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(v) Lazard can enter into preliminary discussions with interested parties; and

(c) the stay extension motion will be heard on February 11, 2015.

1.8 The purpose of this second report (the “**Second Report**”) is to provide this Court with:

(1) information regarding the following:

(a) the proposed amendments to the Initial Order;

(b) the Applicants’ motion for approval of the Real Property Portfolio Sales Process;

(c) the motion by the Employee Representatives (as defined later in this Second Report), on behalf of all employees of the Applicants as at January 15, 2015, to seek the appointment of the Employee Representatives to represent the Target Employees (excluding Opt-Out Individuals, if any) in the CCAA Proceedings or in any other Insolvency Proceedings, and certain related relief;

(d) pharmacy matters and the motion by the Pharmacy Franchisee Association of Canada (“**PFAC**”) to seek: (i) the appointment of PFAC as the representative of the Pharmacists and Franchisees under the Pharmacy Franchise Agreements in the CCAA Proceedings; (ii) the appointment of Sutts, Strosberg LLP as Pharmacist Representative Counsel; (iii) the appointment of BDO Canada as Pharmacist Financial Advisor; (iv) payment from the estate of legal and other authorized professional expenses of PFAC, including funding for the involvement of a second law firm, Gardiner Roberts LLP; (v) an administrative charge in favour of the legal fees and other professional expenses of PFAC; (vi) direction pursuant to section 32(2) of the CCAA seeking a declaration that the Pharmacy Franchise Agreements and/or related agreements are not to be

disclaimed or resiliated without further Court order and related relief; and (vii) such further relief as the Court may seem just;

(e) the Applicant's motion for an extension of the Stay Period until May 15, 2015;

(f) the Monitor's activities since the date of the First Report; and

(2) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second 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**"). Except as otherwise described in this Second Report in respect of the Target Canada Entities' cash flow forecast:

(a) 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; and

(b) some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecasts and

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projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

- 2.2 Future oriented financial information referred to in this Second Report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 2.3 This Second Report should be read in conjunction with the First Report, the Affidavit of Mark J. Wong, General Counsel and Assistant Secretary of TCC, sworn January 29, 2015 (the "**Second Wong Affidavit**"), the Supplemental Affidavit of Mark J. Wong sworn February 9, 2015 (the "**Third Wong Affidavit**") and the Affidavit of Mark J. Wong dated February 9, 2015 (the "**Fourth Wong Affidavit**").
- 2.4 Capitalized terms not otherwise defined in this Second Report are as defined in the Prior Reports, the Initial Order, the Third Wong Affidavit and the Fourth Wong Affidavit, as applicable.
- 2.5 Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

3.0 PROPOSED AMENDMENTS TO INITIAL ORDER

- 3.1 As described in the Second Wong Affidavit, the Target Canada Entities have initiated extensive communications with TCC's landlords as part of the CCAA filing, including several meetings in person or by phone during the weeks of January 26, 2015 and February 2, 2015 involving representatives of the Target Canada Entities, the Monitor and counsel for (and in some cases, business representatives of) several large retail landlords who hold or manage, in aggregate, the majority of the TCC store leases (the "**Landlord Group**"). Following these meetings, a group of

counsel representing the Landlord Group provided a consolidated mark-up of the Initial Order to the Applicants (the “**Landlord Consolidated Comments**”). The Landlord Consolidated Comments primarily related to changes to: (a) provisions in the Initial Order regarding obligations, rights and remedies under the leases that were additions to the model order language; and (b) the stay in respect of Target US.

3.2 The Applicants, the Monitor and their respective counsel reviewed the Landlord Consolidated Comments and discussed those comments with counsel for the Landlord Group and counsel for Target Corporation (the latter given that the requested changes would affect the stay of Target US guarantees granted with respect to certain of TCC’s leases).

3.3 Following extensive discussions and negotiations regarding the Initial Order and the Real Property Portfolio Sales Process (as described further below), the following summarizes the key agreed changes to the Initial Order to form part of an Amended and Restated Initial Order¹:

- (a) clarification that the Target Canada Entities may vacate, abandon or quit the whole but not part of any leased premises and may permanently but not temporarily cease, downsize or shut down;
- (b) clarification as to what was intended by inserting the word “normally” before “payable to the landlord under its lease” in paragraph 13 of the Initial Order, namely, that penalties, fees or other charges arising as result of the insolvency of the Target Canada Entities or the making of the Initial Order are not required to be paid pending disclaimer of a lease;

¹ A blackline of the Amended and Restated Initial Order to the Initial Order is attached as Exhibit “D” to the Third Wong Affidavit.

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- (c) deletion of a provision that the Landlord Group interpreted as an authorization to override terms of their leases, as opposed to a possible breach in respect of which their rights and remedies would be stayed;
- (d) an exception to the stay in favour of Target US such that the stay does not apply to any landlord in connection with any right, remedy or claim such landlord may have against Target US in connection with any indebtedness, indemnity, liability or obligation of Target US pursuant to a written contractual indemnity, guarantee or surety provided by Target US to such landlord;
- (e) approval of an orderly process to determine Landlord Guarantee Claims (as defined therein) of any landlord against Target US relating to a lease of real property, including that such claims: (i) shall be determined by a judge of the Ontario Superior Court of Justice (Commercial List), notwithstanding any federal or provincial statutes with respect to procedural matters relating to Landlord Guarantee Claims; provided that any landlord holding such guarantees or indemnities that has not consented to the foregoing may, within 15 days of the making of the Order, bring a motion to have the matter of the venue for the determination of its Landlord Guarantee Claim adjudicated by the Court; (ii) shall not be determined in the CCAA Proceedings; (iii) shall be unaffected by any determination of any rights, remedies and claims of such landlords as against the Target Canada Entities in the CCAA Proceedings or in any subsequent proposal or bankruptcy proceedings under the BIA (other than that any recoveries under such proceedings received by such landlords shall constitute a reduction and offset to any Landlord Guarantee Claims); and (iv) shall be treated as unaffected and shall not be released or affected in any plan filed under the CCAA or any proposal filed under the BIA.

- 3.4 Counsel for the Landlord Group advised that the Real Property Portfolio Sales Process proceeding on a consensual basis as described below is conditional on the proposed changes to the Initial Order.
- 3.5 The Monitor recommends approval of the Amended and Restated Initial Order as it reflects: (a) revisions negotiated as among the Target Canada Entities, the Landlord Group and Target US (in conjunction with revisions to the Real Property Portfolio Sales Process), with the assistance of the Monitor; and (b) a fair and reasonable balancing of interests.

4.0 REAL PROPERTY PORTFOLIO SALES PROCESS

- 4.1 The Real Property Portfolio Sales Process is described in detail in the First Report (attached as **Appendix B** to this Second Report).
- 4.2 Following the February 4, 2015 Court hearing, the Applicants and the Monitor have participated in several discussions with counsel for the Landlord Group, and with Lazard, in an effort to resolve matters with respect to the Real Property Portfolio Sales Process. These discussions have culminated in certain changes to the Real Property Portfolio Sales Process from the version included in the Applicants' Motion Record dated January 29, 2015, of which the key changes are summarized below²:

- (a) Monitor Supervision and Control – The initial Real Property Portfolio Sales Process explicitly referenced that the Monitor will supervise, in all respects, the Real Property Portfolio Sales Process (including any attendant sales and the Financial Advisor's performance under its engagement with TCC) and included many procedures requiring Monitor consent. The revised Real Property Portfolio

² A blackline of the Real Property Portfolio Sales Process to the version included in the Motion Record dated January 29, 2015 is attached as Exhibit "C" to the Third Wong Affidavit.

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Sales Process incorporates additional specific instances requiring Monitor consent. In aggregate, the following procedures under the Real Property Portfolio Sales Process require Monitor consent (in addition to other procedures requiring consultation with the Monitor):

- (i) extension of the bid deadlines;
- (ii) waiver of compliance with requirements relating to Qualified LOIs and Qualified Bids;
- (iii) extension of the timing to assess Qualified LOIs received;
- (iv) the determination (if one or more Qualified LOIs is received) of whether there is a reasonable prospect of obtaining a Qualified Bid and to continue the sale process;
- (v) determination of whether to proceed with a stalking horse bid and the selection of the stalking horse bid, including specifically with respect to any Break Fee and Expense Reimbursement;
- (vi) determination of which is the most favorable Qualified Bid (including which would be the baseline bid at auction);
- (vii) modification of auction procedures;
- (viii) modifications to the process (with any material modification now requiring Court approval); and
- (ix) rejection of any or all bids.

- (b) Landlord Bid Participation for their Leases – Certain requirements for Qualified LOIs and Qualified Bids are not applicable to proposals or bids that may be submitted by landlords for their respective Leases. Accordingly, definitions of a Landlord LOI and Landlord Qualified Bid were added and provisions were included deeming a Landlord LOI and a Landlord Qualified Bid to be a Qualified LOI and Qualified Bid, respectively.
- (c) LOI Considerations / Bid Requirements – Considerations for assessing Qualified LOIs were revised to include, among other things, the financial capability of the Interested Bidder to comply with terms of the applicable Lease(s) and requirements for Qualified Bids were revised to include, among other things, evidence of the Competing Bidder's ability to meet the financial obligations under the Lease(s) subject to the bid and details of any amendments that the Competing Bidder is seeking to such Lease(s) from the applicable landlord.³
- (d) Outside Dates – Revisions were made to provide more clarity on outside dates as follows:
 - (i) the definition of "Targeted Outside Date" was revised to mean 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;
 - (ii) paragraphs were added providing that:

³ With the revisions also providing that, for greater certainty, nothing in the 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.

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- (1) 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; and
- (2) 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.

- (e) Without Prejudice re: Court Approval – A provision was added confirming that nothing in the Real Property Portfolio Sales Process or in any arrangements made during the course thereof with a Successful Bidder shall prejudice a landlord's right to object to the Court approval of a Successful Bid.

4.3 The Real Property Portfolio Sales Process and Sales Process Procedures were developed by the Target Canada Entities and the Financial Advisor in consultation with the Monitor. As indicated above, following the February 4, 2015 Court hearing, extensive discussions and negotiations continued between and among the Applicants, the Monitor, Target Corporation, their respective counsel and counsel to the Landlord Group. These efforts have culminated in the agreed amendments to the Initial Order and the Real Property Portfolio Sales Process described above.

The Monitor understands that the motion for approval of the Real Property Portfolio Sales Process and the Sales Process Order is now proceeding on a consensual basis without opposition from the Landlord Group.

- 4.4 The Monitor recommends that the Court approve the Real Property Portfolio Sales Process and the Sales Process Order in order for the Applicants to: (i) continue to advance and facilitate the Orderly Wind-down; (ii) realize on the Leases and Real Property in a comprehensive and coordinated manner through a single process on a timely basis; and (iii) maximize net realizations for the benefit of all stakeholders.

5.0 EMPLOYEE REPRESENTATIVES

- 5.1 The Initial Order approved the creation of the Employee Trust on substantially the terms and conditions set out in the Employee Trust Agreement and also included the appointment of Koskie Minsky as Employee Representative Counsel for all Employees in the CCAA Proceedings or any other Insolvency Proceedings for any issues affecting Employees in such proceedings, including without limitation, with respect to the Employee Trust Agreement and the Claims Process.
- 5.2 The Initial Order also provided that Koskie Minsky commence a process of identifying no more than seven Employees to be nominated as Court-appointed representatives of the Target Employees as soon as practicable (the “**Employee Representatives**”). The Employee Representatives, once appointed, are to represent the Employees in the CCAA Proceedings or Insolvency Proceedings, including, without limitation, for the purpose of settling or compromising claims of the Employees in such proceedings.
- 5.3 The process undertaken by Koskie Minsky to identify and nominate the Employee Representatives is described in the Affidavit of Natercia McLellan, an employee of Koskie Minsky, sworn February 9, 2015 (the “**McLellan Affidavit**”).

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5.4 As described in the McLellan Affidavit, Frederick Payette, Sylvie Gautier, Jennifer Lindsay, Catherine Bédard, Michael O'Neill, Alyssa Morin and Joshua Gordon, each an Employee, have consented to being appointed to the role of Employee Representative.

5.5 The Employee Representatives are seeking an Order (the “**Employee Representatives Order**”) of this Court that:

- (a) approves the Employee Representatives as representatives of the Target Employees (excluding Opt-Out Individuals, as defined below, if any) in these CCAA Proceedings or in any other Insolvency Proceedings which has been or may be brought before this Court (the “**Proceedings**”) and such representatives shall determine, advance and compromise any and all Target Employees’ claims which now have arisen or may arise at law or equity or under federal or provincial legislation, including but not limited to actual or deemed trust claims, secured or unsecured claims under the BIA, contractual claims, and any claims arising under provincial employment standards, retirement savings arrangements, human rights, workplace safety and insurance legislation which may be made against the Applicants, its estate, or the Employee Trust established, as the case may be, relating to or arising out of the Target Employees’ employment with the Applicants;
- (b) the Employee Representatives or Employee Representative Counsel are authorized to take all steps and to do all acts necessary or desirable to carry out the terms of the Employee Representatives Order, including dealing with any Court, regulatory body and other government ministry, department or agency, and to take all such steps as are necessary or incidental thereto;
- (c) notice of the granting of the Employee Representatives Order be:

- (A) published by Employee Representative Counsel on its website within 2 calendar days of the date of the Employee Representatives Order;
 - (B) published by the Applicants, with the assistance of the Monitor, in The Globe and Mail and La Presse within seven calendar days of the date of the Employee Representatives Order; and
 - (C) posted by the Applicants, with the assistance of the Monitor, in each of the Applicants' stores, within two calendar days of the date of the Employee Representatives Order;
- (d) any individual Target Employee who does not wish to be represented by the Employee Representatives and Employee Representative Counsel in the Proceedings shall, within 30 days of publication in The Globe and Mail and La Presse of the notice referred to above, notify the Monitor, the Applicants and Employee Representative Counsel in writing, that he or she is opting out of representation by the Employee Representatives and Employee Representative Counsel (an "**Opt-Out Notice**"), and shall thereafter not be bound by the actions of the Employee Representatives or Employee Representative Counsel and shall represent himself or herself or be represented by any counsel that he or she may retain exclusively at his or her own expense in the Proceedings (any such persons who deliver an Opt-Out Notice in compliance with the terms of the Employee Representatives Order, being "**Opt-Out Individuals**");
- (e) the Employee Representatives and Employee Representative Counsel have no obligation to represent the Opt-Out Individuals;

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- (f) with the exception of the Opt-Out Individuals, the Employee Representatives shall represent all Target Employees, which persons shall be bound by the actions of the Employee Representatives and Employee Representative Counsel in the Proceedings;
- (g) the Employee Representatives shall have no liability as a result of their respective appointment or the fulfilment of their duties in carrying out the provisions of the Employee Representatives Order save and except for any gross negligence or unlawful misconduct on their part; and
- (h) the Employee Representatives and Employee Representative Counsel shall be at liberty and are authorized at any time to apply to this Court for advice and directions in the discharge or variation of their powers and duties.

5.6 The Monitor recommends that the Court approve the Employee Representatives Order as the terms of the order are consistent with the Initial Order and the Employee Trust Agreement, and will assist the Applicants in achieving the intended objectives of the Employee Trust Agreement.

Employee Trust Update

5.7 As described in the First Report, on January 23, 2015 (the “**First Separation Date**”), TCC notified approximately 560 salaried Eligible Employees (the “**Notified Employees**”) that their services were no longer required. As the First Separation Date corresponded with the end of TCC’s bi-weekly payroll cycle, the Notified Employees received their final working pay from TCC on January 30, 2015. It is anticipated that the first payment to the Notified Employees by TCC that is to be funded from the Employee Trust Account (as defined below) will be made on February 13, 2015, at the end of the following bi-weekly payroll cycle.

- 5.8 Since the date of the First Report (January 30, 2015), TCC has notified approximately 175 additional salaried Eligible Employees that their services are no longer required. Accordingly, as of February 6, 2015, TCC employed approximately 165 salaried Eligible Employees in its group, district and corporate head offices, including 44 international assignees. To date, no hourly employees have been notified by TCC of their separation date.
- 5.9 On January 29, 2015, the Monitor, in its capacity as Administrator under the Employee Trust, and the Trustee jointly opened the Target Canada Employee Trust bank account at Royal Bank of Canada (the “**Employee Trust Account**”). On February 3, 2015, counsel to the Monitor transferred the full \$90 million of contributions received from the Settlor to the Employee Trust Account.

6.0 PHARMACY MATTERS

Overview

- 6.1 As previously identified in the Monitor’s Pre-Filing Report, the Wong Affidavit, the Second Wong Affidavit and the Monitor’s First Report, Target branded pharmacy businesses are operated in most of TCC’s stores, through corporate and franchise arrangements. Set out below is a summary regarding such arrangements and the current status of the pharmacies:

Quebec Pharmacies

- (a) In Quebec, pharmacies in TCC stores are co-branded with the Target trade-mark and the “Brunet” trade-mark, which is owned by McMahon Distributeur Pharmaceutique Inc. (“**McMahon**”). Target Pharmacy has sub-licensed the Target trade-marks to McMahon, which in turn has sub-licensed to third-party franchisees, the right to operate co-branded Target and “Brunet” pharmacies within 14 TCC stores.

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- (b) There is a closure plan in place with McMahon, such that the 14 Quebec-based pharmacies will be closed on or before February 11, 2015. As of February 9, 2015, 12 have already closed, with the remaining two scheduled to close on February 11, 2015. McMahon has confirmed arrangements for the transfer of all patient files from all 14 Quebec pharmacies.

Corporate Pharmacies

- (a) With respect to the three corporate-owned pharmacies, an agreement regarding the orderly transfer of patient information to Wal-Mart Canada Corp. was reached and such transfer was completed on January 29, 2015.

Remaining Franchised Pharmacies

- (a) Target Pharmacy is the franchisor of 93 in-store pharmacies outside Quebec operated by third party corporate franchisees which, in the vast majority of cases, are wholly-owned by licensed pharmacists (the “**Franchisees**”).
- (b) Regulated “Schedule I and II” drugs such as narcotics and antibiotics (behind-the-counter (“**BTC**”) drugs), that either require a prescription to be sold or that must be held behind the counter, are owned by the Franchisees. The Franchisees maintain their own point of sale (“**POS**”) terminals at the pharmacies and sales of BTC drugs are for the account of the pharmacist.
- (c) “Schedule III” drugs such as pain relievers and cough medicines (over-the-counter (“**OTC**”) drugs) are owned by TCC until immediately prior to the retail sale to a customer, when title passes from TCC to the Franchisee and the Franchisee pays TCC the retail price at the time of the retail sale by the Franchisee to the customer.

- (d) Pursuant to the franchise arrangements, on a monthly basis, the Franchisees pay to Target Pharmacy, among other things, franchise fees, operation fees, licensed space fees, and advertising fund fees (collectively the “**Franchisee Payments**”) and Target Pharmacy pays to the Franchisees, among other things, generic prescription purchase rebates, OTC royalty payments and EBIT support payments (collectively the “**Franchisor Payments**”). A reconciliation of individual Franchisee accounts is completed on a monthly basis such that the Franchisee Payments and the Franchisor Payments are netted against one another and the net balance is either paid by the Franchisee to Target Pharmacy or paid by Target Pharmacy to the Franchisee. The draft December 31, 2014 month-end calculation indicates that Target Pharmacy was in a net payable position in respect of 84 of the Franchisees (approximately \$595,000, in aggregate) and in a net receivable in respect of 9 Franchisees (approximately \$44,000, in aggregate)
- (e) Since the granting of the Initial Order, the Monitor has worked closely with the Target Canada Entities to assist in the timely transition of patient files to alternative pharmacies, and in facilitating and implementing the Orderly Wind-down that will ultimately result in the cessation of the Target Canada Entities’ operations. A key component of the Orderly Wind-down is the orderly disclaimer of contracts in order to facilitate the wind-down and to ensure a corresponding reduction in costs and expenses to the estate in the interests of stakeholders.
- (f) As outlined in the Second Wong Affidavit, immediately following the granting of the Initial Order, and in anticipation of the disclaimer of pharmacy franchise agreements as part of the Orderly Wind-down, the Target Canada Entities contacted each of the applicable pharmacy colleges across Canada to advise that

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the CCAA Proceedings will ultimately result in the closure and/or relocation of Target Pharmacy branded pharmacies in Canada. The Target Canada Entities, in consultation with the Monitor, then initiated extensive communications with pharmacy franchisees regarding the impact of the Initial Order and the Orderly Wind-down, and the steps that franchisees would be required to take to comply with their regulatory and professional requirements regarding the safeguarding of patient files, communication with patients, and the ongoing sale and relocation of scheduled drug inventory.

- (g) Pursuant to a master services and lease agreement between TCC and Kroll Computer Systems Inc. (“**Kroll**”), the patient data and Franchisee POS are located on the computer systems used by the Franchisees, all of which systems are provided by Kroll. The Monitor has been instrumental in efforts to ensure continuity of patient care by assisting Target Pharmacy in making arrangements with Kroll, at no cost to the Franchisees (but at a cost to the Target Canada Entities of approximately \$140,000), for the seamless transfer of patient data from each Franchisee to wherever they direct.⁴
- (h) On January 26, 2015, as provided for, and in accordance with, subsection 32(1) of the CCAA, the Target Canada Entities provided notice in the prescribed form and with the approval of the Monitor to 94 pharmacy franchisees⁵ of the Target Canada Entities’ intention to disclaim or resiliate their franchise agreements and all other ancillary agreements (“**Disclaimer Notices**”).

⁴ Notwithstanding paragraph 40 of the Gavrilidis Affidavit (as defined below), the arrangements have been made between Kroll and TCC with the Monitor’s assistance and not by A&M.

⁵ The 94 Disclaimer Notices included notices for 93 operating Franchisees and one pharmacy franchisee in respect of an unopened store.

6.2 The delivery of the Disclaimer Notices to the Franchisees on January 26, 2015 was reasonable, appropriate and necessary in the circumstances, including for the following reasons:

- (a) As a result of the Initial Order, in accordance with the Orderly Wind-down, all of TCC's stores are going to be closing in the near future. By definition, the liquidation sale process is quite fluid. While the outside date for store closings is May 15, 2015, several stores are expected to close as early as March, 2015. Further, the practical reality is there is simply no way of knowing with complete precision exactly when each particular store location will be closing. To utilize guess work in trying to match the timing of individual disclaimer notices with individual store closings would have created confusion (at both a Franchisee and patient level) and, more importantly, would have had significant adverse consequences for individual Franchisees if the effective notice period proved to be less than 30 days prior to a store closing. Accordingly, it was important to ensure that the Disclaimer Notices were issued on a timely basis so as to eliminate any possible risk that an individual Franchisee would receive a notice of disclaimer that did not ensure the full 30-day notice period was provided before individual stores began to close. Further, as a practical matter, as was then anticipated, and subsequently, as a result of the Approval Order-Agency Agreement, the timing of individual store closings is now in the control of the Agent and hence not in the control of TCC or the Monitor.
- (b) Ongoing costs to the estate of maintaining the pharmacist operations network and support functions in the context of the fact that the stores were closing, particularly in view of declining inventory volume over time. As previously noted, for the majority of the Franchisees, the Franchisor Payments exceed the Franchisee Payments. During the period from February 1, 2014 through to

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December 31, 2014, on a monthly basis, the EBIT top-up was on average approximately \$410,000, the OTC royalty payments were on average approximately \$320,000, and the Kroll costs are approximately \$200,000, with net aggregate average payments from the Franchisor to the Franchisees of approximately \$930,000 per month.

6.3 The alternative of the continued operation of individual pharmacies after the termination of TCC's retail sales at each location is impractical and unadvisable for several reasons:

- (a) the terms of the Approval Order-Agency Agreement require that on the date the Agent vacates the store, it must sell/remove all remaining merchandise and FF&E (including pharmacy FF&E, which FF&E is owned by Target Pharmacy) and leave the store in "broom-swept" and clean condition;
- (b) the proposed Amended and Restated Initial Order clarifies that the Target Canada Entities may vacate the whole but not part of any leased premises;
- (c) the cost of keeping the entirety of the store open for such purpose, including the cost for services such as security, utilities and POS system;
- (d) Franchisees would have to continue to employ staff and maintain inventory when there is limited or no store traffic;
- (e) due to the overall lower store traffic, it is possible that the EBIT and OTC royalty payments would very significantly increase, at a cost to the estate;
- (f) the Kroll lease arrangements are with respect to the entirety of the pharmacy franchise arrangements. It would be impractical to continue to provide the entire pharmacy support services for only a small number of Franchisees; and

- (g) it is anticipated that certain leases will be disclaimed as the Real Property Portfolio Sales Process proceeds.

- 6.4 From the Monitor's perspective, it was of paramount importance that the Franchisees were provided with sufficient time to comply with the professional regulatory notice requirements (re: the upcoming closure of their pharmacy operations) of their respective provinces (which range from 7 days to 30 days, depending on the province), and to ensure the continuity of patient care. The Disclaimer Notices were not issued to the Franchisees at the outset of the filing. However, Target Pharmacy took steps at that time to ensure that it was clear to the Franchisees that their pharmacies would need to close, the Disclaimer Notices would need to be issued and that Franchisees should anticipate having to close or relocate at an early date. The Franchisees were advised on January 15, 2015 by email that they would be responsible for closing or relocating their pharmacies. As well, by way of conference call on that date, the Franchisees were advised to take steps to close or relocate their pharmacies as soon as possible. They were also told to contact their pharmacies regulator to obtain advice on the retention and transfer of patient files. On January 19, 2015, by way of email from Target Pharmacy, the pharmacists were advised that a decision would be made as to the timing for disclaimer of the franchise agreements in the coming week(s). The Franchisees were also advised on January 23, 2015 not to wait until they received the Disclaimer Notices to close and/or relocate their pharmacy operations. Accordingly, the delivery of the Disclaimer Notices on January 26, 2015 should not have been a surprise to the Franchisees. Further, as set out above, the Monitor helped to facilitate Target Pharmacy's arrangements with Kroll for new services related to the transfer of patient data for the benefit of each Franchisee, at no cost to the Franchisees, so as to ensure continuity of patient care.
- 6.5 As of the date of this report, of the 93 Franchisees, 10 have already closed and 15 have given notice that they will be closing and have provided specific departure dates. Of the foregoing, 14 are among the 75 individuals listed at Exhibit "E" of the Gavriliadis Affidavit.

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- 6.6 While the Franchisees may indeed experience financial hardship in this case, such hardship is attributable to the Applicants' CCAA filing, the Orderly Wind-down and the reality of the closing of all 133 TCC stores, not the issuance of the Disclaimer Notices, which were inevitable and necessary in the circumstances. It is most unfortunate that the pharmacies are having to close, but that is the regrettable reality given that the stores are all closing.

Pharmacy Franchisee Association of Canada ("PFAC")

- 6.7 On January 29, 2015, the Monitor received the letters from counsel to PFAC which are attached as Exhibits "N" and "O" to the Affidavit of Stavros Gavriliadis sworn February 3, 2015 (the "**Gavriliadis Affidavit**") requesting information regarding the Disclaimer Notices.
- 6.8 By letter and cover email dated February 3, 2015, attached as Appendix C, Alan Mark, counsel for the Monitor, responded, reflecting the Monitor's understanding that the requested information was sought from the Applicants and suggesting a call among counsel.
- 6.9 On February 3, 2015, counsel for PFAC delivered a motion record wherein PFAC is seeking an Order (the "**PFAC Motion**") for:
- (a) the appointment of PFAC as the representative of the Franchisees;
 - (b) the appointment of Sutts, Strosberg LLP as Pharmacist Representative Counsel;
 - (c) the appointment of BDO Canada as "Pharmacist Financial Advisor";
 - (d) legal and other professional expenses of PFAC to be paid from the estate of the Target Canada Entities with an administrative charge; and

- (e) setting aside the Disclaimer Notices, and directing that Target Pharmacy cannot deny access to premises, discontinue supplies or otherwise interfere with the Pharmacists' and Franchisees' operations.

6.10 One of the fundamental requests set out in the PFAC Motion is that the Franchisees be provided with more "breathing space" related to the wind-down and relocation of their operations. The Monitor is sympathetic to the needs of the Franchisees who may desire such additional time, and accordingly, has no issue with TCC permitting Franchisees who may wish to continue to operate in TCC's stores after the expiration of the notice period under the Disclaimer Notices on February 25, 2015 to remain, subject to certain parameters, including the practical necessity of a very short vacate notice period due to the uncertainties related to TCC's lack of control over the timing of individual store closings and the rights of the applicable landlord. The Monitor has encouraged, and supports, the following plan to be implemented by the Target Canada Entities:

- (a) To provide additional time to assist the pharmacists in the transfer or relocation of patient files and drug inventory and in the relocation of their respective pharmacy businesses, TCC will permit and facilitate the pharmacists to continue to operate, in compliance with their professional obligations and applicable law, at their respective existing Target locations, subject to any applicable landlord rights, while the pharmacists wind down their respective operations, until the earlier of: (i) March 30, 2015; and (ii) three (3) days following written notice by TCC to the pharmacist of anticipated store closure at such pharmacist's location (such earlier date being the "**Accommodation Date**"). TCC, in consultation with the liquidation agent under the Agency Agreement approved by the Court on February 4, 2015, will use commercially reasonable efforts to provide each pharmacist with as much advance notice of their anticipated store closure date as possible.

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- (b) The Notices of Disclaimer of the franchise agreements and all ancillary agreements delivered on January 26, 2015 shall remain in full force and effect and the disclaimer of such agreements will take effect on February 25, 2015 in accordance therewith and with the CCAA, and, for greater certainty, without any further payment obligations on any party thereunder relating to the period after February 25, 2015.
- (c) As per the Closing Checklist provided to the Franchisees, once the pharmacist has made arrangements to close and/or relocate its pharmacy operations, the pharmacist shall notify TCC at targetcanadarx@target.com immediately and advise of the pharmacist's last day at the Target Pharmacy, which in any event shall be on or before the Accommodation Date.

6.11 The March 30, 2015 outside date was established as it represents the provision of an additional month of support services (such as arrangements with Kroll with respect to the patient data and POS system) required to allow the pharmacists to continue to operate, at the Target Canada Entities' cost. Further, while the Monitor expects that many stores will be closing before March 30, 2015, these arrangements would provide the pharmacists with up to 75 days' effective notice (since the January 15, 2015 filing date) of the need to close their respective pharmacies and/or relocate. While neither the Franchisor Payments nor the Franchisee Payments would continue with respect to the period following February 25, 2015, the provision of infrastructure support services for another month by Target Pharmacy (at a cost of approximately \$200,000) in order to facilitate such operations is, in the view of the Monitor, a reasonable and appropriate balancing of interests of the Franchisees and other stakeholders.

6.12 Set out below are responses to certain of the factual inaccuracies contained in the Gavrilidis Affidavit regarding the conduct of the Monitor (all numbered references are to the Gavrilidis Affidavit):

- (a) In response to paragraphs 4 and 25, the Monitor has never said nor suggested that the closing of the Target Canada Stores will not cause significant financial harm to the pharmacists and Franchisees. However, as set out above, such financial harm is the unfortunate practical consequence of the Orderly Wind-down and closure of all of TCC's 133 stores, and not as a result of the Disclaimer Notices. It is understood that the discontinuation of the business at the Target Canada stores and of the Franchisees in the Target Canada locations would have adverse economic consequences for the Franchisees.
- (b) In response to paragraph 7, in respect of a concern for the continuity of patient care, the Monitor is of the view that the patient records can be readily transferred to a responsible pharmacy within the timeframe provided to the Franchisees. In fact, this has already happened with the Quebec and corporate pharmacies and has been done or is underway for the 25 Franchisees that, as of the date of this report, have closed their location or have advised that they are in the process of closing their location. The Monitor is aware of steps taken by the Target Canada Entities to notify the necessary regulatory authorities and to ensure compliance with regulatory obligations, and is satisfied that patients can be serviced in a manner to facilitate continuity of patient care.
- (c) In response to paragraph 53, as set out above, the Monitor is aware of and has worked with the Target Canada Entities to ensure that the following communication with Franchisees has occurred:

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- (i) email communications were sent to all Franchisees on January 15, advising of the CCAA Filing and of the arranging of a conference call (Gavrilidis Affidavit, Exhibit "F").
- (ii) a conference call took place on January 15, and a transcription thereof was circulated to Franchisees (Gavrilidis Affidavit, Exhibit "G").
- (iii) email communications were sent to Franchisees on January 16, 19 and 23 (Gavrilidis Affidavit, Exhibits "H", "I" and "J").
- (iv) email communications were sent to Franchisees on February 3, 2015 providing a franchise closing checklist, confirming arrangements with Kroll regarding transfer of patient data and confirming arrangements with respect to forwarding of pharmacy telephone numbers.

6.13 With respect to legal representation, the Monitor understands from Sutts, Strosberg that they have been retained by 82 individual Franchisees. The Monitor has no objection to Sutts, Strosberg's representation of such Franchisees individually without being formally appointed as Representative Counsel. In the circumstances, the Monitor does not see the reason for PFAC to act as representative plaintiff in these proceedings given that Sutts, Strosberg has such individual retainers. The plaintiffs are free to organize their communications internally however they want, but, from the perspective of the estate, there does not appear to be any additional purpose served by having PFAC designated as representative. As well, it is not clear that all of the Franchisees are in the same circumstances.

6.14 Having regard to the interests of the estate and past practice, the Monitor does not support funding from the estate for the purpose of the Franchisees obtaining advice or assistance resulting from the fact that their independent pharmacy businesses are being closed or relocated. In this

regard, it appears that the roles of Gardiner Roberts and BDO are with respect to re-establishing or transitioning the pharmacies and, thereby dealing with the consequences of the closure of the Target business, rather than the negotiation, for example, of a continuation of the business in the context of a restructuring.

7.0 EXTENSION OF THE STAY PERIOD

7.1 Pursuant to the Initial Order, the Stay Period is to expire on February 13, 2015. The Applicants are seeking an extension of the Stay Period to May 15, 2015.

7.2 The Monitor supports the Applicants' motion to extend the Stay Period to May 15, 2015 for the following reasons:

- (a) the stay is required to provide the necessary stability and certainty to enable the Target Canada Entities to continue the Inventory Liquidation Process and to continue to advance the Real Property Portfolio Sales Process in furtherance of the Orderly Wind-down;
- (b) the extension corresponds with the Targeted Outside Date under the Real Property Portfolio Sales Process and the date by which the Inventory Liquidation Process is required to be completed;
- (c) the stay will permit the Target Canada Entities to continue to take all other necessary steps in furtherance of the Orderly Wind-down;
- (d) management of the Target Canada Entities' have been focused on the Orderly Wind-down process, and need to maintain this level of focus to ensure the success of the Orderly Wind-down;

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- (e) the DIP Facility remains available to the DIP Entities and is projected to provide the Applicants with sufficient liquidity to conclude the Orderly Wind-down process; and
- (f) the Applicants continue to act in good faith and with due diligence.

8.0 MONITOR'S ACTIVITIES TO DATE

- 8.1 Since the granting of the Initial Order, the Monitor has worked closely with the Target Canada Entities to stabilize their business and operations (all 133 open stores in Canada have remained operational since the granting of the Initial Order). As summarized in the First Report and below, this has included concerted efforts to address 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. The Monitor will continue to communicate with stakeholders and assist with and facilitate the stabilization of the business and the Orderly Wind-down, in the interests of all stakeholders.
- 8.2 Certain suppliers have requested information regarding inventory balances and purchases as at and prior to the commencement of the CCAA Proceedings. In order to respond to these inquiries in an efficient and appropriate manner, the Applicants have requested that the Monitor review the matters raised and provide an update in a subsequent report following its review. Given this review to be performed by the Monitor and reported on in due course, the Monitor is of the view that any cross-examination of Mr. Wong at this time is premature as it may not be necessary.
- 8.3 In addition to the Monitor's ongoing supervision and involvement with the Real Property Portfolio Sales Process (as described above and in the First Report) and with the Inventory

Liquidation Process (as described in the First Report), the activities of the Monitor from the date of the First Report have included the following:

- assisting the Applicants with communications with employees, PFAC, pharmacy franchisees, suppliers and other parties;
- 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 distribution centres and stores;
- discussions and meetings with landlords, the Applicants, the Financial Advisor and counsel in respect of the CCAA proceedings, Inventory Liquidation Process, Approval Order – Agency Agreement and the proposed Real Property Portfolio Sales Process;
- numerous discussions with suppliers and other creditors, including with respect to requests for critical supplier status;
- responding to a high volume of enquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the toll-free number or email account established by the Monitor;
- monitoring the receipts, disbursements, purchase commitments and arrangements for deposits with certain suppliers and creditors of the Applicants, including tracking outstanding balances and commitments due to critical service providers;

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- assisting the Applicants in assessing certain components of the Orderly Wind-down, including the disclaimer of contracts and agreements, employee reductions and other matters;
- developing and updating, on a daily basis, the “Daily Management Dashboard” to assist the Applicants in managing the Orderly Wind-down;
- corresponding with and tracking claims transfers and assignments received from purchasers of creditor claims;
- in its capacity as Administrator of the Employee Trust, communications with and among Employee Representative Counsel, Monitor counsel, Applicants’ counsel and the Trustee regarding the Employee Trust, and facilitating the opening of the Employee Trust Account and transfer of funds; and
- posting non-confidential materials filed with the Court to the website established by the Monitor for the CCAA Proceedings.

9.0 MONITOR'S RECOMMENDATION

- 9.1 For the reasons set out in this Second Report, the Monitor is of the view that: (a) the relief requested by the Applicants is reasonable and respectfully recommends that this Court make the Orders granting the relief requested by the Applicants; and (b) the PFAC Motion should be dismissed.

All of which is respectfully submitted to this Court this 7th day of February, 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”

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OR 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.**

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

JANUARY 30, 2015

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Appendix A – List of the Applicants and Partnerships

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 (the “**Initial Order**”), Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Monitor**”) was appointed Monitor of the Target Canada Entities in the CCAA proceedings. The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 In connection with the Applicants’ application for protection under the CCAA, A&M provided to this Court a pre-filing report (the “**Pre-Filing Report**”) dated January 14, 2015 in its capacity as the proposed monitor. The Pre-Filing Report, 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.
- 1.3 The Initial Order, among other things:
- (a) granted a stay of proceedings (the “**Stay**”) through February 13, 2015 (the “**Stay Period**”) in favour of the Target Canada Entities;
 - (b) provided the Target Canada Entities with the ability to, among other things, engage in discussions with and solicit proposals and agreement(s) from third parties in respect of the liquidation of the inventory, furniture, equipment and fixtures located in and/or forming part of the Property (the “**Liquidation Agent Solicitation Process**”) and return to Court for approval of such agreement(s);

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- (c) approved the engagement of Lazard Frères & Co. LLC ("**Lazard**") as financial advisor and of Northwest Atlantic (Canada) Inc. ("**Northwest**") as broker advisor;
- (d) authorized and directed the DIP Entities to enter into and borrow under the DIP Facility provided by Target Corporation;
- (e) 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 (the "**Trustee**") and the Monitor as administrator (the "**Administrator**") of the Employee Trust;
- (f) approved the Key Employees Retention Plan ("**KERP**");
- (g) appointed Koskie Minsky LLP ("**Koskie Minsky**" or "**Employee Representative Counsel**") as counsel for all employees other than officers and directors (the "**Employees**") of the Target Canada Entities in these CCAA Proceedings, any proceeding under the *Bankruptcy and Insolvency Act* or in any other proceeding respecting the insolvency of the Applicants which may be brought before this Court (the "**Insolvency Proceedings**") for any issues affecting the Employees in the Insolvency Proceedings including, without limitation, with respect to the Employee Trust Agreement and the Claims Process (as defined in the Employee Trust Agreement);
- (h) provided the Target Canada Entities with the ability, but not the requirement, to pay, among other things, the following expenses whether incurred prior to, on or after the Initial Order to the extent that such expenses are incurred and payable by the Target Canada Entities:

- (i) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental and similar benefit plans or arrangements), vacation pay and expenses payable on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll processing expenses;
- (ii) all outstanding or future amounts owing in respect of customer rebates, refunds, discounts or other amounts on account of similar customer programs or obligations;
- (iii) all outstanding or future amounts related to honouring gift cards issued before or after the date of the Initial Order;
- (iv) the fees and disbursements of any Assistants retained or employed by the Target Canada Entities at their standard rates and charges;
- (v) with the consent of the Monitor, amounts owing for goods and services actually supplied to the Target Canada Entities prior to the date of the Initial Order by:
 - (A) logistics or supply chain providers, including customs brokers and freight forwarders and security and armoured truck carriers;
 - (B) providers of credit, debit and gift card processing related services;
 - (C) other third party suppliers up to a maximum aggregate amount of CAD\$10 million, if, in the opinion of the Target Canada Entities, the supplier is critical to the Orderly Wind-down; and

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(D) any and all sums due and owing to Amex Bank of Canada and JPMorgan in respect of credit cards issued to management and employees of the Target Canada Entities; and

(i) approved the Administration Charge, the KERP Charge, the Directors' Charge, the Financial Advisor Subordinated Charge and the DIP Lender's Charge in the amounts and relative priority as set out in the Pre-Filing Report.

- 1.4 Since the granting of the Initial Order, the Monitor has worked closely with the Target Canada Entities to stabilize their business and operations (all 133 open stores in Canada have remained operational since the granting of the Initial Order), including concerted efforts to address urgent supply chain and other logistical issues essential to the Orderly Wind-down. Stabilization efforts have included extensive communications with stakeholders (including landlords, critical service providers, suppliers, pharmacists and other interested parties) and responding to numerous employee, creditor and other stakeholder requests received through the Monitor's website and email address, as well as telephone requests to the Monitor's hotline established pursuant to the Initial Order. The Monitor has worked with the Target Canada Entities and with Employee Representative Counsel to ensure that enquiries are addressed in as timely a manner as possible. As described further below, the Monitor has also assisted with other activities essential to the Orderly Wind-down, including matters related to the inventory liquidation sales process and the Real Property Portfolio Sales Process, communications with pharmacy franchisees to facilitate an orderly wind-down of the pharmacy operations, maintaining logistics support for operations, and disclaimer of contracts to facilitate the Orderly Wind-down. The Monitor will continue to communicate with stakeholders and assist with and facilitate the stabilization of the business and the Orderly Wind-down, in the interests of all stakeholders.
- 1.5 The purpose of this first report (the "**First Report**") is to provide this Court with:

- (1) information regarding the following:
 - (a) the Liquidation Agent Sales Process;
 - (b) the Applicants' motion to seek approval of the Agency Agreement (defined below) and the process to liquidate the inventory contemplated therein (and in the Sales Guidelines attached thereto);
 - (c) the Applicants' motion to seek approval of the Real Property Portfolio Sales Process;
 - (d) the receipts and disbursements of the Target Canada Entities from January 15, 2015 through January 24, 2015;
 - (e) the DIP Financing facility;
 - (f) updated information with respect to the following:
 - (i) payments of pre-filing amounts to certain critical service providers;
 - (ii) notices to disclaim certain contracts and agreements;
 - (iii) the Employee Trust;
 - (iv) creditor notifications;
 - (g) the Applicant's motion to seek extension of the Stay Period until May 15, 2015;
 - (h) the Monitor's activities since the granting of the Initial Order; and
- (2) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this First 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**”). Except as otherwise described in this First Report, in respect of the Target Canada Entities’ cash flow forecast:

- (a) 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; and
- (b) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

2.2 Future oriented financial information referred to in this First Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

- 2.3 This First Report should be read in conjunction with the Affidavit of Mark J. Wong, General Counsel and Assistant Secretary of TCC, sworn January 29, 2015 (the “**Second Wong Affidavit**”).
- 2.4 Capitalized terms not otherwise defined in this First Report are as defined in the Pre-Filing Report, the Initial Order and the Second Wong Affidavit, as applicable.
- 2.5 Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

3.0 LIQUIDATION AGENT SOLICITATION PROCESS

- 3.1 The Initial Order provided the Target Canada Entities, with the oversight of the Monitor, with the ability to engage in the Liquidation Agent Solicitation Process in respect of the liquidation of the inventory, furniture, equipment and fixtures located in and/or forming part of the Property (the “**Inventory and FF&E**”) and return to Court for approval of such agreement(s).
- 3.2 Following the commencement of the CCAA Proceedings, five parties (the “**Potential Bidders**”) determined to have the requisite expertise, qualifications and capability to implement a retail liquidation of the scale of the proposed liquidation of the Inventory and FF&E were contacted. The purpose of this initial contact was to describe the anticipated process and timeline for soliciting proposals and agreements in respect of the contemplated liquidation.
- 3.3 On January 20, 2015, the following documents were distributed to Potential Bidders (collectively, the “**Bid Documents**”):
- (a) the solicitation letter (“**Solicitation Letter**”) inviting Potential Bidders to submit equity and/or fee proposals in respect of the liquidation of the Inventory and FF&E (under equity proposals, Potential Bidders were to conduct the liquidation

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and provide a net minimum guaranteed amount to TCC, and under fee proposals, Potential Bidders were to consult in a liquidation process for a percentage fee on sales);

- (b) the request for proposals (“**RFP**”), which describes the terms and conditions, including the procedures to be followed and deadlines, for the submission of proposals (copies of the Solicitation Letter and RFP are attached as Exhibit C to the Second Wong Affidavit);
- (c) the form of agency agreement to be submitted, in accordance with the RFP, by Potential Bidders for equity proposals for the liquidation of the Inventory and FF&E;
- (d) the form of consulting agreement to be submitted, in accordance with the RFP, by Potential Bidders for fee proposals for the liquidation of the Inventory and FF&E;
- (e) the proposed Court orders to be sought by the Applicants for approval of a “Final Accepted Proposal” for each of the equity and fee proposals; and
- (f) the sales procedures (the “**Sales Guidelines**”) to be followed in connection with conducting the liquidation of the Inventory and FF&E at TCC’s stores, distribution centres and corporate head office (collectively, the “**Locations**”).

3.4 In order to facilitate and assist Potential Bidders in conducting due diligence to prepare and submit proposals, in accordance with the RFP, TCC established an electronic data room (the “**Data Room**”) that was activated on the CCAA filing date. The Data Room was pre-populated with a range of relevant information, including detailed inventory, operations and financial reports. Potential Bidders were granted access to the Data Room after executing a confidentiality

agreement (“CA”). Given its familiarity with TCC’s inventory data and operations, the Monitor acted as the primary point of contact between the Potential Bidders and TCC on all diligence related information requests and questions. As part of this process, the Monitor regularly followed up with Potential Bidders with respect to any further information they required and worked with TCC to respond to such requests. In addition, the Monitor coordinated and attended several site visits with the Potential Bidders, including visits to the Milton distribution centre, to enable the Potential Bidders to better understand the logistics network that supports the retail stores.

3.5 Key terms of the RFP were as follows:

- (a) all proposals were to be received, in writing, no later than 3:00 p.m. (EST) on January 23, 2015 (the “**Proposal Deadline**”) and were to stipulate that they were open for acceptance until 5:00 p.m. (EST) on January 27, 2015;
- (b) a proposal would be considered a Conforming Proposal only if: (i) the proposal was received on or before the Proposal Deadline; and (ii) the proposal complied with all of the requirements outlined in the RFP (subject to such compliance, as may be determined in the discretion of TCC and the Monitor) (a “**Conforming Proposal**”);
- (c) equity proposals were required to be submitted using the form of Agency Agreement enclosed with the RFP and fee proposals were to be submitted using the form of Consulting Agreement enclosed with the RFP, in each case redlined to show any proposed changes from the original documents;
- (d) TCC, in consultation with the Monitor (and their respective advisors), was to review each Conforming Proposal and provide feedback, as required, to each

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bidder about its Conforming Proposal(s). TCC was to share certain of the Conforming Proposals with certain of its key constituents including the DIP Lender;

- (e) the Final Accepted Proposal was to form the basis of an Agency Agreement negotiated between TCC and the successful bidder;
- (f) the Final Accepted Proposal shall be subject to the approval of this Court and the DIP Lender, as required; and
- (g) TCC reserved the right, in its sole discretion, to accept or reject any and all proposals or any terms or conditions of a Conforming Proposal, to seek clarification or enhancement of a Conforming Proposal, to withdraw any of the Locations at any time prior to the execution of a definitive agreement or to exclude any bidder from any further participation in the RFP process and had no obligation to disclose any reason therefor.

3.6 Conforming Proposals were received from three bid groups in compliance with the Proposal Deadline. Some of the five Potential Bidders that were initially provided with the Bid Documents joined with other Potential Bidders, such that all five Potential Bidders were parties to a Conforming Proposal. Each bid group submitted both an equity and a fee proposal.

3.7 On January 27, 2015, an auction among the three bid groups was conducted at the offices of Osler, Hoskin & Harcourt LLP, in Toronto. At the completion of the auction, the Target Canada Entities, in consultation with the Monitor, selected the proposal from a contractual joint venture comprised of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC (collectively, the “**Agent**”) as the most favourable proposal of those submitted.

4.0 PROPOSED AGENCY AGREEMENT

4.1 Subject to the approval of the Court, on January 29, 2015, the Agent and certain of the Target Canada Entities entered into an agency agreement (the “**Agency Agreement**”), a copy of which is attached as Exhibit D to the Second Wong Affidavit. The Agency Agreement is summarized in the table below (capitalized terms used but not defined in this section are as defined in the Agency Agreement). At a high level, the Agency Agreement:

- (a) guarantees the Company a minimum recovery of 74% of the Cost Value of the Merchandise;
- (b) provides that the Agent is responsible for store-level operating expenses during the Sale; and
- (c) entitles the Company to share in recoveries in excess of the Expenses, the Guaranteed Amount and the Agent’s fee.

Target Canada Co., Target Canada Pharmacy Franchising LP and Target Pharmacy (Ontario) Corp. Summary of Terms of Agency Agreement	
Exclusive Agent	<ul style="list-style-type: none"> A contractual joint venture comprised of Merchant Retail Solutions ULC, Gordon Brothers Canada ULC and GA Retail Canada, ULC will collectively act as the exclusive agent and mandatary of TCC, TCC Pharmacy and TCC Pharmacy Ontario (collectively, the “Company”).
Purpose	<ul style="list-style-type: none"> The Agent will conduct the Sale at TCC’s retail stores, distribution centres and corporate head office, and liquidate the Inventory and FF&E in its entirety.
Timing	<ul style="list-style-type: none"> The Agency Agreement is conditional upon the Company having obtained an Order of this Court by no later than February 4, 2015 substantially in the form attached to the Agency Agreement. If the Court issues the proposed Order approving the Agency Agreement, the Sale will commence within one calendar day of the making of the Order, or such other date as the parties may mutually agree in writing. The Sale Term will end on the Sale Termination Date, which is to be no later than May 15, 2015 for the stores, April 30, 2015 for the distribution centres (subject to further extensions as may be agreed upon) and March 31, 2015 for the corporate

Target Canada Co., Target Canada Pharmacy Franchising LP and Target Pharmacy (Ontario) Corp. Summary of Terms of Agency Agreement	
	office.
Sales	<ul style="list-style-type: none"> All sales of Merchandise and FF&E will be “final sales” and “as is” and all advertisements and sales receipts will reflect same.
Guaranteed Amount	<ul style="list-style-type: none"> The Agent has guaranteed that the Company will receive a net minimum amount of 74% of the “Cost Value” of the Merchandise (the “Guaranteed Amount”), computed in accordance with the Agency Agreement, and subject to adjustment in accordance with the Agency Agreement, if: (i) the aggregate Cost Value of the Merchandise is less than \$445 million or greater than \$475 million; and/or (ii) the Cost Value of the Merchandise as a percentage of the Retail Price of the Merchandise exceeds 63%. To secure the Agent’s obligations under the Agency Agreement, the Agent has agreed to deliver to the Company an irrevocable and unconditional standby letter of credit in the original face amount of \$50 million.
Use of Sale Proceeds	<ul style="list-style-type: none"> All sales of Merchandise in TCC’s stores will be recorded using the existing POS System. All proceeds will be collected by TCC and deposited in TCC’s existing bank accounts on a daily basis and reconciled on a weekly basis. During each “Weekly Sale Reconciliation” during the Sale Term, all proceeds will be disbursed as follows: <ol style="list-style-type: none"> first, to the Company, to reimburse the Company for Expenses paid by the Company during the previous week; second, to the Agent, to reimburse the Agent for Expenses paid by the Agent during the previous week; third, to the Company, until payment in full of the Guaranteed Amount; fourth, to the Agent, until the Agent has received an amount equal to 6% of the aggregate Cost Value of the Merchandise; and fifth, 50% to the Agent and 50% to the Company.
Other Terms	<ul style="list-style-type: none"> The Agent only has the right to supplement the Merchandise in the Sale with additional goods procured by the Agent, if such additional goods are of like kind and no lesser quality to the Merchandise in the Sale, and provided that such goods will be limited to 5% of the aggregate Cost Value of the Merchandise at the Sale Commencement Date. The Agent will pay the Company 5% of the gross proceeds for such goods. The Agent will have the exclusive right to dispose of all FF&E in accordance with the Agency Agreement. The Agent will receive a commission of 20% on the sale of any FF&E sold during the Sale. To the extent that there is Merchandise remaining at the Sale Termination Date, such remaining Merchandise will be deemed transferred to the Agent free and clear of all Encumbrances and the Agent shall use commercially reasonable efforts to dispose of

Target Canada Co., Target Canada Pharmacy Franchising LP and Target Pharmacy (Ontario) Corp. Summary of Terms of Agency Agreement	
	such remaining Merchandise by bulk sale, wholesale or otherwise. Any subsequent proceeds from the sale of such remaining Merchandise is to be distributed in accordance with the formula set out in "Use of Sale Proceeds" above.
Sales Guidelines	<ul style="list-style-type: none"> • The Agency Agreement is also subject to the Sales Guidelines, which are attached as Schedule "G" to the Agency Agreement (which is attached as Exhibit D to the Second Wong Affidavit). The Sales Guidelines provide, among other things: <ul style="list-style-type: none"> (a) except as otherwise set out in any Court Order, written agreement between TCC and the landlord, or the Sales Guidelines, the Sale will be conducted in accordance with the terms of the applicable leases; (b) the Sale will be conducted so that the locations remain open during the normal hours of operation provided for in the applicable leases; (c) all display and hanging signs used in connection with the Sale will be professionally produced and hung in a professional manner. No signs will advertise the Sale as a "going-out-of-business" or "bankruptcy" sale; (d) the purchasers of FF&E will only be permitted to remove FF&E through the back shipping areas after regular store business hours, with the landlords' supervision as required by the landlords; and (e) the Agent will not conduct any auctions of merchandise or FF&E at any of the locations.

4.2 The Company and the Monitor have the right to monitor the Sale and related activities and be present in all Locations at all times. The Target Canada Entities, with the assistance of the Monitor, intend to consult with the Target Canada Entities' landlords throughout the Inventory Liquidation Process in order to address concerns and minimize disruptions.

4.3 The Agency Agreement contemplates the creation of a Court-ordered charge in favour of the Agent on all Merchandise, Proceeds, the FF&E Proceeds, and, if any, the proceeds of the Designated Company Consignment Goods (to the extent of the FF&E Commission) (to the extent of the commission payable to the Agent with respect thereto) (collectively, the "**Limited Inventory Charged Property**") in order to secure all amounts due and owing to the Agent under

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the Agency Agreement (the “**Agent’s Charge and Security Interest**”). The priority of the Agent’s Charge and Security Interest and the other Court-ordered charges is as follows:

- (a) First – the Agent’s Charge and Security Interest (on the Limited Inventory Charged Property only);
- (b) Second – Administration Charge (to the maximum amount of \$6.75 million);
- (c) Third – KERP Charge (to the maximum amount of \$6.5 million);
- (d) Fourth – Directors’ Charge (to the maximum amount of \$64 million);
- (e) Fifth – Financial Advisor Subordinated Charge (to the maximum amount of \$3 million);
and
- (f) Sixth – DIP Lender’s Charge,

provided however that the Agent’s Charge and Security Interest shall be junior and subordinated to all encumbrances to the extent of any unpaid entitlements due to the Company under the Agency Agreement.

4.4 The Liquidation Agent Solicitation Process was developed and conducted by TCC with the assistance of the Monitor. The Agency Agreement was negotiated and finalized in consultation with the Monitor. In negotiating the terms of the Agency Agreement, the Target Canada Entities (and the Monitor in consultation) were cognizant of the interests of various stakeholders.

4.5 The Monitor recommends that the Court approve the Agency Agreement and the Inventory Liquidation Process as reflected in the Agency Agreement and Sales Guidelines. The Monitor considered the process leading to the Agency Agreement and the consideration to be received in respect of the Inventory Liquidation Process in light of the requirements of, *inter alia*, section 36

of the CCAA. The Agent was the successful bidder in the Liquidation Agent Solicitation Process and the Agency Agreement provides for the best guaranteed realization for the benefit of stakeholders, both by maximizing proceeds and minimizing costs, on a timely and urgent basis.

4.6 As indicated previously, the Sales Termination Date under the Agency Agreement is to be no later than May 15, 2015. The Agent has advised that the operations at many stores may cease before May 15, 2015, with sales at some stores to be completed potentially as early as the end of March 2015. In developing the Real Property Portfolio Sales Process described below, the Target Canada Entities, the Monitor and the Financial Advisor were cognizant of the Inventory Liquidation Process and the interests of TCC's landlords and attempted to minimize to the extent possible in the circumstances any differences in timing between the two processes, while balancing the objective of maximizing realizations for stakeholders.

4.7 The Monitor is of the view that a realization of the assets of the Target Canada Entities in the CCAA Proceedings allows for a maximization of value through, among other things, a more flexible, holistic and orderly approach, and does not believe that a realization of the assets under a bankruptcy would be more beneficial to the creditors of the Target Canada Entities.

5.0 REAL PROPERTY PORTFOLIO SALES PROCESS

5.1 The Initial Order approved the retention of Lazard as financial advisor (the "**Financial Advisor**") to develop and provide assistance with the sales process for the real property assets held by the Target Canada Entities (the "**Real Property Portfolio Sales Process**"). The Initial Order also approved the retention of Northwest to provide real estate advisory services (the "**Broker Advisor**"), including any required brokerage services, in respect of the Real Property Portfolio Sales Process.

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- 5.2 Since their retention, Lazard and Northwest have worked extensively with the Target Canada Entities, in consultation with the Monitor, to develop the Real Property Portfolio Sales Process. A copy of the Real Property Portfolio Sales Process is attached as Exhibit E to the Second Wong Affidavit and is summarized below (capitalized terms not otherwise defined in this section of the First Report are as defined in the Real Property Portfolio Sales Process and the Sales Process Procedures).
- 5.3 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 TCC. The Target Canada Entities are required to assist and support the efforts of the Monitor and the Financial Advisor as provided for in the Real Property Portfolio Sales Process. In the event that there is disagreement or clarification required as to the interpretation or application of the Real Property Portfolio Sales Process or the responsibilities of the Monitor, the Financial Advisor or the Target Canada Entities, this Court will have jurisdiction to hear such matters and provide advice and directions, upon application of the Monitor or the Applicants.
- 5.4 The 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 Real Property;
 - (c) the manner in which bidders and bids become Competing or Qualified Bids, respectively;
 - (d) the manner in which Competing Bidders may submit Stalking Horse Bids;
 - (e) the manner in which Stalking Horse Bids become Selected Stalking Horse Bids;

- (f) the receipt, evaluation and negotiation of bids received;
- (g) the ultimate selection of one or more Successful Bidders and Backup Bids; and
- (h) the process for obtaining such approvals (including the approval of this Court) as may be necessary or appropriate in respect of a Successful Bid, Backup Bid or Qualified Bid, as applicable.

5.5 The Applicants are seeking an Order of this Court approving the Real Property Portfolio Sales Process (the “**Sale Process Order**”), which includes the Sales Process Procedures described therein. Key components of the Real Property Portfolio Sales Process are set out below.

Solicitation of Interest

5.6 As soon as reasonably practical, the Monitor will cause a notice of the Real Property Portfolio Sales Process to be published in the national editions of The Globe and Mail and The Wall Street Journal, and to be posted on the Monitor’s website.

5.7 As soon as reasonably practical, but in any event no more than three business days after the issuance of the Sales Process Order, the Financial Advisor will distribute an initial offering summary of the Leases and the Real Property in a form acceptable to the Target Canada Entities and the Monitor (the “**Teaser Letter**”) notifying those potentially interested parties that are identified by the Financial Advisor, the Broker Advisor and the Target Canada Entities 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.

5.8 A summary of the key dates for the Real Property Portfolio Sales Process is as follows:

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Phase 1

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

Phase 2

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

Participation Requirements

5.9 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:

- (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 of the Real Property Portfolio Sales Process.

5.10 The Real Property Portfolio Sales Process is structured in two phases as described below.

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

PHASE 1**Initial Timing**

- 5.11 For a period from the date an order approving the Real Property Portfolio Sales Process is issued until the Phase 1 Bid Deadline, the Financial Advisor (with the assistance of the Target Canada Entities and the Broker Advisor) will solicit non-binding letters of intent (each an “**LOI**”) from prospective parties to acquire one or more of the Leases and/or one or more of the properties constituting the Real Property.

Due Diligence

- 5.12 Subject to certain limitations, a confidential information memorandum (“**Confidential Information Memorandum**”) describing the opportunity to acquire all or some of the Leases and Real Property will be made available by the Financial Advisor to those parties who have executed a CA (an “**Interested Bidder**”). Subject to certain limitations, the Financial Advisor will provide each Interested Bidder with access to an electronic data room.

Non-Binding LOIs

- 5.13 Interested Bidders that wish to pursue a Sale Proposal must deliver a non-binding LOI to the Financial Advisor by 5:00 p.m. (EST) on or before March 5, 2015, or such later date or time as may be determined by the Target Canada Entities on the consent of the Monitor and in consultation with the Financial Advisor and DIP Lender (the “**Phase 1 Bid Deadline**”). In order for a submitted LOI to be considered a qualified LOI (a “**Qualified LOI**”) it must comply with customary requirements as more particularly described in the Real Property Portfolio Sales Process.

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Assessment of Qualified LOIs

- 5.14 Within five business days of the Phase 1 Bid Deadline, or such later date as may be determined by the Target Canada Entities with the consent of the Monitor and in consultation with the Financial Advisor, the Target Canada Entities 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, including whether a proposed transaction is reasonably likely to close on or before the Targeted Outside Date of May 15, 2015. If one or more Qualified LOIs are received and the Target Canada Entities, in consultation with the Monitor and the Financial Advisor, determine there is a reasonable prospect of obtaining a Qualified Bid, the Applicants will continue the Real Property Portfolio Sales Process.

PHASE 2

Due Diligence

- 5.15 Each Interested Bidder that: (a) submits a Qualified LOI; and (b) that is not eliminated from the Real Property Portfolio Sales Process by the Target Canada Entities, following consultation with the Financial Advisor and the Monitor, and after assessing such Qualified LOI, may be invited by the Target Canada Entities to participate in Phase 2 (each a “**Competing Bidder**”). Subject to certain limitations, the Financial Advisor will provide each Competing Bidder with access to additional due diligence materials and information relating to the Leases and Real Property.

Stalking Horse Bid from Competing Bidders

- 5.16 The Target Canada Entities, in their reasonable 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. Any Competing Bidder that wishes to submit a stalking horse bid (a “**Stalking Horse Bid**”) must submit a Qualified Bid to the Financial Advisor so that

the bid is received not later than 5:00 pm (EST) 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**”).

- 5.17 The Target Canada Entities, 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 the Real Property Portfolio Sales Process, 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 (which are applicable to Stalking Horse Bids).
- 5.18 If one or more Stalking Horse Bids is received, the Target Canada Entities, exercising their reasonable business judgment, on consent of the Monitor and in consultation with the Financial Advisor, will select the Stalking Horse Bid(s) that they consider most favourable and will negotiate and attempt to settle the terms of a definitive agreement in respect of such Stalking Horse Bid(s).
- 5.19 A definitive agreement negotiated and settled in respect of a Stalking Horse Bid as selected by the Target Canada Entities will be a “**Selected Stalking Horse Bid**” and the person(s) who made the Selected Stalking Horse Bid will be a “**Selected Stalking Horse Bidder**”. The Target Canada Entities may grant, on consent of the Monitor and in consultation with the Financial Advisor, each Selected Stalking Horse Bidder (i) a Break-Up Fee not to exceed 3% of the negotiated purchase price of the applicable Leases and/or the Real Property subject to the bid (the “**Break-Up Fee**”); and/or (ii) an expense reimbursement of documented and reasonable out of pocket costs in pursuing the opportunity to consummate a Sale Proposal to a maximum amount of \$150,000 in the aggregate (the “**Expense Reimbursement**”). A Selected Stalking Horse Bidder will only be entitled to payment of a Break-Up Fee and/or Expense Reimbursement, as applicable, if and when the Applicants consummate a transaction for the applicable Leases and/or

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Real Property with a Successful Bidder or a Backup Bidder, neither of which is the Selected Stalking Horse Bidder. The Financial Advisor has advised the Target Canada Entities, and the Monitor concurs, that these bid protections, including the percentage of the Break-Up Fee and the amount of the Expense Reimbursement, are reasonable in the circumstances.

Qualified Bids

- 5.20 The deadline for submission of bids to be considered for the sales of Lease(s) and/or Real Property ("**Qualified Bids**") will be April 23, 2015, or such later date as may be determined by the Target Canada Entities with the consent of the Monitor and in consultation with the Financial Advisor and the DIP Lender.
- 5.21 Any Competing Bidder (other than the Selected Stalking Horse Bidder) who wishes to become a Qualified Bidder must submit a Qualified Bid satisfying the conditions set out in the Sales Process Procedures, unless the Target Canada Entities, with the consent of the Monitor and in consultation with the Financial Advisor, waive compliance with any one or more of the requirements with respect to Qualified Bids.
- 5.22 The Target Canada Entities, in consultation with the Financial Advisor and the Monitor: (a) may engage in such negotiations with Qualified Bidders as they deem appropriate and may accept such revisions to Qualified Bids, in their discretion, that are otherwise consistent with the objectives of the Real Property Portfolio Sales Process; and (b) will determine which is the most favourable bid with respect to such Lease(s) and/or Real Property, taking into account customary evaluation criteria, including whether a proposed transaction is reasonably likely to close on or before the Targeted Outside Date, as described in the Real Property Portfolio Sales Process.

Auction Process

- 5.23 The Target Canada Entities, in consultation with the Financial Advisor and the Monitor, will commence one or more auctions (the “**Auctions**”) on or about April 28, 2015. The Auctions will be conducted as described in the Real Property Portfolio Sales Process. Only parties who have submitted Qualified Bids for the Lease(s) and/or Real Property to be auctioned (and their financial and legal advisors) may participate in the Auctions.

Approval Motion for Successful Bids

- 5.24 The Target Canada Entities will apply to this Court 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 Target Canada Entities 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.

Amendment

- 5.25 The Target Canada Entities, on consent of the Monitor, and the DIP Lender, and in consultation with the Financial Advisor may: (a) amend the Real Property Portfolio Sales Process, or (b) impose additional terms and conditions and otherwise seek to modify the Real Property Sales Portfolio Process.

Monitor Updates

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

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Landlord Communications

- 5.27 The Target Canada Entities, 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.

DIP Lender Communications

- 5.28 The Target Canada Entities, 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.
- 5.29 The Real Property Portfolio Sales Process and Sales Process Procedures were developed by the Target Canada Entities and the Financial Advisor in consultation with the Monitor. The Monitor recommends that the Court approve the Real Property Portfolio Sales Process and the Sales Process Order in order to: (i) continue to advance and facilitate the Orderly Wind-down; (ii) realize on the Leases and Real Property in a comprehensive and coordinated manner through a single process, and (iii) maximize net realizations for the benefit of all stakeholders.

6.0 CASH FLOW RESULTS RELATIVE TO FORECAST

6.1 Receipts and disbursements for the period January 15, 2015 to January 24, 2015 (the “**Reporting Period**”), as compared to the CCAA Cash Flow Forecast, are summarized in the table below.

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

<i>Week Ending</i>	Cumulative		
	Budget 24-Jan	Actual 24-Jan	Variance B / (W)
OPERATING RECEIPTS			
Sales Receipts	\$ 52,221	\$ 81,524	\$ 29,303
Other Receipts	-	160	160
TOTAL RECEIPTS	52,221	81,685	29,463
OPERATING DISBURSEMENTS			
Employee Payments	16,387	17,791	(1,404)
Rent & Occupancy	9,558	480	9,077
DC / Logistics	29,035	50	28,985
Normal Course Taxes	17,271	8,396	8,875
Professional Fees	3,747	-	3,747
All Other	14,742	1,034	13,708
Current Operating Disbursements	90,740	27,752	62,988
OPERATING CASH FLOW	(38,519)	53,933	92,452
INTERCOMPANY DISBURSEMENTS			
Intercompany Services	-	-	-
DIP Interest	-	-	-
Intercompany Disbursements	-	-	-
NET CASH FLOW	\$ (38,519)	\$ 53,933	\$ 92,452
WEEKLY LIQUIDITY			
Beginning Bank Cash Balance [1]	\$ 1,000	\$ 3,169	\$ 2,169
(+/-) Net Cash Flow	(38,519)	53,933	92,452
(+/-) Net DIP Draws	47,519	21,730	(25,789)
(+/-) FX Translation	-	924	924
Ending Bank Cash Balance [1]	10,000	79,756	69,756
DIP Balance - USD	\$ 39,932	\$ 19,000	\$ 20,932

[1] Actuals assume \$1.245 CAD/USD

6.2 During the Reporting Period, the Target Canada Entities' total receipts were approximately \$29.5

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million greater than projected in the CCAA Cash Flow Forecast. Management attributes this variance primarily to greater than anticipated interest in the retail stores following the announcement of the CCAA Proceedings and the Orderly Wind-down.

- 6.3 The Target Canada Entities' total disbursements during the Reporting Period were approximately \$63.0 million less than projected in the CCAA Cash Flow Forecast. Management attributes this variance primarily to timing differences as disbursement items such as rent, distribution centre/logistics, taxes and professional fees were delayed during the Reporting Period as TCC worked with vendors on post-filing payment terms and/or invoices for obligations incurred had not yet been received. It is anticipated that the majority of this variance will reverse as delayed disbursements are caught up.
- 6.4 Overall, during the Reporting Period, the Target Canada Entities experienced a positive net cash flow variance of approximately \$92.5 million relative to the CCAA Cash Flow Forecast. However, as noted above, it is anticipated that this variance will decline as the Orderly Wind-down progresses, and store sales trend closer to forecast amounts and delayed disbursements are caught up.
- 6.5 The closing cash balance as at January 24, 2015 was approximately \$79.8 million, as compared to the projected cash balance of \$10 million. The variance was due to the net positive variance in receipts and disbursements described above and a slightly higher opening cash position than projected, less USD \$16 million repaid on the DIP Facility (as discussed below).
- 6.6 The Initial Order entitled 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.

7.0 DEBTOR-IN-POSSESSION FINANCING

- 7.1 The Initial Order authorized the DIP Entities to borrow, on a joint and several basis, under a credit facility from Target Corporation (the “**DIP Lender**”) in order to finance the DIP Entities’ working capital requirements and other general corporate purposes and to allow them to make such other payments as permitted under the Initial Order and the DIP Facility Term Sheet (the “**DIP Facility**”), provided that borrowings under the DIP Facility are not to exceed USD \$175 million unless permitted by further Order of this Court.
- 7.2 Following the granting of the Initial Order, TCC borrowed USD \$35 million in order to fund an immediate payroll requirement of approximately \$17.4 million and payroll withholding taxes of approximately \$4.4 million, and to provide general liquidity.
- 7.3 In accordance with the terms of the DIP Facility Term Sheet, TCC subsequently repaid USD \$16 million against the DIP Facility during the Reporting Period, such that the outstanding borrowings under the DIP Facility as at January 24, 2015 are USD \$19 million.

8.0 UPDATED INFORMATION

Critical Service Providers

- 8.1 Since the date of the Initial Order, the Applicants with assistance of the Monitor, have been working to stabilize the business and to facilitate the Orderly Wind-down, including minimizing disruption to services essential to the Orderly Wind-down, such as distribution services. The Monitor has worked with the Target Canada Entities to stabilize the business and address critical service provider concerns. As authorized by the Initial Order, this has included the payment of certain pre-filing amounts to certain critical service providers to maintain an adequate level of service and otherwise facilitate the Orderly Wind-down. In most cases, these payments

represented negotiated partial payments against pre-filing amounts to suppliers involved in the Applicants' supply chain.

Notices to Disclaim or Resiliate Agreements

- 8.2 Since the granting of the Initial Order, the Monitor has worked closely with the Target Canada Entities to assist, in the case of pharmacies, in the timely transition of patients and pharmacists to alternative pharmacies, and in facilitating and implementing the Orderly Wind-down that will ultimately result in the cessation of the Target Canada Entities' operations. A key component of the Orderly Wind-down is the orderly disclaimer of contracts and corresponding reduction in costs and expenses to the estate in the interests of the stakeholders.
- 8.3 As outlined in the Second Wong Affidavit, immediately following the granting of the Initial Order, and in anticipation of the disclaimer of pharmacy franchise agreements as part of the Orderly Wind-down, the Target Canada Entities contacted each of the applicable pharmacy colleges across Canada to advise that the CCAA Proceedings will ultimately result in the closure and/or relocation of all 93 franchised Target branded pharmacies in Canada (outside of Quebec), and all 14 Target/Brunet co-branded pharmacies in Quebec. The Target Canada Entities, in consultation with the Monitor, then initiated extensive communications with pharmacy franchisees regarding the impact of the Initial Order and the Orderly Wind-down, and the steps that franchisees would be required to take to comply with regulatory and professional requirements regarding the safeguarding of patient files, communication with patients, and the ongoing sale and relocation of scheduled drug inventory. The Target Canada Entities' ongoing communications with the pharmacy franchisees have included a group conference call, establishing a dedicated email address to respond to franchisee questions, and replying to group and individual enquiries (in consultation with legal advisors).

8.4 On January 26, 2015, as provided for, and in accordance with, subsection 32(1) of the CCAA, the Target Canada Entities provided notice in the prescribed form and with the approval of the Monitor to:

- (a) approximately 55 vendors of the Target Canada Entities' intention to disclaim or resiliate their contracts or agreements. The counterparties to these agreements primarily provided employment agency, advertising and marketing, and merchandising services to the Target Canada Entities that are no longer required; and
- (b) 94 pharmacy franchisees of the Target Canada Entities' intention to disclaim or resiliate their franchise agreements and all other ancillary agreements. The Target Canada Entities are working with the pharmacy franchisees and a third-party IT services provider to help facilitate the franchisees' ability to obtain and/or transfer patient files and related customer data. The Target Canada Entities are also working with their telecommunications service provider to facilitate the transfer of telephone and/or facsimile numbers used in the pharmacy operations to the pharmacy that the franchisees designate.

8.5 To date, two franchised pharmacies have closed, with the Applicants having facilitated the transfer of related patient information to a pharmacy of the franchisees' direction. There is a closure plan in place with McMahon, such that the 14 Quebec-based pharmacies will be closed on or before February 11, 2015. With respect to the three corporate-owned pharmacies, an agreement regarding the orderly transfer of the patient information to Wal-Mart Canada Corp. was entered into on January 29, 2015 and the Applicants are in discussions regarding the potential sale of the corporate pharmacy scheduled drug inventory.

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- 8.6 In addition to the foregoing, TCC Mobile and Glentel Inc. (“**Glentel**”) have agreed to a mutual termination of their agreement, and Glentel has removed its inventory, equipment and supplies from all of TCC’s stores. Similarly, TCC and Starbucks Coffee Canada, Inc. (“**Starbucks**”) have agreed to a mutual termination of their master licensing agreement, and Starbucks-branded cafes ceased operating within TCC’s stores on or before January 23, 2015.

Employee Trust

- 8.7 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. The Initial Order also appointed Koskie Minsky as Employee Representative Counsel for all employees other than officers and directors of the Target Canada Entities in these CCAA Proceedings or any other Insolvency Proceedings which may be brought before this Court for any issues affecting Employees in the Insolvency Proceedings, including without limitation, with respect to the Employee Trust Agreement and the Claims Process.
- 8.8 On January 21, 2015, in accordance with the Employee Trust Agreement, Target Corporation provided the initial funding of the Employee Trust by paying \$52.5 million in trust to the Monitor’s legal counsel, Goodmans. Based on updated potential trust liability estimates, Target Corporation has increased the Maximum Required Trust Contribution from \$70 million to \$90 million and, on January 30, 2015, funded an additional \$37.5 million to Monitor’s counsel in trust for the Employee Trust. The Monitor has facilitated the opening of a new trust account at Royal Bank of Canada (the “**Employee Trust Account**”) and will initiate the transfer of the funds held by Monitor’s legal counsel in their entirety to that account as soon as possible.
- 8.9 On January 23, 2015 (the “**First Separation Date**”), TCC notified approximately 560 salaried Eligible Employees (the “**Notified Employees**”) that their services were no longer required. As

the First Separation Date corresponded with the end of TCC's bi-weekly payroll cycle, the Notified Employees will receive their final pay from TCC on January 30, 2015. It is anticipated that the first payment to the Notified Employees that is to be funded from the Employee Trust Account will be made on February 13, 2015, at the end of the following bi-weekly payroll cycle. To date, no hourly employees have been notified by TCC of their separation date.

Employee Representative Counsel

8.10 The Monitor is in regular contact with Employee Representative Counsel and understands that Employee Representative Counsel has/is:

- (a) established a website for the Target Canada Entities' employees in order to provide up-to-date information regarding the CCAA Proceedings, guidance on commonly asked questions and ready access to relevant documents including correspondence from Koskie Minsky to employees, communications from the Target Canada Entities and Court-filed documents;
- (b) established a toll-free telephone number and email address dedicated to the Target Canada Entities' employees through which employees can direct questions to Employee Representative Counsel. Messages are monitored and answered promptly by four dedicated communications personnel (including two who are bilingual), who refer questions to counsel for response as necessary. Employee Representative Counsel has informed the Monitor that to-date it has received approximately 450 inquiries and has responded to all of them (at a minimum to acknowledge the inquiry) and has addressed the specific questions in all but approximately 50 such inquiries, which will be responded to as further information becomes available;

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- (c) issued a national press release upon the CCAA filing on January 15, 2015 with contact information for Employee Representative Counsel;
- (d) developed and recorded a webcast with a slide presentation to provide information regarding the CCAA process, the Employee Trust and other matters relevant to employees, which has been posted to Koskie Minsky's website;
- (e) held two information sessions, with question and answer periods, for head office employees at TCC's headquarters in Mississauga, Ontario on January 22, 2015;
- (f) met with the Monitor, TCC and the Trustee to discuss the operation of the Employee Trust;
- (g) discussed the role of Employee Representatives (as defined in the Employee Trust Agreement) with several interested employees, and is in the process of confirming its recommendations to this Court for the Court hearing scheduled on February 11, 2015;
- (h) exploring other approaches, in addition to the posted webcast and dedicated communications, to communicate with employees that work in the stores;
- (i) consulted with counsel in Quebec to provide advice, as necessary, regarding the impact of the CCAA Proceedings on employees located in that province; and
- (j) had discussions with Service Canada regarding potential services that Service Canada may be able to provide for employees.

Creditor Notifications

- 8.11 Pursuant to the Initial Order, the Monitor was required to: (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA; (ii) within five days after the date of the Initial Order, (A) make the Initial Order publicly available in the manner prescribed under the CCAA, (B) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Target Canada Entities of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of individuals who are creditors publicly available.
- 8.12 A notice containing the information prescribed under the CCAA was published in each of The Global and Mail (National Edition) and La Presse on January 21, 2015 and January 27, 2015.
- 8.13 On the day of the Initial Order, the Monitor activated its Case Website and a copy of the entered Initial Order was posted to the website. On January 20, 2015, a notice was mailed by Prime Clerk, the Target Canada Entities' and Monitor's noticing agent, to every known creditor who may have a claim against the Target Canada Entities of more than \$1,000. On January 20, 2015, the Monitor prepared and posted to its website a list showing the names and addresses of every known creditor who may have a claim against the Target Entities of more than \$1,000, excluding the claims, names and addresses of individuals who may be creditors.

9.0 EXTENSION OF THE STAY PERIOD

- 9.1 Pursuant to the Initial Order, the Stay Period is to expire on February 13, 2015. The Applicants are seeking an extension of the Stay Period to May 15, 2015.

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9.2 The Monitor supports the Applicants' motion to extend the Stay Period to May 15, 2015 for the following reasons:

- (a) the stay is required to provide the necessary stability and certainty to enable the Target Canada Entities to, forthwith following the granting of the requested Orders, begin implementing the Inventory Liquidation Process and Real Property Portfolio Sales Process in furtherance of the Orderly Wind-down;
- (b) the extension corresponds with the Targeted Outside Date under the Real Property Portfolio Sales Process and the date by which the Inventory Liquidation Process is required to be completed;
- (c) the stay will permit the Target Canada Entities to continue to take all other necessary steps in furtherance of the Orderly Wind-down;
- (d) management of the Target Canada Entities' have been focused on the Orderly Wind-down process, and need to maintain this level of focus to ensure the success of the Orderly Wind-down;
- (e) the DIP Facility remains available to the DIP Entities and is projected to provide the Applicants with sufficient liquidity to conclude the Orderly Wind-down process; and
- (f) the Applicants continue to act in good faith and with due diligence.

- 9.3 The Applicants are working to update and extend the CCAA Cash Flow Forecast through the week ending May 16, 2015. The extended cash flow forecast will be provided to the Court prior to the February 4, 2015 hearing.

10.0 MONITOR'S ACTIVITIES TO DATE

- 10.1 In addition to the Monitor's ongoing supervision and involvement with the Liquidation Agent Sales Process and Real Property Portfolio Sales Process as described above, the activities of the Monitor from the date of the Pre-Filing Report have included the following:

- assisting the Applicants with communications with employees, pharmacy franchisees, suppliers and other parties;
- 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, with a view to minimizing supply disruption and continuing the movement of goods-in-transit to the distribution centres and stores;
- discussions and meetings with landlords, the Applicants, the Financial Advisor and counsel in respect of the CCAA proceedings and the proposed Inventory Liquidation Process and Real Property Portfolio Sales Process;
- numerous discussions with suppliers and other creditors, including with respect to requests for critical supplier status and a meeting with Monitor counsel, Applicants' counsel and counsel representing a number of suppliers to discuss various supplier issues;

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- responding to a high volume of enquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the toll-free number or email account established by the Monitor;
- assisting the Applicants in implementing an appropriate accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- monitoring the receipts, disbursements, purchase commitments and arrangements for deposits with certain suppliers and creditors of the Applicants, including tracking outstanding balances and commitments due to critical service providers;
- assisting the Applicants in assessing certain components of the Orderly Wind-down, including the cancellation of open purchase orders, closure of the Starbucks-branded cafes and Glentel kiosks, disclaimer of contracts and agreements, employee reductions and other matters;
- in its capacity as Administrator, communications with and among Employee Representative Counsel, Monitor counsel, Applicants counsel and the Trustee regarding the Employee Trust and facilitating the opening of the Employee Trust Account;
- posting non-confidential materials filed with the Court to the website established by the Monitor for the CCAA Proceedings; and
- attending to the notice requirements as described above, completing the statutory filings pursuant to Section 23 of the CCAA and filing those forms with the Office of the Superintendent of Bankruptcy (Canada).

11.0 MONITOR'S RECOMMENDATION

- 11.1 For the reasons set out in this First Report, the Monitor is of the view that the relief requested by the Applicants is reasonable and respectfully recommends that this Court make the Orders granting the relief requested by the Applicants.

All of which is respectfully submitted to this Court this 30th day of January, 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

IN THE MATTER OF A PLAN OR 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

FIRST REPORT OF THE MONITOR

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Tel: 416.979.2211
 Fax: 416.979.1234

Lawyers for the Monitor

APPENDIX “C”

Wagner, Melaney

From: Mark, Alan
Sent: Tuesday, February 03, 2015 9:01 AM
To: 'William Sasso'
Cc: 'tsandler@osler.com'; 'jdacks@osler.com'; 'irving@osler.com'; 'rcarson@osler.com'; Sharon Strosberg; Jacqueline A. Horvat; Justin Levesque; 'dmcintosh@alvarezandmarsal.com'; Carfagnini, Jay; Rubenstein, Gale; 'ahutchens@alvarezandmarsal.com'; Wagner, Melaney; Mighton, Jesse
Subject: RE: CCAA Target Canada Co., et al | Court File No. CV-15-10832-00CL | Our Client: Pharmacy Franchisee Association of Canada ("PFAC") Our File: 38.138.000
Attachments: Sasso Letter Feb3.pdf

Bill,

Attached is a reply to your letter of January 29, 2015.

We acknowledge receipt of your letter of yesterday. We would of course be pleased to discuss your concerns with you. We suggest a call amongst counsel this Friday. Please let me know your availability.

Regards,

Alan H. Mark

Goodmans LLP

416.597.4264 - O
 416.505.8066 - M
 416.979.1234 - F
amark@goodmans.ca

Bay Adelaide Centre
 333 Bay Street, Suite 3400
 Toronto, ON M5H 2S7
goodmans.ca

From: Karen Peterson [<mailto:peterk@strosbergco.com>] **On Behalf Of** William Sasso
Sent: Thursday, January 29, 2015 5:07 PM
To: 'dmcintosh@alvarezandmarsal.com'; 'ahutchens@alvarezandmarsal.com'; Carfagnini, Jay; Mark, Alan; Rubenstein, Gale; Wagner, Melaney; Mighton, Jesse
Cc: 'tsandler@osler.com'; 'jdacks@osler.com'; 'irving@osler.com'; 'rcarson@osler.com'; William Sasso; Sharon Strosberg; Jacqueline A. Horvat; Justin Levesque
Subject: CCAA Target Canada Co., et al | Court File No. CV-15-10832-00CL | Our Client: Pharmacy Franchisee Association of Canada ("PFAC") Our File: 38.138.000

Please find attached letter from William V. Sasso.

Regards

William Sasso

phone: 519.561.6222
 fax: 519.561.6203
 e-mail: wvs@strosbergco.com

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February 3, 2015

Our File No.: 143291

Sutts, Strosberg LLP
Lawyers
251 Goyeau Street
Suite 600
Windsor, Ontario
N9A 6V4

Attention: William Sasso

Dear Sirs:

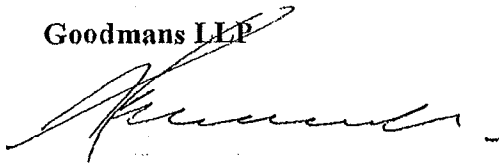
Re: In the Matter of A Plan of Compromise or Arrangement of Target Canada Co., et al.

Thank you for your letter of January 29, 2015.

The right of a party to a disclaimed contract to receive information with respect to the decision to disclaim is set out in section 32(8) of the *Companies' Creditors Arrangement Act*. We understand from correspondence which has been copied to us that you are indeed requesting such information from the Company.

Yours truly,

Goodmans LLP



Alan Mark

AM:il

WMARKA16418509.1

IN THE MATTER OF A PLAN OR 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

SECOND REPORT OF THE MONITOR

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Lawyers for the Monitor

TAB 10

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

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

**SUPPLEMENTAL AFFIDAVIT OF MARK J. WONG
(Sworn February 9, 2015)**

(Motion for Approval of Real Property Portfolio Sales Process and Stay Extension)

I, Mark J. Wong, of the City of Mississauga, in the Province of Ontario, MAKE
OATH AND SAY:

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

2. I swear this Supplemental Affidavit in connection with the motion brought by the Applicants seeking approval of the Real Property Portfolio Sales Process and extending the stay of proceedings to May 15, 2015. This motion was originally returnable on February 4, 2015 and is now returnable on February 11, 2015.

Background

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

4. The Initial Order granted, among other things, a stay of proceedings until February 13, 2015, or such later date as this Honourable Court may order.

5. Further details regarding the background to this proceeding are set out in my Affidavit sworn January 14, 2015 (the "**Initial Order Affidavit**") and my Affidavit sworn January 29, 2015 (the "**Second Wong Affidavit**"). Except where so stated, capitalized terms not otherwise defined herein have the meaning ascribed to them in the Initial Order Affidavit and/or Second Wong Affidavit. A copy of the Second Wong Affidavit (without exhibits) is attached as Exhibit A to this Affidavit.

The Real Property Portfolio Sales Process

6. As described in the Second Wong Affidavit, the Target Canada Entities are seeking this Court's approval of the Real Property Portfolio Sales Process by which they will seek to sell, with the assistance of the Financial Advisor and the Broker, all or substantially all of TCC's Leases and other Real Property under the supervision of the Court and the Monitor. The process was designed by the Target Canada Entities and the Financial Advisor, in consultation with the Monitor and the Broker.

7. It is intended that the Real Property Portfolio Sales Process will maximize the value of the Target Canada Entities' cross-Canada real estate portfolio for the benefit of all stakeholders. The process was designed based on the experience and expertise of the Financial Advisor in conducting the types of processes contemplated therein, and the specialized local market experience and in-depth understanding of the individual properties of the Broker.

8. The motion seeking approval of the Real Property Portfolio Sales Process was originally returnable on February 4, 2015, together with the motion seeking approval of the Inventory Liquidation Process to sell the Target Canada Entities' Inventory and FF&E. Between the time that the Real Property Portfolio Sales Process was provided to the landlords on January 29, 2015, and the hearing of the motion on February 4, 2015, the Target Canada Entities and their counsel, together with the Monitor and its counsel, met and held extensive discussions with landlord counsel regarding the Real Property Portfolio Sales Process. During these discussions, the Target Canada Entities, in consultation with the Monitor, proposed a wide variety of changes to the Real Property Portfolio Sales Process in an effort to accommodate certain requests from the landlords while working with the Financial Advisor to ensure that the process would still enable a maximization of value from the real property assets.

9. During the hearing of the motion on February 4, 2015, certain landlords requested an adjournment of the portion of the motion relating to the Real Property Portfolio Sales Process on the basis that they objected to the relief being sought and required more time to either (i) allow the Target Canada Entities and the landlords to continue to negotiate the terms of the Real Property Portfolio Sales Process in an effort to reach an agreement on such process, or (ii) failing such agreement, seek alternative relief. The Applicants opposed the adjournment request.

10. The Inventory Liquidation Process was approved without opposition on February 4, 2015. However, this Court held that it would determine the terms of the Real Property Portfolio Sales Process upon motion returnable February 11, 2015. In its endorsement, this Court held that, pending the determination of the terms of the Real Property Portfolio Sales Process:

- (a) Lazard is authorized to contact prospective interested parties.
- (b) Lazard is authorized to provide such interested parties with a “teaser” and form of confidentiality agreement.
- (c) Lazard and the Applicants are authorized to negotiate the terms of the confidentiality agreements and the Applicants are authorized to enter into such agreements.
- (d) Interested parties are permitted to undertake due diligence, including (i) receiving a confidential information memorandum (“CIM”) from Lazard; (ii) being permitted access to the data room; and (iii) conducting site visits, if requested.
- (e) Lazard can enter into preliminary discussions with interested parties.

The extension of the Stay Period was also put over to February 11, 2015.

11. Since February 4, 2015, the Target Canada Entities and their counsel, together with the Monitor and its counsel, have met and held discussions on a daily basis with a smaller group of landlord counsel. Such counsel, in turn, have been consulting with additional landlord counsel who represent the interests of landlords who hold or manage, in aggregate, the vast majority of the TCC store leases (the “**Landlord Group**”). During these discussions, the Target Canada Entities, in consultation with the Monitor, proposed a wide variety of further changes to the sales process in an ongoing effort to accommodate certain requests from the Landlord Group while working with the Financial Advisor to ensure that the process would still enable a maximization of value from the real property assets. The Landlord Group, in turn, proposed certain changes to the process for consideration by the Target Canada Entities.

12. The current version of the proposed Real Property Portfolio Sales Process reflects the compromises that have been reached between the Target Canada Entities and the Landlord Group and in the view of the Target Canada Entities reflects a fair and reasonable balancing of stakeholder interests. It is my understanding that, with these changes, the Landlord Group is prepared to accept and not oppose approval of the Real Property Portfolio Sales Process.

13. It is also my understanding that the Monitor supports the request to approve and implement the current version of the Real Property Portfolio Sales Process. The Monitor will supervise, in all respects, the Real Property Portfolio Sales Process.

14. In addition, as explained below, at the end of the process, the Target Canada Entities will apply to this Court for an Order approving any Successful Bid(s), or Qualified

Bid(s) as applicable, and authorizing TCC to enter into any and all necessary agreements with respect to the Successful Bid(s), or Qualified Bid(s) as applicable, and to undertake such other actions as may be necessary or appropriate to give effect to them.

15. A copy of the current version of the proposed Real Property Portfolio Sales Process for which the Target Canada Entities are seeking approval is attached as Exhibit B to this Affidavit. A blackline comparison of the current version to the version contained in the Motion Record of the Applicants dated January 29, 2015 is attached as Exhibit C to this Affidavit. Unless otherwise defined herein, capitalized terms in this section on the Real Property Portfolio Sales Process have the meaning given to them in the Real Property Portfolio Sales Process.

A. Summary of Changes to Real Property Portfolio Sales Process

16. The basic framework of the current version of the Real Property Portfolio Sales Process has not changed from the process described and attached to the Second Wong Affidavit. The 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 as may be required or appropriate in respect of a Successful Bid, Backup Bid or Qualified Bid, as applicable. It is still contemplated that the Real Property Portfolio Sales Process will proceed in two phases.

17. Changes made to the Real Property Portfolio Sales Process to accommodate the concerns of the Landlord Group include, among other things:

- (a) Increasing the Monitor's control and supervision over all aspects of the Real Property Portfolio Sales Process. The proposed process already provided that the Monitor would supervise the process in all respects and that the Monitor's consent was required to, *inter alia*, enter into Stalking Horse Bids, provide bid protections and extend timelines. The revised Real Property Portfolio Sales Process adds additional oversight by, *inter alia*, (i) adding further consent rights to the Monitor (*e.g.*, ss. 17, 23, 24, 33(d)); and (ii) giving the Monitor the express right to identify potentially interested parties (s.6), solicit non-binding expressions of interest (s. 8), and request information in respect of Qualified LOIs (s.15).
- (b) Providing that the Targeted Outside Date by which the Target Canada Entities will have entered into definitive agreements with Successful Bidders, or Qualified Bidders, as applicable, is 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.
- (c) Providing that, 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.

- (d) Providing that, 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) 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.
- (e) Requiring the Applicants to obtain Court approval, on notice to the service list, of any proposed material modification to the Real Property Portfolio Sales Process (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 process from time to time).
- (f) Allowing a landlord to participate in the sales process relating to the landlord's Lease(s) by making Landlord LOIs and Landlord Qualified Bids – which are deemed to be Qualified LOIs and Qualified Bids – without having to meet certain of the criteria that apply to other parties.
- (g) Requiring Qualified Bidders to provide details of their financial and other capability to perform, observe and comply with the terms of the applicable Lease(s).

- 9 -

- (h) Requiring Qualified Bidders to provide details of any amendments they are seeking to Leases from the applicable landlord(s).
- (i) Clarifying that the Financial Advisor is to provide to Competing Bidders all guarantees and indemnities by any person as part of the additional due diligence materials where the Applicants, in their reasonable business judgement and in consultation with the Monitor, determine appropriate.
- (j) Providing that nothing in the Real Property Portfolio Sales Process and nothing in any arrangements made during the course thereof with a Successful Bidder shall prejudice or impair the ability of a landlord to object to Court approval of a Successful Bid.

B. The Necessity of the Contemplated Timelines in the Real Property Portfolio Sales Process

18. The timelines in the current proposed Real Property Portfolio Sales Process have been designed in a manner that is expected to maximize the value of the Target Canada Entities' real estate portfolio, while being as compressed as reasonably practicable to accommodate the interests of the landlords. I am advised by Mr. Tim Pohl of Lazard and believe that the timelines which have been agreed to represent an aggressive, but reasonable, compromise in the circumstances.

19. Moreover, I am advised by Mr. Pohl that Lazard believes that it is critical that the process maintain some degree of flexibility in light of the sheer number and varied nature of the Leases and Real Property in the Sales Process. There may be a high degree of overlap in the properties for which bidders are interested. There may be many different bids, on varied terms,

for the properties. Accordingly, Lazard believes that the proposed process will assist in maximizing value for the estate.

20. The Real Property Portfolio Sales Process contemplates the following timelines:

- (a) **February 4, 2015 – March 5, 2015:** In the initial phase of the process, the Financial Advisor will solicit non-binding letters of intent from prospective parties. In order to facilitate the receipt of such letters of intent, the Financial Advisor will, among other things, send a “teaser” document to prospective purchasers, negotiate the terms of confidentiality agreements with prospective purchasers, provide access to a data room and CIM for prospective purchasers who execute confidentiality agreements, conduct site visits for prospective purchasers and enter into discussions with prospective purchasers. I understand that this process has already commenced pursuant to this court’s endorsement on February 4, 2015. I further understand that the length of time of this initial phase is necessary to allow Lazard to seek interest from a wide array of prospective parties and to allow prospective purchasers to perform preliminary diligence and make preliminary financing arrangements prior to submitting initial expressions of interest.
- (b) **March 5, 2015 – March 12, 2015:** The Target Canada Entities, the Financial Advisor, and the Monitor will assess the Qualified LOIs received during Phase 1 and will determine whether there is a reasonable prospect of obtaining a Qualified Bid and proceeding to Phase 2. 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. While the process provides that this will be conducted within five (5) Business Days, the Target Canada Entities have been advised by Lazard and believe that it is not practical to know now whether all five business days will be required: it will depend on how many Qualified LOIs are received and what properties they relate to.

- (c) **March 5, 2015 – March 26, 2015:** The effectiveness of the Real Property Portfolio Sales Process includes the flexibility to obtain Selected Stalking Horse Bids. During this second phase of the process, the Financial Advisor will provide access to additional due diligence materials and information relating to the Leases and Real Property to Competing Bidders. The Applicants, with the 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. Any Competing Bidder that wishes to submit a Stalking Horse Bid must deliver a Qualified Bid in accordance with the terms of the Sales Process, as applicable, to the Financial Advisor (the deadline is set as 5:00 p.m. ET on March 26, 2015 or as extended in accordance with the proposed Real Property Portfolio Sales Process)

In addition, part of the ability to obtain effective Selected Stalking Horse Bids is the ability to grant bid protections to Selected Stalking Horse Bidders with the consent of the Monitor, including a Break Fee and Expense Reimbursement.

- (d) **March 26, 2015 – April 23, 2015:** Following the selection of any Selected Stalking Horse Bidders, the Financial Advisor will invite Qualified Bids, which

must be delivered to the Financial Advisor on or before the Qualified Bid Deadline (set as April 23, 2015 or as extended in accordance with the proposed process). During this stage of the process, the Applicants may, in consultation with the Monitor and the Financial Advisor, engage in negotiations with Qualified Bidders and may accept revisions to Qualified Bids. The Applicants, on the consent of the Monitor, and in consultation with the Financial Advisor, shall determine which bid is the most favourable bid with respect to a Lease(s) and/or Real Property, taking into account a wide variety of considerations.

- (e) **April 28, 2015 – June 1, 2015:** On or about April 28, 2015, the Target Canada Entities, in consultation with the Monitor and Financial Advisor, shall commence one or more Auctions. Following the Auction process, the Applicants will negotiate and seek to enter into definitive agreements of purchase and sale with Successful Bidders, or Qualified Bidders, as applicable. I am advised by Mr. Pohl and believe that it is crucial to ensure that there is sufficient time and flexibility in this step of the process because it is impossible to know how many definitive agreements the Applicants will need to negotiate and execute. In addition, I understand that it makes practical sense to set May 15th as the Targeted Outside Date and June 1st as the date by which a definitive agreement of purchase and sale must be executed as it is impossible to predict at this stage the number and type of transactions that will be achieved, given the nature of the real estate assets. Should a definitive agreement of purchase and sale not be executed for any particular Lease by June 1, 2015, absent an intervening order of the Court, such

Lease shall be disclaimed on June 1, 2015 in accordance with the Initial Order and the CCAA.

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

- (f) **June 1, 2015 – June 30, 2015:** The Real Property Portfolio Sales Process, as amended, provides for an Outside Date of June 30, 2015 to close transactions. This date can only be extended by Order of the Court. Should a transaction not be closed for any particular Lease by June 30, 2015, and the date has not been extended by an Order of the Court, such Lease shall be disclaimed on June 30, 2015 in accordance with the Initial Order and the CCAA.

21. The Target Canada Entities hope to close all transactions as quickly as practicable after they have entered into definitive agreements with Successful Bidders, or Qualified Bidders, as applicable.

Proposed Changes to the Initial Order

22. A component of obtaining the consent of the Landlord Group for approval of the Real Property Portfolio Sales Process was the agreement of the Target Canada Entities to seek approval of certain changes to the Initial Order in the form of an Amended and Restated Initial

Order. A blackline comparison of the Amended and Restated Initial Order to the Initial Order is attached as Exhibit D to this Affidavit. These proposed changes were the subject of significant negotiation between the Landlord Group and the Target Canada Entities, with the assistance and input of the Monitor and Target Corporation.

23. It is also my understanding that both the Monitor and Target Corporation support the proposed changes to the Initial Order. I understand that the Monitor will file a report with the Court in conjunction with the Target Canada Entities' request for approval of the Real Property Portfolio Sales Process and the proposed changes to the Initial Order.

A. Stay of Derivative Claims does not apply to Landlords in relation to Guarantees

24. As part of its initial application for relief under the CCAA, the Applicants requested that the benefit of the stay of proceedings be extended (subject to limited exception) to Target Corporation and its US subsidiaries ("**Target US**") in relation to claims against these entities that are derivative of the primary liability of the Target Canada Entities (the "**Derivative Stay**"). This extension of the stay of proceedings to Target US would have the effect of postponing (but not resolving or otherwise impairing) certain types of claims that could potentially be asserted against Target US that depend or derive from acts, omissions, liabilities or obligations of the Target Canada Entities.

25. In its Initial Endorsement, this Court held that it had the jurisdiction to grant such a stay and that it was appropriate to preserve the status quo, subject to the proviso that affected parties can challenge the broad nature of the stay at the comeback hearing. The Derivative Stay was granted in the Initial Order.

26. As part of the overall resolution of landlord issues, the Target Canada Entities are proposing an amendment to the Initial Order which will clarify that the Derivative Stay does not apply to any landlord in connection with any right, remedy or claim such landlord may have against Target US in connection with any indebtedness, indemnity, liability or obligation of any kind whatsoever of Target US pursuant to a written contractual indemnity, guarantee or surety provided by Target US to such landlord.

B. Treatment of Guarantee Claims

27. The second amendment to the Initial Order is the addition of paragraph 19A which relates specifically to the treatment of Landlord Guarantee Claims (as defined in the proposed Amended and Restated Initial Order) of any landlord against Target US pursuant to any written contractual indemnity, guarantee or surety relating to a lease of real property.

28. In particular, the proposed provision provides that, without in any way altering, increasing, creating or eliminating any obligation or duty to mitigate losses or damages, the Landlord Guarantee Claims of any landlord against Target US pursuant to any written contractual indemnity, guarantee or surety relating to a lease of real property:

- (a) shall be determined by a judge of the Ontario Superior Court of Justice (Commercial List), whether or not the within proceedings under the CCAA continue and notwithstanding the provisions of any federal or provincial statutes from a process perspective;
- (b) shall not be determined, directly or indirectly, in the within CCAA proceedings;

- (c) shall be unaffected by any determination (including any findings of fact, mixed fact and law or conclusions of law) of any rights, remedies and claims of such Persons as against the Target Canada Entities, whether made in the within proceedings under the CCAA or in any subsequent proposal or bankruptcy proceedings under the BIA, other than that any recoveries under such proceedings received by such landlords shall constitute a reduction and offset to any Landlord Guarantee Claims; and
- (d) shall be treated as unaffected and shall not be released or affected in any way in any Plan filed by the Target Canada Entities, or any of them, under the CCAA, or any proposal filed by the Target Canada Entities, or any of them, under the BIA.

29. The rationale for having Landlord Guarantee Claims determined by a judge on the Commercial List is to allow for judicial economy and overall efficiency in dealing with the Landlord Guarantee Claims which are closely related to the CCAA proceedings.

C. No Partial Downsizing in respect of Leases

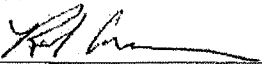
30. Paragraph 12(a) of the Initial Order includes the standard language from the Model CCAA Initial Order permitting the Applicants, subject to the requirements of the CCAA and such covenants as may be contained in the Term Sheet governing the DIP Facility, to permanently or temporarily cease, downsize or shut down any of their respective businesses or operations, and to dispose of redundant or non-material assets not exceeding \$1 million in any transaction or \$5 million in the aggregate.

31. The proposed change to paragraph 12(a) of the Initial Order would clarify that, with respect to any leased premises, the Target Canada Entities may, subject to the requirements of the CCAA and paragraphs 13 to 15 of the Initial Order, vacate, abandon or quit the whole but not part of any leased premises and may permanently but not temporarily cease, downsize or shut down.

Stay Extension

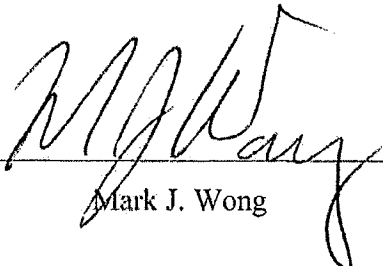
32. I continue to believe that the Target Canada Entities have acted, and continue to act, in good faith and with due diligence in pursuing the controlled and orderly wind down of their businesses. In addition to the extensive efforts to stabilize their businesses as outlined at paragraphs 6 to 22 of the Second Wong Affidavit, the Target Canada Entities were able to obtain approval of the Inventory Liquidation Process on February 4, 2015. I understand that the liquidation of the Inventory and FF&E commenced on February 5, 2015. The Target Canada Entities have also completed arrangements with the landlords to allow the Real Property Portfolio Sales Process to be presented to the court on a consensual basis. Further, as set out in the cash flow projection attached to the Supplemental Report to the Monitor's First Report, the Target Canada Entities are projected to have sufficient cash resources to operate during the proposed extended Stay Period.

SWORN BEFORE ME at the City of
Toronto, on the 9th day of February,
2015.



Commissioner for taking Affidavits

ROBERT CARSON



Mark J. Wong

SCHEDULE A**Partnerships**

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

TAB 11

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

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

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

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

**OUTLINE OF SUBMISSIONS OF RIOCAN AND
KINGSETT**

(Motion Returnable February 11, 2015)

PART I – DETAILED OVERVIEW

Introduction

1. The following is an outline of the submissions of RioCan Management Inc. and certain of its affiliates ("**RioCan**") and KingSett Capital Inc., certain funds under its management and certain of its and their affiliates (collectively, "**KingSett**", and together with RioCan, these "**Responding Parties**"), in respect of: (i) the motion returnable February 11, 2015 concerning the Initial Order in this proceeding; and (ii) the motion originally returnable February 4, 2015, and adjourned to February 11, 2015, regarding the Real Property Portfolio Sales Process (the "**RPPSP**").

2. Following lengthy negotiations with counsel for Target Canada Co. and certain of its affiliates (the "**Applicants**" or "**Target Canada**"), Target Corp. ("**Target U.S.**"), the Monitor, and other landlords, these Responding Parties have reached a resolution (the "**Resolution**") under which certain amendments are being made to the Initial Order and the RPPSP. While supportive of these amendments being made pursuant to the Resolution, that support should not be construed as support of an undefined and open-ended CCAA process to run this liquidation, nor as consent (as opposed to non-opposition) to the other terms of the Amended and Restated Initial Order or the RPPSP. As well, for greater certainty, the Responding Parties are not opposing the requested extension of the stay of proceedings (provided that the amendments contemplated by the Resolution are approved by the Court).

3. However, for the reasons described below, these Responding Parties have significant concerns about the nature of this CCAA proceeding, which they are obliged to highlight for the Court notwithstanding the Resolution.

Background

4. These Responding Parties are collectively landlords of Target Canada in respect of 31¹ properties (the "**Properties**"), and each of these Responding Parties holds guarantees and/or indemnities (collectively, the "**Indemnities**") from the U.S. parent corporation, Target U.S., in respect of some of such leases.

5. On January 15, 2015, Target Canada sought and obtained an Initial Order from 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**"). The Initial Order, among

¹ This includes the Bayshore Shopping Centre. KingSett is the landlord of the Bayshore Shopping Centre and it is represented by Fasken Martineau DuMoulin LLP in relation to that property in this proceeding.

other things: (i) granted a stay of proceedings in respect of Target Canada; (ii) granted a stay of proceedings in respect of Target U.S. and its direct and indirect subsidiaries (other than Target Canada) (the "**Parent Stay**"); and (iii) scheduled a "comeback hearing" for February 11, 2015.

These Responding Parties' Serious Concerns about this Proceeding and the Initial Order

6. Prior to the Resolution, these Responding Parties had made clear their intention to bring a motion at this comeback hearing to either: (i) amend the Initial Order and the proposed RPPSP to closely mirror the balancing of interests reflected in the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 (the "**BIA**"), including as between landlords (and their other tenants) and the debtor/tenant; or (ii) alternatively, lift the stay of proceedings for the purpose of petitioning Target Canada Co. into bankruptcy under the BIA.

7. These Responding Parties' disclosed intentions were motivated by a very serious concern that Target U.S. and the Applicants might attempt to use the "flexibility" of a CCAA proceeding, notwithstanding that this is a pure liquidation, to, among other things: (a) advance an agenda and plan of arrangement or compromise to eliminate or to circumscribe significantly Target U.S.'s liabilities under the Indemnities, and/or (b) conduct a drawn-out and extendible marketing process for the leases (without a definitive and reasonable end date) that could constitute a significant impairment of value for the landlords, and their other tenants, and which would run counter to the balancing of interests inherently recognized by the BIA.

8. While the Resolution has addressed a number of those concerns as to possible misuse or abuse of CCAA proceedings, especially in a clear liquidation such as this, many significant concerns regarding this choice of proceeding remain, including the potential for a flexible and open-ended CCAA proceeding to be used to attempt to shift the balance dictated by the

principles and provisions of the BIA away from protecting landlords and other creditors and in favour of a liquidating debtor and its U.S. parent.

The Use of Insolvency Statutes in a Pure Liquidation

9. Simply put, in this pure liquidation, Target Canada has no real interest to serve or protect in these proceedings. It is soon to be wound-down and there is acknowledged to be no prospect or even intention of solvency or restructuring. The purpose of the CCAA is not to have the defaulting debtor appointed as the guardian of the interests of the creditors. It is to allow a debtor breathing space in order to propose a restructuring, while the oversight of the Court serves to help protect the interests of the creditors and to balance all of the interests as dictated by Parliament. This case does not fit that purpose.

10. In a pure liquidation from the outset such as this case, the bright lines are clearly defined, since there is no restructuring contemplated and no possible basis for allowing the debtor to claim that it is championing the interests of its creditors. Parliament under the BIA has rightly given that role to an independent Trustee, who is guided by a committee of creditors, and not by the debtor or its parent. The BIA process is clearly defined, more efficient, less costly and less time-consuming. It is therefore submitted that, going forward in these proceedings, extra care must be taken to have close regard to the principles of the BIA, and to avoid skewing the process to the detriment of the landlords and other creditors, all on the basis of a singular devotion to the principle of increasing recoveries for creditors.

11. Creditor recoveries are certainly very important, but the BIA (which is the only expression of Parliament's will with respect to such liquidations) clearly sets out a balancing of that principle against the rights of various parties to a liquidation, including landlords, through its

time limits and its rules. It creates a level of certainty that is necessary to respect that balancing and those rights.

12. The CCAA, on the other hand, with its flexibility and dearth of comprehensive rules, especially in the case of a liquidation, allows for a very unlevel playing field, one on which the debtor often is able to set the agenda and push the envelope, forcing the other parties to respond to such attempts on tight timelines and very often at considerable cost. Indeed, the debtor in such circumstances is able to use the process, and the funds that otherwise would go to creditors, to advance its agenda. That is a particular concern where the debtor has a non-insolvent parent or affiliate which owes obligations to some of the same creditors.

13. However much the flexible process of the CCAA may make sense in a restructuring, it is very difficult indeed to justify giving to a debtor that will not survive and which chose the timing of the proceedings, the ability to write its own rules and to dictate the agenda for something as clear and straightforward as liquidating its assets, especially where there is already a time-tested and Parliament-approved structure for doing so in the form of the BIA.

14. The events of the past few weeks are a prime example of the way in which the CCAA process can potentially become skewed. In arriving at the Resolution, a great deal of time and cost was incurred by many landlords (and funds that otherwise would have been available to creditors were expended by the debtor and the Monitor) simply to achieve a result that more fairly conforms to the principles referred to above. If this liquidation had been undertaken under the BIA, it would have seen only a portion of these key issues subject to disagreement and potential litigation, because there are clear rules. Instead, proceeding under the CCAA in this case may unfairly allow the insolvent and liquidating debtor to remain in control, to incur

significant additional cost, to overreach in terms of its desired flexibility and interference with the rights of landlords and others (e.g. the full-force Parent Stay in the Initial Order), and to use creditor funds (while all others must fund their own costs of resisting these attempts) to fight the very creditors, including landlords, whose interests should be one of the primary focuses of protection in a liquidation.

Going Forward

15. The Resolution has addressed some of the important concerns that arose at this stage, but the potential for further prejudice to landlords and other creditors remains. These Responding Parties submit that the Court should ensure as this liquidation proceeds that the debtor is to be guided by the principles and general timelines of the BIA in pursuing the current process.

16. These Responding Parties have prepared these submissions and filed them because ongoing fairness in this (or a substitute) proceeding depends on consistency of treatment of various parties and principles over the course of the proceeding. These Responding Parties and others have expressed serious concerns as to the potential for unfairness or an un-levelling of the playing field. It is only fair and appropriate that the Court and the Monitor, in supervising these proceedings, and in having been made aware of these concerns, approach future decisions with this context and with these concerns made clear from the outset and carried forward. These Responding Parties and others can and have anticipated a number of such potential situations and are specifically asking the Court and the Monitor to understand these concerns now and going forward, rather than these Responding Parties being accused at some future point of having been silently acquiescent.

PART II – ARGUMENT AND SPECIFIC CONCERNS GOING FORWARD

These Responding Parties' Rights as Landlords are Important

17. The Properties are important and valuable assets generally and in these Responding Parties' respective real estate portfolios.

18. The Target Canada stores are important to these properties for a number of reasons. For example, the stores are mostly very large tenancies in retail shopping centres, with many being what is referred to in the industry as an "anchor" tenancy. Such very large tenants of Canadian shopping centres play a critical role in the financial viability of those centres for both landlords and other tenants alike as they provide a significant draw of customers to the shopping centre. Indeed, lease rates for other tenants are often determined based upon the existence and operation of such large tenants. Without the proper major tenants needed to draw consumers to retail premises, other tenants may suffer immediate and adverse effects.

19. In short, every day that the shopping centres in question are missing their large tenants and/or face the uncertainty of not knowing if they will have a large tenant and who it might be, has very real and material financial consequences for the landlord.

Target Canada's Liquidation is Not a Restructuring

20. Although Target Canada has tried to frame this proceeding as unique and in need of special treatment under the CCAA, there is no reason that something as straightforward as this liquidation – a liquidation of a company that is only a few years old – could not have been conducted under the BIA more efficiently and effectively.

21. Under the BIA, the statutory regime specifically designed to address these kinds of liquidations, there is an attempt to balance the relevant interests, including a defined and restricted period within which leases are to be dealt with (being a period of significant uncertainty for landlords and their other tenants), after which landlords regain the necessary commercial certainty of being able to deal with their leases, to the extent that such leases have been disclaimed. In Ontario, a Trustee in Bankruptcy has three months in which to elect to retain the leased premises, assign the lease (subject to court approval) or disclaim or surrender the lease.² Accordingly, under the BIA, the time during which a landlord and its other tenants will be subject to uncertainty with respect to a lease is limited to three months from the date of bankruptcy.

22. Thus, Parliament has struck a balance in the provisions of the BIA, one that is time-tested and time-honoured, between attempting to increase recoveries for unsecured creditors in a liquidation and the rights of landlords and other third party tenants for whom commercial leases are very significant agreements. Essentially, those purporting to act for the benefit of the creditors (in the case of a proceeding in Ontario under the BIA, the Trustee in Bankruptcy) have a three-month period within which to determine the value of the lease, if any, and to decide whether or not to continue with the lease. Three months is the period that the legislators have chosen in the striking of this balance.

23. This balance is all the more critical on the present facts given that Target Canada stores are generally "anchor tenants", as the implications of these proceedings extend not only to the directly involved suppliers, employees and landlords, but also to many of the other thousands of

² BIA, s. 146; *Commercial Tenancies Act*, R.S.O. 1990, c.L.7, s. 38(2).

retail tenants of these shopping centres who are seeing their businesses affected both during these proceedings and afterward.

24. While increasing recoveries for unsecured creditors in a liquidation is certainly an important goal, it is not the overriding principle which trumps the rule of law and the balancing of interests inherent in the BIA (the only statute through which Parliament has spoken on this issue), the need for commercial certainty, and the reputation of the Canadian system for the fair treatment of all parties. Nowhere in the BIA or the CCAA does Parliament state that the overriding principle is "more value for creditors at all costs, including at the expense of commercial certainty, fairness and equitable treatment of certain creditors". If it had, the treatment of leases and many other types of assets under the BIA would be very different and subject to different time limits. As this is a pure liquidation, the debtor will not emerge and no jobs will be saved by a plan of arrangement under the CCAA. Extra cost and delay could, however, be very significant to those parties affected by this insolvency, who will survive and continue to conduct commerce and employ people following the completion of this insolvency.

Certain Specific Concerns of these Responding Parties Going Forward

1. When Leases are to be Disclaimed

25. These Responding Parties would have preferred that Target Canada be obliged to disclaim those leases for which there is no material bidder interest within the RPPSP process, if requested by the landlord after that point in time. Although that request was not incorporated into the Resolution, both Target Canada and the Monitor have indicated to counsel for these Responding Parties that Target Canada is not likely to continue to keep leased premises in the process (with the concomitant requirement to pay rent using creditor funds) without a good reason to do so. It

is only logical that the basis or justification for doing so declines as the RPPSP progresses and no tangible interest is expressed in a particular property, including no qualified bid. The Court should be aware of this going forward.

2. No Assignment Without Complying With All Lease Terms

26. These Responding Parties are particularly concerned about Target Canada's future intentions in connection with attempting to force assignments of leases where the proposed assignee does not intend or expect to comply with *all* of the terms of the applicable lease or where a proposed assignee is not a fit tenant. Obviously, that is an issue that will only become relevant if such prospective tenants emerge as winning bidders pursuant to the RPPSP. These Responding Parties fully expect that, as a matter of law, absent the consent of the relevant landlord, all lease terms will be complied with and that no assignment will be permitted otherwise. The CCAA cannot be used to amend lease provisions.

27. If, later in this proceeding, Target Canada (with or without the support of the Monitor) seeks Court approval of an assignment of a lease of one of these Responding Parties to an assignee that does not comply with the foregoing, and is otherwise not acceptable to the landlord, the relevant Responding Party will forcefully oppose that. Although this is clearly an issue for another day, these Responding Parties believe that it was the mutual understanding and agreement of all parties to the Resolution that neither the Amended and Restated Initial Order nor the amended RPPSP would create any presumption or reliance argument to the contrary.

3. Time Certainty of RPPSP Deadline

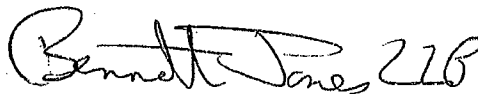
28. Paragraph 50 of the amended RPPSP provides that if a transaction with respect to a particular lease has not been completed on or before June 30, 2015 (or such later date as may be ordered by the Court), any such lease that is the subject of such transaction shall be released from the stay of proceedings 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.

29. These Responding Parties would like it to be clearly understood that such wording was agreed upon by all parties to the Resolution so as not to create any presumption in favour of Target Canada or the Monitor if an extension to a later date is sought from the Court. The various landlords (including these Responding Parties), Target Canada and the Monitor have agreed that the sales process is intended and expected to be completed by no later than June 30, 2015.

4. Interpretation of Paragraphs 19 and 19A of the Amended and Restated Initial Order

30. The Moving Parties wish to make clear to the Court that, as agreed with Target Canada, Target US and the Monitor, the word "landlord" in paragraphs 19 and 19A of the Amended and Restated Initial Order is not intended to be read restrictively. Accordingly, to the extent that the party attempting to pursue or enforce its rights pursuant to or in accordance with paragraph 19 or 19A is not the same legal entity as the actual landlord on the lease agreement, such party will not be denied the benefits afforded landlords by those paragraphs for that reason. All parties to the Resolution agreed with this interpretation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED, THIS 10th DAY OF FEBRUARY, 2015



BENNETT JONES LLP

Lawyers for RioCan and KingSett

IN THE MATTER OF THE COMPANIES' CREDITORS' ARRANGEMENT ACT AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO. ET AL

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

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

Proceeding commenced at Toronto

**OUTLINE OF SUBMISSIONS OF RIOCAN
AND KINGSETT**

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TAB 12

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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



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

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

AMENDED AND RESTATED INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants, individually or collectively, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the **"Plan"**).

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

- (iii) other third party suppliers up to a maximum aggregate amount of \$10,000,000, if, in the opinion of the Target Canada Entities, the supplier is critical to the Orderly Wind-down (as defined herein); and
- (f) any and all sums due and owing to Amex Bank of Canada and JPMorgan in respect of credit cards issued to management and employees of the Target Canada Entities.

9. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Target Canada Entities shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the Business in the ordinary course during the Orderly Wind-down after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Target Canada Entities following the date of this Order.

10. THIS COURT ORDERS that the Target Canada Entities shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from the Target Canada Entities' employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services taxes, harmonized sales taxes or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Target Canada Entities in connection with the sale of goods and services by the Target Canada Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or

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

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

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

ORDERLY WIND-DOWN

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

- (a) permanently or temporarily cease, downsize or shut down any of their respective businesses or operations, and to dispose of redundant or non-material assets not exceeding \$1,000,000 in any one transaction or \$5,000,000 in the aggregate, provided that, with respect to any leased premises, the Target Canada Entities may, subject to the requirements of the CCAA and paragraphs 13 to 15 herein, vacate, abandon or quit the whole but not part of any leased premises and may permanently but not temporarily cease, downsize or shut down;

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

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

REAL PROPERTY LEASES

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

14. THIS COURT ORDERS that the Target Canada Entities shall provide each of the relevant landlords with notice of the relevant Target Canada Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the relevant Target Canada Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Target Canada Entity, or by further Order of this Court upon application by the Target Canada Entities on at least two (2) days' notice to such landlord and any such secured creditors. If any of the Target Canada Entities disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the relevant Target Canada Entity's claim to the fixtures in dispute.

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

16. [Intentionally Deleted]

STAY OF PROCEEDINGS

17. THIS COURT ORDERS that until and including February 13, 2015, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect

of the Target Canada Entities or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Target Canada Entities and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Target Canada Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

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

19. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Target Corporation and its direct and indirect subsidiaries (other than the Target Canada Entities) (collectively, "**Target US**") arising out of or in connection with any right, remedy or claim of any Person (as defined herein) against Target US in connection with any indebtedness, indemnity, liability or obligation of any kind whatsoever of Target US under contract, statute or otherwise, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by indemnity, guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution, indemnity or otherwise, with respect to any matter, action, cause or chose in action, whether existing at present or commenced in future, which indebtedness, indemnity, liability or obligation is derivative of the primary liability of the Target Canada Entities except with the written consent of the Target Canada Entities and

Target US and the Monitor, or with leave of this Court; provided that this paragraph shall not apply to (i) any present or future bank providing the Cash Management System (including, without limitation, Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America and JPMorgan) in connection with any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System, and (ii) any landlord in connection with any right, remedy or claim such landlord may have against Target US in connection with any indebtedness, indemnity, liability or obligation of any kind whatsoever of Target US pursuant to a written contractual indemnity, guarantee or surety provided by Target US to such landlord.

19A. THIS COURT ORDERS that, without in any way altering, increasing, creating or eliminating any obligation or duty to mitigate losses or damages, the rights, remedies and claims (collectively, the “**Landlord Guarantee Claims**”) of any landlord against Target US pursuant to any indemnity, guarantee, or surety relating to a lease of real property, including, without limitation, the validity, enforceability or quantum of such Landlord Guarantee Claims: (a) shall be determined by a judge of the Ontario Superior Court of Justice (Commercial List), whether or not the within proceedings under the CCAA continue (without altering the applicable and operative governing law of such indemnity, guarantee or surety) and notwithstanding the provisions of any federal or provincial statutes with respect to procedural matters relating to the Landlord Guarantee Claims; provided that any landlord holding such guarantees, indemnities or sureties that has not consented to the foregoing, may, within fifteen (15) days of the making of this Order, bring a motion to have the matter of the venue for the determination of its Landlord Guarantee Claim adjudicated by the Court; (b) shall not be determined, directly or indirectly, in the within CCAA proceedings; (c) shall be unaffected by any determination (including any findings of fact, mixed fact and law or conclusions of law) of any rights, remedies and claims of such landlords as against the Target Canada Entities, whether made in the within proceedings under the CCAA or in any subsequent proposal or bankruptcy proceedings under the BIA, other than that any recoveries under such proceedings received by such landlords shall constitute a reduction and offset to any Landlord Guarantee Claims; and (d) shall be treated as unaffected and shall not be released or affected in any way in any Plan filed by the Target Canada Entities, or any of them, under the CCAA, or any proposal filed by the Target Canada Entities, or any of them, under the BIA.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

22. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Target Canada Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, cash management services, payroll and

benefits services, pharmaceutical services, insurance, warranty services, transportation services, freight services, security and armoured truck carrier services, utility, customs clearing, warehouse and logistics services or other services to the Business or the Target Canada Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Target Canada Entities, and that the Target Canada Entities shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Target Canada Entities in accordance with normal payment practices of the Target Canada Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Target Canada Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

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

KEY EMPLOYEE RETENTION PLAN

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

25. THIS COURT ORDERS that the key employees referred to in the KERP shall be entitled to the benefit of and are hereby granted a charge (the “**KERP Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$6.5 million to secure amounts owing to such key employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 63 and 65 herein.

EMPLOYEE TRUST

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

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

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

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

30. THIS COURT ORDERS that:

- (a) each Beneficiary shall be deemed to release the Releasees (as defined in the Employee Trust Agreement) on the payment of a distribution from the Employee Trust in respect of such Beneficiary’s Eligible Employee Claim (as defined in the Employee Trust Agreement), to the extent of such distribution (the “**Payment Release**”); and

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

EMPLOYEE REPRESENTATIVE COUNSEL

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

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

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

- (a) referring thereto in a letter to be sent to the Employees, other than former employees, by Target Canada Entities, no later than January 19, 2015;

- (b) postings in each place of work;
- (c) notice on the Monitor's Website (as defined herein) and on the Representative Counsel's website; and
- (d) referring thereto in the notices provided for in paragraph 69 below.

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

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

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

36. THIS COURT ORDERS that Employee Representative Counsel is authorized to take all steps and to do all acts necessary or desirable to carry out the terms of this Order, including dealing with any Court, regulatory body or other government ministry, department or agency, and to take all such steps as are necessary or incidental thereto.

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

41. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage

under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 39 of this Order.

APPROVAL OF ADVISOR AGREEMENTS

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

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

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

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

APPOINTMENT OF MONITOR

46. THIS COURT ORDERS that Alvarez & Marsal Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Target Canada Entities with the powers and obligations set out in the CCAA or set forth herein and that the Target Canada Entities and their direct and indirect

shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Target Canada Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

- (a) monitor the Target Canada Entities' receipts and disbursements;
- (b) assist with the wind-down of the Business and operations of the Target Canada Entities;
- (c) liaise with Assistants with respect to all matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;
- (d) oversee and consult with Lazard and Northwest with respect to the Real Property Portfolio Sales Process;
- (e) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Shared Services, the Orderly Wind-down and such other matters as may be relevant to the proceedings herein;
- (f) assist the Target Canada Entities, to the extent required by the Target Canada Entities, in their dissemination to the DIP Lender and its counsel of financial and other information as agreed to between the Target Canada Entities and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (g) advise the Target Canada Entities in their preparation of the Target Canada Entities' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis in accordance with the Term Sheet;

- (h) advise the Target Canada Entities in their development of the Plan and any amendments to the Plan;
- (i) assist the Target Canada Entities, to the extent required by the Target Canada Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Target Canada Entities, to the extent that is necessary to adequately assess the Target Canada Entities' business and financial affairs or to perform its duties arising under this Order;
- (k) oversee and consult with the Target Canada Entities, any liquidation agent selected through the Liquidation Agent Solicitation Process and any Assistants retained (including brokers), to the extent required, with any and all wind-down activities and/or any marketing or sale of the Property and the Business or any part thereof;
- (l) administer the Employee Trust, in its role as Administrator thereof, in consultation with the Trustee thereof, TCC and Employee Representative Counsel;
- (m) be at liberty to engage independent legal counsel or such other persons, or utilize the services of employees of its affiliates, as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (n) be at liberty to serve as a "foreign representative" of the Applicants in any proceeding outside Canada;
- (o) assist the Target Canada Entities, to the extent required by the Target Canada Entities, with any matters relating to any foreign proceeding commenced in relation to any of the Target Canada Entities, including retaining independent legal counsel, agents, experts, accountants or such other persons as the Monitor deems necessary or desirable respecting the exercise of this power; and

- (p) perform such other duties as are required by this Order or by this Court from time to time.

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

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

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

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

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

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

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

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

DIP FINANCING

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

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

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

59. THIS COURT ORDERS that the DIP Entities are hereby authorized and empowered to execute and deliver the promissory note as is contemplated by the Term Sheet (the **"Promissory Note"**), and the DIP Entities are hereby authorized and directed to pay and perform all of their respective indebtedness, interest, liabilities and obligations to the DIP Lender under and pursuant to the Term Sheet and the Promissory Note as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

60. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the **"DIP Lender's Charge"**) on the DIP Property, as security for any and all obligations of the DIP Entities under the DIP Facility, the Term Sheet and the Promissory Note (including on account of principal, interest, fees, expenses and other liabilities) (the aggregate of all such obligations being the **"DIP Obligations"**), which DIP

Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 63 and 65 hereof.

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

Fifth – DIP Lender's Charge.

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

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

66. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Target Canada Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge,

the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge, unless the Target Canada Entities also obtain the prior written consent of the Monitor and the beneficiaries of the Administration Charge, the KERP Charge, the Directors' Charge and the Financial Advisor Subordinated Charge, or further Order of this Court.

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

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Term Sheet or the Promissory Note shall create or be deemed to constitute a breach by any of the Target Canada Entities of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Target Canada Entities entering into the Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Promissory Note; and
- (c) the payments made by the Target Canada Entities pursuant to this Order, the Term Sheet or the Promissory Note, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

SERVICE AND NOTICE

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

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

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

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

GENERAL

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

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

75. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Target Canada Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Target Canada Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Target Canada Entities and the Monitor and their respective agents in carrying out the terms of this Order.

76. THIS COURT ORDERS that each of the Target Canada Entities and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act

as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as the foreign representative of the Target Canada Entities to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto.

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

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

ENTERED AT / ENREGISTRÉ À TORONTO
ON / LE 11 FÉVRIER 2015
LE / DANS LE REGISTRE NO.:

FEB 11 2015



SCHEDULE "A"
PARTNERSHIPS

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

SCHEDULE "B"
NOTICE OF DISPUTE REGARDING ELIGIBLE EMPLOYEE CLAIM

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

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

The basis for my objection is:

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

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

Dated at _____ this _____ day of _____, 2015.

Signature: _____

Address: _____

Tel: _____

Email: _____

METHOD OF DELIVERY:

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

To Employee Representative Counsel:

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

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

To the Monitor at:

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

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

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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., *et al.*

Applicants

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

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

PROCEEDING COMMENCED AT
TORONTO

**AMENDED AND RESTATED
INITIAL ORDER**

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

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

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

Lawyers for the Applicants

Matter No: 1159785

TAB 13

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

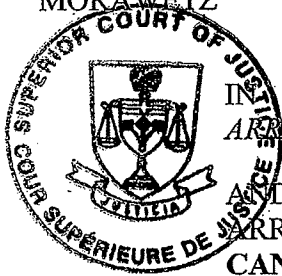
THE HONOURABLE)

WEDNESDAY, THE 11TH

REGIONAL SENIOR JUSTICE)

DAY OF FEBRUARY, 2015

MORAWETZ)



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

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

ORDER

**(Approving Real Property Portfolio Sales
 Process and Extending the Stay Period)**

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "CCAA") for an order, *inter alia*: (i) approving the Real Property Portfolio Sales Process (defined below); and (ii) extending the Stay Period (as defined in paragraph 17 of the Initial Order of Regional Senior Justice Morawetz dated January 15, 2015 (the "**Initial Order**")) until and including May 15, 2015, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Mark J. Wong sworn January 29, 2015 and the exhibits thereto, the Supplementary Affidavit of Mark J. Wong sworn February 9, 2015 and the exhibits thereto, the First Report of Alvarez & Marsal Canada Inc., in its capacity as the Monitor (the "**Monitor**") dated January 30, 2015 (the "**Monitor's First Report**"), the Supplementary Report to the First Report of the Monitor dated February 3, 2015 (the "**Monitor's Supplemental**"),

Report”), and the Second Report of the Monitor (the “**Monitor’s Second Report**”), and on hearing the submissions of respective counsel for the Applicants and the Partnerships listed on Schedule “A” hereto, the Monitor, Target Corporation, and such other counsel as were present, and on being advised that the Service List was served with the Motion Record herein:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and that service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

APPROVAL OF THE REAL PROPERTY PORTFOLIO SALES PROCESS

2. THIS COURT ORDERS that the Real Property Portfolio Sales Process attached hereto as Schedule “B” is hereby approved. The Target Canada Entities, the Monitor and Lazard (each as defined in the Initial Order) are hereby authorized and directed to take any and all actions as may be necessary or desirable to implement and carry out the Real Property Portfolio Sales Process.

3. THIS COURT ORDERS that nothing in the Order affects the ability of One York Street Inc. to bring a motion before the Court seeking a declaration that Target Canada Co.’s arrangements relating to the property municipally known as One York Street be removed from the Real Property Portfolio Sales Process, and the terms of this Order are without prejudice to One York Street Inc.’s position on such motion.

4. THIS COURT ORDERS that at any time during the Real Property Portfolio Sales Process, the Monitor may apply to the Court for advice and directions with respect to the discharge of its powers and duties in connection with the Real Property Portfolio Sales Process.

EXTENSION OF STAY PERIOD

5. THIS COURT ORDERS that the Stay Period (as defined in paragraph 17 of the Initial Order) is hereby extended until and including May 15, 2015.

APPROVAL OF MONITOR'S REPORTS AND ACTIVITIES

6. THIS COURT ORDERS that the Monitor's First Report, the Monitor's Supplementary Report, and the Monitor's Second Report, and the activities of the Monitor described in those reports, are hereby approved.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REG. STHE NO.:

FEB 11 2015

 RST

SCHEDULE "A"
PARTNERSHIPS

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

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(l).
- (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.

- 3 -

- (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

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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:

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- (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

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- (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 & hmcckean@osler.com

To the Monitor:

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

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

With a copy to:

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

Attn: Jay Carfagnini and 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**

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

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

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

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

SCHEDULE "D"**Real Property**

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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., *et al.*

Applicants

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

ORDER
(Approving Real Property Portfolio Sales Process
and Extending the Stay Period)

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

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

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

Lawyers for the Applicants

Matter No: 1159785

TAB 14

This is Exhibit "D" referred to in the Affidavit of Theresa Warnaar
sworn December 10th, 2015



Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

Box 50, 1 First Canadian Place
 Toronto, Ontario, Canada M5X 1B8
 416.862.2111 MAIN
 416.862.6666 FACSIMILE

OSLER

Toronto

April 29, 2015

Joshua Hurwitz
 Direct Dial: 416.862.6845
 jhurwitz@osler.com
 Our Matter Number: 1159785

Montréal

Calgary

By Courier

Ottawa

New York

PLACE VERTU HOLDINGS INC.
 c/o 20 VIC Management Inc.
 One Queen Street East, Suite 300
 Toronto, Ontario
 M5C 2W5

Attention: Managing Director

Dear Sir/Madam:

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

As you may be aware, Target Canada Co. and certain of its subsidiaries and affiliates (collectively, the "Target Canada Entities") filed for and were granted protection from their creditors under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") pursuant to an Initial Order issued by Regional Senior Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) on January 15, 2015 as amended and restated on February 11, 2015. We act for the Target Canada Entities in connection with these CCAA proceedings (the "CCAA Proceedings").

Please find enclosed a Notice by Debtor Company to Disclaim or Resiliate an Agreement which is being delivered to you in connection with the CCAA Proceedings pursuant to section 32 of the CCAA.

Yours very truly,



Joshua Hurwitz
 JH:

Enclosure

c: Scott Nelson and Mark Wong, *Target Canada Co.*
 Caroline Descours, *Goodmans LLP*
 Alan Hutchens, *Alvarez & Marsal Canada Inc.*
 Walter Stevenson, *McLean & Kerr LLP*

T3769

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FORM 4

NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIAE AN AGREEMENT

To: **Alvarez & Marsal Canada Inc.**, in its capacity as court-appointed Monitor, and **Place Vertu Holdings Inc.**

Take notice that

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

Title of Agreement	Company	Vendor Name/Counter Party	Dated
Offer to Lease	Target Canada Co.	Place Vertu Holdings Inc.	3/28/2007

(as assigned, amended, renewed, extended, restated, modified and/or supplemented from time to time, together with all other agreements and instruments, whether written or oral, between any of the Target Canada Entities and Place Vertu Holdings Inc. arising out of or relating to the premises leased by Target Canada Co. at Place Vertu, in each case as assigned, amended, renewed, extended, restated, modified and/or supplemented from time to time, the "Agreement").

3. In accordance with subsection 32(2) of the Act, any party to the Agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the Agreement is not to be disclaimed or resiliated.
4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the Agreement is disclaimed or resiliated on the 29th day of May, 2015, being 30 days after the day on which this notice has been given.

Dated at Mississauga, Ontario, on April 29, 2015.

Target Canada Co.

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The Monitor approves the proposed disclaimer or resiliation.

Dated at Toronto, Ontario, on April 29, 2015.



Monitor's representative
responsible for the proceedings

TAB 15

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

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

AFFIDAVIT OF MARK J. WONG
(Sworn May 4, 2015)

(Motion for Stay Extension)

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

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

2. I swear this Affidavit in support of the motion brought by the Applicants and the Partnerships listed on Schedule "A" hereto (collectively, the "**Target Canada Entities**") seeking an Order, substantially in the form attached to the Motion Record, extending the stay of proceedings to August 14, 2015.

Background

3. The Target Canada Entities were granted protection from their creditors under the CCAA pursuant to an initial order of the Ontario Superior Court of Justice (Commercial List) dated January 15, 2015 (as amended and restated on February 11, 2015, the "**Initial Order**"). Alvarez & Marsal Canada Inc. was appointed in the Initial Order to act as the Monitor in the CCAA proceedings.

4. The Initial Order granted a stay of proceedings until February 13, 2015, or such later date as this Honourable Court may order. On February 11, 2015, the Stay Period (as defined in paragraph 17 of the Initial Order) was extended to May 15, 2015.

5. Further details regarding the background to this proceeding are set out in my Affidavits sworn January 14, 2015 (the "**Initial Order Affidavit**"), January 29, 2015 (the "**Second Wong Affidavit**"), February 9, 2015 (the "**Third Wong Affidavit**"), and February 27, 2015 (the "**Fourth Wong Affidavit**"). Except where so stated, capitalized terms not otherwise defined herein have the meaning ascribed to them in those Affidavits.

6. This Affidavit describes the extensive efforts that the Target Canada Entities have undertaken to implement the controlled and orderly wind down of their businesses as part of these CCAA proceedings. These efforts include:

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- (a) the steps that the Target Canada Entities have taken to assist their employees, including through the development and implementation of the Employee Trust, which is being used to provide a measure of financial security to employees during the wind down process, through the range of services that the Target Canada Entities are offering to help their employees find new jobs, and in working with Employee Representative Counsel to resolve issues regarding the Employee Trust and general employee issues as they have arisen;
- (b) the wide-ranging efforts that the Target Canada Entities have undertaken to facilitate the orderly wind down of the franchisee pharmacy operations in TCC stores, including the Target Canada Entities' efforts to secure and protect patient information, to facilitate the transfer of patients to new pharmacies, and to assist pharmacists in establishing new pharmacy operations;
- (c) the design and successful implementation of the Inventory Liquidation Process and related transactions in which TCC, through its arrangements with the Agent, liquidated substantially all of its merchandise and FF&E. The Target Canada Entities and the Monitor are engaging with the Agent to reconcile amounts owing to the Target Canada Entities in accordance with the terms of the Agency Agreement and expect that, given the success of the liquidation process, the cash proceeds from the sale of Merchandise that will be paid to the Target Canada Entities will exceed the net minimum amount guaranteed by the Agent (described below). The Target Canada Entities worked with landlords, merchandise vendors, suppliers, and other stakeholders to respond to issues as they arose, to maximize

the effectiveness and efficiency of the process, and to minimize the disruption to landlords and others;

- (d) the orderly wind down of TCC's retail operations, including the closing of all 133 of TCC's stores to the public more than one month ahead of schedule, thereby significantly reducing direct costs to the estate and expenses associated with the Inventory Liquidation Process;
- (e) the design and implementation of the Real Property Portfolio Sales Process, pursuant to which the Target Canada Entities, through their Financial Advisor and under the supervision of the Monitor, have generated robust interest in their real property portfolio. TCC has already received approximately CAD \$138 million in proceeds (before adjustments described below), in addition to significant additional value in the form of releases against, and the elimination of potential claims over against, the Target Canada Entities' estate, for the benefit of the Target Canada Entities' stakeholders;
- (f) the design of and preparation for the upcoming auction process in the Real Property Portfolio Sales Process, pursuant to which TCC expects to finalize and enter into a number of transactions to maximize the value of its real property portfolio;
- (g) the efforts of the Target Canada Entities to implement the orderly wind down by responding to a wide variety of inquiries by and issues relating to landlords,

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merchandise vendors, suppliers and other third parties that have arisen on a daily basis and required urgent attention;

- (h) the ongoing efforts of the Target Canada Entities and the Monitor to identify agreements to be disclaimed, which has already resulted in the Target Canada Entities disclaiming a wide variety and high volume of agreements relating to services that will no longer be required as part of the orderly wind down and, in some cases, making arrangements to mutually terminate agreements with, and wind down services provided by, certain stakeholders including Glentel and Starbucks;
- (i) the efforts by the Target Canada Entities and their counsel, requiring hundreds of hours of work, to prepare a comprehensive response to each of the 61 questions posed by counsel acting for certain of the suppliers of the Target Canada Entities (described below), and to work with the Monitor and Target Corporation, and their respective counsel, as they made relevant inquiries and prepared responses to these questions; and
- (j) assisting and co-operating with the Monitor with respect to these CCAA proceedings.

7. The Target Canada Entities have made extensive progress in the orderly wind down of their businesses. The Target Canada Entities have already obtained court approval of numerous agreements and processes that have collectively resulted in significant cash proceeds. Moreover, based on the strength of the bids received in the Real Property Portfolio Sales

Process, the Target Canada Entities expect to finalize and enter into value maximizing transactions in that process. The Target Canada Entities have acted, and continue to act, in good faith and with due diligence in pursuing the controlled and orderly wind down of their businesses and have achieved many notable successes for the benefit of the estate and their stakeholders.

Employees

8. As described in the Initial Order Affidavit, the Target Canada Entities and Target Corporation designed the Employee Trust in an effort to provide a measure of financial security during the orderly wind down and to diminish the financial hardship that TCC's employees may suffer. The Employee Trust is designed to provide funding to eligible employees of at least their full statutory or contractual entitlements, even if they are not required to work for their entire notice period.

9. As described in the Second Wong Affidavit, Target Corporation initially committed to contribute CAD \$70 million into the Employee Trust. The Monitor serves as administrator of the Employee Trust (referred to in that capacity as the "**Administrator**"). Based on subsequent events, the Administrator's estimate of funding required was increased. Target Corporation has now increased its contribution to CAD \$95 million due to the earlier-than-anticipated closure of TCC's stores.

10. The first payments from the Employee Trust to employees were made on February 13, 2015, and additional payments were made every second week thereafter. Throughout the process, the Target Canada Entities, the Administrator and Employee Representative Counsel have worked together to respond to issues as they arise.

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11. In addition, the Target Canada Entities are committed, and have made extensive efforts, to assist employees in their transition to alternative employment. Although, as a result of the CCAA proceedings, the Target Canada Entities are not in a position to retain and pay a third-party outplacement service firm, the Target Canada Entities have expended, and continue to expend, time and internal resources to assist employees. These measures include:

- (a) coordinating and facilitating information sessions by Service Canada and Emploi Quebec for employees. The Target Canada Entities have worked closely with Service Canada and Emploi Quebec. These sessions go beyond simple assistance with Employment Insurance applications, and cover important services relating to, among other things, job searching and resume preparation;
- (b) compiling and distributing job postings from other retail employers across Canada to assist employees in securing alternate employment; and
- (c) providing a "resources list" to assist employees with a variety of issues – from benefits coverage to vacation pay inquiries – to promote a smooth transition to alternate employment.

12. Until operations concluded at the stores, each TCC store had an assigned human resources professional to assist with all initiatives for employees at the store. Employees were also supported by additional human resources managers, all of whom have relevant human resources experience, including in respect of job search assistance.

13. In addition to the human resources professionals on the ground in Canada, employees were also provided with access to dedicated staff at the Target Human Resources Operations Centre ("HROC"). Through its toll-free hotline, HROC is available to assist employees with human resources questions, as well as securing documentation, such as letters of employment or records of employment, to assist employees in their transition to new employment.

14. The Initial Order appointed Employee Representative Counsel to act as counsel for all employees of the Target Canada Entities in these CCAA proceedings, including for issues with respect to the Employee Trust and the claims process.¹ The Target Canada Entities, through their counsel and with the assistance of Monitor's counsel, have had regular discussions and communications with Employee Representative Counsel since the granting of the Initial Order and have worked together to resolve issues as they have arisen. The Target Canada Entities anticipate that these discussions and communications will continue through these CCAA proceedings.

15. Following the CCAA filing, in an effort to minimize expenses, the Target Canada Entities closed TCC's headquarters and, on a rolling basis, reduced the number of employees working out of the Target Canada Entities' offices to those who were critical to the implementation of the orderly wind down. TCC's head office is now operating with less than 10 employees. The Target Canada Entities have reduced the number of employees in the stores and

¹ In addition, on February 11, 2015, the Court appointed seven employees to act as employee representatives in this CCAA proceeding. Two part-time hourly employees (one from Ontario and one from Alberta) have also routinely participated in discussions and added their perspective. Though employees were given the opportunity to opt out of representation by the Employee Representative Counsel, it is my understanding that no employees opted out.

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offices from more than 17,000 to less than 600, and continue to assess and reduce staff on an ongoing basis as the orderly wind down permits.

Pharmacies

16. As described in the Second Wong Affidavit, immediately upon the commencement of these CCAA proceedings, the Target Canada Entities began implementing the orderly wind down of all 96 Target-branded pharmacies in Canada (outside of Quebec) and 14 Target/Brunet co-branded pharmacies in Quebec. As explained in the Initial Order Affidavit and Second Wong Affidavit, the arrangements in respect of pharmacies in TCC stores differ between Quebec and the rest of Canada, as did the steps required for the orderly wind down.

i. *Quebec*

17. In the initial weeks after the filing, the Target Canada Entities and McMahon (the franchisor for the Quebec pharmacies) cooperated to implement the orderly wind down of the Quebec pharmacy operations. All pharmacies in TCC's Quebec stores were closed by February 19, 2015.

ii. *Corporate Pharmacies*

18. With respect to the three corporate-owned pharmacies, an agreement regarding the orderly transfer of patient information to Wal-Mart Canada Corp. was reached and such transfer was completed on January 29, 2015.

iii. *Rest of Canada*

19. For the pharmacy operations in the rest of Canada, the Target Canada Entities engaged with the franchisee pharmacists in an effort to implement an orderly wind down of the pharmacy operations and to ensure that the interests of the pharmacies' patients are protected, including in accordance with the pharmacists' regulatory obligations. As described in the Second Wong Affidavit, the Target Canada Entities immediately implemented a robust communications strategy to provide information to the franchisees and to respond to inquiries. The Target Canada Entities also took reasonable steps to ensure that the drug inventories were protected and disposed of in an appropriate manner.

20. The Target Canada Entities sought to ensure that patient files were properly safeguarded and that continuity of patient care was preserved as much as possible in the circumstances of the closure of the TCC stores. Among other things, the Target Canada Entities, in consultation with the Monitor:

- (a) confirmed to the franchisees that the rights and obligations relating to patient files for a particular pharmacy belong to the franchisee operating the pharmacy;
- (b) encouraged franchisees to transfer the patient files to new pharmacies expeditiously and in advance of the TCC store closings; and
- (c) made arrangements with Kroll Computer Systems Inc. ("Kroll") to facilitate the transfer of the patient data to franchisees and/or other pharmacies, as described in more detail below.

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21. The patient data was located on the computer systems used in the pharmacies, which were provided by Kroll. Although it was the franchisees' responsibility to enter into agreements directly with Kroll to obtain the patient data and ensure that it would be properly safeguarded and transferred, the Target Canada Entities worked directly with Kroll to ensure that the patient data would be transferred to the franchisees. The Target Canada Entities also engaged Kroll to remotely wipe the data from certain equipment that belongs to Kroll, so that it can be returned upon the wind down of the contractual arrangements with Kroll. In certain circumstances where Kroll was unable to remotely wipe the data from their equipment, the Target Canada Entities engaged a third party service provider to securely wipe such data.

22. On January 26, 2015, with the consent of the Monitor, TCC Pharmacy delivered disclaimer notices to all of the pharmacy franchisees in respect of the franchise agreements with the pharmacy franchisees and all other ancillary and related agreements. However, after the Target Canada Entities received notifications from franchisees and/or the proposed franchisee representative counsel concerning the timing of the disclaimers, the Target Canada Entities offered an accommodation, as reflected in the Endorsement of Regional Senior Justice Morawetz in these proceedings dated February 18, 2015, permitting each franchisee to continue to operate at the franchisee's respective location until the earlier of: (i) March 30, 2015; or (ii) three days following notice of the anticipated store closure. This accommodation was given to provide additional time to assist the pharmacists in the transfer or relocation of patient files and drug inventory and the closure and/or relocation of their pharmacy businesses.

23. The Target Canada Entities coordinated with the franchisees and the pharmacists' representative counsel, and provided information on a rolling basis throughout the Inventory

Liquidation Process, as to the anticipated dates of the store closures, and sought the franchisees' cooperation in selecting their departure dates. By late March, all but two franchisees had either wound down their operations or confirmed that they would do so by March 30th. Two franchisees requested extensions past March 30th on the basis that they required more time to move to a new location and that the TCC stores in which they operated had not yet closed. The Target Canada Entities, with the consent of the Monitor, granted these extensions to allow the franchisees to operate in the respective stores while the stores continued to operate, but required that, due to safety and other considerations associated with the closing of the stores, the franchisees had to be out of the stores by the date that the stores closed to the public. The final operating pharmacy closed on April 11, 2015.

24. Throughout the orderly wind down of the pharmacy operations, the Target Canada Entities took steps to assist in the coordinated and orderly closing of pharmacies and, for interested pharmacists, their potential relocation. Among other things:

- (a) The Target Canada Entities prepared and provided to the pharmacists a closing checklist, with information for the pharmacists to help them comply with their pharmacy regulatory obligations and provide notice to the pharmacists' patients regarding the closure of the pharmacies and transfer of their patient files.
- (b) The Target Canada Entities, through the Agent, facilitated the sale of FF&E relating to the pharmacy operations, such as specialized pharmacy shelving and storage, to interested pharmacists who were seeking to relocate their businesses.

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(c) In an effort to assist both patients and pharmacists, the Target Canada Entities arranged, to the extent possible, for the pharmacies' telephone and fax numbers to be temporarily forwarded to a new location so that patients could continue to call their pharmacists at the same number until the closure of the franchisee's TCC store location.² The Target Canada Entities hoped that this would minimize disruption and help to ensure patients continue to receive care from the pharmacists with whom they have an existing relationship.

(d) The Target Canada Entities, with the assistance of the Monitor, have responded to issues raised by Sutts Strosberg LLP, which was appointed as representative counsel for the franchisees on February 18, 2015, as they arose.

25. In addition, during the post-filing period, the Target Canada Entities have continued to provide eligible pharmacist franchisees with financial support and to deliver financial statements of adjustment identifying the set-off of amounts owing between the Target Canada Entities and the franchisees. In particular, the Target Canada Entities continued to pay certain post-filing EBIT top-up payments to eligible pharmacist franchisees from the period of filing to the effective date of the disclaimer notices (February 25, 2015).

² After the closure of the stores, the Target Canada Entities are in the process of implementing a reference of call service for the telephone lines until February 25, 2016. Essentially, callers are referred to a recorded message providing the pharmacist's new phone number.

Inventory Liquidation Process

26. After the initial CCAA filing, the Target Canada Entities worked diligently to stabilize TCC's retail operations. All 133 open stores in Canada remained operational between the granting of the Initial Order and the commencement of the Inventory Liquidation Process.

27. To implement the wind down of their businesses and to maximize the value of their Inventory & FF&E for the benefit of all stakeholders, the Target Canada Entities designed the Inventory Liquidation Process, which, as explained below, has been extremely successful. The Target Canada Entities and the Monitor are engaging with the Agent to reconcile various amounts owing to the Target Canada Entities in accordance with the terms of the Agency Agreement.

28. As described in the Second Wong Affidavit, the Target Canada Entities selected the Agent following a formal request for proposal and auction process involving five leading third party liquidation firms. The Target Canada Entities, in consultation with the Monitor, selected the proposal that provided for the best guaranteed recovery for stakeholders. The Target Canada Entities were of the view that the Agent's proposal was the most favourable of those submitted.

29. On February 4, 2015, the Court approved the Inventory Liquidation Process and the Agency Agreement, including the Sales Guidelines, to liquidate TCC's remaining Merchandise and FF&E. The sales subsequently began in all 133 stores across Canada. To the best of my information, the sales were conducted in accordance with the Approval Order, Sales Guidelines, the Inventory Liquidation Process, and the Initial Order. To the extent that issues arose, the Target Canada Entities sought to resolve them expeditiously.

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30. Over the course of the Inventory Liquidation Process, the Target Canada Entities responded to and resolved issues with a wide variety of third party merchandise vendors, suppliers, landlords and other parties, often on an urgent basis, to facilitate the Inventory Liquidation Process. The Monitor was generally involved in these interactions. A considerable amount of coordination and interaction with the Agent was also required. For example:

- (a) The Target Canada Entities and their counsel, in consultation with the Monitor, worked extensively with third party merchandise vendors, suppliers and other parties in the distribution chain (such as border agencies) to coordinate the flow of merchandise through the distribution chain and into TCC's stores in time for its inclusion in the inventory sales process. As necessary, the Target Canada Entities assessed and, in their business judgement and in consultation with the Monitor, negotiated necessary arrangements to maintain the flow of merchandise, including in respect of importing certain merchandise held outside of Canada where title had passed to the Target Canada Entities and through the transportation network within Canada.
- (b) The Target Canada Entities and their counsel, in consultation with the Monitor, worked extensively with merchandise vendors to resolve issues in respect of licensed merchandise. In general, the Target Canada Entities made post-filing royalty payments to merchandise vendors in respect of licensed merchandise in accordance with arrangements with those merchandise vendors.
- (c) For FF&E that belonged to third party merchandise vendors but was located in TCC's stores, such as branded display shelving, the Target Canada Entities

developed a process in consultation with the Monitor and reached out to these merchandise vendors seeking the vendors' election to retrieve the FF&E or to have it destroyed. For vendors who chose to retrieve the FF&E, the Target Canada Entities and their counsel coordinated with the vendors to make the necessary arrangements in accordance with the closing schedule for the various stores.

- (d) For merchandise vendors who provided consigned goods to TCC, the Target Canada Entities developed a process in consultation with the Monitor and reached out to these vendors to make arrangements regarding the treatment of the consignment goods in the Inventory Liquidation Process. In circumstances in which vendors asked the Target Canada Entities to continue to sell these goods, the Target Canada Entities negotiated the terms on which these goods would be sold and dealt with through the Inventory Liquidation Process. Otherwise, the vendors removed the consigned goods at the commencement of the Inventory Liquidation Process.
- (e) The Target Canada Entities made arrangements to continue to facilitate the shopping experience for customers, including by continuing to honour REDcard debit and credit cards (including related discounts) and gift cards throughout the Inventory Liquidation Process, and maintaining the necessary processes and third-party contractual arrangements to facilitate same.

31. The Target Canada Entities worked with Eleven Points, the third party operator of TCC's owned distribution centres, to coordinate and implement the orderly wind down of the

- 17 -

distribution centres and Eleven Points' operations within the Target Canada Entities' distribution network. The Eleven Points agreements were disclaimed on April 14, 2015. The Target Canada Entities are also coordinating with Eleven Points in an effort to help Eleven Points wind down its operations in the distribution centres as part of the orderly wind-down of the Target Canada Entities' businesses, including by seeking to facilitate the potential sale in the Real Property Portfolio Sales Process of certain of Eleven Points' equipment used in the distribution centres.

32. On or about March 2, 2015, in accordance with the Initial Order, the Target Canada Entities provided notice to all landlords regarding the removal of FF&E. The Target Canada Entities provided an additional notice on or about March 10, 2015, identifying items that TCC or the Agent would remove, and items that would not be removed. The Target Canada Entities had numerous conversations with landlords following these notices regarding related issues and engaged in negotiations with the landlords to resolve issues relating to the FF&E. Throughout the Inventory Liquidation Process, the Target Canada Entities continued to notify the landlords of developments, including with respect to the timing of store closures to the public and the removal of FF&E. The Target Canada Entities continue to endeavour to meet landlord requests in a timely and efficient manner, and are responding to issues as they arise.

33. Following the approval of the Inventory Liquidation Process, the Agent also commenced the sale of the merchandise and FF&E belonging to the Target Canada Entities in their head office, regional offices, distribution centres and warehouses. As issues arose, the Target Canada Entities worked extensively with landlords and other third party suppliers to resolve those issues. The Target Canada Entities have removed substantially all inventory and

FF&E from these leased offices and warehouses. As described below, the Target Canada Entities have disclaimed all leases relating to their offices and warehouses.

34. The 133 stores were closed on a staggered basis beginning on March 18, 2015. The last stores closed to the public on April 12, 2015.

35. Following the closure of the stores to the public, the Target Canada Entities and the Agent removed, or are in the process of removing, substantially all of the remaining FF&E that belonged to the Target Canada Entities but which has not been purchased by third parties. Where necessary, the Target Canada Entities engaged contractors to complete work, assist in safe removal of FF&E and complete repairs associated with the removal of FF&E.

36. The Target Canada Entities continue to take responsible steps to ensure the stores are secure and protected notwithstanding the closure of the stores to the public. These stores are still covered by the Target Canada Entities' insurance policies and protected by security, where necessary. The Target Canada Entities have provided an emergency telephone number that is manned 24-hours per day, and other safety measures, to respond to any emergency or security issues regarding the stores.

37. Under the Agency Agreement, the Agent guaranteed that TCC would receive a net minimum amount (the "**Guaranteed Amount**") equal to 74% of the aggregate "Cost Value" of the Merchandise, computed in accordance with the Agency Agreement. Although the Agent and the Target Canada Entities are still reconciling the amounts owing under the Agency Agreement, it is expected that TCC will receive additional cash proceeds beyond the Guaranteed Amount. In particular, the Agency Agreement provides that, after TCC is paid the full

- 19 -

Guaranteed Amount, the Agent will be paid an amount equal to up to six percent of the aggregate Cost Value of the Merchandise. If the Proceeds are sufficient to pay the Agent that full six percent, then the remaining Proceeds from the sale of Merchandise will be shared between TCC and the Agent on an equal basis. It is anticipated that the results of the process will be at a level such that TCC will receive additional cash proceeds through this sharing mechanism. In addition, TCC will receive other cash proceeds in accordance with the Agency Agreement, including from the sale of FF&E.

38. In the Target Canada Entities' view, the Inventory Liquidation Process was extremely successful with substantial benefits to their stakeholders.

39. In addition, on March 30, 2015, the Target Canada Entities obtained an Order approving the sale to Target Corporation of certain assets that used or displayed intellectual property ("IP") owned by Target Brands (a subsidiary of Target Corporation), including, among other items, shopping carts, shopping baskets and the exterior signage on TCC stores. Target Corporation paid USD \$2,215,020 for these assets, which significantly exceeded third party estimates of the liquidation value of the items, given their unique nature and the constraints on sale imposed by the IP. Target Corporation incurred the costs of removing and disposing of those items, at an estimated benefit to TCC's estate of approximately CAD \$1,880,625 in third party out-of-pocket expenses that TCC would otherwise have been forced to incur as part of the orderly wind down of their businesses. The shifting of those costs to Target Corporation therefore represents a significant net benefit (in addition to the purchase price) to the Target Canada Entities and their stakeholders. The sale had other economic benefits, as well, including that the purchase price was not subject to brokerage fees and other disposal costs and that Target

Corporation permitted TCC to continue using the assets as needed through the Inventory Liquidation Process.

Real Property Portfolio Sales Process

40. On February 11, 2015, the Court approved the Real Property Portfolio Sales Process by which the Target Canada Entities, with the assistance of Lazard as Financial Advisor and under the supervision of the Monitor, would seek to sell all or substantially all of TCC's leases and real property, including, among other property, 137 leased stores, three owned stores and three owned distribution centres.

41. The Target Canada Entities and Lazard designed the Real Property Portfolio Sales Process, in consultation with the Monitor, to be flexible in order to maximize the realization of the value of TCC's real estate portfolio for the benefit of the Target Canada Entities' stakeholders. The process contemplated that it could lead to multiple transactions in a variety of forms, including sales, dispositions, assumptions, assignments, disclaimers, terminations, and other transaction forms. It also provided that leases and/or real property could be withdrawn from the process in certain circumstances.

42. As reflected in the Third Wong Affidavit, the Real Property Portfolio Sales Process was the product of consultation and negotiation between the Target Canada Entities, the Monitor, and the Target Canada Entities' landlords. The Target Canada Entities, in consultation with the Monitor, accepted a wide variety of changes to the sales process in an effort to accommodate certain requests from the landlords while working with Lazard to ensure that the process would still enable a maximization of value from the real property assets.

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43. The Target Canada Entities and Lazard, under the supervision of the Monitor and with the assistance of Northwest Atlantic (Canada) Inc. ("**Northwest**"), have been actively pursuing the Real Property Portfolio Sales Process since February 4, 2015, when the court initially gave Lazard approval to take certain steps to advance the process pending determination of the Approval Motion. The process has proceeded in two phases.

Phase 1

44. Following the initial approval that was granted on February 4th, Lazard began soliciting indications of interest to acquire some or all of the Leases and Real Property from a wide array of prospective parties. Lazard contacted approximately 360 prospective parties and provided most of them with a "teaser" document regarding the process and a form of confidentiality agreement. TCC entered into confidentiality agreements with 70 different parties, all of which received select access to an electronic data room containing information relating to the Leases and Real Property and a confidential information memorandum describing the opportunity. During this period, Lazard devoted an extensive amount of time to discussing the opportunities with potential purchasers.

45. On February 26, 2015, Lazard sent the "Phase 1 Process Letter" to all 360 prospective interested parties to advise them of the upcoming March 5th deadline for interested parties to submit "Qualified LOIs". A copy of the letter (without schedules) is attached as Exhibit "A". Approximately 56 letters of intent ("**LOIs**") were submitted. 18 of those LOIs were from landlords. The majority of the LOIs included bids for multiple locations.

46. In the days after March 5th, the Target Canada Entities, in consultation with the Monitor and Lazard, assessed LOIs received and, in their business judgement, concluded that there were reasonable prospects of obtaining "Qualified Bids". The LOIs showed promising interest and momentum in the sales process.

The Oxford/Ivanhoe Transaction

47. As described in the Fourth Wong Affidavit, TCC and the Landlord Entities entered into a Lease Transaction Agreement as of February 26, 2015 (the "**Lease Transaction Agreement**"). In accordance with the terms of the Lease Transaction Agreement, TCC surrendered the Real Property Interests relating to eleven leases in exchange for Consideration of approximately \$138 million, which TCC was advised is at the high range of value as estimated by Northwest for the subject leases.³

48. The surrender was subject to a leaseback to TCC of all of the premises at which TCC had an open store, on substantially the same terms and conditions as in the applicable leases, to allow TCC to complete the Inventory Liquidation Process at those stores. TCC also negotiated and obtained the Landlord Entities' agreement to ensure that the third-party pharmacist franchisees would be able to operate existing pharmacies in the Leaseback Premises until no later than March 30, 2015, in accordance with the accommodation made by the Target Canada Entities to the pharmacist franchisees (as described above). TCC agreed to pre-pay the Monitor the rent for the leasebacks for the period from the closing date of the Lease Transaction Agreement to June 30, 2015. On April 15, 2015, TCC delivered an early vacancy notice

³ Upon the closing of the Lease Transaction Agreement, TCC received CAD \$129,166,647.63 net of adjustments and the CAD \$5,685,667.67 in pre-paid leaseback rent that TCC paid on closing. In addition, as noted below,

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providing that the term of each of the leasebacks would expire and be terminated on April 30, 2015. The result is that almost CAD \$3 million in "Pre-Paid Leaseback Rent" was returned to TCC on May 1, 2015.

49. In addition to the price that the Target Canada Entities received as Consideration, an additional benefit of the Lease Transaction Agreement was that it eliminated certain potential pre-filing claims into the estate from the Landlord Entities relating to the eleven leases and potential claims over into the Target Canada Entities' estate from Target Corporation, Zellers Inc. and the Hudson Bay Company relating to such leases.

Phase 2 – Qualified Bids

50. The Target Canada Entities, in consultation with the Monitor and the Financial Advisor, and after considering the criteria set out in the Real Property Portfolio Sales Process, invited Phase 1 bidders to participate in Phase 2, each of which was sent a "Phase 2 Process Letter", dated March 20, 2015. A copy of the Phase 2 Process Letter (without schedules) is attached as Exhibit "B".

51. Subject to the terms of the Real Property Portfolio Sales Process, each bidder and its legal and financial advisors were granted access to additional due diligence materials. Each qualified bidder that executed an NDA received access to certain lease information in the data room based on expressed interest in select assets, as well as access to one or more of the standard form agreements that had been prepared by counsel for the Target Canada Entities in an effort to synchronize the form of bids that would ultimately be submitted in Phase 2.

TCC received a refund of pre-paid leaseback rent in the amount of CAD \$2,964,323 as a result of the early

52. Lazard continued to conduct follow-up calls with interested parties to address questions related to diligence and the Phase 2 process. In addition, on a case-by-case basis, Lazard facilitated certain calls involving landlords and the bidder interested in such landlord's lease, to address specific questions about the lease. A Lazard representative participated on each call.

53. The Real Property Portfolio Sales Process permitted the Target Canada Entities, in their reasonable business judgement and in consultation with the Monitor and Lazard, to select one or more bids to serve as "Stalking Horse Bids". All qualified bidders were notified via the Phase 2 Process Letter, dated March 20, 2015, that the Stalking Horse Bid Deadline had been extended by one week to April 6, 2015. This extension was made to facilitate the selection of Stalking Horse Bids and to maximize the effectiveness of the process. The Target Canada Entities, in consultation with the Monitor and Financial Advisor, selected one bid to serve as a Stalking Horse Bid for TCC's distribution centre at Milton, Ontario. The fully-executed stalking horse agreement was posted to the data room on April 17, 2015 and the other parties that submitted Qualified Bids for that distribution centre were notified. No stalking horse agreements for any of the other distribution centres or leases were entered into.

54. In the Phase 2 Process Letter, Lazard invited Qualified Bids, which were due on or before the Qualified Bid Deadline of April 23, 2015. On April 21, 2015, Lazard notified all bidders that the auction date had been scheduled for May 5, 6 and 7, 2015, at the offices of Osler, Hoskin & Harcourt LLP in Toronto. The auction had previously been scheduled to commence on or about April 28, 2015, but the date was extended to facilitate the receipt of Qualified Bids and

vacancy of the stores that were subject to the leasebacks.

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to seek to maximize the value that could be obtained in the Real Property Portfolio Sales Process.

55. TCC received a significant number of Qualified Bids by the Qualified Bid Deadline. Following the Qualified Bid Deadline, the Target Canada Entities met on several occasions with Lazard and the Monitor to assess the bids that had been received and to determine, among other things, which leases and real properties will proceed to auction and which bids would serve as the "Baseline Bids" at the auction.

56. As noted above, from May 5, 2015 to May 7, 2015, the Target Canada Entities intend to hold an auction at the offices of Osler, Hoskin & Harcourt LLP. The auctions for the retail stores are scheduled for May 5th and 6th; the auctions for the distribution centres are scheduled for May 7th. Only Qualified Bidders (and their financial and legal advisors) are entitled to participate in the auction.

57. Following the auction, the Target Canada Entities intend to finalize definitive agreements of purchase and sale with "Successful Bidders" or Qualified Bidders, as applicable. The Target Canada Entities will then apply to the Court for approval and vesting Orders, as appropriate, approving such agreements and authorizing the Target Canada Entities to undertake such other actions as may be necessary or appropriate to give effect to those agreements.

58. As permitted by the Real Property Portfolio Sales Process, as of the date of the swearing of this Affidavit, the Target Canada Entities have disclaimed, with the consent of the Monitor, 57 store leases. Fourteen of those leases were disclaimed before the Qualified Bid Deadline. In addition, the Target Canada Entities have disclaimed all leases relating to their head

office, other offices and warehouse space. In all cases, the decision to disclaim the lease was made based on information provided by Lazard regarding the property, and with the consent of the Monitor, having regard to, among other things, whether any Qualified Bids were received for the lease and whether any parties might be potentially interested in acquiring the lease. For the leases that were disclaimed after the Qualified Bid Deadline, TCC did not receive any Qualified Bids nor any indication from its advisors of other possible solutions for the Premises.

59. In addition, the Target Canada Entities, with the consent of the Monitor, have negotiated and entered into agreements with landlords in a variety of circumstances. For example, TCC had arrangements regarding a future store to be constructed at the property in Toronto municipally known as One York Street. The February 11, 2015 Order approving the Real Property Portfolio Sales Process provided that nothing in the Order affected the ability of Menkes Development Ltd. or One York Street Inc. to bring a motion seeking to exclude that property from the Real Property Portfolio Sales Process. The Target Canada Entities, with the consent of the Monitor, negotiated and reached a resolution in which the contractual arrangements relating to the location were terminated in exchange for a release of all of the counterparty's claims against the Target Canada Entities.

Disclaimers

60. The Target Canada Entities and the Monitor have engaged in an extensive contract disclaimer process. Functional teams of the Target Canada Entities, in consultation with the Monitor, have identified hundreds of agreements to be disclaimed, including a variety of agreements relating to services that will no longer be required as part of the orderly wind down.

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The Target Canada Entities and the Monitor continue to review and disclaim contracts on an ongoing basis to implement the orderly wind down and to reduce costs.

61. As noted above, with respect to real property leases, the process is slightly different. Throughout the phases of the Real Property Portfolio Sales Process, Lazard has been identifying properties that are available for disclaimer based on Lazard's assessment of, among other things, whether any Qualified Bids were received for the lease and whether there were bidders potentially interested in the lease or whether the lease could potentially be assigned to a Qualified Bidder at auction. The Target Canada Entities, in consultation with the Monitor, would then assess whether and when it was appropriate to disclaim those agreements.

62. In addition, as described in the Second Wong Affidavit, the Target Canada Entities have made arrangements to mutually terminate agreements with, and wind down services provided by, certain significant stakeholders including Glentel and Starbucks.

Suppliers and other Third Parties

63. Since filing for CCAA protection, the Target Canada Entities, in consultation with the Monitor, have been in contact with a wide range of creditors and suppliers. The Target Canada Entities are working diligently with the Monitor to attempt to consensually resolve creditor and supplier issues as they arise. This includes considering requests for critical supplier status, dealing with the ongoing needs of the business and operations and answering general questions about the CCAA process and how the orderly wind down of the business may affect the particular supplier or other creditor. Further, counsel for the Target Canada Entities, the

Monitor and counsel for the Monitor have met with several counsel representing a number of suppliers to discuss various supplier issues.

64. The Target Canada Entities and the Monitor have responded and continue to respond to numerous creditor and stakeholder inquiries on a daily basis. As part of their stabilization efforts, the Target Canada Entities developed and implemented, in consultation with the Monitor, a proactive communication and consultation plan with their stakeholders. Since the granting of the Initial Order, the remaining management team at the Target Canada Entities and its external counsel have worked together with the Monitor to resolve the numerous issues that have arisen on a daily basis and required urgent attention. The efforts of the Target Canada Entities and the Monitor have been generally successful in effecting the orderly wind down of the businesses.

65. In addition, the Target Canada Entities and their counsel, together with the Monitor, have responded to thousands of inquiries from creditors and suppliers to the Target Canada Entities, including in respect of the following types of issues as they arose: inquiries about the filing of claims and the establishment of a claims process, inquiries about completeness or correctness of the preliminary creditor list, and inquiries about facilitating payment of post-filing amounts. The Target Canada Entities and their counsel have worked extensively to respond to issues as they arise – for example, by negotiating amended payment terms for post-filing amounts in order to facilitate the continued provision of necessary services.

Responding to Supplier Questions

66. By letter dated March 2, 2015, Blaney McMurtry, on behalf of certain suppliers to the Target Canada Entities, sent a list of 61 questions to TCC, Target Corporation and the Monitor, including questions relating to 30 day goods, inventory orders while CCAA protection was being considered, and the timing of the discussion about or decision to seek CCAA protection and all issues related to the timing thereto.

67. The Target Canada Entities and their counsel spent hundreds of hours meeting with TCC personnel and preparing a comprehensive response. In addition, it is my understanding that the Monitor and Target Corporation, and their respective counsel, also expended considerable time and resources making relevant inquiries and preparing responses to these questions.

Litigation Issues

68. Counsel for the Target Canada Entities has communicated with litigants' counsel engaged in litigation against the Target Canada Entities, including litigation commenced both pre- and post-filing. These communications include advising counsel of the stay of proceedings and answering questions concerning the CCAA proceedings and insurance issues. The Target Canada Entities have generally advised that a claims process will be implemented as part of these CCAA proceedings.

69. In addition, the Target Canada Entities and their counsel have spent considerable effort, with the assistance of the Monitor, responding to issues regarding actual or potential lien

claims, including with respect to the filing of claims and negotiations with lien claimants to facilitate access to construction sites.

Stay Extension

70. The Target Canada Entities have achieved progress and momentum in the wind down of their businesses. Moreover, based on the strength of the bids received in the Real Property Portfolio Sales Process, the Target Canada Entities believe that they will be able to negotiate and enter into numerous transactions in that process. The Target Canada Entities expect that this process will require considerable time and efforts over the coming weeks.

71. In addition, as noted above, the Monitor is developing a claims process, which is proposed to be brought by the Monitor to Court for approval on June 11, 2015. Over the coming weeks and months, the Monitor, the Target Canada Entities and their respective counsel will need to dedicate considerable time and effort in respect of the claims process.

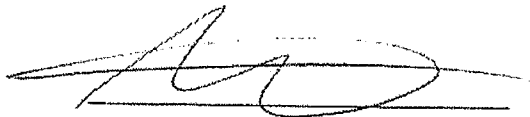
72. The Target Canada Entities are seeking to extend the Stay Period (as defined in paragraph 17 of the Initial Order) up to and including August 14, 2015. This will allow the Real Property Portfolio Sales Process to continue to unfold and allow the Monitor and the Target Canada Entities to focus on establishment and implementation of a claims process, all of which are necessary precursors to developing a plan of compromise and arrangement.

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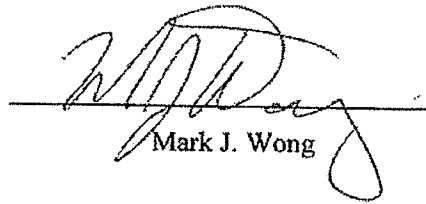
73. The Target Canada Entities have confirmed, in consultation with the Monitor, that they have sufficient cash resources to meet their post-filing obligations until August 14, 2015.⁴ I understand that the Monitor will file updated cash flows with the Court prior to the hearing of this motion.

74. I believe that the Target Canada Entities have acted, and continue to act, in good faith and with due diligence in pursuing the controlled and orderly wind down of their businesses. I am informed by the Monitor that it supports the request to extend the Stay Period to August 14, 2015.

SWORN BEFORE ME at the City of
Mississauga, on the 4th day of May,
2015.



Commissioner for taking Affidavits
MARTINO CALVARUSO

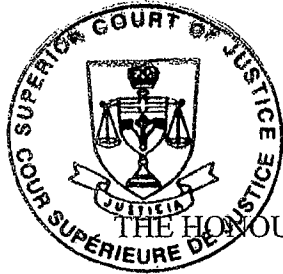

Mark J. Wong

⁴ As explained in the Second Wong Affidavit, on January 15, 2015, the Borrower drew USD \$35 million from the DIP Facility and used a portion of these funds to meet TCC's scheduled payroll payment to its employees on January 16, 2015. All of that amount has been repaid, and there have been no further draws on the DIP Facility. It is not anticipated that any further draws on the DIP Facility will be required during the proposed extended stay period.

SCHEDULE A**Partnerships**

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

TAB 16



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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
 REGIONAL SENIOR JUSTICE
 MORAWETZ

)
)
)
)

WEDNESDAY, THE 11TH
 DAY OF MAY, 2015

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

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

ORDER

(Extending the Stay Period)

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "**CCAA**") for an order, *inter alia*, extending the Stay Period (as defined in paragraph 17 of the Initial Order of Regional Senior Justice Morawetz dated January 15, 2015, as amended and restated on February 11, 2015 (the "**Initial Order**")) until and including August 14, 2015, was heard this day at 330 University Avenue, Toronto, Ontario.

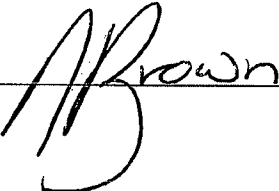
ON READING the Affidavit of Mark J. Wong sworn May 4, 2015 and the exhibits thereto, the Monitor's Reports (as defined below), and on hearing the submissions of respective counsel for the Applicants and the Partnerships listed on Schedule "A" hereto, the Monitor, Target Corporation, and such other counsel as were present, and on being advised that the Service List was served with the Motion Record herein:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and that service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

EXTENSION OF STAY PERIOD

2. THIS COURT ORDERS that the Stay Period (as defined in paragraph 17 of the Initial Order) is hereby extended until and including August 14, 2015.



Natasha Brown
Registrar

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

MAY 12 2015



SCHEDULE "A"
PARTNERSHIPS

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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., *et al.*

Applicants

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

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

PROCEEDING COMMENCED AT
TORONTO

ORDER

(Extending the Stay Period)

OSLER, HOSKIN & HARCOURT LLP
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Tracy Sandler (LSUC #: 32443N)
Jeremy Dacks (LSUC #: 41851R)
Shawn Irving (LSUC #: 50035U)
Robert Carson (LSUC #: 57364H)

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

Lawyers for the Applicants

Matter No: 1159785

TAB 17

This is Exhibit "E" referred to in the Affidavit of Theresa Warnaar
sworn December ¹⁰....., 2015

A handwritten signature in black ink, appearing to be 'A. Winton', written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

PLACE VERTU HOLDINGS INC.

June 2, 2015

VIA REGISTERED MAIL

Target Corporation
Property Development
1000 Nicollet Mall, TPN 12th Floor
Minneapolis, MN 55403

Attention: Real Estate Existing Stores

Dear Sir/Madam:

Re: Offer to Lease (the "**Original Lease**") between Zellers Inc. and Place Vertu S.E.N.C. and HBC Leasehold Property LP dated March 28, 2007 in respect of the property commonly known as Place Vertu Shopping Centre, located in the Borough of City of Montreal (St-Laurent Borough), Province of Quebec (the "**Premises**"), as amended, restated, modified, supplemented, renewed and extended from time to time, including as amended by the First Amendment to Offer to Lease (the "**Target Amendment**") between Place Vertu S.E.N.C., predecessor to Place Vertu Holdings Inc. (the "**Landlord**") and Target Canada Co. (the "**Tenant**") dated as of May 27, 2011 (collectively, the "**Lease**")

And Re: Limited Guaranty of Lease dated May 27, 2011, issued by Target Corporation to and in favour of Place Vertu S.E.N.C. (the "**Guaranty**")

And Re: Disclaimer notice in respect of the Lease dated April 29, 2015, issued by the Tenant to the Landlord (the "**Disclaimer Notice**")

The Landlord has received the Disclaimer Notice, pursuant to which the Tenant has disclaimed its interest in the Lease. As a consequence of the disclaimer the Tenant has failed and/or has made it clear that it shall fail to pay and perform its obligations and liabilities under the Lease, including but not limited to the payment of rent and other amounts payable and to become payable under the Lease. To the extent required by the terms of the Guaranty, you are extended the same amount of time as the Tenant is afforded under the Lease to cure any past, present or future non-performance by the Tenant of its obligations under the Lease (to the extent same is curable) or non-payment of rent and other amounts payable thereunder.

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Pursuant to the Guaranty you agreed, *inter alia*, to:

- (a) unconditionally, absolutely, continuingly and irrevocably guarantee to the Landlord the timely payment, observance and performance by Tenant of its obligations, agreements and liabilities arising under or pursuant to the Lease (as from time to time amended and including the self-insurance clause between Landlord and Tenant), direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due (collectively, the "Tenant's Liabilities"); and
- (b) pay all costs and expenses incurred by Landlord in enforcing the Guaranty, including, without limitation, all legal fees and disbursements.

Accordingly, and without limiting its rights to make additional and further demands pursuant to the Guaranty from time to time, the Landlord hereby demands, that you make immediate payment to the Landlord of all rent and other amounts payable under the Lease by the Tenant, including, without limitation, accelerated rent payable in accordance with the terms of the Lease, and payment of all other amounts due or to become due as rent and other amounts payable under the Lease by the Tenant. To date (and without limiting the Landlord's right to make additional claims), the Landlord calculates that its claims on account of the foregoing total \$11,205,586.77 (please see attached Schedule "A").

In addition, the Landlord confirms that it has incurred, and will continue to incur, losses, costs, damages and expenses, including, without limitation, legal fees and disbursements as a result of the Tenant's decision to discontinue its operations, its disclaimer of the Lease and the process leading up to it, the Tenant's prior defaults under the Lease, and/or the future and ongoing failure of the Tenant to fulfill, observe and perform its obligations and liabilities under the Lease. In light of the fact that many of the costs, losses, etc. referred to in this paragraph have not yet been incurred or have not as yet been determined or quantified, at this point the Landlord is notifying you of the indemnification obligation with respect to those and the Landlord will provide further details in the near future and from time to time thereafter as appropriate.

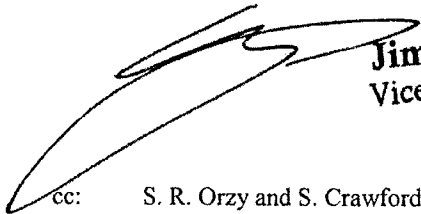
Without limiting any of its rights to make additional and further demands pursuant to the Guaranty from time to time, the Landlord hereby demands that you make immediate payment of the amounts set out herein.

If you do not make immediate payment of all amounts owing under the Guaranty, the Landlord will take legal steps to enforce payment.

In addition, the Guaranty provides that "if any trustee in bankruptcy of Tenant disclaims all interest in the Lease or if the Lease is repudiated, then, Guarantor will be deemed, upon thirty (30) days notice by Landlord, to have entered into a lease with Landlord, on the same terms and conditions as the Lease then prevailing (including without limitation, future rental increases), effective upon the effective date of such disclaimer, termination or repudiation." Although this letter does not constitute the notice contemplated by such provision, the Landlord wishes to advise you that it reserves the right to give you such notice, and thereby cause such new lease of the Premises to be created with you as tenant, as contemplated by the Guaranty.

A copy of this letter is being provided concurrently to the Tenant and its counsel and serves as the Tenant Default Notice (as such term is defined in section 3 of the Guaranty).

PLACE VERTU HOLDINGS INC.



Jim Hewitt
Vice President

cc: S. R. Orzy and S. Crawford, Bennett Jones LLP (by email)
J. Swartz, Davies Ward Phillips & Vineberg LLP (by email)
S. Nelson and M. Wong, Target Canada Co. (by registered mail)
J. Hurwitz, Osler, Hoskin & Harcourt LLP (by email)

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SCHEDULE "A"

Place Vertu Target Store

Property	Rentable (SF)	Current Guaranty Expiry Date	Current Term Expiry Date	Years Remaining	Base Rent (SF)	Additional Gross Rent (SF)	Realty Tax	Total Occupancy Costs	Claim Amount
Place Vertu	121,103	5/26/2021	11/30/2022	7.51	\$7.00	\$1.11	\$441,680.53	\$1,423,656.32	
			5/29/2015						
			11/30/2015		\$7.00	\$1.11	\$441,680.53	\$726,064.72	
			11/30/2016		\$7.00	\$1.14	\$454,930.95	\$1,440,934.38	
			11/30/2017		\$7.00	\$1.18	\$468,578.87	\$1,468,730.78	
			11/30/2018		\$7.00	\$1.21	\$482,636.24	\$1,477,061.07	
			11/30/2019		\$7.00	\$1.25	\$497,115.33	\$1,495,941.27	
			11/30/2020		\$7.00	\$1.29	\$512,026.79	\$1,515,387.88	
			11/30/2021		\$7.00	\$1.32	\$527,389.65	\$1,535,417.89	
			11/30/2022		\$7.00	\$1.36	\$543,211.34	\$1,556,048.79	
									<u>\$11,205,586.77</u>

TAB 18

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

June 9-15

J. Schwartz for Target Corp

T. Sullivan, J. Davis for Target Canada Entities

J. Carfagnini + M. Wagner for Morgan-Turner, Toronto

S. Phipps for Employees

d. Goharwala - for Various Entities

J. Carhart for Indo Cont + Other Suppliers

H. Chant for DCO

A. Simsekova for Ace Bayou

S. R. Orszag + S. Zarey for ProCan + Kystall

L. Brzezinski + D. Tealman

Nintado + Unsworth

L. Rye for Lego

D. Williams for Primaris

D. Winkler for Thetco Inc.

M. L. Brown for ILLC

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD
(Motion returnable June 11, 2015)

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Alan Mark LSUC #: 21772U
amark@goodmans.ca

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mwagner@goodmans.ca

Jesse Mighton LSUC #: 62291J
jmighton@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Monitor

S. Burdakova - say yes.

The note was wrapped ..

Target Canada submitted the note.

It is ^{clear} ~~also~~ that ~~however~~ the interested parties worked in a cooperative manner and developed the process, which is available to the Cent. The Cent is appreciative of these efforts. Note quoted and order signed.

[Signature] RST.

TAB 19



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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)	THURSDAY, THE 11 TH
)	
REGIONAL SENIOR JUSTICE)	DAY OF JUNE, 2015
)	
MORAWETZ)	

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

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

CLAIMS PROCEDURE ORDER

THIS MOTION, made by Alvarez & Marsal Canada Inc., in its capacity as Court-appointed Monitor (the "**Monitor**") of the Applicants and the Partnerships listed on Schedule "A" (collectively, the "**Target Canada Entities**", and each individually a "**Target Canada Entity**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "**CCAA**") for an order establishing a claims procedure for the identification and quantification of certain claims against (i) the Target Canada Entities and (ii) the current and former directors and officers of the Target Canada Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Monitor and the Fifteenth Report of the Monitor (the "**Monitor's Fifteenth Report**"), and on hearing the submissions of respective counsel for the Monitor, the Target Canada Entities, Target Corporation and such other counsel

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as were present, no one else appearing although duly served as appears from the Affidavit of Service of Jesse Mighton sworn June 5, 2015:

SERVICE

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

DEFINITIONS AND INTERPRETATION

2. THIS COURT ORDERS that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Amended and Restated Initial Order in these proceedings dated January 15, 2015 as further amended, restated, supplemented and/or modified from time to time (the “**Initial Order**”).

3. For the purposes of this Order the following terms shall have the following meanings:

- (a) “**Assessments**” means Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or Municipality or any other taxation authority in any Canadian or foreign jurisdiction, including, without limitation, amounts which may arise or have arisen under any notice of assessment, notice of objection, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any taxation authority;
- (b) “**Business Day**” means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;

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- (c) **“CCAA Proceedings”** means the CCAA proceedings commenced by the Target Canada Entities in the Court under Court File No. CV-15-10832-00CL;
- (d) **“Claim”** means:
 - (i) any right or claim of any Person against any of the Target Canada Entities, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Target Canada Entities in existence on the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise against any of the Target Canada Entities with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts that existed prior to the Filing Date, including for greater certainty any claim against any of the Target Canada Entities for indemnification by any Director or Officer in respect of a D&O Claim (but excluding any such claim for indemnification that is covered by the Directors’ Charge (as defined in the Initial Order)) (each, a **“Prefiling Claim”**, and collectively, the **“Prefiling Claims”**);

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- (ii) any right or claim of any Person against any of the Target Canada Entities in connection with any indebtedness, liability or obligation of any kind whatsoever owed by any such Target Canada Entity to such Person arising out of the restructuring, disclaimer, resiliation, termination or breach by such Target Canada Entity on or after the Filing Date of any contract, lease or other agreement whether written or oral (each, a “**Restructuring Period Claim**”, and collectively, the “**Restructuring Period Claims**”); and
- (iii) any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, whether existing at present arising or commenced in the future, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer (each a “**D&O Claim**”, and collectively, the “**D&O Claims**”),

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provided however that in any case “**Claim**” shall not include an Excluded Claim, but for greater certainty, shall include any Claim arising through subrogation against any Target Canada Entity or Director or Officer;

- (e) “**Claimant**” means a Person asserting a Prefiling Claim or a Restructuring Period Claim (including in each case, for greater certainty, an Intercompany Claim) against the Target Canada Entities, or any of them, and a Person asserting a D&O Claim against any of the Directors or Officers of any of the Target Canada Entities;
- (f) “**Claims Bar Date**” means 5:00 p.m. on August 31, 2015;
- (g) “**Claims Officer**” means the individuals designated by the Court pursuant to paragraph 41 of this Order;
- (h) “**Claims Package**” means the document package which shall be disseminated by the Monitor to any potential Claimant in accordance with the terms of this Order and shall consist of a copy of this Order (without schedules) and such other materials as the Monitor, in consultation with the Target Canada Entities, may consider appropriate;
- (i) “**Claims Process**” means the procedures outlined in this Order in connection with the assertion of Claims against the Target Canada Entities and/or the Directors and Officers;

- (j) **“Consultative Committee”** means the committee of representatives of creditors of the Target Canada Entities constituted in accordance with the Order for Advice and Directions of the Court dated May 12, 2015;
- (k) **“Court”** means the Ontario Superior Court of Justice (Commercial List);
- (l) **“D&O Claim Instruction Letter”** means the letter containing instructions for completing the D&O Proof of Claim form, substantially in the form attached as Schedule “B” hereto;
- (m) **“D&O Proof of Claim”** means the proof of claim referred to herein to be filed by Claimants in connection with any D&O Claim, substantially in the form attached hereto as Schedule “C” hereto, which shall include all supporting documentation in respect of such D&O Claim;
- (n) **“Director”** means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the Target Canada Entities, in such capacity;
- (o) **“Employees”** means all employees of the Target Canada Entities as at the Filing Date and **“Employee”** means any one of them, in such capacity. For the avoidance of doubt, Employee does not include individuals whose employment was terminated for any reason, without regard to any period of notice, prior to the Filing Date;
- (p) **“Employee Letter”** means the letter to be disseminated by the Monitor, in consultation with the Target Canada Entities and Employee Representative

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Counsel, to all Employees advising as to their rights and obligations in connection with this Claims Process, which letter shall be substantially in the form attached hereto as Schedule “D”;

- (q) **“Excluded Claim”** means any:
 - (i) Claim secured by the Administration Charge, the KERP Charge, the Directors’ Charge, the Financial Advisor Subordinated Charge, the DIP Lender’s Charge, and the Agent’s Charge and Security Interest (as defined in the Approval Order – Agency Agreement dated February 4, 2015);
 - (ii) Claim enumerated in sections 5.1(2) and 19(2) of the CCAA;
 - (iii) Any Claim of Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America and JPMorgan in connection with the Cash Management System;
- (r) **“Filing Date”** means January 15, 2015;
- (s) **“Intercompany Claim”** means any Claim filed by any of the Target Canada Entities, or any of their affiliated companies, partnerships, or other corporate entities, including Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities in accordance with the terms of this Order, but excluding any Claim arising through subrogation or assignment;
- (t) **“Intercompany Claims Bar Date”** means 5:00 p.m. on July 31, 2015;

- (u) **“Meetings”** and each a **“Meeting”** means a meeting of the creditors of the Target Canada Entities called for the purpose of considering and voting in respect of a Plan;
- (v) **“Monitor’s Website”** means www.alvarezandmarsal.com/targetcanada;
- (w) **“Monitor’s Intercompany Claims Report”** shall have the meaning set out in paragraph 35 herein;
- (x) **“Notice to Claimants”** means the notice for publication by the Monitor as described in paragraph 15 herein, substantially in the form attached as Schedule “E” hereto;
- (y) **“Notice of Dispute of Revision or Disallowance”** means the form substantially in the form attached as Schedule “F” hereto;
- (z) **“Notice of Objection”** means a notice filed by a Claimant in respect of an Intercompany Claim as set out in paragraph 37 herein, which Notice of Objection shall:
 - (i) identify the Person or Persons on whose behalf the Notice of Objection is filed;
 - (ii) indicate, to the extent known by the Claimant at such time, the nature of and basis for the objection(s) filed, along with any related documentary or other evidence available to the Claimant at such time in support of such objection(s); and

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- (iii) indicate the relief sought in respect of any Intercompany Claim, and set out with reasonable particularity the legal or other basis for such relief;
- (aa) **“Notice of Objection Bar Date”** means September 30, 2015;
- (bb) **“Notice of Revision or Disallowance”** means the form substantially in the form attached as Schedule “G” hereto;
- (cc) **“Officer”** means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of any of the Target Canada Entities, in such capacity;
- (dd) **“Order”** means this Claims Procedure Order;
- (ee) **“Person”** means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust (including a real estate investment trust), unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;
- (ff) **“Plan”** means, as further defined in the Initial Order, any proposed plan of compromise or arrangement that may be filed in respect of any or all of the Target Canada Entities pursuant to the CCAA as the same may be amended, supplemented or restated from time to time in accordance the terms thereof;
- (gg) **“Proof of Claim”** means the proof of claim referred to herein to be filed by Claimants in respect of Prefiling Claims and Restructuring Period Claims (including, in each case, an Intercompany Claim), substantially in the form

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attached hereto as Schedule “I” hereto, which shall include all supporting documentation in respect of such Claim;

(hh) **“Proof of Claim Instruction Letter”** means the letter containing instructions for completing the Proof of Claim form, substantially in the form attached as Schedule “H” hereto;

(ii) **“Restructuring Period Claims Bar Date”** means, in respect of a Restructuring Period Claim, the later of (i) 45 days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Period Claim and (ii) the Claims Bar Date; and

(jj) **“TCC”** means Target Canada Co..

4. THIS COURT ORDERS that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein, and any reference to an event occurring on a day that is not a Business Day shall mean the next following day that is a Business Day.

5. THIS COURT ORDERS that all references to the word “including” shall mean “including without limitation”, all references to the singular herein include the plural, the plural include the singular, and any gender includes all genders.

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GENERAL PROVISIONS

6. THIS COURT ORDERS that any Claim denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada noon exchange rate in effect at the Filing Date.

7. THIS COURT ORDERS that notwithstanding any other provisions of this Order, the solicitation by the Monitor or the Target Canada Entities of Proofs of Claim and D&O Proofs of Claim, and the filing by any Claimant of any Proof of Claim or D&O Proof of Claim shall not, for that reason only, grant any person any standing in the CCAA Proceedings or rights under any Plan.

8. THIS COURT ORDERS that, other than in respect of Intercompany Claims and any other Claims of Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities, the Monitor is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms delivered hereunder are completed and executed and the time in which they are submitted, and may, where the Monitor is satisfied that a Claim (other than an Intercompany Claim and any other Claims of Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities) has been adequately proven, waive strict compliance with the requirements of this Order, including in respect of the completion, execution and time of delivery of such forms; provided that it is recognized and understood that certain of the Intercompany Claims and any other Claims of Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities will be contingent in nature and therefore will not contain particulars of such Claims that are not yet known as at the time they are filed.

9. THIS COURT ORDERS that amounts claimed in Assessments issued after the Filing Date shall be subject to this Order and there shall be no presumption of validity or deeming of the amount due in respect of the Claim set out in any Assessment where such Assessment was issued after the Filing Date.

MONITOR'S ROLE

10. THIS COURT ORDERS that, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA, the Initial Order and any other orders of the Court in the CCAA Proceedings, the Monitor is hereby directed and empowered to implement the Claims Process set out herein and to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

11. THIS COURT ORDERS that the Monitor (i) shall have all of the protections given to it by the CCAA, the Initial Order, any other orders of the Court in the CCAA Proceedings, and this Order, or as an officer of the Court, including the stay of proceedings in its favour; (ii) shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, other than in respect of its gross negligence or wilful misconduct; (iii) shall be entitled to rely on the books and records of the Target Canada Entities and any information provided by the Target Canada Entities, all without independent investigation, provided that Intercompany Claims are subject to independent investigation by the Monitor as provided in paragraph 35 herein; (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information; and (v) may seek such assistance as may be reasonably required to carry out its duties and obligations pursuant to this Order from Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate

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entities, including, without limitation, making such inquiries and obtaining such records and information as it deems appropriate in connection with the Claims Process but for greater certainty shall not take direction from Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities.

12. THIS COURT ORDERS that the Target Canada Entities and their current and former shareholders, Officers, Directors, employees, agents and representatives shall fully cooperate with the Monitor in the exercise of its powers and discharge of its duties and obligations under this Order.

NOTICE TO CLAIMANTS

13. THIS COURT ORDERS that as soon as practicable, but no later than 5:00 p.m. on June 30, 2015, the Monitor shall cause a Claims Package to be sent to:

- (a) Each party that appears on the Service List or has requested a Claims Package;
and
- (b) All known Claimants, other than Employees, as evidenced by the books and records of the Target Canada Entities at their respective last known addressees as recorded in the Target Canada Entities' books and records.

14. THIS COURT ORDERS that the Monitor shall cause the Notice to Claimants to be published, for at least two (2) Business Days, in The Globe and Mail (National Edition), La Presse and The Wall Street Journal by no later than 5:00 p.m. on June 18, 2015.

15. THIS COURT ORDERS that the Monitor shall cause the Notice to Claimants and the Claims Package to be posted to the Monitor's Website by no later than 5:00 p.m. on June 18, 2015.
16. THIS COURT ORDERS that, the Monitor shall cause the Employee Letter to be sent to all Employees as soon as practicable but no later than 5:00 p.m. on June 30, 2015.
17. THIS COURT ORDERS that to the extent any Claimant requests documents or information relating to the Claims Process prior to the Claims Bar Date or if the Target Canada Entities or the Monitor become aware of any further Claims, the Monitor shall forthwith send such Claimant a Claims Package, direct such Claimant to the documents posted on the Monitor's Website or otherwise respond to the request for documents or information as the Monitor may consider appropriate in the circumstances.
18. THIS COURT ORDERS that the Claims Process and the forms of Notice to Claimants, Proof of Claim Instruction Letter, D&O Claim Instruction Letter, Employee Letter, Proof of Claim, D&O Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute of Revision or Disallowance are hereby approved. Notwithstanding the foregoing, the Monitor may, from time to time, make minor non-substantive changes to the forms as the Monitor, in its sole discretion, may consider necessary or desirable.
19. THIS COURT ORDERS that the sending of the Claims Package to the Claimants and the publication of the Notice to Claimants, in accordance with this Order, and the completion of the other requirements of this Order, shall constitute good and sufficient service and delivery of notice of this Order, the Claims Bar Date and the Restructuring Period Claims Bar Date on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other

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notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Order.

FILING OF PROOFS OF CLAIM

(A) Intercompany Claims

20. THIS COURT ORDERS that all Intercompany Claims must be filed by submitting a Proof of Claim to the Monitor no later than the Intercompany Claims Bar Date.

21. THIS COURT ORDERS that any Claimant that does not file a Proof of Claim in respect of a Intercompany Claim so that such Proof of Claim is received by the Monitor on or before the Intercompany Claims Bar Date, or such later date as the Court may direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Intercompany Claim(s) against any of the Target Canada Entities and all such Intercompany Claim(s) shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Intercompany Claim(s); and
- (c) will not be permitted to participate in any distribution under any Plan, if applicable, on account of such Intercompany Claim(s).

(B) Prefiling Claims

22. THIS COURT ORDERS that any Claimant that intends to assert a Prefiling Claim or D&O Claim shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the Claims Bar Date. For the avoidance of doubt, a Proof of Claim or D&O

Proof of Claim, as applicable, must be filed by every Claimant in respect of every Prefiling Claim or D&O Claim, regardless of whether or not a legal proceeding in respect of such Prefiling Claim or D&O Claim has been previously commenced.

23. THIS COURT ORDERS that any Claimant that does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or D&O Proof of Claim, is received by the Monitor on or before the Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Prefiling Claim against any of the Target Canada Entities or any D&O Claim relating to such Prefiling Claim and all such Prefiling Claims or D&O Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Prefiling Claim(s) or D&O Claim(s) relating to the Prefiling Claim(s);
- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Target Canada Entities become aware that such Claimant has a Restructuring Period Claim or D&O Claim relating to the Restructuring Period Claim; and
- (d) will not be permitted to participate in any distribution under any Plan, if applicable, on account of such Pre-filing Claim(s) or D&O Claim(s).

24. THIS COURT ORDERS that the provisions of paragraphs 22 and 23 herein shall not apply to Intercompany Claims.

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(C) Restructuring Period Claims

25. THIS COURT ORDERS that upon becoming aware of a circumstance giving rise to a Restructuring Period Claim, the Monitor shall send a Claims Package to the Claimant in respect of such Restructuring Period Claim in the manner provided for herein.

26. THIS COURT ORDERS that any Claimant that intends to assert a Restructuring Period Claim or D&O Claim relating to a Restructuring Period Claim shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the Restructuring Period Claims Bar Date. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim must be filed by every Claimant in respect of every Restructuring Period Claim or D&O Claim relating to a Restructuring Period Claim, regardless of whether or not a legal proceeding in respect of such Restructuring Period Claim or D&O Claim has been previously commenced.

27. THIS COURT ORDERS that any Claimant that does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or D&O Proof of Claim is received by the Monitor on or before the Restructuring Period Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Restructuring Period Claim against any of the Target Canada Entities or any D&O Claim relating to such Restructuring Period Claim and all such Restructuring Period Claim or D&O Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Restructuring Period Claim(s) or D&O Claim(s);

- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Target Canada Entities become aware that such Claimant has a Restructuring Period Claim or D&O Claim relating to the Restructuring Period Claim; and
- (d) will not be permitted to participate in any distribution under any Plan, if applicable, on account of such Restructuring Period Claim(s) or D&O Claim(s).

ADJUDICATION OF CLAIMS OTHER THAN INTERCOMPANY CLAIMS

28. THIS COURT ORDERS that, for greater certainty, the procedures outlined in paragraphs 29 to 34 herein shall not apply to the adjudication of Intercompany Claims.

29. THIS COURT ORDERS that the Monitor shall review all Proofs of Claim received on or before the Claims Bar Date or the Restructuring Period Claims Bar Date, in consultation with the Target Canada Entities, and shall accept, revise or reject each Claim. With respect to a D&O Claim set out in a D&O Proof of Claim, the Monitor shall, in consultation with the Target Canada Entities and the Directors and Officers named in respect of such D&O Claim as to the merits of such Claim(s), as applicable, accept, revise or reject such D&O Claim.

30. THIS COURT ORDERS that the Monitor shall consult with the Consultative Committee in connection with any Claim the Monitor proposes to allow (including by Notice of Revision or Disallowance) in excess of \$5 million and if the Consultative Committee objects to the allowance of such Claim, the Monitor shall seek the Court's approval of the Claim.

31. THIS COURT ORDERS that if the Monitor intends to revise or reject a Claim, the Monitor shall notify the Claimant who has delivered such Proof of Claim or D&O Proof of

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Claim, as applicable, that such Claim has been revised or rejected and the reasons therefor, by sending a Notice of Revision or Disallowance by no later than November 15, 2015, unless otherwise ordered by this Court on application by the Monitor.

32. THIS COURT ORDERS that any Claimant who intends to dispute a Notice of Revision or Disallowance hereof shall:

- (a) deliver a completed Notice of Dispute of Revision or Disallowance, along with the reasons for the dispute, to the Monitor by no later than twenty-eight (28) days after the date on which the Claimant is deemed to receive the Notice of Revision or Disallowance, or such other date as may be agreed to by the Monitor in writing; and
- (b) in the event that a dispute raised in a Notice of Dispute of Revision or Disallowance is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Target Canada Entities, the Monitor shall refer the dispute raised in the Notice of Dispute of Revision or Disallowance to a Claims Officer or the Court for adjudication at its election.

33. THIS COURT ORDERS that where a Claimant that receives a Notice of Revision or Disallowance does not file a completed Notice of Dispute of Revision or Disallowance by the time set out in paragraph 32(a), such Claimant's Claim or D&O Claim relating to such Claim shall be deemed to be as set out in the Notice of Revision or Disallowance and such Claimant shall have no further right to dispute same.

34. THIS COURT ORDERS that the Monitor may refer any Claim to a Claims Officer or the Court for adjudication at its election by sending written notice to the Claimant at any time.

ADJUDICATION OF INTERCOMPANY CLAIMS AND INTERCREDITOR DISPUTES

35. THIS COURT ORDERS that, notwithstanding anything to the contrary in this Order with respect to Intercompany Claims, the Monitor shall prepare a report to be served on the Service List and filed with the Court for the Court to consider, detailing its review of all Intercompany Claims and assessing in detail with reasonably sufficient particulars and analysis the validity and quantum of such Claims as filed (the “**Monitor’s Intercompany Claims Report**”), subject to further review and adjustments in respect of claims that may be pursued by the Monitor in accordance with section 36.1 of the CCAA. The Monitor’s Intercompany Claims Report shall include, among other things, full particulars of the debt comprising the Intercompany Claims, including without limitation: (i) the source of the funds comprising the debt; (ii) whether such funds were advanced from another Target Canada Entity, or any of their affiliated companies, partnerships, or other corporate entities, including Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities; (iii) the portion of the debt arising as a result of penalties or early termination of agreements; and (iv) which portion (if any) of the amount of the debt was (x) advanced on or after the Filing Date; (y) originally advanced as equity by a related entity; and/or (z) originally advanced on an unsecured basis. The Monitor’s Intercompany Claims Report shall be served on August 31, 2015, unless otherwise ordered by this Court on application by the Monitor. For greater certainty, nothing in the Monitor’s Intercompany Claims Report shall bind the Court with respect to its determination

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of the Intercompany Claims as the Court sees fit, including without limitation, the validity, priority or quantum of such Intercompany Claims.


36. THIS COURT ORDERS that on or before October 31, 2015, the Monitor shall serve on the Service List and file with the Court a list of all Claims other than Intercompany Claims filed by any of the Target Canada Entities, or any of their affiliated companies, partnerships, or other corporate entities, including Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities arising through subrogation or assignment.

37. THIS COURT ORDERS that, after the service of the Monitor's Intercompany Claims Report, any Claimant may file objections, which may include, but are not limited to, any argument asserted for the subordination of outstanding intercompany debts of any of the Target Canada Entities, any relief in connection with claims to priority, any claim asserted for substantive consolidation, and the validity and quantum of Intercompany Claims and any claim relating to debt recharacterization, by filing a Notice of Objection with the Monitor, no later than the Notice of Objection Bar Date. Any Notice of Objection filed after the Notice of Objection Bar Date shall be disregarded and of no effect.

38. THIS COURT ORDERS that, promptly following the Notice of Objection Bar Date, the Monitor shall schedule a motion with the Court to seek approval of a process for the resolution of any objections filed in connection with the Intercompany Claims and any other intercreditor disputes or motions, including a process regarding requests for the production of documents or any oral examinations.

39. THIS COURT ORDERS that, at the motion described in paragraph 38 above, the Monitor shall schedule with the Court any motions a Claimant has advised the Monitor it still wishes to be heard regarding requests for the production of documents and/or any oral examinations.

~~SET-OFF~~ 

~~40. THIS COURT ORDERS that nothing in this Order affects the rights of any Person pursuant to section 21 of the CCAA.~~ 

CLAIMS OFFICERS

41. THIS COURT ORDERS that Hon. Dennis O'Connor, and such other Persons as may be appointed by the Court from time to time on application of the Monitor, be and they are hereby appointed as Claims Officers for the claims procedure described herein.

42. THIS COURT ORDERS that the decision as to whether the disputed Claim should be adjudicated by the Court or a Claims Officer shall be in the sole discretion of the Monitor.

43. THIS COURT ORDERS that a Claims Officer shall determine the validity and amount of disputed Claims in accordance with this Order and to the extent necessary may determine whether any Claim or part thereof constitutes an Excluded Claim and shall provide written reasons. A Claims Officer shall determine all procedural matters which may arise in respect of his or her determination of these matters, including the manner in which any evidence may be adduced. A Claims Officer shall have the discretion to determine by whom and to what extent the costs of any hearing before a Claims Officer shall be paid.

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44. THIS COURT ORDERS that the Monitor, the Claimant or the applicable Target Canada Entity may, within ten (10) days of such party receiving notice of a Claims Officer's determination of the value of a Claimant's Claim, appeal such determination or any other matter determined by the Claims Officer in accordance with paragraph 43 or otherwise to the Court by filing a notice of appeal, and the appeal shall be initially returnable within ten (10) days of filing such notice of appeal.

45. THIS COURT ORDERS that if no party appeals the determination of value of a Claim by a Claims Officer within the time set out in paragraph 44, above, the decision of the Claims Officer in determining the value of the Claimant's Claim shall be final and binding upon the relevant Target Canada Entity, the Monitor, and the Claimant, and there shall be no further right of appeal, review or recourse to the Court from the Claims Officer's final determination of a Claim.

46. THIS COURT ORDERS that the provisions of paragraphs 41 to 45 herein shall not apply to Intercompany Claims and inter-creditor disputes.

NOTICE OF TRANSFEREES

47. THIS COURT ORDERS that from the date of this Order until seven (7) days prior to the date fixed by the Court for any distribution in the CCAA Proceedings or any other proceeding, including a bankruptcy, to the extent required, leave is hereby granted to permit a Claimant to provide notice of assignment or transfer of a Claim to any third party to the Monitor.

48. THIS COURT ORDERS that subject to the terms of any subsequent Order of this Court, if, after the Filing Date, the holder of a Claim transfers or assigns the whole of such Claim

to another Person, neither the Monitor nor the Target Canada Entities shall be obligated to give notice to or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the Monitor in writing and thereafter such transferee or assignee shall, for the purposes hereof, constitute the "Claimant" in respect of such Claim or D&O Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to receipt and acknowledgement by the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim or takes the Claim subject to any rights of set-off to which the Target Canada Entities may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to the Target Canada Entities.

49. THIS COURT ORDERS that no transfer or assignment shall be effective for voting purposes at any Meeting unless sufficient notice and evidence of such transfer or assignment has been received by the Monitor no later than 5:00 p.m. on the date that is seven (7) days prior to the date fixed by the Court for any Meeting, failing which the original Claimant shall have all applicable rights as the "Claimant" with respect to such Claim as if no transfer or assignment of the Claim had occurred.

SERVICE AND NOTICE

50. THIS COURT ORDERS that the Monitor may, unless otherwise specified by this Order, serve and deliver or cause to be served and delivered the Claims Package, and any letters,

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notices or other documents, to the Claimants or any other interested Person by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to such Persons at the physical or electronic address, as applicable, last shown on the books and records of the Target Canada Entities or set out in such Claimant's Proof of Claim. Any such service and delivery shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada (other than within Ontario), and the tenth Business Day after mailing internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by facsimile transmission or email by 5:00 p.m. on a Business Day, on such Business Day and if delivered after 5:00 p.m. or other than on a Business Day, on the following Business Day.

51. THIS COURT ORDERS that any notice or communication required to be provided or delivered by a Claimant to the Monitor under this Order shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email addressed to:

Alvarez & Marsal Canada Inc., Target Canada Monitor
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON
M5J 2J1

Attention: Greg Karpel
Email: targetcanadaclaims@alvarezandmarsal.com
Fax: 416-847-5201

52. THIS COURT ORDERS that if, during any period during which notices or other communications are being given pursuant to this Order, a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary or registered mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Order.

MISCELLANEOUS

53. THIS COURT ORDERS that the Monitor may from time to time apply to this Court to extend the time for any action which the Monitor is required to take if reasonably required to carry out its duties and obligations pursuant to this Order and for advice and directions concerning the discharge of its powers and duties under this Order or the interpretation or application of this Order.

54. THIS COURT ORDERS that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers or other Persons under the Directors' Charge or any applicable insurance policy or prevent or bar any Person from seeking recourse against or payment from the Target Canada Entities' insurance and any Director's or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors or Officers or other Persons, whether such recourse or payment is sought directly by the Person asserting a Claim from the insurer or derivatively through the Director or Officer or any Target Canada Entity; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter

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any defence to such Claim available to the insurer pursuant to the provisions of any insurance policy or at law; and further provided that any Claim or portion thereof for which the Person receives payment directly from, or confirmation that she is covered by, the Target Canada Entities' insurance or any Director's or Officer's liability insurance or other liability insurance policy or policies that exist to protect or indemnify the Directors or Officers or other Persons shall not be recoverable as against a Target Canada Entity or Director or Officer as applicable.

55. THIS COURT ORDERS that nothing in this Order shall prejudice, limit, bar, extinguish or otherwise affect (i) any right or claim of any Person, including under any guarantee, indemnity or otherwise, against Target Corporation, any predecessor tenant, or any other Person other than the Target Canada Entities and the Directors and Officers; and (ii) any right or claim of Target Corporation, any predecessor tenant, or any other Person in response to such right or claim. For greater certainty, this Order is subject to and shall not derogate from paragraph 19A of the Initial Order.

56. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative bodies, having jurisdiction in Canada or in the United States of America, to give effect to this Order and to assist the Target Canada Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Target Canada Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status

to the Monitor in any foreign proceeding, or to assist the Target Canada Entities and the Monitor and their respective agents in carrying out the terms of this Order.



6461737

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

JUN 11 2015



SCHEDULE “A”**List of the Applicants and Partnerships****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

SCHEDULE "B"

CLAIMANT'S GUIDE TO COMPLETING THE D&O PROOF OF CLAIM FORM FOR CLAIMS AGAINST DIRECTORS AND/OR OFFICERS OF THE TARGET CANADA ENTITIES¹

This Guide has been prepared to assist Claimants in filling out the D&O Proof of Claim form for claims against the Directors and/or Officers of the Target Canada Entities. If you have any additional questions regarding completion of the D&O Proof of Claim, please consult the Monitor's website at www.alvarezandmarsal.com/targetcanada or contact the Monitor, whose contact information is shown below.

The D&O Proof of Claim form is for Claimants asserting a claim against any Directors and/or Officers of the Target Canada Entities, and NOT for claims against the Target Canada Entities themselves. For claims against the Target Canada Entities, please use the form titled "Proof Of Claim Form For Claims Against the Target Canada Entities", which is available on the Monitor's website at www.alvarezandmarsal.com/targetcanada.

Additional copies of the D&O Proof of Claim form may be found at the Monitor's website address noted above.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on [June 11], 2015 (the "Claims Procedure Order"), the terms of the Claims Procedure Order will govern.

SECTION 1 – DEBTOR

1. The full name of all the Target Canada Entities' Directors or Officers against whom the Claim is asserted must be listed.

SECTION 2(a) – ORIGINAL CLAIMANT

2. A separate D&O Proof of Claim must be filed by each legal entity or person asserting a claim against the Target Canada Entities' Directors or Officers.
3. The Claimant shall include any and all D&O Claims it asserts against the Target Canada Entities' Directors or Officers in a single D&O Proof of Claim.
4. The full legal name of the Claimant must be provided.
5. If the Claimant operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.

¹ Target Canada Co., Target Canada Health Co., Target Canada Mobile GP Co., Target Canada Pharmacy (BC) Corp., Target Canada Pharmacy Corp., Target Canada Pharmacy (SK) Corp., Target Canada Pharmacy (Ontario) Corp., Target Canada Property LLC, Target Canada Pharmacy Franchising LP, Target Canada Mobile LP, and Target Canada Property LP (collectively, the "Target Canada Entities").

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6. If the claim has been assigned or transferred to another party, Section 2(b) must also be completed.
7. Unless the claim is assigned or transferred, all future correspondence, notices, etc. regarding the claim will be directed to the address and contact indicated in this section.

SECTION 2(b) – ASSIGNEE

8. If the Claimant has assigned or otherwise transferred its claim, then Section 2(b) must be completed.
9. The full legal name of the Assignee must be provided.
10. If the Assignee operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.
11. If the Monitor in consultation with the Target Canada Entities is satisfied that an assignment or transfer has occurred, all future correspondence, notices, etc. regarding the claim will be directed to the Assignee at the address and contact indicated in this section.

SECTION 3 - AMOUNT OF CLAIM OF CLAIMANT AGAINST DEBTOR

12. Indicate the amount the Director(s) and/or Officer(s) was/were and still is/are indebted to the Claimant in the Amount of Claim column, including interest up to and including January 14, 2015.²

Currency

13. The amount of the claim must be provided in the currency in which it arose.
14. Indicate the appropriate currency in the Currency column.
15. If the claim is denominated in multiple currencies, use a separate line to indicate the claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
16. If necessary, currency will be converted in accordance with the Claims Procedure Order.

SECTION 4 - DOCUMENTATION

17. Attach to the D&O Proof of Claim form all particulars of the claim and supporting documentation, including amount and description of transaction(s) or agreement(s) or legal breach(es) giving rise to the claim.

² Pursuant to paragraph 9 of the Claims Procedure Order, interest accruing from the Filing Date (January 15, 2015) shall not be included in any Claim.

SECTION 5 - CERTIFICATION

18. The person signing the D&O Proof of Claim should:
- (a) be the Claimant or authorized representative of the Claimant.
 - (b) have knowledge of all the circumstances connected with this claim.
 - (c) assert the claim against the Debtor(s) as set out in the D&O Proof of Claim and certify all supporting documentation is attached.
 - (d) have a witness to its certification.
19. By signing and submitting the D&O Proof of Claim, the Claimant is asserting the claim against the Debtor(s).

SECTION 6 - FILING OF CLAIM

20. The D&O Proof of Claim must be received by the Monitor on or before 5:00 p.m. (Toronto time) on August 31, 2015 (the "Claims Bar Date") by prepaid ordinary mail, registered mail, courier, personal delivery or electronic transmission at the following address:

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

Email: targetcanadaclaims@alvarezandmarsal.com
Fax No.: 416-847-5201

Failure to file your D&O Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m., on the Claims Bar Date will result in your claim being barred and you will be prevented from making or enforcing a claim against the Directors and Officers of the Target Canada Entities. In addition, you shall not be entitled to further notice in and shall not be entitled to participate as a creditor in the Target Canada Entities' CCAA proceedings.

SCHEDULE "C"

PROOF OF CLAIM FORM FOR CLAIMS AGAINST DIRECTORS OR OFFICERS OF THE TARGET CANADA ENTITIES¹ (the "D&O Proof of Claim")

This form is to be used only by Claimants asserting a claim against any Directors and/or, Officers of the Target Canada Entities and NOT for claims against the Target Canada Entities themselves. For claims against the Target Canada Entities, please use the form titled "Proof Of Claim Form For Claims Against the Target Canada Entities", which is available on the Monitor's website at www.alvarezandmarsal.com/targetcanada.

1. Name of Target Canada Officer(s) and/or Director(s) (the "Debtor(s)):

Debtor(s): _____

(A) Original Claimant (the "Claimant")

Legal Name of Claimant _____

Name of Contact _____

Address _____

Title _____

Phone # _____

Fax # _____

City _____ Prov /State _____

email _____

Postal/Zip Code _____

2b. Assignee, if claim has been assigned

Legal Name of Assignee _____

Name of Contact _____

Address _____

Phone # _____

Fax # _____

City _____ Prov /State _____

email: _____

Postal/Zip Code _____

¹ Target Canada Co., Target Canada Health Co., Target Canada Mobile GP Co., Target Canada Pharmacy (BC) Corp., Target Canada Pharmacy Corp., Target Canada Pharmacy (SK) Corp., Target Canada Property LLC, Target Canada Pharmacy Franchising LP, Target Canada Mobile LP, And Target Canada Property LP (collectively, the "Target Canada Entities").

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3. Amount of Claim

The Debtor(s) was/were and still is/are indebted to the Claimant as follows:

Name(s) of Director(s), and/or Officers	Currency	Amount of Claim (including interest up to and including January 14, 2015)	
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. Documentation

Provide all particulars of the Claim and supporting documentation, including any claim assignment/transfer agreement or similar document, if applicable, and including amount and description of transaction(s) or agreement(s) or legal breach(es) giving rise to the Claim.

5. Certification

I hereby certify that:

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

Signature: _____

Name: _____

Title: _____

Witness:

(signature)

(print)

Dated at _____ this _____ day of _____, 2015

6. Filing of Claim

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

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

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