edition) newspaper on June 17, 2015 and June 23, 2015;
- (d) on June 16, 2015, caused a copy of the Claims Package to be mailed or e-mailed to approximately 3,700 known Claimants (other than Employees);
- (e) on June 17, 2015, caused a copy of the Claims Package to be emailed to the Service List;

- (f) on June 16, 2015 caused a copy of the Employee Letter to be sent to approximately 17,700 Employees; and
- (g) continues to provide Claims Packages to parties who request such documentation.

6.3 The Monitor has received numerous enquiries to date with respect to the Claims Process and has been assisting potential Claimants with matters pertaining to submitting claims.

6.4 The Claims Procedure Order contains a general claims bar date of August 31, 2015. As of July 9, 2015, the Monitor had received 242 Proofs of Claim asserting Claims against the Applicants totalling \$27,656,797. The Monitor is reviewing these claims and they remain subject to determination.

6.5 The Monitor will provide this Court with updates on the Claims Process as it advances.

7.0 EMPLOYEE TRUST

7.1 As described in the First Report of the Monitor, the Initial Order approved the creation of the Employee Trust on substantially the terms and conditions set out in the Employee Trust Agreement, including without limitation, the appointments of Hon. John D. Ground as Trustee and the Monitor as Administrator. As at the date of this Eighteenth Report, the Monitor, in its capacity as Administrator under the Employee Trust has, among other things:

- (a) in conjunction with the Trustee, jointly opened the Target Canada Employee Trust bank account at Royal Bank of Canada (the “**Employee Trust Account**”);
- (b) transferred the full \$90 million of initial contributions received from the Settlor to the Employee Trust Account;

- (c) transferred an additional \$5 million (the “**Additional Contribution**”) received from the Settlor to the Employee Trust Account (as a result of the accelerated timing of the Store closures, the Monitor requested and received, on April 24, 2015, the Additional Contribution);
- (d) provided extensive assistance and review of TCC’s calculation of individual bi-weekly entitlement amounts for thousands of Eligible Employees;
- (e) administered notices of disputes received regarding Eligible Employee Claims (all of which must be filed with the Monitor and Employee Representative Counsel by July 30, 2015) and discussed same with Employee Representative Counsel; and
- (f) with the consent of the Trustee, made payments from the Employee Trust totaling approximately \$80.1 million for the benefit of more than 15,000 Eligible Employees.

7.2 Under the terms of the Employee Trust Agreement, Eligible Employees received payments from the Employee Trust for the pay periods ended February 7, 2015 through to May 16, 2015 for the majority of Eligible Employees, and May 30, 2015 for those Eligible Employees working in Manitoba. The final regularly scheduled Employee Trust disbursement was made on June 4, 2015 in respect of the pay period ending May 30, 2015. The Monitor continues to work with TCC to reconcile amounts owing between the Employee Trust and TCC and expects that TCC will be further reimbursed by the Employee Trust on account of final wage, employer tax and benefits reconciliations.

7.3 Based on the projected final reconciliation, the Monitor expects that all beneficiaries of the Employee Trust will receive the benefits to which they are entitled in accordance with its terms and conditions.

8.0 CONSULTATIVE COMMITTEE

8.1 As previously reported to the Court in the Monitor's Fifteenth Report, a Consultative Committee representing a cross-section of creditor interests has been constituted. The Monitor and the Consultative Committee have agreed to an operating protocol. At the suggestion of the Court, the Monitor and its counsel met with representatives of the Consultative Committee to address the payment of an appropriate fee for the members. The Monitor and the Consultative Committee have agreed that, subject to Court approval, each member shall be paid the sum of \$5,000 plus HST per month as a cost of the administration of the CCAA Proceedings, commencing with the month of May, 2015 and ending with the month of September, 2015, subject to further arrangements (the "**Consultative Committee Member's Fee**").

9.0 MONITOR'S ACTIVITIES

9.1 As described in the Seventh Report of the Monitor (the "**Seventh Report**") dated March 24, 2015, the Ninth Report of the Monitor (the "**Ninth Report**") dated May 4, 2015 and the Fifteenth Report of the Monitor (the "**Fifteenth Report**") dated June 5, 2015 and expanded upon below, since the granting of the Initial Order, the Monitor has worked closely with the Target Canada Entities to stabilize their business and operations such that all 133 open Stores in Canada remained operational throughout the Inventory Liquidation Process (the final group of Stores closed to the public on April 12, 2015). This work included concerted efforts to address extensive and urgent supply chain and other logistical issues essential to the Orderly Wind-down and extensive communications with stakeholders, as well as assisting with other activities

essential to the Orderly Wind-down, including matters related to the Inventory Liquidation Process and the Real Property Portfolio Sales Process.

- 9.2 In the Second Report and in submissions to the Court on February 11, 2015, the Monitor undertook to provide information regarding the quantity of TCC's inventory: (a) received and in-transit (where title had transferred to TCC) as at January 15, 2015; and (b) received and/or where title had transferred to TCC and had not been paid for during the 30-day period immediately preceding January 15, 2015 (the "**Requested Information**"). The Monitor was also asked by the Court to update the Service List as to its progress in assembling the Requested Information no later than February 18, 2015. The Monitor served the Inventory Update Letter on the Service List on February 18, 2015. In the Fourth Report of the Monitor (the "**Fourth Report**") dated March 3, 2015, the Monitor provided the Court with information regarding the key dates and assumptions, methodology and approach, and conclusions related to the Requested Information.
- 9.3 Pursuant to the Endorsement of this Court dated February 19, 2015, Blaney McMurtry LLP submitted a list of 61 questions and information requests to TCC, Target Corporation and the Monitor on March 2, 2015 (the "**March 2 Letter**"). The Monitor conducted an extensive amount of work in order to respond to the questions directed to the Monitor or that the Monitor was best able to respond to. In the Fifth Report of the Monitor (the "**Fifth Report**") dated March 16, 2015, the Monitor provided the Court with responses to certain of the inventory-related and other questions included in the March 2 Letter. In addition, the Monitor also provided extensive assistance to TCC and Osler, Hoskin & Harcourt LLP ("**Osler**") in obtaining and analyzing information to assist in the preparation of Osler's responding letter, on behalf of TCC, to the March 2 Letter.
- 9.4 In addition to the Monitor's ongoing supervision and involvement with the Inventory Liquidation Process and Real Property Portfolio Sales Process (as described in certain of the Prior Reports),

the activities of the Monitor from the date of the Third Report (February 27, 2015) have included the following:

- (a) assisting the Target Canada Entities with communications with employees, PFAC, pharmacy franchisees, suppliers and other parties;
- (b) as described above, assisting TCC in stabilizing its supply chain, including extensive communications with the third-party operator of TCC's distribution centres, vendors, freight forwarders and consolidators, ocean freight carriers and other transportation companies, and TCC's customs broker, with a view to minimizing supply disruption and continuing the movement of goods-in-transit to the DCs and Stores;
- (c) numerous meetings and discussions with the Target Canada Entities and the Agent regarding the Inventory Liquidation Process, including assisting TCC in reviewing and reconciling data in support of the Agent's weekly invoices and the final reconciliation of proceeds due to TCC and the Agent pursuant to the terms of the Agency Agreement;
- (d) in addition to its overall supervisory role, various matters regarding the Real Property Portfolio Sales Process, including: numerous discussions with the Target Canada Entities, Lazard and the Broker; assisting with the closing of the Oxford/Ivanhoe Cambridge Lease Transaction Agreement; reviewing the LOIs and bids received in each of Phase 1 and Phase 2 of the Real Property Portfolio Sales Process and meeting with, among others, the Target Canada Entities and Lazard regarding same; maintaining the Monitor's trust bank account for administering deposits and proceeds in connection with the Real Property Portfolio Sales Process; reviewing other draft letters and agreements with respect

to the Real Property Portfolio Sales Process, including the termination and release agreements entered into and described in the Monitor's Eighth Report; providing updates on the Real Property Portfolio Sales Process in the Monitor's Sixth, Eighth and Tenth Reports, and a comprehensive update in the Monitor's Eleventh Report with the Auction having been concluded; attending the Auction period process held on May 5, 6 and 7, 2015, at Osler's offices in Toronto; assisting in the negotiation of final transaction and related agreements in respect of the three DCs, three owned Stores and 64 Store leases; preparing the Monitor's Twelfth and Thirteenth Reports, which provided details of and recommendations in respect of a series of real property transactions; attending at Court on May 19, 20 and 21, 2015, for the hearings to seek approval of the applicable agreements; assisting with the Rona transaction agreement and Backup Bids; and assisting in closings of the real property transactions;

- (e) numerous discussions with the Target Canada Entities and their legal counsel to develop a plan for addressing the sale and removal of FF&E on a premises-by-premises basis, and addressing specific issues related to individual Store locations and other real estate;
- (f) numerous discussions with the Target Canada Entities related to the Asset Purchase Agreement between TCC, Target Corporation and Target Brands, Inc. with respect to the sale of various assets using or displaying intellectual property proprietary to Target Brands, Inc. and preparing the Monitor's Seventh Report related thereto;
- (g) assisting the Target Canada Entities in coordinating Store closures;

- (h) responding to approximately 930 enquiries (from the commencement of the CCAA Proceedings) from stakeholders that contacted the Monitor on the toll-free number or email account established by the Monitor, plus numerous other enquiries made directly to the Monitor or directed to the Monitor by employees of the Target Canada Entities;
- (i) monitoring the receipts, disbursements, purchase commitments and arrangements for deposits with certain suppliers and creditors of the Target Canada Entities, including tracking outstanding balances and commitments due to critical service providers;
- (j) assisting the Target Canada Entities in assessing and responding to the Target Canada Entities' requests for Monitor consents to disclaimers for in excess of 500 contracts, leases and agreements;
- (k) monitoring and providing ongoing operational updates to assist the Target Canada Entities in managing the Orderly Wind-down;
- (l) assisting the Target Canada Entities in assessing their employee requirements as the Orderly Wind-down advanced; assisting the Target Canada Entities in identifying KERP eligible employees and in calculating individual entitlements under the KERP;
- (m) in its capacity as Administrator of the Employee Trust, communications with and among Employee Representative Counsel, Monitor counsel, Target Canada Entities' counsel and the Trustee regarding the Employee Trust, assistance with the calculation of specific entitlement amounts for Eligible Employees and facilitating required payments from the Employee Trust;

- (n) corresponding with and tracking claims transfers and assignments received from purchasers of creditor claims;
- (o) bringing the Monitor's motion seeking the advice and directions of the Court with respect to a proposed framework for a claims process motion to be brought by the Monitor and preparing the Monitor's Ninth Report related thereto;
- (p) reviewing agreements, consulting with the Target Canada Entities, and preparing the Monitor's Fourteenth Report with respect to the Zellers/HBC Transaction Agreement;
- (q) coordinating the formation of the Consultative Committee; in conjunction with the Consultative Committee, developing a protocol to assist in the calling and conduct of meetings of the Consultative Committee; meeting with the Consultative Committee on June 2, 2015 to discuss the role of the Consultative Committee in these CCAA Proceedings and the draft Claims Procedure Order;
- (r) developing the Claims Process and Claims Procedure Order and discussing or consulting with the Consultative Committee, the Target Canada Entities, Target Corporation, Employee Representative Counsel, and other stakeholders that provided comments to the Monitor or its counsel prior to the date of the Monitor's motion; preparing the Fifteenth Report of the Monitor to describe the Claims Process; completing the noticing aspects of the Claims Process as described above; creating a process for reviewing and reporting on the Claims Process; with the assistance of the Applicants, reviewing claims and corresponding with claimants and potential claimants to reconcile claim amounts and respond to questions;

- (s) assisting in coordinating the sale of certain equipment at the Calgary DC; preparing the Sixteenth Report of the Monitor to describe the Asset Purchase Agreement and related Access Agreement; and
- (t) posting non-confidential materials filed with the Court to the website established by the Monitor for the CCAA Proceedings.

9.5 The Monitor requests the approval of its Third to Eighteenth Reports and the activities set out therein.

10.0 MONITOR'S CONCLUSIONS AND RECOMMENDATION

10.1 The Monitor is of the view that it is fair and reasonable to have its Third to Eighteenth Reports and the activities set out therein approved by the Court at this time, and respectfully recommends that the Court grant the relief requested regarding: (a) approval of the Monitor's reports and activities set out in the Monitor's notice of return of motion in respect of its motion originally returnable on June 11, 2015 and adjourned to July 30, 2015; and (b) approval of the Consultative Committee Member's Fee.

All of which is respectfully submitted to this Court this 15th day of July, 2015.

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

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J. Hutchens
Title: Senior Vice President

Appendix “A”

APPENDIX "A"

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

Appendix “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

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

**ELEVENTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

MAY 12, 2015

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INDEX TO APPENDICES

Appendix A - List of the Applicants and Partnerships

Appendix B - Real Property Portfolio Sales Process

1.0 INTRODUCTION

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

1.4 On February 11, 2015, this Court issued an order (the “**Approval Order – Real Property Portfolio Sales Process and Stay Extension**”) approving, among other things, the Real Property Portfolio Sales Process and authorizing and directing the Target Canada Entities, Lazard Frères & Co. LLC (“**Lazard**” or the “**Financial Advisor**”) and the Monitor to take any and all actions as may be necessary or desirable to implement and carry out the Real Property Portfolio Sales Process. A copy of the Real Property Portfolio Sales Process is attached as Appendix B to this Eleventh Report of the Monitor (the “**Eleventh Report**”). Capitalized terms specific to the Real Property Portfolio Sales Process that are referenced in this Eleventh Report, but not defined herein, have the meaning ascribed to them in the Real Property Portfolio Sales Process.

1.5 Pursuant to paragraph 42 of the Real Property Portfolio Sales Process, the Monitor is to provide periodic updates to the Court on notice to the Service List with respect to the conduct and progress of the Real Property Portfolio Sales Process, including an update to be delivered to the Court at the conclusion of Phase 1, prior to the commencement of any Auction and at the conclusion of any Auction.

1.6 The purpose of this Eleventh Report is, in accordance with paragraph 42 of the Real Property Portfolio Sales Process, to provide the Court with an update on the Real Property Portfolio Sales Process with the Auctions having now concluded.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Eleventh Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Target Canada Entities and Target Corporation, and discussions with

management of the Target Canada Entities and Target Corporation (collectively, the “**Information**”).

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

2.3 Capitalized terms not otherwise defined in this Eleventh Report are as defined in the Prior Reports, the Initial Order and the Real Property Portfolio Sales Process, as applicable.

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

3.0 PREVIOUSLY REPORTED UPDATES ON THE REAL PROPERTY PORTFOLIO SALES PROCESS

3.1 The Monitor provided updates with respect to the progress made in the Real Property Portfolio Sales Process in each of the Sixth Report of the Monitor (the “**Sixth Report**”) dated March 17, 2015, the Seventh Report of the Monitor (the “**Seventh Report**”) dated March 24, 2015 and the Eighth Report of the Monitor (the “**Eighth Report**”) dated April 29, 2015.

Phase 1

3.2 Since the commencement of the Real Property Portfolio Sales Process, the Monitor has supervised the process in accordance with its terms. From the date of the Court's February 4, 2015 Endorsement through close of business on March 5, 2015 (the "**Phase 1 Bid Deadline**"), Lazard had been in contact with approximately 360 prospective interested parties and had distributed 275 teasers, and TCC had entered into 67 confidentiality agreements (each a "CA") with potential buyers. Those parties that executed a CA were provided with access to the data room established for the Real Property Portfolio Sales Process, which includes the Confidential Information Memorandum.

3.3 Pursuant to the terms of the Real Property Portfolio Sales Process, Interested Bidders were required to deliver an LOI to Lazard not later than the Phase 1 Bid Deadline. A significant amount of interest was received across the real property portfolio, with 56 LOIs submitted in respect of more than 90 Stores, with the majority of bids including multiple locations. All of the parties that were subsequently determined to be Qualified LOI bidders were invited to participate in Phase 2 of the Real Property Portfolio Sales Process (each a "**Competing Bidder**").

Transaction Approved Prior to the Phase 1 Bid Deadline – Oxford/Ivanhoe Cambridge

3.4 As described in the Sixth Report, this Court issued an order approving, among other things, the Lease Transaction Agreement dated February 26, 2015 as between TCC and the various landlord entities affiliated with Oxford Properties Corporation and Ivanhoe Cambridge Inc. with respect to the leases for eleven of TCC's Stores. The Lease

Transaction Agreement authorized TCC's continued occupation of the premises under these leases for a lease-back period to allow, among other things, completion of the Inventory Liquidation Process and removal of FF&E. The transaction contemplated by the Lease Transaction Agreement closed on March 6, 2015. Following various adjustments to the purchase price of \$138.0 million for municipal taxes, utilities, construction liens and other items, as agreed amongst the parties to the agreement, TCC received net proceeds from the transaction of approximately \$134.9 million, of which the Monitor, as escrow agent, retained approximately \$5.7 million for Pre-Paid Leaseback Rent (as defined in the Lease Transaction Agreement). Following the delivery of vacate notices by TCC confirming the end of the lease-back period, the Monitor returned approximately \$2.9 million of the \$5.7 million of the Pre-Paid Leaseback Rent to TCC on May 1, 2015 in accordance with the terms of the Lease Transaction Agreement.

Phase 2

- 3.5 Phase 2 of the Real Property Portfolio Sales Process required that Competing Bidders that wished to submit: (i) Stalking Horse Bids pursuant to paragraph 20 of the Real Property Portfolio Sales Process, submit such bids by 5:00 p.m. (Toronto time) on March 26, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with Lazard and the DIP Lender (the "**Stalking Horse Bid Deadline**"); and (ii) Qualified Bids - submit such bids by 5:00 p.m. (Toronto time) on April 23, 2015 (the "**Qualified Bid Deadline**").

Stalking Horse Bid Deadline

- 3.6 On March 20, 2015, Lazard wrote to all Competing Bidders to invite them to submit a Qualified Bid by the Qualified Bid Deadline, and advising them that the Stalking Horse Bid Deadline had been extended by one week to April 6, 2015 (which extension was made by the Applicants on the consent of the Monitor and in consultation with Lazard and the DIP Lender).
- 3.7 Varying degrees of interest were expressed by Competing Bidders with respect to the potential submission of Stalking Horse Bids, with the discussions and negotiations regarding such potential bids ultimately resulting in one Stalking Horse Bid advancing to a definitive agreement (a “**Selected Stalking Horse Bid**”).
- 3.8 The Selected Stalking Horse Bid was negotiated and settled with the Selected Stalking Horse Bidder with respect to TCC’s distribution centre (“**DC**”) located in Milton, Ontario (the “**Milton DC**”) in accordance with the parameters set out in the Real Property Portfolio Sales Process, including the bid protections set out in paragraph 25 therein (i.e. a break fee not to exceed 3.0% of the negotiated purchase price and an expense reimbursement to a maximum amount of \$150,000). The Agreement of Purchase and Sale as between TCC and the Selected Stalking Horse Bidder, dated April 17, 2015 (the “**Stalking Horse Agreement**”), was posted to the data room for the Real Property Portfolio Sales Process on that same date, and those Competing Bidders that had previously been provided with access to the area of the data room specific to the Milton DC were notified of the Selected Stalking Horse Bid. The Stalking Horse Agreement included the provision that the initial bid increment for the Milton DC at the auction would be \$1,500,000 plus the break fee and expense reimbursement.

- 3.9 No Stalking Horse Bids were completed for any of the Store leases, the three owned Stores or the two other DCs.

Qualified Bid Deadline

- 3.10 Paragraph 27 of the Real Property Portfolio Sales Process required Competing Bidders to submit Qualified Bids to Lazard by the Qualified Bid Deadline (or such later date or time as may have been determined by the Applicants, on the consent of the Monitor, and in consultation with Lazard and the DIP Lender).
- 3.11 A significant number of bids were submitted by the Qualified Bid Deadline across the real property portfolio.
- 3.12 Following the Qualified Bid Deadline, pursuant to paragraphs 30 and 31 of the Real Property Portfolio Sales Process, the Applicants, in consultation with Lazard and the Monitor, worked to determine: (i) if any bids received by the Qualified Bid Deadline did not satisfy all of the requirements of Qualified Bids; (ii) which leases and real properties would proceed to Auction(s) (as defined in the Real Property Portfolio Sales Process) and which might proceed to a definitive agreement outside of the auction process; (iii) which Qualified Bid(s) would be the Baseline Bids at the Auction(s); and (iv) based on the Qualified Bids received and the determination in clauses (ii) and (iii) above, the procedures for the conduct of the Auction(s). In addition, during the period prior to and leading up to the Auction(s), the Applicants, Lazard, and the Monitor had further discussions, negotiations and clarifications with those parties that submitted bids by the Qualified Bid Deadline.

3.13 TCC or its financial advisors provided details of the Qualified Bids received to Target Corporation, in its capacity as DIP Lender, in accordance with their obligations pursuant to the DIP Term Sheet. Target Corporation was involved in the process to the extent that they could be facilitative given their position as guarantor of certain leases (e.g. where there was a request for a lease inducement from a prospective bidder) and had discussions with certain landlords with respect to their lease guarantee obligations that could potentially have resulted in benefits to the estate and to the landlord(s). The Monitor was generally supportive of such initiatives, subject to certain parameters; however, no such arrangements were ultimately completed.

Proposed Transactions Concluded Prior to the Auction Process – Cadillac Fairview

3.14 As described in the Tenth Report of the Monitor (the “**Tenth Report**”) dated May 7, 2015, the Applicants will be bringing motions before this Court on May 19, 2015 for approval of: (i) a lease surrender agreement in respect of five of TCC’s Store leases where each of the landlord entities are affiliates of Cadillac Fairview Corporation Limited (“**Cadillac Fairview**”); and (ii) an agreement of purchase and sale in respect of one of TCC’s owned Stores, the Polo Park mall location in Winnipeg, Manitoba, where Cadillac Fairview is the purchaser. These proposed transactions are summarized in the Tenth Report, with aggregate proceeds from these transactions totalling approximately \$45.1 million.

Auction(s)

3.15 Pursuant to paragraph 32 of the Real Property Portfolio Sales Process, the Applicants, in consultation with Lazard and the Monitor, were to commence one or more auctions (the “**Auctions**”) on or about April 28, 2015.

3.16 Following discussions between the Applicants, Lazard and the Monitor, and in accordance with the terms of the Real Property Portfolio Sales Process, Lazard notified all Competing Bidders by email on April 21, 2015 that the timing of the Auction had been rescheduled to May 5, 6 and 7, 2015, at Osler’s offices in Toronto, with further details to be provided on or about April 28, 2015. The Monitor also posted a similar notice to its website on April 21, 2015.

4.0 UPDATE ON THE REAL PROPERTY PORTFOLIO SALES PROCESS

4.1 The Auction process included discussions and negotiations with Qualified Bidders prior to and over the course of the three-day Auction period of May 5, 6 and 7, culminating in the execution of numerous agreements and two (2) Auctions held on May 7 with respect to the Milton DC and the Cornwall DC.

4.2 Leading up to and during the course of the three-day Auction period, as well as the days immediately following the Auctions, TCC finalized and executed thirteen (13) separate agreements in respect of the three owned DCs, two owned Stores and 43 Store leases, for combined consideration (subject to adjustments) totalling approximately \$390.2 million. In addition, there are four smaller transactions for combined consideration of \$250,000 where agreements are in the process of being finalized.

- 4.3 When taken together with the proceeds from the Oxford/Ivanhoe Cambridge transaction (11 Store leases) that closed on March 6, 2015 and the proposed Cadillac Fairview transactions (five Store leases and one owned Store), the approval of which is scheduled to be heard by this Court on May 19, 2015, the anticipated aggregate proceeds from the Real Property Portfolio Sales Process are approximately \$573.6 million (in respect of the three DCs, three owned Stores and 64 Store leases), subject to adjustments. Each of the agreements is subject to Court approval (with the exception of the Oxford/Ivanhoe Cambridge Lease Transaction Agreement, which has been approved and closed, and the transaction with One York Street Inc., which has closed), and the satisfaction of certain terms and conditions, including, where applicable, obtaining all required landlord and other consents, lease amendments, waivers and/or non-disturbance agreements.
- 4.4 In addition to the proceeds that have or are anticipated to be generated from the transactions summarized above, certain of the agreements provide for a release of claims in favour of TCC, thereby eliminating certain claims that might otherwise be provable against the Target Canada Entities in a claims process, and reducing potential aggregate claims.
- 4.5 While two of the DCs went to Auction (Milton and Cornwall), all of the lease transfer agreements set out below in paragraph 4.6 (in addition to the Calgary DC) were ultimately finalized within the auction process,¹ but did not go to Auction, due primarily to the various lease footprints, proposed as package bids, that were being sought by

¹ Except for the transaction with One York Street Inc., which was entered into in March 2015 and in respect of which the One York premises were withdrawn from the Real Property Portfolio Sales Process.

potential buyers, each of whom indicated that its package bid would not be available if it was subject to Auction.

4.6 A summary of the executed agreements generated through the Real Property Portfolio Sales Process (including the four smaller agreements that are being finalized) is provided in the table below.

| Target Canada Co., et al | | | | |
|--|--|---|-----------------|----------------------------|
| Summary of the Real Property Portfolio Sales Process Results | | | | |
| Acquirer | Agreement Type | Property(ies) Acquired | Location | Cash Consideration* |
| Summary of Transactions Completed/Agreed to as part of Auction Process | | | | |
| <i>Distribution Centres:</i> | | | | |
| Lowe's Companies Canada, ULC | Agreement of Purchase and Sale | Milton Distribution Centre | Milton, ON | \$125,000,000 |
| Wal-Mart Canada Corp. | Agreement of Purchase and Sale | Cornwall Distribution Centre | Cornwall, ON | 80,750,000 |
| Sobeys Capital Incorporated | Agreement of Purchase and Sale | Calgary Distribution Centre | Calgary, AB | 50,000,000 |
| Total Distribution Centres | | | | \$255,750,000 |
| <i>Owned Stores:</i> | | | | |
| Wal-Mart Canada Corp. | Agreement of Purchase and Sale | #7006 - Candiac Power Centre | Candiac, QC | \$14,000,000 |
| Park Place Acquisition Corporation | Agreement of Purchase and Sale | #7004 - Park Place | Innisfil, ON | 3,475,000 |
| Total Owned Stores | | | | \$17,475,000 |
| <i>Leased Stores:</i> | | | | |
| Wal-Mart Canada Corp. | Lease Transfer Agreement | 12 Leases - See Schedule A for Store details | | \$70,000,000 |
| Lowe's Companies Canada, ULC | Lease Transfer Agreement | 13 Leases - See Schedule B for Store details | | 26,250,000 |
| Canadian Tire Real Estate Limited | Lease Transfer Agreement | 12 Leases - See Schedule C for Store details | | 17,654,000 |
| The Berezan Real Estate Partnership | Lease Surrender Agreement | #3744 - Sahali Centre Mall | Kamloops, BC | 1,200,000 |
| West Edmonton Mall Property Inc. | Disclaimer and Release Agreement | #3648 - West Edmonton Mall | Edmonton, AB | 1,000,000 |
| Rona Inc. | Lease Transfer Agreement | #3575 - Cottonwood Mall | Chilliwack, BC | 800,000 |
| Canpro Investments Ltd. | Amendment and Resiliation of Lease | #3547 - Les Galeries Gatineau | Gatineau, QC | 106,756 |
| Cominar Real Estate Investment Trust | Agreement to be finalized | #7000 - Centre Laval | Laval, QC | 100,000 |
| Morguard Real Estate Investment Trust | Agreement to be finalized | #3766 - Centre at Circle & Eighth | Saskatoon, SK | 100,000 |
| Vanprop Investments Ltd. | Agreement to be finalized | #3534 - Lansdown Centre | Richmond, BC | 50,000 |
| OPB (EMTC) Inc. (20 Vic Management) | Agreement to be finalized | #3646 - Erin Mills Town Centre | Mississauga, ON | - |
| Brad-Lea Meadows Limited | Waiver and Release Agreement | #3533 - Thames-Lea Plaza | Chatham, ON | - |
| Paula-Dale, Ltd. | Disclaimer and Release Agreement | #3552 - Westdale Mall | Mississauga, ON | - |
| Total Leased Stores | | | | \$117,260,756 |
| Total Auction Process Related Cash Consideration | | | | \$390,485,756 |
| Summary of Closed and Pending Transactions Agreed to Prior to Auction | | | | |
| <i>Owned Stores:</i> | | | | |
| The Cadillac Fairview Corporation Limited | Agreement of Purchase and Sale | #7012, Polo Park | Winnipeg, MB | \$18,500,000 |
| Total Owned Stores | | | | \$18,500,000 |
| <i>Leased Stores:</i> | | | | |
| Ivanhoe Cambridge Inc. and Oxford Properties Corporation, et al | Lease Transaction Agreement | 11 Leases - See Schedule D for Store details | | \$138,000,000 |
| CF/Realty Holdings Inc., et al | Lease Surrender Agreement** | 5 Leases - See Schedule E for Store details | | 26,599,049 |
| One York Street Inc. | Termination, Disclaimer, Surrender and Release Agreement | #7008 - One York Street | Toronto, ON | - |
| Total Leased Stores | | | | \$164,599,049 |
| Total Pre-Auction Cash Consideration | | | | \$183,099,049 |
| Total RPPSP Cash Consideration | | | | \$573,584,805 |
| * Cash Consideration is subject to adjustment. | | | | |
| ** Indicated Cash Consideration is shown net of a \$2,753,951 Termination Fee included in the Lease Surrender Agreement. | | | | |

4.7 The following tables identify the individual Stores included in the various transactions summarized above that are in respect of multiple properties.

SCHEDULE A - WALMART LEASE TRANSFER, STORE DETAILS

| Store Number | Property | City |
|--------------|-----------------------------|--------------------|
| 3505 | Bayshore Shopping Centre | Ottawa, ON |
| 3557 | Scottsdale Mall | Delta, BC |
| 3586 | Haney Place Mall | Maple Ridge, BC |
| 3610 | Terrarium Shopping Centre | Pointe Claire, QC |
| 3616 | Coquitlam Centre | Coquitlam, BC |
| 3617 | Surrey Place / Central City | Surrey, BC |
| 3682 | Southdale Centre | Winnipeg, MB |
| 3725 | Galeries Chagnon | Levis, QC |
| 3730 | Pen Centre | St. Catharines, ON |
| 3743 | Place Fleur De Lys | Quebec City, QC |
| 3746 | Billings Bridge Plaza | Ottawa, ON |
| 3759 | Guelph | Guelph, ON |

SCHEDULE B - LOWE'S LEASE TRANSFER, STORE DETAILS

| Store Number | Property | City |
|--------------|-----------------------------|-------------------|
| 3507 | Intercity Shopping Centre | Thunder Bay, ON |
| 3509 | Nanaimo North Town Centre | Nanaimo, BC |
| 3572 | Milton Mall Shopping Centre | Milton, ON |
| 3609 | Centrepoint Mall | North York, ON |
| 3658 | RioCan St. Laurent | Ottawa, ON |
| 3719 | Prince George | Prince George, BC |
| 3728 | Northgate Mall | Regina, SK |
| 3729 | Shoppers World Danforth | Toronto, ON |
| 3737 | Shoppes at Shawnessy | Calgary, AB |
| 3738 | Burlington Mall | Burlington, ON |
| 3739 | Abbotsford Power Centre | Abbotsford, BC |
| 3754 | Signal Hill Centre | Calgary, AB |
| 3760 | Victoria Tillicum | Victoria, BC |

SCHEDULE C - CANADIAN TIRE LEASE TRANSFER, STORE DETAILS

| Store Number | Property | City |
|--------------|----------------------------------|---------------|
| 3512 | Driftwood Mall | Courtenay, BC |
| 3548 | Hillside Mall | Victoria, BC |
| 3566 | Northwest Centre | Moncton, NB |
| 3613 | Le Carrefour Rimouski | Rimouski, QC |
| 3615 | Tamarack Mall | Cranbrook, BC |
| 3652 | Bayers Lake Power Centre | Halifax, NS |
| 3677 | Sudbury Supermall | Sudbury, ON |
| 3688 | Village Green Mall | Vernon, BC |
| 3704 | Place Alexis Nihon | Westmount, QC |
| 3705 | Place Versailles Shopping Centre | Montreal, QC |
| 3747 | Grant Park | Winnipeg, MB |
| 3749 | Aurora Shopping Centre | Aurora, ON |

SCHEDULE D - IVANHOE/OXFORD LEASE SURRENDER, STORE DETAILS

| Store Number | Property | City |
|--------------|-----------------------------|-------------------|
| 3590 | Carrefour de L'estrie | Sherbrooke, QC |
| 3672 | Conestoga Mall | Waterloo, ON |
| 3666 | Hillcrest Mall | Richmond Hill, ON |
| 3561 | Kingsway Garden Mall | Edmonton, AB |
| 3696 | Les Galeries de la Capitale | Quebec City, QC |
| 3717 | Metropolis at Midtown | Vancouver, BC |
| 3697 | MieMae Mall | Halifax, NS |
| 3711 | Oakridge Centre | Vancouver, BC |
| 3755 | Place Laurier | Quebec City, QC |
| 3636 | Square One | Mississauga, ON |
| 3565 | Upper Canada Mall | Newmarket, ON |

SCHEDULE E - CADILLAC FAIRVIEW LEASE SURRENDER, STORE DETAILS

| Store Number | Property | City |
|--------------|-------------------------|-----------------------------|
| 3647 | Les Galeries d'Anjou | Montreal, QC |
| 3706 | Masonville Place | London, ON |
| 3709 | Les Promenades St-Bruno | St-Bruno-de-Montarville, QC |
| 3714 | Market Mall | Calgary, AB |
| 3772 | Chinook Centre | Calgary, AB |

4.8 The Applicants have and will be bringing forward motions to this Court shortly seeking Orders for approval of the various transactions associated with the foregoing agreements (with the exception of the Oxford/Ivanhoe Cambridge Lease Transaction Agreement, which has been approved and has closed), where applicable. The Monitor has reserved time with this Court on May 19, 20, 21, and June 2, 4, and 9 for the purpose of addressing the various approval motions to be brought by the Applicants. The Notice of Motion for approval of the Cadillac Fairview agreements has been served by the Applicants and the Court hearing for approval of the agreements is scheduled for May 19, 2015. To date, the

Applicants have also served Notices of Motion seeking Orders for approval of agreements with Canadian Tire Real Estate Limited (returnable on May 19, 2015) and Lowe's Companies Canada, ULC (returnable on May 20, 2015). In the Tenth Report, the Monitor provided its recommendations with respect to the Cadillac Fairview agreements. The Monitor intends to prepare and serve a report in connection with the remaining transactions and agreements set out in paragraph 4.6 in advance of the motions.

Other Real Property Updates

4.9 As previously described in the Monitor's Tenth Report, all 133 Stores in operation as of January 15, 2015 have closed, with the final group of Stores being closed to the public on April 12, 2015. TCC, the Agent and the Monitor have been working to conclude the remaining sales of furniture, fixtures and equipment ("FF&E") in preparation for vacating the remaining Stores. Further, TCC and the Monitor, and their respective legal counsel, continue to work with the landlords to attempt to consensually resolve any remaining issues related to the sale and removal of FF&E. The first of the Stores subject to disclaimers or termination agreements were released back to landlords beginning on April 30, 2015 following the removal of FF&E.

Notices of Disclaimer or Resiliation

4.10 In addressing the status of each individual property during the Real Property Portfolio Sales Process and whether such property lease should be maintained or disclaimed by TCC at any point in the process, the Monitor considered a number of factors in attempting to ensure that net proceeds to the estate were maximized to the extent possible, and that the interests of individual landlords were being addressed. These

factors included but were not limited to: i) the time needed on a store-by-store basis to manage the Orderly Wind-down to closure, including the Inventory Liquidation Process and the time required thereafter to remove FF&E in accordance with arrangements with individual purchasers and landlords and return the premises to broom-swept condition; ii) whether there was interest expressed in the lease at the LOI submission stage, or at the Qualified Bid deadline; iii) whether Lazard believed that there was a reasonable prospect of a sale transaction/lease surrender agreement; iv) whether there was a reasonable prospect of an alternative arrangement beneficial to all parties; and (v) the amount of ongoing rental costs.

- 4.11 During the period between the Phase 1 Bid Deadline and the Qualified Bid Deadline, the Target Canada Entities, with the consent of the Monitor, delivered 31 notices of disclaimer or resiliation pursuant to section 32 of the CCAA with respect to the leases for 12 Stores and 19 office and/or warehouse facilities, in respect of which no LOIs were received and, in the case of the Stores, where the Agent had provided vacate notices to TCC, and for which, in the view of Lazard and the Applicants, in consultation with the Monitor, there was little or no reasonable prospect of the leases being included in a larger transaction with a Qualified Bidder or addressed by an alternative consensual arrangement. The leases for these locations were accordingly promptly withdrawn from the Real Property Portfolio Sales Process. There were 25 leases where no LOIs had been submitted which were retained in the Real Property Portfolio Sales Process until the Qualified Bid Deadline in cases where, in the view of Lazard (after discussions with certain bidders) and the Applicants, and in consultation with the Monitor, there was a reasonable prospect of the leases being included in a larger transaction with a Qualified

Bidder or addressed by an alternative consensual arrangement. Further, these leases were required to be maintained for varying periods of time to support the Orderly Wind-down process in any event as Stores continued to operate past Phase 1 Bid Deadline, with the final wave of vacate notices being issued by the Agent on April 2, 2015.

- 4.12 Qualified Bids in respect of 53 Stores were submitted by the Qualified Bid Deadline. Following the Qualified Bid Deadline and prior to the Auctions, the Target Canada Entities, with the consent of the Monitor, delivered 44 notices of disclaimer or resiliation pursuant to section 32 of the CCAA with respect to the leases for a further 44 Stores where no Qualified Bids had been submitted and where, in the view of Lazard (after discussions with certain bidders) and the Applicants, and in consultation with the Monitor, there was little or no reasonable prospect of the leases being included in a larger transaction with a Qualified Bidder or addressed by an alternative consensual arrangement. The leases for these locations were accordingly promptly withdrawn from the Real Property Portfolio Sales Process.
- 4.13 Of the leases remaining in the Real Property Portfolio Sales Process at that point in time, four Stores where neither an LOI or a Qualified Bid was received, did ultimately become part of a transaction. Immediately following the completion of the Auctions, on May 8, 2015, the Target Canada Entities, with the consent of the Monitor, delivered 17 notices of disclaimer or resiliation pursuant to section 32 of the CCAA with respect to the remaining 17 leases not subject to a transaction.
- 4.14 In aggregate, as at May 8, 2015, notices of disclaimer or resiliation had been delivered with respect to 73 Stores and 19 office and/or warehouse facilities. In addition, TCC has

entered into termination and release or similar agreements with respect to three leases for its former head office and two other ancillary offices.

4.15 As indicated previously, agreements in respect of four Stores are still being finalized. Other than with respect to those four Stores, as at May 10, 2015, all of TCC's property leases were either subject to a definitive agreement or had been disclaimed, well in advance of the June 1, 2015 outside date for execution of definitive agreements or delivery of disclaimer notices under the Real Property Portfolio Sales Process (such date having been negotiated with representatives of the landlord group comprised of several large retail landlords that hold or manage, in aggregate, the majority of TCC's Store leases).

4.16 The Monitor is working closely with the Applicants to complete the Real Property Portfolio Sales Process for the benefit of all stakeholders on an expeditious basis.

All of which is respectfully submitted to this Court this 12th day of May, 2015.

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

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J. Hutchens
Title: Senior Vice President

APPENDIX “A”

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

APPENDIX B

[SEE ATTACHED]

SCHEDULE "B"

REAL PROPERTY PORTFOLIO SALE PROCESS

Introduction

On January 15, 2015, Target Canada Co. (the "**Company**") and those parties listed in Schedule "A" (collectively, the "**Applicants**") sought and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an initial order (as amended, restated or varied from time to time, the "**Initial Order**") granted by the Ontario Superior Court of Justice (Commercial List) (the "**Court**"). Alvarez & Marsal Canada Inc. was appointed as monitor in the CCAA proceedings (in such capacity, the "**Monitor**")

On January 29, 2015, the Applicants served a motion seeking an order for the approval of a sale process (as same may be amended from time to time, the "**Real Property Portfolio Sales Process**") under the supervision of the Court and the Monitor and in accordance with the procedures set forth herein (as same may be amended from time to time, the "**Sales Process Procedures**").

The purpose of this Real Property Portfolio Sales Process is to seek Sale Proposals from Qualified Bidders and to implement one or a combination of them in respect of the Leases and the Real Property, which implementation may include sales, dispositions, assumptions, assignments, disclaimers, terminations, or other transaction forms.

On February 11, 2015, the Court entered an order approving the Real Property Portfolio Sales Process and the Sales Process Procedures (the "**Sales Process Order**"). Accordingly, the following Sales Process Procedures shall govern the Real Property Portfolio Sales Process.

This Real Property Portfolio Sales Process describes, among other things: (a) the Leases and the Real Property available for sale; (b) the manner in which prospective bidders may gain access to due diligence materials concerning the Leases and the Real Property; (c) the manner in which bidders and bids become Competing Bidders or Qualified Bidders and Competing Bids or Qualified Bids, respectively; (d) the manner in which Competing Bidders submit Stalking Horse Bids; (e) the manner in which Stalking Horse Bids, if any, become Selected Stalking Horse Bids; (f) the receipt, evaluation and negotiation of bids received; (g) the ultimate selection of one or more Successful Bidders and Backup Bidders; and (h) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Defined Terms

1. The following capitalized terms have the following meanings when used in this Real Property Portfolio Sales Process:
 - (a) "Applicants" is defined in the introduction hereto.
 - (b) "Approval Motion" is defined in paragraph 38.
 - (c) "Auctions" is defined in paragraph 32.

- (d) "Backup Bid" is defined in paragraph 33(h).
- (e) "Backup Bidder" is defined in paragraph 33(h).
- (f) "Baseline Bid" is defined in paragraph 33(d)(i).
- (g) "Break Fee" is defined in paragraph 25(b).
- (h) "Broker" means Northwest Atlantic Canada, Inc.
- (i) "Business Day" means a day (other than Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario.
- (j) "CA" means a confidentiality agreement in form and substance satisfactory to the Company, in consultation with the Monitor.
- (k) "CCAA" is defined in the introduction hereto.
- (l) "CCAA Charges" means the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge (as such terms are defined in the Initial Order) together with any other charges approved by the Court.
- (m) "Claims and Interests" is defined in paragraph 4.
- (n) "Company" is defined in the introduction hereto.
- (o) "Competing Bid" is defined in paragraph 18.
- (p) "Competing Bidder" means a bidder that submits a Competing Bid.
- (q) "Confidential Information Memorandum" is defined in paragraph 9.
- (r) "Court" is defined in the introduction hereto.
- (s) "Deposit" is defined in paragraph 29(1).
- (t) "DIP Lender" means Target Corporation.
- (u) "Expense Reimbursement" is defined in paragraph 25(b).
- (v) "Financial Advisor" means Lazard Frères & Co. LLC.
- (w) "Form of Purchase Agreement" means the form of purchase and sale agreement to be developed by the Applicants, in consultation with the Monitor and the Financial Advisor, and provided to Qualified Bidders that submit a Qualified LOI for a Sale Proposal.
- (x) "Initial Order" is defined in the introduction hereto.
- (y) "Interested Bidder" is defined in paragraph 9.

- (z) "Leases" means the Applicants' leasehold interests and all related rights and obligations in connection with the properties listed in Schedule "C" hereto.
- (aa) "LOI" is defined in paragraph 8.
- (bb) "Landlord LOI" means a non-binding letter of intent from a landlord for an acquisition or consensual transaction for one or more of its Leases that is submitted on or before the Phase 1 Bid Deadline.
- (cc) "Landlord Qualified Bid" means a final binding proposal from a landlord for an acquisition or consensual transaction for one or more of its Leases and which meets the requirements set out in paragraphs 29(a), (c), (d), (f), (h), (i), (j), (k) and (m).
- (dd) "Monitor" is defined in the introduction hereto.
- (ee) "Outside Backup Date" is defined in paragraph 33(h).
- (ff) "Outside Date" means June 30, 2015.
- (gg) "Phase 1" is defined in paragraph 8.
- (hh) "Phase 1 Bid Deadline" is defined in paragraph 11.
- (ii) "Phase 2" means such period of time from the Phase 1 Bid Deadline to the Approval Motion.
- (jj) "Qualified Bid" means an offer or combination of offers, in the form of a Sale Proposal or Sale Proposals, which meets the requirements of paragraph 29.
- (kk) "Qualified Bid Deadline" is defined in paragraph 27.
- (ll) "Qualified Bidder" means a bidder that submits a Qualified Bid.
- (mm) "Qualified LOI" is defined in paragraph 12.
- (nn) "Real Property" means the lands and premises described in Schedule "D" hereto.
- (oo) "Sales Process Order" is defined in the introduction hereto.
- (pp) "Sale Process Procedures" is defined in the introduction hereto.
- (qq) "Sale Proposal" means an offer to acquire or otherwise dispose of all or some of the Leases and/or the Real Property. A "Sale Proposal" may include a transaction involving the assignment and assumption, termination and/or surrender or disclaimer of a Lease or Leases.
- (rr) "Selected Stalking Horse Bid" is defined in paragraph 23.
- (ss) "Selected Stalking Horse Bidder" is defined in paragraph 23.

- (tt) "Stalking Horse Bid" is defined in paragraph 20.
- (uu) "Successful Bid" is defined in paragraph 33(g).
- (vv) "Successful Bidder" is defined in paragraph 33(g).
- (ww) "Targeted Outside Date" means May 15, 2015, or such later date as may be determined by the Applicants, on the consent of the Monitor, and in consultation with the Financial Advisor and the DIP Lender, provided that in no event shall such date be after June 1, 2015.
- (xx) "Teaser Letter" is defined in paragraph 6.

Supervision of the Real Property Portfolio Sales Process

2. The Monitor will supervise, in all respects, the Real Property Portfolio Sales Process and any attendant sales and, without limitation, will supervise the Financial Advisor's performance under its engagement by the Company in connection therewith. The Applicants shall assist and support the efforts of the Monitor and the Financial Advisor as provided for herein. In the event that there is disagreement or clarification required as to the interpretation or application of this Real Property Portfolio Sales Process or the responsibilities of the Monitor, the Financial Advisor or the Applicants hereunder, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application of any interested person. For the avoidance of doubt, and without limiting the rights and protections afforded the Monitor under the CCAA, the Initial CCAA Order and the Sales Process Order, the terms of the Initial Order and the Sales Process Order shall govern the Monitor's role in regards to the Real Property Portfolio Sales Process.

"As Is, Where Is"

3. The sale of the Leases and the Real Property will be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Monitor, the Financial Advisor, the Applicants or any of their respective directors, officers, employees, advisors, professionals, agents, estates or otherwise, except and only to the extent set forth in a definitive sale agreement executed by an Applicant.
4. [intentionally deleted]

Solicitation of Interest

5. As soon as reasonably practicable, the Monitor will cause a notice of the Real Property Portfolio Sales Process (and such other relevant information which the Monitor, in consultation with the Financial Advisor and the Applicants, considers appropriate) to be published in The Globe and Mail (National Edition) and The Wall Street Journal (National Edition) and posted on the Monitor's website.
6. As soon as reasonably practicable, but in any event no more than three (3) Business Days after the issuance of the Sales Process Order, the Financial Advisor shall distribute an

initial offering summary of the Leases and the Real Property in form acceptable to the Applicants and the Monitor (the “**Teaser Letter**”) notifying those potentially interested parties that are identified by the Financial Advisor, the Broker, the Monitor and the Applicants, each in their sole discretion, of the existence of the Real Property Portfolio Sales Process and inviting such parties to express an interest in making an offer to acquire all or some of the Leases and the Real Property in accordance with the Sales Process Procedures.

Participation Requirements

7. Unless otherwise ordered by the Court, or as otherwise determined by the Applicants, in consultation with the Monitor, each person seeking to participate in the Real Property Portfolio Sales Process must deliver to the Financial Advisor at the address specified in Schedule “B” hereto (including by email transmission):
 - (a) a letter setting forth such person’s identity, the contact information for such person and full disclosure of the principals of such person; and
 - (b) an executed CA which shall include provisions whereby such person agrees to accept and be bound by the provisions contained therein.

REAL PROPERTY PORTFOLIO SALES PROCESS – PHASE 1

Phase 1 Initial Timing

8. For a period from the date of the Sales Process Order until the Phase 1 Bid Deadline (“**Phase 1**”), the Financial Advisor (with the assistance of the Monitor, the Applicants and the Broker) will solicit non-binding letters of intent from prospective parties to acquire one or more of the Leases and/or the Real Property (each, an “**LOI**”).

Due Diligence

9. Subject to the provisions of paragraph 43, a confidential information memorandum (the “**Confidential Information Memorandum**”) describing the opportunity to acquire all or some of the Leases and the Real Property will be made available by the Financial Advisor to those parties who have executed a CA (each party who executes a CA shall be deemed to be an “**Interested Bidder**”).
10. Subject to the provisions of paragraph 43, the Financial Advisor will provide each Interested Bidder with access to an electronic data room. The Monitor, the Financial Advisor, the Broker, the DIP Lender and the Applicants make no representation or warranty as to the information: (a) contained in the Confidential Information Memorandum or the electronic data room; (b) provided through any diligence process; or (c) otherwise made available, except to the extent expressly contemplated in any definitive sale agreement executed by an Applicant.

Non-Binding Letters of Intent from Interested Bidders

11. Interested Bidders that wish to pursue a Sale Proposal must deliver an LOI to the Financial Advisor at the address specified in Schedule “B” hereto (including by email

transmission), so as to be received by the Financial Advisor not later than 5:00 PM (Toronto time) on or before March 5, 2015, or such later date or time as may be determined by the Applicants, on the consent of the Monitor, and in consultation with the Financial Advisor and the DIP Lender (the “Phase 1 Bid Deadline”).

12. An LOI so submitted will be considered a qualified LOI for the purposes hereof (a “Qualified LOI”) only if:
 - (a) it is submitted on or before the Phase 1 Bid Deadline;
 - (b) it contains an indication of whether the Interested Bidder is offering to acquire all or some of the Leases and the Real Property;
 - (c) it identifies or contains the following:
 - (i) the purchase price (or range thereof) in Canadian dollars;
 - (ii) the Leases and/or the Real Property subject to the transaction; and
 - (iii) any proposed allocation of the purchase price as between each Lease and/or Real Property;
 - (d) it provides a general description of any likely financing associated with the proposed transaction;
 - (e) it describes any additional due diligence required to be conducted during Phase 2;
 - (f) it identifies any anticipated terms or conditions of the Sale Proposal that may be material to the proposed transaction; and
 - (g) it contains such other information reasonably requested by the Applicants in consultation with the Monitor and the Financial Advisor.
13. A Landlord LOI shall be deemed to be a Qualified LOI.
14. The Applicants, with the consent of the Monitor, and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements specified above (other than those in (c) and (d)) and deem such non-compliant bids to be a Qualified LOI. However, for the avoidance of doubt, the completion of any Sale Proposal shall be subject to the approval of the Court and the requirement of such approval may not be waived.

Assessment of Qualified LOIs and Continuation or Termination of Real Property Portfolio Sales Process

15. Within five (5) Business Days following the Phase 1 Bid Deadline, or such later date as may be determined by the Applicants, with the consent of the Monitor, and in consultation with the Financial Advisor, the Applicants will, in consultation with the Financial Advisor and the Monitor, assess the Qualified LOIs received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Qualified

Bid. For the purpose of such consultations and evaluations, the Monitor or the Financial Advisor may request clarification of the terms of any Qualified LOI submitted by an Interested Bidder.

16. In assessing the Qualified LOIs submitted in Phase 1, the Applicants, following consultation with the Monitor and the Financial Advisor will consider, among other things, the following:
 - (a) the form and amount of consideration being offered;
 - (b) the effect of accepting Sale Proposals which are not on an en bloc basis;
 - (c) the financial capability of the Interested Bidder to consummate the proposed transaction;
 - (d) the financial and other capability of the Interested Bidder to perform, observe and comply with the terms (including payment and other obligations) of the applicable Leases(s);
 - (e) the anticipated conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);
 - (f) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to result in the execution of a definitive agreement on or before the Targeted Outside Date; and
 - (g) such other criteria as the Applicants may, in consultation with the Monitor and the Financial Advisor, determine.
17. If one or more Qualified LOIs are received and the Applicants, with the consent of the Monitor, and in consultation with the Financial Advisor, determine that there is a reasonable prospect of obtaining a Qualified Bid, the Applicants shall continue the Real Property Portfolio Sales Process as set forth herein.

PHASE 2

Due Diligence

18. Each Interested Bidder that: (a) submits a Qualified LOI; and (b) is not eliminated from the Real Property Portfolio Sales Process by the Applicants, following consultation with the Financial Advisor and the Monitor, and after assessing whether such Qualified LOI meets the criteria in paragraph 16 herein, may be invited by the Applicants to participate in Phase 2 (each such bidder, a "**Competing Bidder**").
19. Subject to the provisions of paragraph 43, the Financial Advisor will provide each Competing Bidder with access to additional due diligence materials and information relating to the Leases and Real Property as the Applicants, in their reasonable business

judgment and in consultation with the Financial Advisor and the Monitor, determine appropriate, including all guarantees and indemnities by any person, and information or materials reasonably requested by Competing Bidders.

Stalking Horse Bids from Competing Bidders

20. The Applicants, in their reasonable business judgment, on consent of the Monitor, and in consultation with the Financial Advisor, may select one or more bids from Competing Bidders to serve as Selected Stalking Horse Bids. Paragraphs 20 to 26 apply only in the event one or more such bids is so selected to serve as a Selected Stalking Horse Bid. Any Competing Bidder that wishes to submit a stalking horse bid (a **"Stalking Horse Bid"**) must deliver a Qualified Bid in accordance with paragraph 29, as applicable, to the Financial Advisor at the address specified in Schedule "B" hereto (including by email transmission) so as to be received by it not later than 5:00 pm (Toronto time) on or before March 26, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the **"Stalking Horse Bid Deadline"**).
21. The Applicants, in consultation with the Financial Advisor and the Monitor, will review and evaluate each Stalking Horse Bid in accordance with the criteria set out in paragraph 31(b) for the review of Qualified Bids, and, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids specified herein which are applicable to any Stalking Horse Bid(s).
22. If one or more Stalking Horse Bids is received, the Applicants, exercising their reasonable business judgment, on consent of the Monitor and in consultation with the Financial Advisor, may select the Stalking Horse Bid(s) it considers most favourable and shall negotiate and attempt to settle the terms of a definitive agreement in respect of such Stalking Horse Bid(s).
23. A definitive agreement negotiated and settled in respect of a Stalking Horse Bid as selected by the Applicants on the consent of the Monitor will be a **"Selected Stalking Horse Bid"** hereunder and the person(s) who made the Selected Stalking Horse Bid will be a **"Selected Stalking Horse Bidder"** hereunder. For greater certainty, the Applicants may select more than one Selected Stalking Horse Bid on the consent of the Monitor; provided, however, that only one Selected Stalking Horse Bid may be selected in respect of any particular Lease and/or Real Property.
24. For the avoidance of doubt, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose, on the consent of the Monitor, one or more successful bidders as Selected Stalking Horse Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
25. The Applicants may grant, on consent of the Monitor and in consultation with the Financial Advisor, each Selected Stalking Horse Bidder, the following bid protections:

- (a) a Break Fee not to exceed 3.0% of the negotiated purchase price of the applicable Leases and/or the Real Property (the “**Break Fee**”); and/or
 - (b) an expense reimbursement of documented and reasonable out of pocket costs in pursuing the opportunity to consummate a Sale Proposal to a maximum amount of \$150,000 in the aggregate (the “**Expense Reimbursement**”).
26. A Selected Stalking Horse Bidder shall only be entitled to payment of a Break Fee and/or an Expense Reimbursement, as applicable, if and when the Applicants consummate a transaction for the applicable Leases and/or Real Property with a Successful Bidder or a Backup Bidder, neither of which is the Selected Stalking Horse Bidder.

Qualified Bids

27. The deadline for submission of bids to be considered for the sales of Lease(s) and/or Real Property (the “**Qualified Bids**”) shall be April 23, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender (the “**Qualified Bid Deadline**”).
28. A Landlord Qualified Bid shall be deemed to be a Qualified Bid.
29. Any Competing Bidder (other than a Selected Stalking Horse Bidder, which, for the avoidance of doubt, is deemed to be a Qualified Bidder) who wishes to become a Qualified Bidder must submit a Qualified Bid satisfying the conditions set forth below for the applicable Lease(s) and/or Real Property:
- (a) it is received by the Qualified Bid Deadline;
 - (b) it is a final binding proposal in the form of a duly authorized and executed purchase agreement, including the purchase price for the Leases and/or the Real Property proposed to be acquired, based on the Form of Purchase Agreement and accompanied by a clean Word version and a blacklined mark-up of the Form of Purchase Agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Competing Bidder with all exhibits and schedules thereto;
 - (c) it is irrevocable until the earlier of: (i) the approval by the Court of a Successful Bid, and (ii) 28 days following the Qualified Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer will remain irrevocable until the closing of its Successful Bid;
 - (d) it includes an irrevocable commitment of the Competing Bidder to serve as the Backup Bidder in accordance with the Sale Process Procedures;
 - (e) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate and perform the proposed transaction, and to meet all of the financial obligations under the Lease(s) that will allow the Monitor, in consultation with the Financial Advisor and the Applicants, to make a reasonable determination as to the Competing Bidder’s financial and other

capabilities to consummate and perform the transaction contemplated by its Qualified Bid;

- (f) it lists the Leases and/or the Real Property to be subject to the bid and an allocation of the purchase price on a property by property basis;
- (g) it includes details of any amendments which such Competing Bidder seeks to any such Lease(s) from the applicable landlord(s) and other non-landlord liabilities to be assumed by the Competing Bidder; for greater certainty, nothing in this Real Property Portfolio Sales Process shall be construed to (i) permit or require any amendments to the terms of any Lease(s) without the consent of the applicable landlord(s), or (ii) obligate any landlord to negotiate with a Competing Bidder regarding any such amendments;
- (h) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Competing Bidder; or
 - (ii) obtaining financing;
- (i) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- (j) with respect to any condition to closing contained in the definitive documentation, it outlines the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (k) it includes evidence, in form and substance reasonably satisfactory to the Applicants, the Monitor and the Financial Advisor, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid;
- (l) it is accompanied by a deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor on behalf of the Applicants, in trust, in an amount equal to 10% of the purchase price for the Leases and/or the Real Property proposed to be acquired, to be held and dealt with in accordance with the terms of a definitive agreement executed by an Applicant and this Real Property Portfolio Sales Process, provided, however, that such amount may be raised or lowered for any particular Qualified Bid by the Applicants, in their reasonable business judgment and in consultation with the Monitor and the Financial Advisor;
- (m) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by

operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and (iii) acknowledges that the occupancy of the premises set forth in the Leases may not be available until the completion of any inventory sale at the premises; and

- (n) it contains such other information reasonably requested by the Applicants, in consultation with the Monitor and the Financial Advisor.
30. The Applicants, with the consent of the Monitor and in consultation with the Financial Advisor, may waive compliance with any one or more of the requirements with respect to Qualified Bids or Landlord Qualified Bids specified herein.
31. The Applicants, in consultation with the Financial Advisor:
- (a) may, in consultation with the Monitor, engage in negotiations with Qualified Bidders as they deem appropriate and may accept revisions to Qualified Bids, in their discretion, that are otherwise consistent with these Sales Process Procedures;
 - (b) shall, on the consent of the Monitor, determine which is the most favourable bid with respect to such Lease(s) and/or Real Property, taking into account, among other things:
 - (i) the form and amount of consideration being offered;
 - (ii) whether the Qualified Bid maximizes value for the Leases and/or the Real Property, including the effect of accepting Sale Proposals which are not on an en bloc basis;
 - (iii) the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction;
 - (iv) the conditions to closing of the proposed transaction (including any required regulatory and landlord approvals);
 - (v) the terms and provisions of any proposed transaction documentation;
 - (vi) the estimated time required to complete the proposed transaction and whether, in the Applicants' reasonable business judgment, in consultation with the Monitor and the Financial Advisor, it is reasonably likely to result in the execution of a definitive agreement on or before the Targeted Outside Date; and
 - (vii) such other criteria as the Applicants may in consultation with the Monitor and the Financial Advisor determine.

Auction Process

32. The Applicants, in consultation with the Financial Advisor and the Monitor, shall commence one or more auctions (the "Auctions") on or about April 28, 2015.

33. The Applicants, in consultation with the Financial Advisor and the Monitor, shall conduct Auctions on the following terms:
- (a) only Qualified Bidders for the Lease(s) and/or Real Property to be auctioned and their financial and legal advisors shall be entitled to participate in an Auction;
 - (b) the Qualified Bidders who wish to participate at an Auction must appear in person;
 - (c) official actions at any Auction shall be made on the record in the presence of a court reporter;
 - (d) the Applicants and their advisors shall, at the outset of any Auction, announce:
 - (i) the Qualified Bid(s) selected by the Applicants, in their reasonable business judgment and on the consent of the Monitor in consultation with the Financial Advisor, that are the most favourable Qualified Bid(s) as of the date thereof (the “**Baseline Bid**”); and
 - (ii) procedures for the conduct of the Auction, including, among other things, any overbid amounts;
 - (e) to make a bid at the Auction, a Qualified Bidder will modify and resubmit its Qualified Bid, which resubmission shall become its new Qualified Bid;
 - (f) subsequent bids after the Baseline Bid must be higher and better (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) by at least the amount of any applicable overbids;
 - (g) the Auction shall continue until there are no further higher and better Qualified Bids (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) that comply with the procedures set forth for the Auction, and such highest and best Qualified Bid at the time shall become the “**Successful Bid**” (and the person(s) who made the Successful Bid shall become the “**Successful Bidder**”);
 - (h) the entity with the next-highest or otherwise second best Qualified Bid at the Auction (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) shall be required to serve as a backup bidder (the “**Backup Bidder**”). The identity of the Backup Bidder and the amount and material terms of the final Qualified Bid of the Backup Bidder (the “**Backup Bid**”) shall be announced by the Financial Advisor at the conclusion of the Auction concurrently with announcement of the Successful Bidder. The Backup Bidder shall be required to keep its Backup Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Toronto time) on the first Business Day that is 60 days after the date of the Auction (the “**Outside Backup Date**”) and (ii) the closing of the transaction with the Successful Bidder; and

- (i) any break fees or other fees due to a Selected Stalking Horse Bidder who is not a Successful Bidder or Backup Bidder shall be payable upon the consummation of the Successful Bid or Backup Bid, as applicable, for the applicable Leases and/or Real Property.
- 34. The Applicants, with the consent of the Monitor, and in consultation with the Financial Advisor, may modify Auction procedures at any time.
- 35. Notwithstanding the foregoing or anything else contained herein, the Applicants reserve the right, taking into account all other factors set forth herein (including execution risk), to choose one or more bidders as Successful Bidders that did not offer the highest purchase price for the Leases and/or the Real Property.
- 36. All Deposits will be retained by the Monitor and invested in a separate interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by any Successful Bidder whose bid is approved at the Approval Motion will be applied to the purchase price upon closing of the approved transaction and will be non-refundable. The Deposit (plus applicable interest) of each Qualified Bidder not selected as a Successful Bidder will be returned to such Qualified Bidder within five (5) Business Days of the date upon which the Successful Bids are approved by the Court; provided, however, that the Deposit of any Backup Bidder shall not be returned to such Backup Bidder until the earlier of (a) consummation of the Successful Bid and (b) the expiration of the Outside Backup Date. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within five (5) Business Days of the date upon which the Real Property Portfolio Sales Process is terminated in accordance with the Sale Process Procedures.
- 37. If a Successful Bidder breaches its obligations under its Qualified Bid, its Deposit shall immediately be forfeited to the Applicants without limiting any other of the Applicants' rights and remedies at law or at equity.

Approval Motion for Definitive Agreements

- 38. The Applicants will apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid(s), or for Lease(s) and/or Real Property not subject to an Auction, the applicable Qualified Bid(s), and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Bid(s) and Qualified Bid(s), as applicable, and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid(s) and Qualified Bid(s), as applicable. The Approval Motion may be adjourned or rescheduled by the Applicants, in consultation with the Monitor and the DIP Lender, and without further notice by an announcement of the adjourned date at the Approval Motion. Nothing in this Real Property Portfolio Sales Process and nothing in any arrangements made during the course thereof between the Monitor and/or the Applicants on the one hand and a Successful Bidder on the other shall in any way prejudice or impair the ability of a landlord(s) to object to the Court approval of a Successful Bid.

OTHER TERMS

Approvals

39. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid, Backup Bid or Qualified Bid, as applicable.

Amendment

40. If there is any proposed material modification to the Real Property Portfolio Sales Process by the Applicants, the Applicants will seek Court approval of such material modification on notice to the Service List. Otherwise, the Applicants retain the discretion, with the consent of the Monitor and the DIP Lender and in consultation with the Financial Advisor, to modify the Real Property Portfolio Sales Process from time to time.

DIP Lender Communications

41. The Applicants, the Monitor and the Financial Advisor will communicate and consult with the DIP Lender throughout the Real Property Portfolio Sales Process and will provide information to the DIP Lender in connection with such communications.

Monitor Updates

42. The Monitor will provide periodic updates to the Court on notice to the Service List with respect to the conduct and progress of the Real Property Portfolio Sales Process, including an update to be delivered to the Court at the conclusion of Phase 1, prior to the commencement of any Auction and at the conclusion of any Auction.

Reservation of Rights

43. The Applicants, in their reasonable business judgment and in consultation with the Monitor and the Financial Advisor, may provide Interested Bidders with any diligence materials and information, including site visits, that the Applicants deem necessary and appropriate to maximize the value of Real Property Portfolio Sales Process at any time after entry of the Sale Process Order.
44. Notwithstanding anything else contained herein, at any time after entry of the Sale Process Order, the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor may, from time to time, withdraw any Lease(s) and/or Real Property from this Real Property Portfolio Sales Process in accordance with the CCAA, the Applicants' rights under the Initial Order, or if any agreement is reached with the landlord of the relevant Lease(s).
45. The Applicants, after consultation with the Financial Advisor and on the consent of the Monitor, may reject any or all bids.

46. To the extent any notice of changes to these procedures or related dates, time, or locations is required or otherwise appropriate, the Monitor may publish such notices on the Monitor's public web site at <http://www.alvarezandmarsal.com/targetcanada> and the Applicants shall forthwith serve such notices on the Service List, and such notice shall be deemed satisfactory, subject to any other notice requirements specifically set forth herein or as required by the Court.
47. This Real Property Portfolio Sales Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Applicants or the Monitor and any Qualified Bidder, other than, with respect to the Applicants, as specifically set forth in a definitive agreement that may be executed by an Applicant. At any time during the Real Property Portfolio Sales Process, the Monitor may apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

Landlord Communications

48. The Applicants, the Monitor and the Financial Advisor will communicate with the landlords under the Leases from time to time, as appropriate, in connection with their respective interests in the Real Property Portfolio Sales Process.

Outside Date

49. If a definitive agreement with respect to a particular Lease(s) is not executed on or before June 1, 2015, any such Lease(s) that is not subject to a definitive executed agreement on or before such date (or not earlier disclaimed, which disclaimer has become effective by June 1, 2015) shall be released from the stay of proceedings and shall be disclaimed in accordance with the CCAA and the Initial Order on June 1, 2015.
50. If a transaction with respect to a particular Lease(s) has not been completed on or before June 30, 2015 or such later date as may be ordered by the Court, any such Lease(s) that is the subject of such transaction shall be released from the stay of proceedings and shall be disclaimed in accordance with the CCAA and the Initial Order on the later of (i) June 30, 2015, and (ii) such later date as may be ordered by the Court, as applicable.

SCHEDULE "A"

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Property LLC

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

SCHEDULE "B"

To the Company:

Target Canada Co.
5570 Explorer Drive
Mississauga, ON L4W 0C3

Attn: Aaron Alt
Email: aaron.alt@target.com

With a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attn: Tracy Sandler & Heather McKean
Email: tsandler@osler.com & hmckean@osler.com

To the Monitor:

Alvarez & Marsal Canada Inc., Court appointed Monitor of Target Canada Co. et al
Royal Bank Plaza , South Tower, Suite 2900
PO Box 22
Toronto ON M5J 2J1

Attn: Doug McIntosh and Bill Kosturos
Email: dmcintosh@alvarezandmarsal.com & bkosturos@alvarezandmarsal.com

With a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attn: Jay Carfagnini and Ken Herlin
Email: jcarfagnini@goodmans.ca & kherlin@goodmans.ca

To the Financial Advisor:

Lazard Freres & Co. LLC.
30 Rockefeller Plaza
New York, NY 10112

Attn: Tim Pohl & Phillip Summers
Email: tim.pohl@lazard.com & phillip.summers@lazard.com

To the Broker:

Northwest Atlantic Canada, Inc.
864 York Mills Road
Toronto, Ontario M3B 1Y4

Attn: Tim Sanderson
Email: tim@nwaretail.com

To the DIP Lender:

Target Corporation
1000 Nicollet Mall
Minneapolis, MN 55403

Attn: Corey Haaland
Email: corey.haaland@target.com

With a copy to:

Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Attn: Dennis M. Ryan
Email: dennis.ryan@faegrebd.com

SCHEDULE "C"

Leases

| ID # | Description | City | Province |
|------|-----------------------------------|--------------------------|----------|
| 3505 | Bayshore Mall | Ottawa | ON |
| 3507 | Intercity Shopping Centre | Thunder Bay | ON |
| 3508 | Discovery Harbour Shopping Centre | Campbell River | BC |
| 3509 | Nanaimo North Town Centre | Nanaimo | BC |
| 3510 | Westmount Shopping Centre | London | ON |
| 3511 | Hazeldean Mall | Kanata | ON |
| 3512 | Driftwood Mall | Courtenay | BC |
| 3516 | Carrefour Richelieu | St-Jean-sur-Richelieu | QC |
| 3519 | South Hamilton Square | Hamilton | ON |
| 3522 | County Fair Mall | Smiths Falls | ON |
| 3524 | Queenston Place | Hamilton | ON |
| 3526 | Lawrence Square | Toronto | ON |
| 3530 | Sydney Shopping Centre | Sydney | NS |
| 3533 | Thames-Lea Plaza | Chatham-Kent | ON |
| 3534 | Lansdowne Centre | Richmond | BC |
| 3538 | Forest Lawn Shopping Centre | Calgary | AB |
| 3547 | Les Galeries Gatineau | Gatineau | QC |
| 3548 | Hillside Mall | Victoria | BC |
| 3550 | Uptown Centre | Fredericton | NB |
| 3552 | Westdale Mall | Mississauga | ON |
| 3557 | Scottsdale Mall | Delta | BC |
| 3559 | Five Points Mall | Oshawa | ON |
| 3560 | Lindsay Square Mall | Lindsay | ON |
| 3561 | Kingsway Garden Mall | Edmonton | AB |
| 3564 | Sherwood Park Mall | Edmonton (Sherwood Park) | AB |
| 3565 | Upper Canada Mall | Newmarket | ON |
| 3566 | Northwest Centre | Moncton | NB |
| 3572 | Milton Mall Shopping Centre | Milton | ON |
| 3574 | Prairie Mall | Grande Prairie | AB |
| 3575 | Cottonwood Mall | Chilliwack | BC |
| 3576 | Carrefour St-Georges | Saint-Georges | QC |
| 3577 | The Mall At Lawson Heights | Saskatoon | SK |
| 3586 | Haney Place Mall | Maple Ridge | BC |
| 3590 | Carrefour De L'Estrie | Sherbrooke | QC |
| 3591 | Cataraqui Town Centre | Kingston | ON |
| 3592 | Les Rivières Shopping Centre | Trois-Rivières | QC |
| 3595 | Carrefour Angrignon | Montreal | QC |
| 3608 | Cambridge Centre | Cambridge | ON |
| 3609 | Centrepoint Mall | Toronto | ON |
| 3610 | Terrarium Shopping Centre | Pointe-Claire | QC |
| 3613 | Le Carrefour Rimouski | Rimouski | QC |
| 3614 | Medicine Hat Mall | Medicine Hat | AB |
| 3615 | Tamarack Mall | Cranbrook | BC |
| 3616 | Coquitlam Centre | Coquitlam | BC |
| 3617 | Surrey Place/Central City | Surrey | BC |
| 3623 | Bramalea City Centre | Brampton | ON |
| 3624 | Bower Place | Red Deer | AB |
| 3628 | Meadowlands Shopping Centre | Ottawa-Gatineau | ON |
| 3630 | 1899 Algonquin Avenue | North Bay | ON |

| | | | |
|------|----------------------------------|----------------------------|----|
| 3634 | Place Portabello | Brossard | QC |
| 3636 | Square One | Mississauga | ON |
| 3637 | Charlottetown Mall | Charlottetown | PE |
| 3639 | Durham Centre | Ajax | ON |
| 3642 | Laurentian Power Centre | Kitchener | ON |
| 3644 | Kildonan Place Shopping Centre | Winnipeg | MB |
| 3645 | Seaway Mall | Welland | ON |
| 3646 | Erin Mills Town Centre | Mississauga | ON |
| 3647 | Galeries D'Anjou | Montreal | QC |
| 3648 | West Edmonton Mall | Edmonton | AB |
| 3650 | Corner Brook | Corner Brook | NL |
| 3652 | Bayers Lake Power Centre | Halifax | NS |
| 3655 | McAllister Place | Saint John | NB |
| 3657 | Carrefour Du Nord | Saint-Jerome | QC |
| 3658 | RioCan St. Laurent | Ottawa | ON |
| 3663 | Pickering Town Centre | Pickering | ON |
| 3665 | Orillia Square | Orillia | ON |
| 3666 | Hillcrest Mall | Richmond Hill | ON |
| 3667 | Bridlewood Mall | Scarborough | ON |
| 3668 | Shoppers World Brampton | Brampton | ON |
| 3669 | Sheridan Mall | Mississauga | ON |
| 3670 | Hopedale Mall | Oakville | ON |
| 3671 | Meadowland Power Centre | Hamilton | ON |
| 3672 | Conestoga Mall | Waterloo | ON |
| 3677 | Sudbury Supermall | Sudbury | ON |
| 3682 | Southdale Centre | Winnipeg | MB |
| 3688 | Village Green Mall | Vernon | BC |
| 3690 | Willowbrook Shopping Centre | Langley | BC |
| 3693 | Carrefour St-Eustache | Saint-Eustache | QC |
| 3694 | St. Albert Centre | St. Albert | AB |
| 3695 | Mega Centre Autoroute 13 | Laval | QC |
| 3696 | Les Galeries De La Capitale | Quebec City | QC |
| 3697 | Mic Mac Mall | Halifax | NS |
| 3698 | Orchard Park Plaza | Kelowna | BC |
| 3699 | Stratford Mall | Stratford | ON |
| 3702 | Place Longueuil | Longueuil | QC |
| 3704 | Place Alexis Nihon | Westmount | QC |
| 3705 | Place Versailles Shopping Centre | Montreal | QC |
| 3706 | Masonville Place | London | ON |
| 3707 | Woodbine Centre | Toronto | ON |
| 3708 | Devonshire Mall | Windsor | ON |
| 3709 | Les Promenades Saint-Bruno | Saint-Bruno-de-Montarville | QC |
| 3710 | Bonnie Doon | Edmonton | AB |
| 3711 | Oakridge Centre | Vancouver | BC |
| 3713 | Sunridge Mall | Calgary | AB |
| 3714 | Market Mall | Calgary | AB |
| 3715 | Cloverdale Mall | Toronto | ON |
| 3717 | Metropolis At Metrotown | Burnaby | BC |
| 3718 | Les Galeries Joliette | Joliette | QC |
| 3719 | Pine Centre | Prince George | BC |
| 3725 | Galeries Chagnon | Levis | QC |
| 3728 | Northgate Mall | Regina | SK |
| 3729 | Shoppers World Danforth | Toronto | ON |
| 3730 | Pen Centre | St. Catharines | ON |
| 3731 | Bedford Place | Bedford | NS |

| | | | |
|------|---------------------------|---------------|----|
| 3732 | Cabot Square | St John's | NL |
| 3737 | Shoppes At Shawnessy | Calgary | AB |
| 3738 | Burlington Mall | Burlington | ON |
| 3739 | Abbotsford Power Centre | Abbotsford | BC |
| 3742 | East York Town Centre | Toronto | ON |
| 3743 | Place Fleur De Lys | Quebec City | QC |
| 3744 | Sahali Centre Mall | Kamloops | BC |
| 3746 | Billings Bridge Plaza | Ottawa | ON |
| 3747 | Grant Park | Winnipeg | MB |
| 3749 | Aurora Shopping Centre | Aurora | ON |
| 3751 | Gates Of Fergus | Wellington | ON |
| 3753 | Centre Mall | Hamilton | ON |
| 3754 | Signal Hill Centre | Calgary | AB |
| 3755 | Place Laurier | Quebec City | QC |
| 3757 | Clarington Town Centre | Clarington | ON |
| 3759 | Stone Road Mall | Guelph | ON |
| 3760 | Tillicum Mall | Victoria | BC |
| 3761 | Millcroft Centre | Burlington | ON |
| 3762 | Flamborough Power Centre | Hamilton | ON |
| 3763 | Shoppers Mall | Brandon | MB |
| 3764 | Place D'Orleans | Ottawa | ON |
| 3765 | Faubourg Boisbriand | Boisbriand | QC |
| 3766 | Centre At Circle & Eighth | Saskatoon | SK |
| 3767 | Taunton Road Power Centre | Whitby | ON |
| 3768 | Eglinton and Warden | Toronto | ON |
| 3769 | Place Vertu | St Laurent | QC |
| 3770 | Mill Woods Town Centre | Edmonton | AB |
| 3772 | Chinook Centre | Calgary | AB |
| 3773 | Trinity Common | Brampton | ON |
| 7000 | Centre Laval | Laval | QC |
| 7001 | RioCan Niagara Falls | Niagara Falls | ON |
| 7002 | Stockyards | Toronto | ON |
| 7008 | York Street | Toronto | ON |
| 7325 | Warehouse space | Mississauga | ON |
| 7326 | Warehouse space | Calgary | AB |
| 7327 | Warehouse space | Montreal | QC |
| 7328 | Warehouse space | Burnaby | BC |
| 7329 | Distribution Facility | Hamilton | ON |
| 7330 | Distribution Facility | Calgary | AB |
| 7403 | Office space | Oshawa | ON |
| 7404 | | | |
| 7405 | Office space | Burlington | ON |
| 7406 | | | |
| 7407 | Office space | Burnaby | BC |
| 7408 | | | |
| 7409 | | | |
| 7410 | Office space | Edmonton | AB |
| 7411 | Office space | Calgary | AB |
| 7412 | Office space | Winnipeg | MB |
| 7413 | Office space | Montreal | QC |
| 7414 | | | |
| 7415 | | | |
| 7416 | Office space | Quebec City | QC |
| 7417 | Office space | Ottawa | ON |
| 7418 | Office space | Dartmouth | NS |

| | | | |
|--------------------------------------|--------------|-------------|----|
| 9730 | Office space | Mississauga | ON |
| 9731 7400 7401 7402 7419 | Office space | Mississauga | ON |

SCHEDULE "D"

Real Property

| <u>ID #</u> | <u>Description</u> | <u>City</u> | <u>Province</u> |
|-------------|-----------------------|-------------|-----------------|
| 7004 | Park Place | Barrie | ON |
| 7006 | Candiac Power Centre | Candiac | QC |
| 7012 | Polo Park | Winnipeg | MB |
| 7300 | Distribution Facility | Milton | ON |
| 7301 | Distribution Facility | Calgary | AB |
| 7302 | Distribution Facility | Cornwall | ON |

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

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

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ELEVENTH REPORT OF THE MONITOR

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Appendix “C”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

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

**TWELFTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

MAY 15, 2015

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1.0 INTRODUCTION

- 1.1 On January 15, 2015, Target Canada Co. (“**TCC**”) and those companies listed in **Appendix “A”** (collectively, the “**Applicants**”), together with the Partnerships also listed in **Appendix “A”** (the “**Partnerships**”, and collectively with the Applicants, the “**Target Canada Entities**”), applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated January 15, 2015, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed Monitor of the Target Canada Entities in the CCAA proceedings (the “**Monitor**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 On February 11, 2015, this Court issued the “**Amended and Restated Initial Order**” (hereinafter, unless the context otherwise requires, the “**Initial Order**”), which incorporates certain changes to the Initial Order granted January 15, 2015 that were described in the Second Report of the Monitor (the “**Second Report**”) dated February 9, 2015.
- 1.3 In connection with the CCAA Proceedings, the Monitor has provided to this Court eleven reports and one supplementary report (the “**Supplementary Report**”, and collectively, the “**Monitor’s Reports**”). A&M has also provided to this Court the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) dated January 14, 2015 (together with the Monitor’s Reports, the “**Prior Reports**”). The Prior Reports, the Initial Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/targetcanada.
- 1.4 Further to the Eleventh Report of the Monitor dated May 12, 2015 (the “**Eleventh Report**”), the purpose of this Twelfth Report of the Monitor (the “**Twelfth Report**”) is to provide this Court

with information regarding a series of motions brought by the Applicants for the approval of certain transactions in respect of a total of 46 of TCC's owned and leased real estate assets entered into pursuant to and in accordance with the Real Property Portfolio Sales Process, with the counterparties and general descriptions of these transactions as follows:

Canadian Tire Real Estate Limited (“Canadian Tire”) - \$17.654 million aggregate consideration¹

- (a) Lease Transfer Agreement dated May 5, 2015 between TCC and Canadian Tire for the transfer of TCC's right, title and interest in and to twelve leases to Canadian Tire (the “**Lease Transfer Agreement – Canadian Tire**”);

Lowe's Companies Canada, ULC (“Lowe's”) - \$151.25 million aggregate consideration

- (b) Agreement of Purchase and Sale dated May 7, 2015 between TCC and Lowe's for the purchase of TCC's owned distribution centre in Milton, Ontario (the “**Milton DC**”, and the agreement, the “**Milton DC APA**”);
- (c) Lease Transfer Agreement dated May 6, 2015 between TCC and Lowe's for the transfer of TCC's right, title and interest in and to 13 leases to Lowe's (the “**Lowe's Lease Transfer Agreement**”);

Sobeys Capital Incorporated (“Sobeys”) - \$50 million aggregate consideration

- (d) Agreement of Purchase and Sale dated May 7, 2015 between TCC and Sobeys for the purchase of TCC's owned distribution centre in Calgary, Alberta (the “**Calgary DC**”, and the agreement, the “**Calgary DC APA**”);

¹ All aggregate consideration amounts listed in this section are subject to closing adjustments and may in some cases be subject to reduction if a landlord consent, amending agreement, or in the alternative, an approval and vesting order providing for the assignment of a lease is not obtained, all as discussed below.

Wal-Mart Canada Corp. (“Wal-Mart”) - \$164.75 million aggregate consideration

- (e) Agreement of Purchase and Sale dated May 7, 2015 between TCC and Wal-Mart for the purchase of TCC’s owned distribution centre in Cornwall, Ontario (the “**Cornwall DC**”, and the agreement, the “**Cornwall DC APA**”);
- (f) Lease Transfer Agreement dated May 6, 2015 between TCC and Wal-Mart for the transfer of TCC’s right, title and interest in and to twelve leases to Wal-Mart (the “**Lease Transfer Agreement – Wal-Mart**”);
- (g) Agreement of Purchase and Sale and dated May 6, 2015 between TCC and Wal-Mart for the purchase of TCC’s owned property in Candiac, Quebec (the “**Candiac Store**” and the agreement, the “**Candiac APA**”)²;

Other Single Property Transactions – approximately \$5.7 million aggregate consideration

- (h) Agreement of Purchase and Sale dated May 6, 2015 between TCC and Park Place Acquisition Corporation for the purchase of TCC’s owned property in Barrie, Ontario (the “**Park Place Store**” and the agreement, the “**Park Place APA**”); and
- (i) a series of separate transactions each of which transfer or surrender all of TCC’s right, title and interest in and to four separate leases to those parties as detailed herein.

1.5 This Twelfth Report will also provide the Monitor’s conclusions and recommendations in connection with the foregoing.

² Wal-Mart and TCC also entered into a Purchase Price Agreement dated May 6, 2015 with respect to the Lease Transfer Agreement – Wal-Mart and the Candiac APA (the “**Purchase Price Agreement**”).

1.6 The Monitor has reserved time with this Court on May 19, 20, 21, and June 2, 4 and 9 for the purpose of addressing the various approval motions brought and to be brought by the Applicants in respect of the proposed transactions.

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

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

2.3 This Twelfth Report should be read in conjunction with the affidavits of Mark J. Wong, General Counsel and Assistant Secretary of TCC (the “**Wong Affidavits**”), as referenced throughout this Twelfth Report.

2.4 Capitalized terms not otherwise defined in this Twelfth Report are as defined in the Prior Reports, the Initial Order and the Wong Affidavits, as applicable.

2.5 Unless otherwise stated, all monetary amounts contained in this Twelfth Report are expressed in Canadian dollars.

3.0 REAL PROPERTY PORTFOLIO SALES PROCESS

3.1 The Monitor recently provided a comprehensive update on the Real Property Portfolio Sales Process in the Eleventh Report , a copy of which is attached as **Appendix “B”** to this Twelfth Report.

4.0 PROPOSED CANADIAN TIRE TRANSACTION

4.1 As set out in further detail in this section, TCC has entered into an agreement with Canadian Tire for the transfer of 12 leases, as described below. The Applicants’ motion for approval of this transaction is returnable on May 19, 2015.

4.2 As described in the Wong Affidavit sworn on May 8, 2015 (the “**Wong Affidavit – Canadian Tire**”), Canadian Tire submitted a Qualified Bid in respect of 12 leases in which Canadian Tire offered to purchase and assume from TCC all of TCC’s right, title and interest in and to the 12 leases. Canadian Tire’s Qualified Bid was irrevocable until May 4, 2015 (i.e. before the auction process, which was scheduled to begin on May 5, 2015) and was conditional on any required amendments to the 12 leases being agreed to between Canadian Tire and the respective landlords by May 5, 2015.

4.3 The 12 leases included in the proposed transaction with Canadian Tire (collectively, the “**Twelve Canadian Tire Leases**”) are:

| Store Number | Property³ | City |
|---------------------|-----------------------------|---------------|
| 3512 | Driftwood Mall | Courtenay, BC |
| 3548 | Hillside Mall | Victoria, BC |
| 3566 | Northwest Centre | Moncton, NB |
| 3613 | Le Carrefour Rimouski | Rimouski, QC |
| 3615 | Tamarack Mall | Cranbrook, BC |

³ Seven of the Twelve Canadian Tire Leases are guaranteed by Target Corporation.

| Store Number | Property³ | City |
|---------------------|----------------------------------|---------------|
| 3652 | Bayers Lake Power Centre | Halifax, NS |
| 3677 | Sudbury Supermall | Sudbury, ON |
| 3688 | Village Green Mall | Vernon, BC |
| 3704 | Place Alexis Nihon | Westmount, QC |
| 3705 | Place Versailles Shopping Centre | Montreal, QC |
| 3747 | Grant Park | Winnipeg, MB |
| 3749 | Aurora Shopping Centre | Aurora, ON |

4.4 Following the Qualified Bid Deadline, Lazard continued to negotiate with Canadian Tire and facilitated discussions and negotiations between Canadian Tire and the respective landlords for each of the leases.

4.5 After receiving confirmation that Canadian Tire was well advanced in its discussions with the landlords, and taking into consideration how the Twelve Canadian Tire Leases aligned with the interest expressed across TCC's lease portfolio, TCC elected to enter into a transaction with Canadian Tire for the Twelve Canadian Tire Leases in advance of an auction for an aggregate purchase price of \$17.654 million, subject to adjustments. In deciding to enter into a transaction with Canadian Tire in advance of auction, TCC considered the fact that the total aggregate return on Canadian Tire's offer exceeded the aggregate consideration offered in other Qualified Bids for the leases, individually. TCC also considered that Canadian Tire's offer was conditional on all of the Twelve Canadian Tire Leases being included in the proposed transaction, however in the event that landlord consent and lease amendments, or, in the alternative, an approval and vesting order, could not be obtained for an individual lease, such lease would be removed from the transaction with the purchase price adjusted accordingly so that the remainder of the transaction would not be put at risk. Finally, the Canadian Tire offer was conditional on the Twelve Canadian Tire Leases not being included in an Auction.

4.6 TCC subsequently entered into the Lease Transfer Agreement – Canadian Tire, defined and described below.

Canadian Tire Lease Transfer Agreement

4.7 On May 5, 2015, TCC and Canadian Tire entered into the Lease Transfer Agreement – Canadian Tire in respect of the Twelve Canadian Tire Leases, a copy of which is attached as Exhibit “B” to the Wong Affidavit – Canadian Tire.

4.8 The key provisions of the Lease Transfer Agreement – Canadian Tire are summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Lease Transfer Agreement.

| Summary of Canadian Tire Lease Transfer Agreement Target Canada Co. (the “Assignor”) and Canadian Tire Real Estate Limited (the “Assignee”) | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Assignor agrees to sell, assign and transfer to the Assignee, and the Assignee agrees to purchase and assume from the Assignor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Lease Transfer Agreement (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Assignor, if any, in and to: (a) the Leases; (b) the Realty Tax Appeals and Realty Tax Refunds; and (c) FF&E, but excludes the Assignor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Assignor relating to the Premises not included in the foregoing. • Subject Assets includes the leases and agreements for the twelve (12) store locations “Premises” listed on Schedules “B” to the Agreement. • Except as expressly stated in the Agreement, the Assignee is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets is \$17,654,000 (the “Purchase Price”) exclusive of all Taxes, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On the business day following the Execution Date, \$2,500,000 (the “Deposit”) is to be paid by the Assignee to the Monitor, in trust, pending the completion or other termination of the Agreement. The Execution Date was May 5, 2015. The Deposit amount has been paid to the Monitor, in trust. |

| Summary of Canadian Tire Lease Transfer Agreement Target Canada Co. (the “Assignor”) and Canadian Tire Real Estate Limited (the “Assignee”) | |
|--|---|
| Adjustments | <ul style="list-style-type: none"> The Assignor shall prepare a statement of adjustments and deliver same with supporting documentation to the Assignee no later than seven (7) business days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate shall be made by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate shall serve as a final determination. There shall be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments shall be final. |
| Other Locations | <ul style="list-style-type: none"> The Assignee agrees that it will permit Lowe’s Companies Canada, ULC or its affiliates to sell hardware, electrical supplies, plumbing supplies, paint and wallpaper and operate a big box home improvement store at the following locations: Nanaimo North Town Centre, Nanaimo BC, and Centrepoint Mall, Toronto ON. The Assignee agrees to use commercially reasonable efforts for the period from the date of the Agreement to 30 days following the closing date to amend its rights under existing restrictive covenants or otherwise grant relief from such restrictive covenants to the Assignor, the relevant landlords, and third party assignees of leases from the Assignor pursuant to the Sales Procedures, such that the sale of hardware, electrical supplies, plumbing supplies, paint and wallpaper is no longer prohibited by the Assignee in order to permit such third party assignees to use the premises subject to such leases for the purposes of the operation of a big box home improvement store at the following locations: Shoppes at Shawnessy, Calgary AB, and Burlington Mall, Burlington ON. |
| Closing Date | <ul style="list-style-type: none"> The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the first Business Day following the date that is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding or at such other place, on such other date and at such other time as may be agreed upon in writing by the parties (the “Closing Date”). The Closing will be deemed to be effective as of the date and time set out in the Monitor’s Certificate. |
| Other Terms and Conditions | <ul style="list-style-type: none"> If the Assignee is not able to obtain Landlord Consent in respect of any Lease or an Approval and Vesting Order assigning such Lease on or before the date set out in section 8.3(a), the Parties shall proceed to complete the Transaction on the Closing Date with respect to those Leases for which the Parties have received an Approval and Vesting Order, and the Agreement shall be deemed amended to delete the Lease for which the Landlord Consent and/or Approval and Vesting Order has not been obtained, and the Purchase Price will be reduced by an amount agreed upon by the parties. The Assignee agrees, until closing, to use reasonable efforts to assist the Assignor in obtaining a full release of Assignor’s and Target Corporation’s obligations under the Leases and/or under any guarantee or indemnity of the obligations of the tenant under the Leases. |

4.9 As described in the Wong Affidavit – Canadian Tire, TCC has been advised by Canadian Tire that it has obtained all necessary consents and has negotiated and entered into the necessary

amendment agreements with the relevant landlords, thereby significantly increasing the certainty that the transaction will close for the full consideration provided for in the agreement.

4.10 The request for waivers of restrictive covenants from Canadian Tire in respect of the four locations indicated in the “Other Locations” section of the chart above was negotiated by TCC in order to help facilitate the proposed lease transaction with Lowe’s set out in Section 5.0 herein.

4.11 In summary, the Monitor recommends that the Lease Transfer Agreement – Canadian Tire be approved by the Court for, among others, the following reasons:

- (a) the total aggregate consideration of the *en bloc* bid exceeds that offered for the leases individually;
- (b) the number of leases being acquired; and
- (c) Canadian Tire has advised that they have received all necessary consents from the applicable landlords.

5.0 PROPOSED LOWE’S TRANSACTIONS FOR MILTON DC AND CERTAIN LEASES

5.1 As set out in greater detail below, TCC has entered into the Milton DC APA and the Lowe’s Lease Transfer Agreement, as described below. The Applicants’ motions for the approval of these transactions are returnable on May 20, 2015.

Milton DC Purchase Transaction

5.2 As previously described in the Eighth Report of the Monitor dated April 29, 2015 and in the Eleventh Report, a Selected Stalking Horse Bid (as defined in the Real Property Portfolio Sales Process) was negotiated and settled for the Milton DC in accordance with the parameters set out in the Real Property Portfolio Sales Process, including the bid protections set out in paragraph 25

therein (i.e. a break fee not to exceed 3.0% of the negotiated purchase price and an expense reimbursement to a maximum amount of \$150,000). The Agreement of Purchase and Sale as between TCC and the Selected Stalking Horse Bidder, dated April 17, 2015 (the “**Stalking Horse Agreement**”), was posted to the data room for the Real Property Portfolio Sales Process on that same date, and those Competing Bidders that had previously been provided with access to the area of the data room specific to the Milton DC were notified of the Selected Stalking Horse Bid. Lowe’s was the Selected Stalking Horse Bidder under the Stalking Horse Agreement, which included a purchase price of \$107 million, subject to the break fee and expense reimbursement referred to above.

5.3 As described in the Wong Affidavit served unsworn on May 13, 2015 (the “**Wong Affidavit – Milton DC**”), on April 23, 2015, CLP Milton Ltd. (“**CLP**”) submitted a Qualified Bid for the Milton DC.

5.4 Following discussions and negotiations between Lazard and each of Lowe’s and CLP, an Auction for the Milton DC was held at the Toronto offices of Osler, Hoskin & Harcourt LLP (“**Osler**”) on May 7, 2015, in accordance with the terms of the Real Property Portfolio Sales Process. Both Lowe’s and CLP participated in the Auction. Lowe’s final bid of \$125 million was determined by the Applicants, in consultation with Lazard and the Monitor, to be the highest and best bid. Lowe’s was selected as the “Successful Bidder” and CLP was selected as the “Backup Bidder”,⁴ in accordance with the Real Property Portfolio Sales Process.

Milton DC APA

5.5 On May 7, 2015, TCC and Lowe’s entered into the Milton DC APA. A copy of the Milton DC APA is attached as Exhibit “B” to the Wong Affidavit – Milton DC.

⁴ The agreement of purchase and sale between CLP, as Backup Bidder, and TCC was executed by CLP as of May 7, 2015.

5.6 The Milton DC APA is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Milton DC APA.

| Summary Of Milton DC Agreement Of Purchase And Sale Target Canada Co. (“Vendor”) and Lowe’s Companies Canada, ULC (“Purchaser”) | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date, in accordance with the terms and conditions of the Agreement of Purchase and Sale (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Vendor, if any, in and to: (a) the Property; (b) the Realty Tax Appeals; (c) the Warranties; (d) the Plans; and (e) the FF&E and Trade Fixtures, but excludes, the Vendor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing. • Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets is \$125,000,000 (the “Purchase Price”) exclusive of all Taxes, subject only to adjustments in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On or prior to 3:00pm (Toronto time) on the date that is two (2) Business Days following the Execution Date, \$12,500,000 (the “Deposit”) is to be paid by the Purchaser to the Monitor, in trust, pending the completion or other termination of the Agreement. The Execution Date was May 7, 2015. The Deposit amount has been paid to the Monitor, in trust. |
| Adjustments | <ul style="list-style-type: none"> • The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than five (5) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as the final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none"> • The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the date that is the later of: (i) two (2) Business Days following the date that the Purchaser obtains the Competition Act Approval in respect of the purchase and sale of the Subject Assets; and (ii) first Business Day following the date which is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the “Closing Date”). The Closing will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s Certificate. |

| Summary Of Milton DC Agreement Of Purchase And Sale Target Canada Co. (“Vendor”) and Lowe’s Companies Canada, ULC (“Purchaser”) | |
|--|---|
| Other Terms and Conditions | <ul style="list-style-type: none">• Competition Act Approval in respect of the purchase and sale of the Subject Assets on or before July 28, 2015 (or such other date as may be agreed upon in writing by the Parties) is a condition of closing. |

5.7 In summary, the Monitor recommends that the Milton DC APA be approved by the Court as it was determined by the Applicants, in consultation with Lazard and the Monitor, to be the highest and best bid at the Auction.

Lowe’s Lease Acquisition Transaction

5.8 As described in the Wong Affidavit sworn on May 8, 2015 (the “**Wong Affidavit – Lowe’s**”), Lowe’s submitted a Qualified Bid, in respect of 17 leases, pursuant to which Lowe’s offered to purchase and assume from TCC all of TCC’s right, title and interest in and to the 17 leases. Following the Qualified Bid Deadline, Lazard continued to negotiate with Lowe’s and, ultimately, the number of leases to be included in the proposed transaction was reduced to 13 leases, based, in part, on Lazard’s assessment that TCC would realize a greater return on its lease portfolio by pursuing transactions with other third parties for the other four leases. Lowe’s indicated that its offer for the Thirteen Lowe’s Leases was *en bloc*, and required that the Thirteen Lowe’s Leases be removed from the auction process. TCC, in consultation with the Monitor, concluded that it would be advantageous to pursue a transaction with Lowe’s in respect of the Thirteen Lowe’s Leases in advance of an auction, having regard to the lease portfolio in its totality and other information then at hand, including the interest expressed by other parties in the leases and the relative amount of consideration offered by Lowe’s.

5.9 The 13 leases that ultimately became the focus of the discussions and negotiations between TCC and Lazard (collectively, the “**Thirteen Lowe’s Leases**”) are as follows:

| Store Number | Property⁵ | City |
|---------------------|-----------------------------|-------------------|
| 3507 | Intercity Shopping Centre | Thunder Bay, ON |
| 3509 | Nanaimo North Town Centre | Nanaimo, BC |
| 3572 | Milton Mall Shopping Centre | Milton, ON |
| 3609 | Centrepoint Mall | North York, ON |
| 3658 | RioCan St. Laurent | Ottawa, ON |
| 3719 | Prince George | Prince George, BC |
| 3728 | Northgate Mall | Regina, SK |
| 3729 | Shoppers World Danforth | Toronto, ON |
| 3737 | Shoppes at Shawnessy | Calgary, AB |
| 3738 | Burlington Mall | Burlington, ON |
| 3739 | Abbotsford Power Centre | Abbotsford, BC |
| 3754 | Signal Hill Centre | Calgary, AB |
| 3760 | Victoria Tillicum | Victoria, BC |

5.10 Lowe's aggregate Qualified Bid amount for the Thirteen Lowe's Leases was \$26.25 million, subject to certain adjustments, in exchange for TCC's transfer of all of its right, title and interest in and to each of the Thirteen Lowe's Leases, the related Real Property Interests and the Premises, on the terms and conditions included in the Lowe's Lease Transfer Agreement.

5.11 Discussions are ongoing among and between Lowe's, the respective landlords to the Thirteen Lowe's Leases, and, to the extent necessary, third parties whose waiver and/or consent might be necessary or desirable to facilitate the Lowe's Lease Transfer Agreement.⁶ It is possible that landlord consents and lease amendments for any particular lease or leases with Lowe's, a home improvement store, as tenant, may not be able to be obtained. However, if one or more of the Thirteen Lowe's Leases cannot be included in the transaction as a result of issues relating to landlord consents, lease amendments, third party waivers or Non-Disturbance Agreements, the Lowe's Lease Transfer Agreement provides that any such leases are deemed removed from the

⁵ Nine of the Thirteen Lowe's Leases are guaranteed by Target Corporation.

⁶ As set out above, the Lease Transfer Agreement – Canadian Tire contains a waiver of restrictive covenants in respect of two of the Thirteen Lowe's Leases and covenants to use commercially reasonable efforts to obtain such relief in respect of two other of the Thirteen Lowe's Leases.

transaction and the transaction will proceed with respect to the balance of the leases, with a corresponding reduction of the purchase price.

5.12 Notwithstanding the nature of certain of the conditions underlying the proposed transaction and particular leases, TCC, in consultation with Lazard and the Monitor, formed the view that the total aggregate consideration from a transaction with Lowe’s for all of the Thirteen Lowe’s Leases is likely to be greater than the consideration that TCC could expect to receive from a piecemeal sale of these assets. As a result, TCC entered into a transaction with Lowe’s for the transfer of the Thirteen Lowe’s Leases, on the terms set out below.

Lowe’s Lease Transfer Agreement

5.13 On May 6, 2015, TCC and Lowe’s entered into the Lowe’s Lease Transfer Agreement in respect of the Thirteen Lowe’s Leases, a copy of which is attached as Exhibit “B” to the Wong Affidavit – Lowe’s.

5.14 The key provisions of the Lease Transfer Agreement – Lowe’s are summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Lowe’s Lease Surrender Agreement.

| Summary of Lowe’s Lease Transfer Agreement Target Canada Co. (“Assignor”) and Lowe’s (“Assignee”) | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Assignor agrees to sell, assign and transfer to the Assignee, and the Assignee agrees to purchase and assume from the Assignor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Lease Transfer Agreement (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Assignor, if any, in and to: (a) the Leases; (b) the Realty Tax Appeals; (c) the Plans; and (d) the FF&E and Trade Fixtures, but excludes the Assignor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Assignor relating to the Premises not included in the foregoing. • Subject Assets include the leases and agreements for the thirteen (13) store locations “Premises” listed on Schedule “A” to the Agreement. • Except as expressly stated in the Agreement, the Assignee is purchasing the Subject Assets |

| Summary of Lowe's Lease Transfer Agreement Target Canada Co. ("Assignor") and Lowe's ("Assignee") | |
|--|--|
| | (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an "as is, where is" basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> The purchase price for the Subject Assets is \$26,250,000 (the "Purchase Price") exclusive of all Taxes, subject only to adjustments in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> On or prior to 3:00pm (Toronto time) on the Business Day following the Execution Date (May 6, 2015), \$2,650,000 (the "Deposit") is to be paid by the Purchaser to the Monitor, in trust, pending the completion or other termination of the Agreement. The Deposit amount has been paid to the Monitor, in trust. An additional deposit in the amount of \$250,000 (the "Excess Deposit") was paid to the Monitor in trust on account of Lowe's original Qualified Bid. |
| Adjustments | <ul style="list-style-type: none"> The Assignor shall prepare a statement of adjustments and deliver same with supporting documentation to the Assignee no later than five (5) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none"> The completion of the transaction of purchase and sale contemplated by the Agreement (the "Closing") will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the date that is later of: (i) two (2) Business Days following the date that the Assignee obtains the Competition Act Approval in respect of the purchase and sale of Subject Assets; and (ii) the first Business Day following the date that is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the "Closing Date"). The closing will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor's certificate. |
| Landlord Consents/Amendments | <ul style="list-style-type: none"> In the event that the Assignee is unable to obtain: (i) a Landlord Consent, a Landlord Amendment and/or a Third Party Waiver with respect to a particular Lease; or (ii) a non-disturbance agreement on terms acceptable to the Assignee acting reasonably, where the Assignor's leasehold interest on the Property is subject to a mortgage that has priority over such Lease or there is not an existing non-disturbance agreement in effect (a "Non-Disturbance Agreement"), on or before the date that is fifteen (15) days prior to June 30, 2015,⁷ the Parties will proceed to complete the Transaction on the Closing Date in accordance with the Agreement with respect to the balance of the Leases. In such case, the Agreement will be deemed to be amended to delete the Lease(s) from the Agreement for which a Landlord Consent, Lease Amendment, Third Party Waiver or Non-Disturbance Agreement has not been obtained and the Purchase Price will be reduced by the amount allocated to such Lease(s) in accordance with Schedule "D" of the Agreement, but |

⁷ Or such later date as may be ordered by the Court.

| Summary of Lowe's Lease Transfer Agreement Target Canada Co. ("Assignor") and Lowe's ("Assignee") | |
|--|---|
| | in any event, the aggregate consideration shall not be less than \$2.625 million (even if no leases are transferred). |
| Other Terms and Conditions | <ul style="list-style-type: none">• The Assignee will use reasonable commercial efforts to obtain (i) the consent of the Landlords to the assignment of the Leases (to the extent such consent is required by the Leases) (the "Landlord Consents"); (ii) the agreement of the Landlords to make certain amendments to the Leases (the "Lease Amendments");⁸ and (iii) any required waivers from any third party retailers who hold rights that prohibit or restrict the Assignee's contemplated use and operation of the Premises (the "Third Party Waivers"), provided that no Third Party Waivers will permit the operation of such Premises for the sale of automotive parts and supplies, sporting goods, work wear and industrial wear (subject to certain exceptions) or the operation of an automotive centre, gas bar or car wash.• Competition Act Approval in respect of the purchase and sale of the Subject Assets on or before July 28, 2015 (or such other date as may be agreed upon in writing by the Parties) is a condition of closing. |

5.15 In summary, the Monitor recommends that the Lease Transfer Agreement – Lowe's be approved by the Court for, among others, the following reasons:

- (a) the total aggregate consideration of the *en bloc* bid exceeds that offered for the leases individually;
- (b) the number of leases being acquired; and
- (c) the flexibility provided by the deemed removal of leases in respect of which a consent, amendment or third party waiver is not obtained (with a corresponding reduction in purchase price) without putting the remainder of the transaction at risk, coupled with the guaranteed minimum purchase price.

⁸ Lowe's indicated the requested amendments would include, among others, the following: (i) to permit Lowe's contemplated use and operation, and contemplated alterations and improvements; (ii) to expand the premises or secure rights to use portions of the common areas; and (iii) to allow for Lowe's signage.

6.0 PROPOSED SOBEYS TRANSACTION FOR CALGARY DC

- 6.1 As set out in further detail in this section, TCC has entered into a transaction with Sobeys for the purchase of the Calgary DC, on the terms set out below. The Applicants' motion for the approval of this transaction is returnable on May 20, 2015.
- 6.2 As described in the Wong Affidavit served unsworn on May 13, 2015 (the "**Wong Affidavit – Calgary DC**"), Sobeys submitted a Qualified Bid in the amount of \$50 million, subject to certain adjustments, to purchase and acquire from TCC all of TCC's right, title and interest in and to the Subject Assets on the terms and conditions included in their proposed form of agreement of purchase and sale.
- 6.3 Prior to the Qualified Bid Deadline, another interested party (the "**Interested Party**") submitted an offer with respect to the Subject Assets. Although the indicated purchase price in the Interested Party's offer was higher, the offer did not comply with the criteria for Qualified Bids set out in the Real Property Portfolio Sales Process for a number of reasons, including that the offer was submitted in the form of a non-binding letter of intent, was subject to numerous conditions (including a 30-day diligence period), and the Interested Party did not submit a deposit.
- 6.4 Lazard engaged in discussions with the Interested Party to attempt to secure a binding offer with minimal conditions. On May 6, 2015, following numerous discussions between Lazard and the Interested Party, counsel for the Interested Party submitted a markup of the form of template purchase agreement that remained highly conditional, including a due diligence condition. While the Interested Party was invited to attend the auction to discuss and address the deficiencies in their form of sale agreement, they did not attend.

6.5 The Applicants, in consultation with Lazard and the Monitor, determined that the Interested Party's offer did not constitute a Qualified Bid pursuant to the terms of the Real Property Portfolio Sales Process, and, as a result, declared Sobeys as the "Successful Bidder" for the Calgary DC within the meaning of the Real Property Portfolio Sales Process.

Calgary DC APA

6.6 On May 7, 2015, TCC and Sobeys entered into the Calgary DC APA. A copy of the Calgary DC APA is attached as Exhibit "B" to the Wong Affidavit – Calgary DC.

6.7 The Calgary DC APA is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Calgary DC APA.

| Summary of Calgary DC Agreement of Purchase and Sale Target Canada Co. (the "Vendor") and Sobeys Capital Incorporated (the "Purchaser") | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Agreement of Purchase and Sale (the "Agreement"). • "Subject Assets" means all of the right, title and interest of the Vendor, if any, in and to: (a) the Property; (b) the Warranties; (c) the Included Improvements and Equipment; and (d) the FF&E, but excludes, the Vendor's right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing. • Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Encumbrances and Permitted Encumbrances) and accepting and assuming the Subject Assets on an "as is, where is" basis, subject to the terms of the Approval and Vesting Order, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets is \$50,000,000 (the "Purchase Price") exclusive of all Taxes, subject only to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On the Execution Date, \$5,000,000 (the "Deposit") is to be paid by the Purchaser to the Monitor, in trust, pending the completion or other termination of the Agreement. The Execution Date was May 7, 2015. The Deposit amount has been paid to the Monitor, in trust. |
| Adjustments | <ul style="list-style-type: none"> • The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than two (2) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be |

| Summary of Calgary DC Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Sobeys Capital Incorporated (the “Purchaser”) | |
|--|---|
| | reasonably determined as of the Closing Date, an estimate will be made by the Vendor as of the Closing Date based upon the best information available to the Parties at such time, and such estimate shall, subject to the approval of the Purchaser such approval not to be unreasonably withheld, serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none">• The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on June 30, 2015 or at such other place, on such other date and at such other time as may be agreed upon in writing by the parties (the “Closing Date”). The Closing will take effect, pursuant to the Approval and Vesting Order, upon the delivery of the Monitor’s Certificate. |

6.8 In summary, the Monitor recommends that the Calgary DC APA be approved by the Court as it was determined by the Applicants, in consultation with Lazard and the Monitor, to be the Successful Bid.

7.0 PROPOSED WAL-MART TRANSACTIONS

7.1 As set out in greater detail in this section, TCC has entered into a series of transactions with Wal-Mart for: (i) the purchase of the TCC-owned Cornwall DC; (ii) the transfer of certain leases to Wal-Mart; and (iii) the purchase of the TCC-owned Candiac Store. The Applicants’ motions for the approval of these transactions will be bifurcated, with the motion for approval of the Cornwall DC transaction returnable on May 20, 2015, and the motions for the approval of the lease transfers and purchase of the TCC-owned property returnable on May 21, 2015.

Sale of Cornwall DC to Wal-Mart

7.2 As described in the Wong Affidavit served unsworn on May 13, 2015 (the “**Wong Affidavit – Cornwall DC**”), Qualified Bids were received from Wal-Mart and Trans-Plus V.M. Inc. (“**Trans-Plus**”) to acquire all of TCC’s right, title and interest in and to the Cornwall DC and

related assets on the terms and conditions included in their respective proposed forms of agreement of purchase and sale.

7.3 Following discussions and clarifications with each of Wal-Mart and Trans-Plus, an Auction for the Cornwall DC was held at Osler's Toronto offices on May 7, 2015, in accordance with the terms of the Real Property Portfolio Sales Process. Wal-Mart and Trans-Plus participated in the Auction. Wal-Mart's final bid of \$80.75 million was determined by the Applicants, in consultation with Lazard and the Monitor, to be the highest and best bid. Wal-Mart was selected as the "Successful Bidder" and Trans-Plus was selected as the "Backup Bidder",⁹ in accordance with the Real Property Portfolio Sales Process.

7.4 On May 7, 2015, TCC and Wal-Mart entered into the Cornwall DC APA. A copy of the Cornwall DC APA is attached as Exhibit "B" to the Wong Affidavit – Cornwall DC.

7.5 The Cornwall DC APA is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Cornwall DC APA.

| Summary of Cornwall DC Agreement of Purchase and Sale Target Canada Co. (the "Vendor") and Wal-Mart Canada Corp. (the "Purchaser") | |
|---|---|
| Object and Intent | <ul style="list-style-type: none">• Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date, free and clear of all Encumbrances other than Permitted Encumbrances, in accordance with the terms and conditions of the Agreement of Purchase and Sale (the "Agreement").• "Subject Assets" means all of the right, title and interest of the Vendor, if any, in and to: (a) the Property; (b) the Realty Tax Appeals and the Realty Tax Refunds; (c) the Warranties; (d) the Included FF&E; and (e) the Plans, but excludes, the Vendor's right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing.• Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an "as is, where is" basis, without any written or oral statements, representations, warranties, promises or guarantees of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), |

⁹ The agreement with the Backup Bidder is in the process of being documented.

| Summary of Cornwall DC Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Wal-Mart Canada Corp. (the “Purchaser”) | |
|---|--|
| | as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> The purchase price for the Subject Assets is \$80,750,000 (the “Purchase Price”) exclusive of all Taxes. |
| Deposit | <ul style="list-style-type: none"> On the business day following the Execution Date, \$8,075,000 (the “Deposit”) is to be paid by the Purchaser to the Monitor, in trust, pending the completion or earlier termination or non-completion of the Agreement. The Execution Date was May 7, 2015. The Deposit amount has been paid to the Monitor, in trust. |
| Adjustments | <ul style="list-style-type: none"> The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than five (5) Business Days prior to the Closing Date, and the Purchaser will review same and provide any comment thereon within two (2) Business Days of the receipt thereof. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be agreed upon by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as the final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none"> The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the first Business Day following the date which is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding, or at such other place, on such other date and at such other time as may be agreed upon in writing by the Parties (the “Closing Date”). The Closing will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s Certificate. |

7.6 In summary, the Monitor recommends that the Cornwall DC APA be approved by the Court as it was determined by the Applicants, in consultation with Lazard and the Monitor, to be the highest and best bid at the Auction.

Sale of Twelve Leases and TCC-Owned Candiatic Store to Wal-Mart

7.7 As described in the Wong Affidavit served unsworn on May 14, 2015 (the “**Wong Affidavit – Wal-Mart Leases and Candiatic Store**”), Wal-Mart submitted a Qualified Bid in which it offered \$70 million to purchase TCC’s owned store in Candiatic and nine leases.¹⁰ Wal-Mart

¹⁰ Wal-Mart also submitted a conditional offer to acquire four other leases for a purchase price of \$0. Three of those leases were ultimately include in the Lease Transfer Agreement – Wal-Mart.

simultaneously offered to purchase, in addition to the nine leases, the Cornwall DC, and the TCC-owned Store in Candiac in an *en bloc* transaction for \$130 million, subject to adjustments.

7.8 Following the Qualified Bid Deadline, Lazard continued to negotiate with Wal-Mart and the confirmed number of leases to be included in the proposed transaction was increased to twelve. The aggregate consideration under the Qualified Bid was increased to \$84 million,¹¹ subject to adjustments, in respect of the 12 leases and the Candiac Store, on the condition that an agreement (or agreements) be entered into prior to the commencement of any auction, and that the subject leases and the Candiac Store be removed from the auction process. Wal-Mart also advised Lazard that it was prepared to agree to permit “kick-out” rights in respect of any lease where landlord consent or lease amendment, or in the alternative, an approval and vesting order assigning such lease, could not be obtained.

7.9 The 12 leases that are included in the proposed Wal-Mart transaction (collectively, the “**Twelve Wal-Mart Leases**”) are:

| Store Number | Property ¹² | City |
|--------------|-----------------------------|--------------------|
| 3505 | Bayshore Shopping Centre | Ottawa, ON |
| 3557 | Scottsdale Mall | Delta, BC |
| 3586 | Haney Place Mall | Maple Ridge, BC |
| 3610 | Terrarium Shopping Centre | Pointe Claire, QC |
| 3616 | Coquitlam Centre | Coquitlam, BC |
| 3617 | Surrey Place / Central City | Surrey, BC |
| 3682 | Southdale Centre | Winnipeg, MB |
| 3725 | Galleries Chagnon | Levis, QC |
| 3730 | Pen Centre | St. Catharines, ON |
| 3743 | Place Fleur De Lys | Quebec City, QC |
| 3746 | Billings Bridge Plaza | Ottawa, ON |
| 3759 | Guelph | Guelph, ON |

¹¹ Allocated under the Purchase Price Agreement as follows: \$70 million to the Twelve Wal-Mart Leases, and \$14 million to the Candiac Store.

¹² Three of the Twelve Wal-Mart Leases are guaranteed by Target Corporation.

7.10 In light of the aforementioned factors, TCC entered into a transaction with Wal-Mart for the Twelve Wal-Mart Leases, as summarized below. In so doing, TCC, in consultation with Lazard and the Monitor, considered, among other things, Qualified Bids that had been received from other third parties in respect of the leases and the Candiac Store and that Wal-Mart's offer was most likely to result in a better realization than a piecemeal sale of the assets, as well as Wal-Mart's requirement that the offer was *en bloc* for the Twelve Wal-Mart Leases and the Candiac Store.

7.11 As stated in the Wong Affidavit – Wal-Mart Leases and Candiac Store, Wal-Mart has advised that it has obtained landlord commitments with respect to eight lease amendments as of May 14, 2015. Discussions are ongoing among Wal-Mart and the respective landlords, in an attempt to secure all remaining necessary consents and/or amendments.

Wal-Mart Lease Transfer Agreement

7.12 On May 6, 2015, TCC and Wal-Mart entered into the Lease Transfer Agreement – Wal-Mart in respect of the Twelve Wal-Mart Leases and the Purchase Price Agreement. A copy of the Lease Transfer Agreement – Wal-Mart and of the Purchase Price Agreement are attached as Exhibits “B” and “C” to the Wong Affidavit – Wal-Mart Leases and Candiac Store.

7.13 The key provisions of the Lease Transfer Agreement are summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Lease Transfer Agreement.

| Summary of Lease Transfer Agreement Target Canada Co. (the “Assignor”) and Wal-Mart Canada Corp. (the “Assignee”) | |
|--|--|
| Object and Intent | <ul style="list-style-type: none">• Subject to the Initial Order and the Sale Procedures, the Assignor agrees to sell, assign and transfer to the Assignee, and the Assignee agrees to purchase and assume from the Assignor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Lease Transfer Agreement (the “Agreement”). |

| Summary of Lease Transfer Agreement Target Canada Co. (the “Assignor”) and Wal-Mart Canada Corp. (the “Assignee”) | |
|--|---|
| | <ul style="list-style-type: none"> • “Subject Assets” means all of the right, title and interest of the Assignor, if any, in and to: (a) the Leases; (b) the Realty Tax Appeals and Realty Tax Refunds; (c) the Plans; and (d) the Included FF&E, but excludes the Assignor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Assignor relating to the Premises not included in the foregoing. • Subject Assets include the leases and agreements for the twelve (12) store locations “Premises” listed on Schedule “B” to the Agreement. • Except as expressly stated in the Agreement, the Assignee is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets will be determined in accordance with the terms of the Purchase Price Agreement (the “Purchase Price”) exclusive of all Taxes, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • As part of the submission of a Qualified Bid, the Assignee paid \$7,000,000 as outlined in the Purchase Price Agreement (the “Deposit”) to the Monitor, to be held in trust after the Execution Date, pending the completion or earlier termination or non-completion of the Agreement. The Execution Date was May 6, 2015. |
| Adjustments | <ul style="list-style-type: none"> • The Assignor shall prepare a statement of adjustments and deliver same with all supporting documentation to the Assignee for its approval no later than five (5) Business Days prior to the Closing Date and the Assignee shall review same and provide any comments thereon within two (2) Business Days of receipt thereof. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none"> • The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the first Business Day following the date that is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the “Closing Date”). The closing will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s certificate. |
| Other Terms and Conditions | <ul style="list-style-type: none"> • The Assignor agrees to use commercially reasonable efforts to obtain by May 12, 2015, the written consent of the Landlords to the assignment of the Leases by the Assignor to the Assignee, to the extent same is required by the terms of the Leases (collectively, the “Landlord |

| Summary of Lease Transfer Agreement Target Canada Co. (the “Assignor”) and Wal-Mart Canada Corp. (the “Assignee”) | |
|--|--|
| | <p>Consents” and each a “Landlord Consent”).</p> <ul style="list-style-type: none">• The Assignee agrees to use commercially reasonable efforts to obtain by May 12, 2015, the Amending Agreements¹³ (save and except for the Premises Store #3759, for which the date will be noon on May 27, 2015) in the form attached as Schedule “J” to the Agreement.• In the event the Parties are not able to obtain both a Landlord Consent and an Amending Agreement or, in the alternative, an Approval and Vesting Order providing for the assignment of the Lease(s) within the time prescribed by the Agreement, the Parties will complete the Transaction on the Closing Date in accordance with the terms of the Agreement with respect to the balance of the Leases.• In such event, the Agreement will be deemed to be amended to delete the Lease(s) for which the Approval and Vesting Order has not be obtained and the Purchase Price will be reduced by the amount allocated to such Lease(s) in accordance with Schedule “K” of the Agreement (the aggregate amount allocated on Schedule “K” for potential purchase price reductions is \$35,700,000). |

7.14 In summary, the Monitor recommends that the Lease Transfer Agreement – Wal-Mart be approved by the Court for, among others, the following reasons:

- (a) the total aggregate consideration of the *en bloc* bid exceeds that offered for the leases individually;
- (b) the number of leases being acquired;
- (c) the flexibility provided by the removal of leases in respect of which a consent, amendment or, in the alternative, approval and vesting order providing for the assignment of such lease(s), is not obtained (with a corresponding reduction in purchase price) without putting the remainder of the transaction at risk; and
- (d) the significant progress that Wal-Mart has made to date in obtaining landlord consents.

¹³ The form of Amending Agreement provides for, among other things, that the Assignee will be the beneficiary of all rights and privileges granted to the “Tenant” under the Lease; that the Premises will be re-branded under the Assignee’s brand; and that the Assignee shall have an “Initial Going Dark Right” up to eight (8) months, commencing on the Effective Date.

Wal-Mart Candiatic Store Purchase Price Agreement and Agreement of Purchase and Sale

7.15 Concurrently with the negotiations that culminated in the Lease Transfer Agreement – Wal-Mart, negotiations were also undertaken with Wal-Mart with respect to the Candiatic Store owned by TCC. On May 6, 2015, TCC and Wal-Mart entered into the Candiatic APA and the Purchase Price Agreement. Copies of the Candiatic APA and the Purchase Price Agreement comprising the Candiatic APA are attached as Exhibit “C” and “D”, respectively, to the Wong Affidavit – Wal-Mart Leases and Candiatic Store.

7.16 The Candiatic APA is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Candiatic APA.

| Summary of Candiatic Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Wal-Mart Canada Corp. (the “Purchaser”) | |
|---|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date, free and clear of all Encumbrances other than Permitted Encumbrances, in accordance with the terms and conditions of the Agreement of Purchase and Sale (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Vendor, if any, in and to: (a) the Property; (b) the Realty Tax Appeals and the Realty Tax Refunds; (c) the Warranties; (d) the Included FF&E and (e) the Plans, but excludes, the Vendor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing. • Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guarantees of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets will be determined in accordance with the terms of the Purchase Price Agreement (the “Purchase Price”) exclusive of all Taxes, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • As part of the submission of a Qualified Bid, the Purchaser paid \$1,400,000 as outlined in the Purchase Price Agreement (the “Deposit”) to the Monitor, to be held in trust after the Execution Date, pending the completion or earlier termination or non-completion of the Agreement. The Execution Date was May 6, 2015. The Deposit amount has been paid to the Monitor, in trust. |

| Summary of Candiac Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Wal-Mart Canada Corp. (the “Purchaser”) | |
|---|--|
| Adjustments | <ul style="list-style-type: none">• The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than five (5) Business Days prior to the Closing Date, and the Purchaser will review same and provide any comment thereon within two (2) Business Days of the receipt thereof. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be agreed upon by the Parties as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as the final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none">• Subject to the Sale Procedures, the completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the first Business Day following the date which is twenty-one (21) days following the issuance of the Approval and Vesting Order provided that no appeals or motions to set aside or vary the Approval and Vesting Order are outstanding, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the “Closing Date”). The Closing will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s Certificate. |

7.17 The Monitor recommends the approval of the Candiac APA, as the offer received from Wal-Mart was the highest bid received in respect of the Candiac Store.

8.0 OTHER PROPOSED SINGLE PROPERTY SALE AND LEASE TRANSACTIONS

8.1 As described in the Eleventh Report, in the Wong Affidavit in respect of the Park Place APS, the Berezan Lease Surrender Agreement, the Cominar Lease Surrender Agreement and the Vanprop Lease Surrender Agreement, each as defined below, served unsworn on May 14, 2015, and in the Wong Affidavit in respect of the Morguard Lease Surrender Agreement (defined below) served unsworn on May 15, 2015 (the “Wong Affidavit – Morguard”, and collectively, the “Wong Affidavits – Single Transactions”), TCC has entered a series of transactions for the sale of one owned store and five lease transfer or surrender agreements in respect of five individual leases, as summarized below:

Motions Returnable May 20, 2015

- (a) the Agreement of Purchase and Sale between TCC and Park Place Acquisition Corporation (the “**Park Place APS**”) relating to the real property owned by TCC known as Park Place in Barrie, Ontario (“**Park Place**”) for consideration of \$3,475,000. The Applicants’ motion in respect of the Park Place APS is returnable on May 20, 2015;
- (b) the Lease Surrender Agreement between The Berezan Real Estate Partnership (“**Berezan**”) and TCC (the “**Berezan Lease Surrender Agreement**”) relating to the lease held by TCC at the Sahali Centre Mall in Kamloops, British Columbia, of which Berezan is the landlord (the “**Sahali Centre Lease**”) for consideration of \$1.2 million. The Applicants’ motion in respect of the Berezan Lease Surrender Agreement is returnable on May 20, 2015;
- (c) the Lease Surrender Agreement between Michel Dallaire, Alain Dallaire, Robert Després, Pierre Gingras, Ghislaine Laberge, Gérard Coulombe, Alban D’amours, Mary-Ann Bell and Johanne M. Lépine, each in his or her capacity as trustee of and on behalf of Fonds de placement immobilier Cominar/Cominar Real Estate Investment Trust (“**Cominar**”) and TCC (the “**Cominar Lease Surrender Agreement**”) relating to the lease held by TCC at Centre Laval in Laval, Quebec, of which Cominar is the landlord (the “**Centre Laval Lease**”) for consideration of \$100,000. The Applicants’ motion in respect of the Cominar Lease Surrender Agreement is returnable on May 20, 2015;
- (d) the Lease Surrender Agreement between Vanprop Investments Ltd. (“**Vanprop**”) and TCC (the “**Vanprop Lease Surrender Agreement**”) relating to the lease held by TCC at the Lansdowne Centre in Richmond, British Columbia, of which

Vanprop is the landlord (the “**Lansdowne Centre Lease**”) for consideration of \$50,000. The Applicants’ motion in respect of the Vanprop Lease Surrender Agreement is returnable on May 20, 2015;

- (e) the Lease Surrender Agreement between Morguard REIT (“**Morguard**”), as the beneficial owner, Centre At Circle & Eight Property Inc., as nominee for the beneficial owner, and TCC (the “**Morguard Lease Surrender Agreement**”) relating to the lease held by TCC at the Centre At Circle & Eight in Saskatoon, Saskatchewan, of which Morguard is the landlord (the “**Circle & Eight Lease**”) for consideration of \$100,000. The Applicants’ motion in respect of the Morguard Lease Surrender Agreement is returnable on May 20, 2015;

Motions to be Scheduled

- (f) the Lease Transfer Agreement between Rona Inc. (“**Rona**”) and TCC (the “**Rona Lease Transfer Agreement**”) relating to the lease held by TCC at the Cottonwood Mall in Chilliwack, British Columbia (the “**Cottonwood Lease**”) for consideration of \$800,000. In addition, pursuant to an Acknowledgement executed by Rona and TCC dated May 12, 2015, Rona has agreed to serve as Backup Bidder in respect of two additional leased properties that are currently included in the Lowe’s Lease Transfer Agreement; and
- (g) as indicated in paragraphs 5.4 and 7.3, above, CLP and Trans-Plus have been selected as “Backup Bidders” for the Milton DC and Cornwall DC transactions, respectively. The Applicants will bring motions for the approval of each of these agreements returnable on a date to be determined.

Park Place (TCC-Owned Store)

8.2 As described in the Wong Affidavits – Single Transactions, Park Place Acquisition Corporation submitted a Qualified Bid in respect of Park Place, in which Park Place Acquisition Corporation offered to acquire from TCC all of TCC’s right, title and interest in and to Park Place and certain ancillary assets on the terms and conditions included in Park Place Acquisition Corporation’s proposed form of agreement of purchase and sale.

8.3 On May 6, 2015, TCC and Park Place Acquisition entered into the Park Place APA, attached as Exhibit “B” to the Wong Affidavits – Single Transactions.

8.4 The Park Place APA is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Park Place APA.

| Summary of Park Place Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Park Place Acquisition Corporation (the “Purchaser”) | |
|---|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Agreement of Purchase and Sale (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Vendor, if any, in and to: (a) the Property; (b) the Realty Tax Appeals; (c) the Warranties; and (d) the FF&E, but excludes, the Vendor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing. • Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things. |
| Purchase Price | <ul style="list-style-type: none"> • The purchase price for the Subject Assets is \$3,475,000 (the “Purchase Price”) exclusive of all Taxes, subject only to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On or prior to 3:00pm (Toronto time) on the Business Day following the Execution Date, \$350,000 (the “Deposit”) is to be paid by the Purchaser to the Monitor, in trust, pending the completion or other termination of the Agreement. The Execution Date was May 6, 2015. The Deposit amount has been paid to the Monitor, in trust. |

| Summary of Park Place Agreement of Purchase and Sale Target Canada Co. (the “Vendor”) and Park Place Acquisition Corporation (the “Purchaser”) | |
|---|---|
| Adjustments | <ul style="list-style-type: none">The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than three (3) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Vendor as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably, and such estimate shall serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none">The completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the first Monday which is not less than three (3) Business Days following the issuance of the Approval and Vesting Order or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the “Closing Date”). The Closing will take effect, pursuant to the Approval and Vesting Order, upon the delivery of the Monitor’s Certificate. |

8.5 The Monitor recommends that the Park Place APA be approved by the Court as it represents the highest and best bid in respect of this property.

Berezan Lease Surrender Agreement

8.6 As described in the Wong Affidavits – Single Transactions, Berezan submitted a Qualified Bid in respect of the Sahali Centre Lease, in which Berezan offered to acquire from TCC all of TCC’s right, title and interest in and to the Sahali Centre Lease and certain ancillary assets, on the terms and conditions included in Berezan’s proposed form of lease surrender agreement.

8.7 Following the Qualified Bid Deadline, Lazard continued to negotiate with Berezan as the most viable bidder.

8.8 On May 6, 2015, TCC and Berezan entered into the Berezan Lease Surrender Agreement in respect of the Sahali Centre Lease, together with certain ancillary assets, a copy of which is attached as Exhibit “D” to the Wong Affidavits – Single Transactions.

8.9 The Berezan Lease Surrender Agreement is summarized in **Appendix “C-1”** to this Twelfth Report. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Berezan Lease Surrender Agreement.

Cominar Lease Surrender Agreement

8.10 As described in the Wong Affidavits – Single Transactions, Cominar submitted a Qualified Bid in respect of the Centre Laval Lease, in which Cominar offered to acquire from TCC all of TCC’s right, title and interest in and to the Centre Laval Lease and certain ancillary assets, on the terms and conditions included in Cominar’s proposed form of lease surrender agreement.

8.11 On May 13, 2015, TCC and Cominar entered into the Cominar Lease Surrender Agreement in respect of the Centre Laval Lease, together with certain ancillary assets, a copy of which is attached as Exhibit “E” to the Wong Affidavits – Single Transactions.

8.12 The Cominar Lease Surrender Agreement is summarized in **Appendix “C-2”** to this Twelfth Report. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Cominar Lease Surrender Agreement.

Vanprop Lease Surrender Agreement

8.13 As described in the Wong Affidavits – Single Transactions, Vanprop submitted a Qualified Bid in respect of the Lansdowne Lease, in which Vanprop offered to acquire from TCC all of TCC’s right, title and interest in the Lansdowne Centre Lease and certain ancillary assets, on the terms and conditions included in Vanprop’s proposed form of lease surrender agreement.

8.14 On May 13, 2015, TCC and Vanprop entered into the Vanprop Lease Surrender Agreement in respect of the Lansdowne Lease, together with certain ancillary assets, a copy of which is attached as Exhibit “G” to the Wong Affidavits – Single Transactions.

8.15 The Vanprop Lease Surrender Agreement is summarized in **Appendix “C-3”** to this Twelfth Report. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Vanprop Lease Surrender Agreement.

Morguard Lease Surrender Agreement

8.16 As described in the Wong Affidavits – Single Transactions, Morguard submitted a Qualified Bid in respect of the Circle & Eighth Lease, in which Morguard offered to acquire from TCC all of TCC’s right, title and interest in the Centre at Circle & Eighth property and certain ancillary assets, on the terms and conditions included in Morguard’s proposed form of lease surrender agreement.

8.17 On May 15, 2015, TCC and Morguard entered into the Morguard Lease Surrender Agreement in respect of the Centre at Circle & Eighth Lease, together with certain ancillary assets, a copy of which is attached as Exhibit “B” to the Wong Affidavit – Morguard.

8.18 The Morguard Lease Surrender Agreement is summarized in **Appendix “C-4”** to this Twelfth Report. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Morguard Lease Surrender Agreement.

Monitor’s Recommendations Regarding Single Property Sale and Lease Transactions

8.19 The Monitor recommends that the Court approve each of the Berezan Lease Surrender Agreement, the Cominar Lease Surrender Agreement, the Vanprop Lease Surrender Agreement, and the Morguard Lease Surrender Agreement as they represent the highest and/or best transactions available.

9.0 MONITOR'S CONCLUSIONS AND RECOMMENDATION

9.1 In assessing whether to provide its support to the Applicants' entering into, and seeking the Court's approval, of each of the agreements in respect of which a motion has been scheduled, the Monitor considered the following:

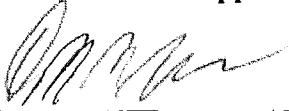
- (a) the intended flexibility of the Real Property Portfolio Sales Process, which provides the Applicants, in consultation with Lazard and the Monitor, with the ability to negotiate and enter into a transaction at any point in the sales process;
- (b) the process leading to the transactions and the consideration to be received in each case, in light of the requirements of section 36 of the CCAA, including, among other things:
 - (i) that the Monitor approves of the process resulting in the transactions and is of the view that the process was fair and reasonable in the circumstances; and
 - (ii) that the Monitor does not believe, in each case, that a realization of the properties under a bankruptcy would be more beneficial to the creditors of the Target Canada Entities;
- (c) that no financial or other non-customary conditions were contained in any of the transactions;
- (d) the specific factors set out by the Monitor in paragraphs 4.11, 5.7, 5.15, 6.8, 7.6, 7.14, 7.17, 8.5, and 8.19 with respect to each transaction; and
- (e) Lazard recommends and supports the approval of each of the transactions in the circumstances.

9.2 For the reasons set out in this Twelfth Report, the Monitor is of the view that the relief requested by the Applicants is reasonable and respectfully recommends that the Court approve each of the transactions described herein and grant the relief requested by the Applicants in each case.

All of which is respectfully submitted to this Court this 15th day of May, 2015.

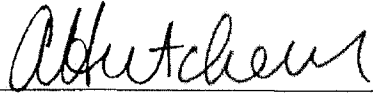
**Alvarez & Marsal Canada Inc., in its capacity
as Monitor of Target Canada Co., and
the other Applicants listed on Appendix "A"**

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J Hutchens
Title: Senior Vice President

APPENDIX “A”

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

APPENDIX "C-1"

| Summary of Berezan Lease Surrender Agreement Target Canada Co. (the "Tenant") and Berezan Real Estate Partnership (the "Landlord") | |
|---|--|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Tenant agrees to surrender and the Landlord agrees to accept a surrender of the Leases and Real Property Interests on the Closing Date in accordance with the terms and conditions of the Lease Surrender Agreement (the "Agreement"). • "Leases" means the leases and other agreements to occupy the Premises entered into by, or assigned in favour of the Tenant and listed in Schedule "B". • "Real Property Interests" means all properties, assets, interests and rights of the Tenant which are related to the operation at each of the Premises, which for greater certainty do not include Excluded Assets but include: (a) the Tenant's right, title and interest, including its leasehold interest at common law and its rights as a lessee under civil law, in and to the Leases and the Premises, including, if any, the benefit of all easements, restrictive covenants, access rights, licenses to use any common areas or rooftop areas of the buildings or shopping centres of which the Premises form part, rights to renew or extend the term of any Lease, options and similar rights of first offer, first refusal or first opportunity or otherwise to lease or purchase (if any), parking rights and signage rights; and (b) the FF&E which are left on the Premises on the Closing Date. • Except as expressly stated in the Agreement, the Landlord is accepting the surrender of the Leases and the Real Property Interests and accepting the Premises on an "as is, where is" basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Premises and the Real Property Interests, among numerous other things. |
| Surrender Consideration | <ul style="list-style-type: none"> • The consideration payable by the Landlord to the Tenant for surrender for the Transaction will be \$1,200,000 ("Surrender Consideration") exclusive of Taxes, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On or prior to 3:00pm (Toronto time) on the Business Day following the Execution Date \$120,000 (the "Deposit") will be paid to the Monitor, in trust, pending the completion or other termination of the Agreement. The execution date was May 6, 2015. The Deposit amount has been paid to the Monitor, in trust. |
| Adjustments | <ul style="list-style-type: none"> • The Tenant will prepare a draft statement of adjustments and deliver same with supporting documentation to the Landlord for its review and approval no later than two (2) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Landlord and the Tenant as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |

| Summary of Berezan Lease Surrender Agreement Target Canada Co. (the "Tenant") and Berezan Real Estate Partnership (the "Landlord") | |
|---|--|
| Outside Date and Closing Date | <ul style="list-style-type: none">• The Lease Surrender Agreement adopts the Outside Date defined in the Sales Procedures approved by this Court, being June 30, 2015, or such later date as may be ordered by the Court (the "Outside Date"), and provides that the Lease Surrender Agreement may be terminated by the Tenant or Landlord if Closing has not occurred on or prior to the Outside Date.• The completion of the Transaction contemplated by the Agreement (the "Closing") will take place at 10:00 a.m. (Toronto time) on the date that is three (3) Business Days following the issuance of the Approval and Vesting Order or on such other date and such other time as may be agreed upon in writing by the Parties (the "Closing Date"), provided that in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at any of the Premises. The Closing of the Transaction will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor's Certificate. |
| Property Claims | <ul style="list-style-type: none">• On Closing, the Landlord will execute and deliver to the Tenant and Target Corporation a Release of Property Claims, where "Property Claims" means any and all Claims which the Landlord ever had, now has or hereafter can, shall or may have against the Tenant or Target Corporation in respect of the Leases, the Real Property Interests, the Premises, the Guarantees and/or the Property. |

APPENDIX “C-2”

| Summary of Cominar Lease Surrender Agreement Target Canada Co. (the “Tenant”) and Cominar Real Estate Investment Trust (the “Landlord”) | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Tenant agrees to surrender and the Landlord agrees to accept a surrender of the Leases and Real Property Interests on the Closing Date in accordance with the terms and conditions of the Lease Surrender Agreement (the “Agreement”). • “Leases” means the leases and other agreements to occupy the Premises entered into by, or assigned in favour of the Tenant and listed in Schedule “B”. • “Real Property Interests” means all properties, assets, interests and rights of the Tenant in all improvements, additions, constructions and works made by the Tenant to the Property or the Premises and all properties, assets, interest and rights of the Tenants which are related to each of the Premises, which for greater certainty do not include Excluded Assets but include: (a) the Tenant’s right, title and interest, including its leasehold interest at common law and its rights as a lessee under civil law, in and to the Leases and the Premises and the Property, and improvements, additions, constructions and works made thereto, including, if any, the benefit of all easements, restrictive covenants, access rights, licenses to use any common areas or rooftop areas of the buildings or shopping centres of which the Premises form part, rights to renew or extend the term of any Lease, options and similar rights of first offer, first refusal or first opportunity or otherwise to lease or purchase (if any), parking rights and signage rights; and (b) the FF&E which are left on the Premises on the Closing Date. • Except as expressly stated in the Agreement, the Landlord is accepting the surrender of the Leases and the Real Property Interests and accepting the Premises on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Premises and the Real Property Interests, among numerous other things. |
| Surrender Consideration | <ul style="list-style-type: none"> • The consideration payable by the Landlord to the Tenant for surrender for the Transaction will be \$100,000 (“Surrender Consideration”) exclusive of all GST/HST and QST, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On or prior to 3:00pm (Toronto time) on the Business Day following the Execution Date \$10,000 (the “Deposit”) will be paid to the Monitor, in trust, pending the completion or other termination of the Agreement. The execution date was May 13, 2015. The Deposit amount has been paid to the Monitor, in trust. |
| Adjustments | <ul style="list-style-type: none"> • The Tenant will prepare a draft statement of adjustments and deliver same with supporting documentation to the Landlord for its review and approval no later than two (2) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Landlord and the Tenant as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the |

| Summary of Cominar Lease Surrender Agreement Target Canada Co. (the "Tenant") and Cominar Real Estate Investment Trust (the "Landlord") | |
|--|--|
| | Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none">The completion of the Transaction contemplated by the Agreement (the "Closing") will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin and Harcourt LLP, on the date that is two (2) Business Days following the issuance of the Approval and Vesting Order, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the "Closing Date"), provided that in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at any of the Premises. The Closing of the Transaction will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor's Certificate. |

APPENDIX "C-3"

| Summary of Vanprop Lease Surrender Agreement Target Canada Co. (the "Tenant") and Vanprop Investments Ltd. (the "Landlord") | |
|--|---|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Tenant agrees to surrender and the Landlord agrees to accept a surrender of the Lease and Real Property Interests on the Closing Date in accordance with the terms and conditions of the Lease Surrender Agreement (the "Agreement"). • "Lease" means the lease to occupy the Premises assigned in favour of the Tenant and listed in Schedule "B". • "Real Property Interests" means all properties, assets, interests and rights of the Tenant which relate to the operations at the Premises, which for greater certainty do not include Excluded Assets but include: (a) the Tenant's right, title and interest, including its leasehold interest at common law and its rights as a lessee under civil law, in and to the Lease and the Premises, including, if any, the benefit of all easements, restrictive covenants, access rights, licenses to use any common areas or rooftop areas of the buildings or shopping centres of which the Premises form part, rights to renew or extend the term of any Lease, options and similar rights of first offer, first refusal or first opportunity or otherwise to lease or purchase (if any), parking rights and signage rights; (b) any right title or interest the Tenant may have or claim in the emergency generator on the Premises or the Landlord's traffic counters, to the extent left on the Premises on the Closing date; and (c) the FF&E which are left on the Premises on the Closing Date. • Except as expressly stated in the Agreement, the Landlord is accepting the surrender of the Leases and the Real Property Interests and accepting the Premises on an "as is, where is" basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Premises and the Real Property Interests, among numerous other things. |
| Surrender Consideration | <ul style="list-style-type: none"> • The consideration payable by the Landlord to the Tenant for surrender for the Transaction, will be \$50,000 ("Surrender Consideration") exclusive of Taxes, subject to adjustment in accordance with the Agreement to be paid to the Monitor on the Closing Date. |
| Adjustments | <ul style="list-style-type: none"> • The Tenant will prepare a draft statement of adjustments and deliver same with supporting documentation to the Landlord for its review and approval no later than two (2) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Landlord and the Tenant as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |
| Closing Date | <ul style="list-style-type: none"> • Subject to the Sale Procedures, the completion of the Transaction contemplated by the Agreement (the "Closing") will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin and Harcourt LLP, on the date that is two (2) Business Days following the issuance of the Approval and Vesting Order, or at such other place, on such other date and such other time as may be agreed upon in writing by the Parties (the "Closing Date"), provided that |

| Summary of Vanprop Lease Surrender Agreement Target Canada Co. (the “Tenant”) and Vanprop Investments Ltd. (the “Landlord”) | |
|--|---|
| | in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at any of the Premises. The Closing of the Transaction will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s Certificate. |
| Property Claims | <ul style="list-style-type: none">On Closing, the Landlord will execute and deliver to the Tenant and Target Corporation a Release of Property Claims, where “Property Claims” means any and all Claims which the Landlord ever had, now has or hereafter can, shall or may have against the Tenant or Target Corporation in respect of the Leases, the Real Property Interests, the Premises, the Guarantees and/or the Property, excluding Claims against the Tenant in any way relating to or arising from (i) the Tenant’s obligations or liabilities under the Agreement or (ii) the Closing Documents. |
| Tenant Claims | <ul style="list-style-type: none">On Closing, the Tenant shall execute and deliver a release in the form attached as Schedule “M” (the “Release of Tenant Claims”) in favour of the Landlord Releasees whereby the Tenant will fully and unconditionally release and forever discharge each of the Landlord Releasees of and from any and all Claims which each or Tenant ever had, now has or hereafter can, shall, or may have against any of the Landlord Releasees, whether in respect of the period prior to or after Closing, in any way relating to or arising from: (a) any of the Real Property Interests, the Lease, the Premises and the Property, but excluding Claims in any way relating to or arising from (i) the Landlord’s obligations or liabilities under this Agreement which are expressly stated to survive the Closing of the Agreement; and (ii) the Closing Documents. |

APPENDIX "C-4"

| Summary of Morguard Lease Surrender Agreement Target Canada Co. (the "Tenant") and Morguard Real Estate Investment Trust (the "Beneficial Owner") and Centre at Circle & Eighth Property Inc. (the "Nominee for the Beneficial Owner" and together with the Beneficial Owner, the "Landlord") | |
|--|--|
| Object and Intent | <ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Tenant agrees to surrender and the Landlord agrees to accept a surrender of the Leases and Real Property Interests on the Closing Date in accordance with the terms and conditions of the Lease Surrender Agreement (the "Agreement"). • "Leases" means the leases and other agreements to occupy the Premises entered into by, or assigned in favour of the Tenant and listed in Schedule "B". • "Real Property Interests" means all properties, assets, interests and rights of the Tenant which are related to the operation at each of the Premises, which for greater certainty do not include Excluded Assets but include: (a) the Tenant's right, title and interest, including its leasehold interest at common law and its rights as a lessee under civil law, in and to the Leases and the Premises, including, if any, the benefit of all easements, restrictive covenants, access rights, licences to use any common areas or rooftop areas of the buildings or shopping centres of which the Premises form part, rights to renew or extend the term of any Lease, options and similar rights of first offer, first refusal or first opportunity or otherwise to lease or purchase (if any), parking rights and signage rights; and (b) the FF&E which are left on the Premises on the Closing Date. • Except as expressly stated in the Agreement, the Landlord is accepting the surrender of the Leases and the Real Property Interests and accepting the Premises on an "as is, where is" basis, without any written or oral statements, representations, warranties, promises or guaranties of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Premises and the Real Property Interests, among numerous other things. |
| Surrender Consideration | <ul style="list-style-type: none"> • The consideration payable by the Landlord to the Tenant for surrender for the Transaction will be \$100,000 ("Surrender Consideration") exclusive of Taxes, subject to adjustment in accordance with the Agreement. |
| Deposit | <ul style="list-style-type: none"> • On or prior to 3:00pm (Toronto time) on the Business Day following the Execution Date \$10,000 (the "Deposit") will be paid to the Monitor, in trust, pending the completion or other termination of the Agreement. The execution date was May 15, 2015. |
| Adjustments | <ul style="list-style-type: none"> • The Tenant will prepare a draft statement of adjustments and deliver same with supporting documentation to the Landlord for its review and approval no later than two (2) Business Days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Landlord and the Tenant as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably, and such estimate will serve as a final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final. |

| Summary of Morguard Lease Surrender Agreement Target Canada Co. (the “Tenant”) and Morguard Real Estate Investment Trust (the “Beneficial Owner”) and Centre at Circle & Eighth Property Inc. (the “Nominee for the Beneficial Owner” and together with the Beneficial Owner, the “Landlord”) | |
|--|---|
| Outside Date and Closing Date | <ul style="list-style-type: none">• The Lease Surrender Agreement adopts the Outside Date defined in the Sales Procedures approved by this Court, being June 30, 2015 or such later date as may be ordered by the Court (the “Outside Date”), and provides that the Lease Surrender Agreement may be terminated by the Tenant or Landlord if Closing has not occurred on or prior to the Outside Date.• The completion of the Transaction contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin and Harcourt LLP, on the date that is three (3) Business Days following the issuance of the Approval and Vesting Order, or on such other date and such other time as may be agreed upon in writing by the parties (the “Closing Date”), provided that in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at any of the Premises. The Closing of the Transaction will take effect, pursuant to the Approval and Vesting Order, upon delivery of the Monitor’s Certificate. |
| Property Claims | <ul style="list-style-type: none">• On Closing, the Landlord will execute and deliver to the Tenant a Release of Property Claims, where “Property Claims” means any and all Claims which the Landlord ever had, now has or hereafter can, shall or may have against the Tenant in respect of the Leases, the Real Property Interests, the Premises, and/or the Property. |

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

TWELFTH REPORT OF THE MONITOR

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Lawyers for the Monitor

Appendix ‘D’

Target Canada Co.
Summary of Disclaimed Leases

| Store | Location | Landlord | Parent Guarantee | Store Vacate Date | Relevant Dates | | Turnover Date | Status | # of Days from Store Vacate Date to Disclaim Notice Date |
|-------|-----------------------------------|--|------------------|-------------------|-------------------------|----------------------|---------------|------------|--|
| | | | | | Deadline to Remove FF&E | Disclaim Notice Date | | | |
| 3663 | Pickering Town Centre | 20 Vic Management, Inc. | No | 1-Apr | 15-Apr | 28-Apr | 28-May | Disclaimed | 27 |
| 3708 | Devonshire Mall | 20 Vic Management, Inc. | Yes | 11-Apr | 25-Apr | 28-Apr | 28-May | Disclaimed | 17 |
| 3769 | Place Vertu | 20 Vic Management, Inc. | Yes | 1-Apr | 15-Apr | 29-Apr | 29-May | Disclaimed | 28 |
| 3628 | Meadowlands Shopping Centre | ADMNS Meadowlands Investment Corp | No | 1-Apr | 15-Apr | 6-Apr | 6-May | Disclaimed | 5 |
| 3693 | Carrefour-St-Eustache | Beauward Shopping Centre, Ltd | No | 2-Apr | 16-Apr | 8-May | 7-Jun | Disclaimed | 36 |
| 3718 | Les Galeries Joliette | Beauward Shopping Centre, Ltd. | No | 4-Apr | 18-Apr | 13-Apr | 13-May | Disclaimed | 9 |
| 3510 | Westmount Shopping Centre | Bentall Kennedy LP | Yes | 4-Apr | 18-Apr | 8-May | 7-Jun | Disclaimed | 34 |
| 3538 | Forest Lawn Shopping Centre | Bentall Kennedy LP | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3624 | Bower Place | Bentall Kennedy LP | Yes | 4-Apr | 18-Apr | 29-Apr | 29-May | Disclaimed | 25 |
| 3669 | Sheridan Mall | Bentall Kennedy LP | No | 8-Apr | 22-Apr | 8-May | 7-Jun | Disclaimed | 30 |
| 3690 | Willowbrook Shopping Centre | Bentall Kennedy LP | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3715 | Cloverdale Mall | Bentall Kennedy LP | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3667 | Bridlewood Mall | Bridlewood Mall Management Inc. | No | Not Open | NA | 8-May | 7-Jun | Disclaimed | |
| 3642 | Laurentian Power Centre | Calloway Reit | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3670 | Hopedale Mall | Calloway Reit | Yes | 2-Apr | 16-Apr | 8-May | 7-Jun | Disclaimed | 36 |
| 3765 | Faubourg Boisbriand | Centrecorp Management Services, Ltd. | Yes | 4-Apr | 18-Apr | 8-May | 7-Jun | Disclaimed | 34 |
| 3731 | Bedford Place | Cogr Management Corporation | No | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3576 | Carrefour-St-Georges | Cominar | Yes | 22-Mar | 5-Apr | 29-Apr | 29-May | Disclaimed | 38 |
| 3592 | Les Rivières Shopping Centre | Cominar | Yes | 2-Apr | 16-Apr | 8-May | 7-Jun | Disclaimed | 27 |
| 3702 | Place Longueuil | Cominar | No | 18-Mar | 1-Apr | 8-May | 7-Jun | Disclaimed | 51 |
| 3732 | Cabot Square | Cominar | No | 4-Apr | 18-Apr | 8-May | 7-Jun | Disclaimed | 34 |
| 3530 | Sydney Shopping Centre | Crombie Developments Limited | No | 2-Apr | 16-Apr | 29-Apr | 29-May | Disclaimed | 27 |
| 3550 | Uptown Centre | Crombie Developments Limited | No | 4-Apr | 18-Apr | 28-Apr | 28-May | Disclaimed | 24 |
| 3650 | 1899 Algonquin Avenue | Crombie Reit | Yes | 11-Apr | 25-Apr | 30-Apr | 30-May | Disclaimed | 19 |
| 3650 | Lindsay Square Mall | Daypart Inc. | No | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3645 | Seaway Mall | Doral Holdings Limited | Yes | 1-Apr | 15-Apr | 29-Apr | 29-May | Disclaimed | 28 |
| 3671 | Meadowland Power Centre | Effort Trust Company | No | 1-Apr | 15-Apr | 8-May | 7-Jun | Disclaimed | 37 |
| 3524 | Zellers Plaza - Stoney Creek | First Capital Corporation | No | 2-Apr | 16-Apr | 24-Apr | 24-May | Disclaimed | 22 |
| 3684 | Place Portabelle | First Capital Corporation | No | 2-Apr | 16-Apr | 29-Apr | 29-May | Disclaimed | 27 |
| 3707 | Woodbine Centre | Fishman Holdings North America, Inc. | No | Not Open | NA | 6-Apr | 6-May | Disclaimed | |
| 3511 | Hazeldean Mall | Ivanhoe Cambridge | Yes | 1-Apr | 15-Apr | 29-Apr | 29-May | Disclaimed | 28 |
| 3698 | Orchard Park Plaza | Mcintosh Properties, Ltd. | Yes | 2-Apr | 16-Apr | 15-Apr | 15-May | Disclaimed | 13 |
| 3650 | Corner Brook | Montez Retail Fund, Inc. c/o Westcliff | No | 4-Apr | 18-Apr | 6-Apr | 6-May | Disclaimed | 2 |
| 3574 | Prairie Mall | Morguard Reit | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3575 | Cottonwood Mall | Morguard Reit | Yes | 22-Mar | 5-Apr | 30-Jun | 30-Jul | Disclaimed | 100 |
| 3577 | The Mall At Lawson Heights | Morguard Reit | Yes | 1-Apr | 15-Apr | 8-May | 7-Jun | Disclaimed | 37 |
| 3608 | Cambridge Centre | Morguard Reit | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3623 | Bramalea City Centre | Morguard Reit | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |
| 3710 | Bonnie Doon | Morguard Reit | Yes | 18-Mar | 1-Apr | 8-May | 7-Jun | Disclaimed | 51 |
| 3742 | East York Town Centre | Morguard Reit | Yes | 8-Apr | 22-Apr | 8-May | 7-Jun | Disclaimed | 30 |
| 3763 | Shoppers Mall | Morguard Reit | Yes | 2-Apr | 16-Apr | 29-Apr | 29-May | Disclaimed | 27 |
| 3508 | Discovery Harbour Shopping Centre | Northwest Realty, Inc. | No | 2-Apr | 16-Apr | 8-May | 7-Jun | Disclaimed | 36 |
| 3564 | Shenwood Park Mall | Primaris Management | No | 2-Apr | 16-Apr | 17-May | 17-May | Disclaimed | 15 |
| 3591 | Cataraqui Town Centre | Primaris Management | No | 2-Apr | 16-Apr | 30-Apr | 30-May | Disclaimed | 28 |
| 3614 | Medicine Hat Mall | Primaris Management | No | 22-Mar | 5-Apr | 17-Apr | 17-May | Disclaimed | 26 |
| 3644 | Kildonan Place Shopping Centre | Primaris Management | Yes | 11-Apr | 25-Apr | 29-Apr | 29-May | Disclaimed | 18 |
| 3655 | McAllister Place | Primaris Management | Yes | 2-Apr | 16-Apr | 29-Apr | 29-May | Disclaimed | 27 |
| 3694 | St. Albert Centre | Primaris Management | Yes | 8-Apr | 22-Apr | 29-Apr | 29-May | Disclaimed | 21 |

**Target Canada Co.
Summary of Disclaimed Leases**

| Store | Location | Landlord | Parent Guarantee | Store Vacate Date | Relevant Dates | | Turnover Date | Status | # of Days from Store Vacate Date to Disclaim Notice Date |
|-----------|--------------------------------|---------------------------------|------------------|-------------------|-------------------------|--|---------------|------------|--|
| | | | | | Deadline to Remove FF&E | Disclaim Notice Date | | | |
| 3713 | Sunridge Mall | Primaris Management | No | 4-Apr | 18-Apr | 8-May | 7-Jun | Disclaimed | 34 |
| 3714 | Place D'Orleans | Primaris Management | No | 1-Apr | 15-Apr | 29-Apr | 29-May | Disclaimed | 28 |
| 3519 | South Hamilton Square | Riocan Holdings, Inc. | Yes | 2-Apr | 16-Apr | 8-May | 7-Jun | Disclaimed | 36 |
| 3522 | County Fair Mall | Riocan Holdings, Inc. | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3526 | Lawrence Square | Riocan Holdings, Inc. | Yes | Not Open | NA | 8-May | 7-Jun | Disclaimed | |
| 3559 | Five Points Mall | Riocan Holdings, Inc. | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3637 | Charlottetown Mall | Riocan Holdings, Inc. | Yes | 8-Apr | 22-Apr | 28-Apr | 28-May | Disclaimed | 20 |
| 3639 | Durham Centre | Riocan Holdings, Inc. | Yes | 2-Apr | 16-Apr | 29-Apr | 29-May | Disclaimed | 27 |
| 3665 | Orillia Square | Riocan Holdings, Inc. | Yes | 30-Mar | 13-Apr | 28-Apr | 28-May | Disclaimed | 29 |
| 3668 | Shoppers World Brampton | Riocan Holdings, Inc. | Yes | 8-Apr | 22-Apr | 28-Apr | 28-May | Disclaimed | 20 |
| 3695 | Mega Centre Autoroute 13 | Riocan Holdings, Inc. | Yes | 4-Apr | 18-Apr | 29-Apr | 29-May | Disclaimed | 25 |
| 3699 | Stratford Mall | Riocan Holdings, Inc. | Yes | 18-Mar | 1-Apr | 28-Apr | 28-May | Disclaimed | 41 |
| 3738 | Burlington Mall | Riocan Holdings, Inc. | Yes | 8-Apr | 22-Apr | 14-Jul | 13-Aug | Disclaimed | 97 |
| 3751 | Gates Of Fergus | Riocan Holdings, Inc. | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3761 | Millcroft Centre | Riocan Holdings, Inc. | Yes | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 3762 | Framborough Power Centre | Riocan Holdings, Inc. | Yes | 2-Apr | 16-Apr | 28-Apr | 28-May | Disclaimed | 26 |
| 3768 | Eglington and Warden | Riocan Holdings, Inc. | Yes | Not Open | NA | 30-Apr | 30-May | Disclaimed | |
| 3770 | Mill Woods Town Centre | Riocan Holdings, Inc. | Yes | 2-Apr | 16-Apr | 28-Apr | 28-May | Disclaimed | 26 |
| 3773 | Trinity Common | Riocan Holdings, Inc. | Yes | 12-Apr | 26-Apr | 28-Apr | 28-May | Disclaimed | 16 |
| 7001 | RioCan Niagara Falls | Riocan Holdings, Inc. | No | 22-Mar | 5-Apr | 28-Apr | 28-May | Disclaimed | 37 |
| 7002 | Stockyards | Riocan Holdings, Inc. | Yes | 11-Apr | 25-Apr | 8-May | 7-Jun | Disclaimed | 27 |
| 3753 | Centre Mall | Triovest | No | 8-Apr | 22-Apr | 6-Apr | 6-May | Disclaimed | -2 |
| 3767 | Taunton Road Power Centre | Triovest | No | 2-Apr | 16-Apr | 6-Apr | 6-May | Disclaimed | 4 |
| 3757 | Clarington Town Centre | Valliant Rental Properties, Ltd | Yes | 1-Apr | 15-Apr | 29-Apr | 29-May | Disclaimed | 28 |
| 3516 | Carrefour Richelieu | Westcliff Management | No | 2-Apr | 16-Apr | 13-Apr | 13-May | Disclaimed | 11 |
| 3595 | Carrefour Angrignon | Westcliff Management | No | 1-Apr | 15-Apr | 6-Apr | 6-May | Disclaimed | 5 |
| 3657 | Carrefour Du Nord | Westcliff Management | No | 1-Apr | 15-Apr | 14-Apr | 14-May | Disclaimed | 13 |
| 75 | Total Stores Disclaimed | | 46 | | | Average Days from Vacate Date to Disclaim Notice Date [3] | | | 26 |

Notes:

- [1] 3575 - Cottonwood Mall was disclaimed on June 30, 2015 after TCC and the Monitor were informed that the landlord and the prospective purchaser, Rona, were not able to reach an agreement for this location.
- [2] 3738 - Burlington Mall was disclaimed on July 14, 2015 after TCC and the Monitor were informed that the landlord and the prospective purchaser, Lowe's, were not able to reach an agreement for this location.
- [3] Average Days excludes Store 3575 Cottonwood Mall and Store 3738 Burlington Mall.

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

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

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

EIGHTEENTH REPORT OF THE MONITOR

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