

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**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

**RESPONDING MOTION RECORD OF  
LOU PHARMA CORP. AND NASER GHASEMLOU**

**(Motion Returnable November 29, 2016)**

November 16, 2016

**DICKINSON WRIGHT LLP**

Barristers & Solicitors

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Suite 2200, Box 447

Commerce Court Postal Station

Toronto, Ontario M5L 1G4

**LISA S. CORNE (27974M)**

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Lawyers for Lou Pharma Corp. and Naser  
Ghasemlou

TO: **SERVICE LIST**

## INDEX

### Tab

1. Affidavit of Naser Ghasemlou sworn November 14, 2016
- A Exhibit "A" - Franchise Agreement, and Amending Agreements dated November 11, 2013 and December 12, 2013
- B Exhibit "B" - Letter dated October 17, 2016 from Dickinson Wright LLP to the Monitor
- C Exhibit "C" - Proof of Claim form and supporting documents

**Tab 1**



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

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Applicants

**AFFIDAVIT OF NASER GHASEMLOU**

I, Naser Ghasemlou, of the City of Calgary, in the Province of Alberta, **MAKE OATH  
AND SAY:**

1. I am a pharmacist, and the sole shareholder, officer, and director of Lou Pharma Corp. I have knowledge of the matters to which I hereinafter depose, except those matters which are expressly stated to be based on information provided to me by others, in which case I believe such matters to be true.

2. I am swearing this affidavit in response to the motion by Alvarez & Marsal Canada, Inc. (the "**Monitor**") for advice and directions from this Honourable Court with respect to Lou Pharma Corp's request for leave to file a Proof of Claim in respect of the damages it sustained as a result of the early termination by Target Canada Franchising LP ("**Target**") of the pharmacy

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franchise agreement among Target, as franchisor, Lou Pharma Corp., as franchisee, and me, as pharmacist (the “**Franchise Agreement**”).

### **Background**

3. I am 61 years old, and was born and raised in Iran. I immigrated to Canada in 1999.
4. Pursuant to the Franchise Agreement, Target granted Lou Pharma Corp. the right to operate the Target pharmacy franchise located in the Target retail store T-3714, in the Calgary Market Mall, at 3625 Shaganappi Trail, NW, Calgary, Alberta (the “**Location**”). True copies of the Franchise Agreement, and Amending Agreements dated November 11, 2013 and December 12, 2013 are attached hereto and marked collectively as **Exhibit “A”**.
5. Lou Pharma Corp. commenced operating the pharmacy at the Location on or about January 14, 2014. From January, 2014 through March 2015, I was the only pharmacist employed at the Location, and devoted my full time and attention to the management and operation of the Target pharmacy.
6. At the end of January 2015, I received a Notice of Disclaimer from Target, terminating the Franchise Agreement. Unfortunately, despite my best efforts to obtain alternative employment as a pharmacist, I have been unsuccessful in doing so, and have been unable to earn any income during the period following the closure of the Target pharmacy franchise.
7. In the summer of 2015, I returned to Iran to assist in caring for my ill mother. I remained in Iran for the entire months of June and July and most of August, 2015.
8. Until recently, I was not aware of the Claims Procedure Order dated June 11, 2015 or any claims bar date established by the Court. I did not receive a claim package. I am not familiar

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with the legal process in Canada generally and have not previously had exposure to a claims bar process in any insolvency or restructuring proceeding.

9. In September, 2016, following my receipt of an e-mail from the Target Pharmacy Franchisee Association, I became aware of the need to file a claim under the Claims Procedure Order. I then consulted Dickinson Wright LLP ("DW") for assistance in filing a claim against Target, and learned of the Order dated February 12, 2016 appointing Sutts, Strosberg LLP, as representative counsel for the Target pharmacy franchisees. I was not previously aware of the requirement in that Order to opt out of such representation by March 25, 2016. I wish to have DW represent Lou Pharma Corp. and me in respect of this claim and seek leave of the court, if necessary, to opt-out of representation by Sutts, Strosberg LLP.

10. By letter dated October 17, 2016, DW notified the Monitor and its counsel that Lou Pharma Corp. was seeking consent to file a late claim in the claims process. A copy of the letter dated October 17, 2016 from DW to the Monitor is attached hereto as **Exhibit "B"**.

11. In October, 2016 Lou Pharma Corp. retained Edward & Manning LLP, the firm of chartered accountants which has worked with the vast majority of the former Target pharmacy franchisees in preparing their claims in the claims process. With the assistance and advice of Edward & Manning LLP, I have completed a Proof of Claim. A copy of the Proof of Claim form and supporting documents are attached hereto and marked collectively as **Exhibit "C"**.


12. I am informed by Dan Edward of Edward & Manning LLP that the Proof of Claim of Lou Pharma Corp. has been prepared on a basis which is consistent with the treatment afforded by the Monitor to other pharmacist franchisees and reflects the rulings of the Honourable Dennis

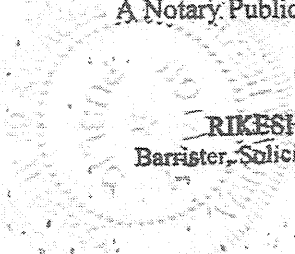
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R. O'Connor, Q.C. with respect to the common issues referred to him as the Claims Officer appointed to determine the validity and amount of the pharmacy franchisee claims.

13. I have at all times intended to pursue Lou Pharma Corp.'s claim for damages as against Target and my failure to file the claim previously was entirely unintentional, and resulted from inadvertence, and a misunderstanding of the process.

SWORN BEFORE ME at the City of  
Calgary, in the Province of Alberta on  
November 14, 2016.


  
A Notary Public in and for the Province of  
Alberta  
(or as may be)

  
RIKESH WADHWA  
Barrister, Solicitor & Notary Public

  
NASER GHASEMLOU

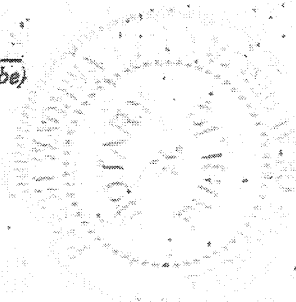
NO LEGAL ADVICE SOUGHT OR GIVEN

This is Exhibit "A" referred to in the  
Affidavit of NASER GHASEMLOU  
sworn this 14 day of November, 2016.



*A Notary Public in and for the Province of Alberta (or as may be)*

**RIKESH WADHWA**  
Barrister, Solicitor & Notary Public





TARGET CANADA PHARMACY FRANCHISE AGREEMENT

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## PHARMACY FRANCHISE AGREEMENT

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

BETWEEN:

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

- and -

LOU PHARMA CORP., a corporation incorporated under the laws of Alberta, having its principal place of business at 14 Discovery Ridge Heights SW, Calgary, Alberta, Canada, T3H 5T1 ("Franchisee")

- and -

**NASER GHASEMLOU**, an individual residing at 14 Discovery Ridge Heights SW, in the City of Calgary, in the Province of Ontario, T3H 5T1 ("Pharmacist").

The parties to this Agreement mutually acknowledge the following:

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

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

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

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

LOCAL DISORDER

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

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

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

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

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

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

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

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

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

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

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

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



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- (b) the sale of Schedule II drug products (as classified under the National Association of Pharmacy Regulatory Authorities' national drug scheduling model; and as adopted in the province or territory in which the Pharmacy is located);
- (c) the sale of any Approved Products or other items set forth in Section 5.2;

but excluding:

- (d) all refunds or credits issued in good faith to Customers for products returned by Customers; and
- (e) any sales, goods and services or harmonized sales taxes and equivalent other taxes which are collected from Customers by Franchisee for or on behalf of any governmental authority and actually remitted to such body.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**1.2 Schedules**

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

Schedule "A"	Licensed Space and Fee
Schedule "B"	Banking Information Form
Schedule "C"	OTC Products
Schedule "D"	Franchisee Proof of Working Capital Form

**1.3 Entire Agreement**

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

**1.4 No Representations or Warranties.**

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

**1.5 Applicable Law**

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

**1.6 Venue and Jurisdiction**

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

**1.7 Time of the Essence**

Time is of the essence.

**1.8 Severability of Provisions**

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

**1.9 No Waiver**

No provision of this Agreement shall be waived except pursuant to a writing executed by the party against whom the waiver is sought. No waiver will be applicable other than in the specific instance in which it is

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given. No failure to exercise, partial exercise of, or delay in exercising any right or remedy or a failure to require the satisfaction of any condition under this Agreement shall operate as a waiver or estoppel of any right, remedy or condition.

## ARTICLE 2 SCOPE OF FRANCHISE LICENCE

### 2.1 Use of System

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

### 2.2 Term

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

*see Amendment*

### 2.3 Territory

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

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

### 2.4 Rights Retained by Franchisor

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

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

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

## 2.5 Renewal

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

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

1. EXECUTED AND SIGNED BY:

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shareholders, directors and officers from all obligations of and all claims against any such persons under or in connection with this Agreement;

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

## 2.6 No Further Right of Renewal

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

## 2.7 Franchisee Suggestions

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

# ARTICLE 3 INCORPORATION, LICENSED SPACE AND OPENING OF PHARMACY

## 3.1 Incorporation

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

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

## 3.2 Background Check on Pharmacist

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

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### 3.3 Licensed Space

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

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

### 3.4 Development and Maintenance of Licensed Space

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

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

### 3.5 Opening

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

### 3.6 Failure to Commence Business

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

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**3.7 Access to the Licensed Space**

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

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

**ARTICLE 4  
FRANCHISOR'S OBLIGATIONS**

**4.1 Initial Training Program**

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

**4.2 Initial and Ongoing Operating Assistance**

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

- (a) shall, subject to the provisions of Section 9.1, provide Franchisee with access to the Manual;
- (b) shall provide Franchisee with information and materials in the English language, through the Manual or otherwise, which Franchisor reasonably believes is necessary to make Franchisee familiar with the System that Franchisor or its Affiliates currently use for Target Pharmacy pharmacies to assist Franchisee in performing its obligations under this Agreement;
- (c) shall supervise Franchisee as often as Franchisor deems reasonably necessary to assist Franchisee in complying with the System and in promoting the Pharmacy;
- (d) shall, as often as Franchisor deems reasonably appropriate provide onsite training, guidance, assistance or advice on operational issues including: (i) additional Approved Products and services authorized for sale at the Pharmacy; (ii) selecting, purchasing and marketing Approved Products, materials and supplies; (iii) sales, marketing, and promotion programs; (iv) establishing and operating administrative, accounting, inventory control, sales and general operating procedures for the proper operation of a Pharmacy; or (v) other operations support;
- (e) shall provide such guidance, in its discretion, through the Manual, other written materials, the Internet, telephone conversations and/or meetings at Franchisor's office, at the Pharmacy in conjunction with an inspection of the Pharmacy or at locations mutually agreed to by the parties;



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- (f) may make available to Pharmacist, at such location as may be designated by Franchisor, additional or supplemental training courses, seminars and franchisee meetings of such duration as Franchisor may deem reasonably necessary;
- (g) shall administer the Advertising Fund, if applicable, as contemplated in Section 7.4 for the promotion of the System;
- (h) shall provide Franchisee with an accounting calendar for each Fiscal Year of this Agreement; and
- (i) shall arrange or assist Franchisee in arranging for sources of Approved Products, Equipment and other items required in the operation of the Pharmacy.

#### 4.3 Ongoing Training

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

### ARTICLE 5 FRANCHISEE'S OBLIGATIONS

#### 5.1 Operation of the Pharmacy

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

- (a) operate the Pharmacy continuously and solely as a Target Pharmacy in accordance with the System;
- (b) provide prompt, courteous and efficient service at all times pursuant to the Operating Standards set forth in the Manual during normal business hours;
- (c) adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct;
- (d) comply at all times with all federal, provincial and municipal laws, regulations, ordinances, by-laws, codes, orders, and rulings (collectively "Laws") having application to the ownership, management, and operation of the Pharmacy;
- (e) obtain and maintain in force all licenses, permits, permissions, approvals and certificates required in the operation of the Pharmacy;
- (f) operate the Pharmacy in compliance with all applicable federal and provincial privacy, health privacy, and unsolicited commercial electronic messaging legislation ("Privacy Laws") and, in particular, ensure that all necessary consents have been obtained from Franchisee's Customers and other individuals with whom Franchisee is dealing in connection with the Pharmacy in order to collect, use or disclose personal information (as defined in such Privacy Laws) for Franchisee's own purposes, or to transfer or disclose such personal information to Franchisor, its Affiliates, or other Target Pharmacy pharmacists;

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- (g) notify Franchisor in writing within two (2) business days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Pharmacy;
- (h) notify Franchisor in writing within two (2) business days of the completion of any inspection conducted by the pharmacy regulatory authority in the Pharmacy's jurisdiction;
- (i) notify Franchisor in writing within two (2) business days of any notices or inquiries from the pharmacy regulatory authority in the Pharmacy's jurisdiction which claims or alleges any violation by Franchisee or its owners, directors, managers, regulated employees or contractors of any applicable pharmacy laws, regulations, standard of practice or code of ethics;
- (j) not conduct any business or advertising practice or engage in any other behaviour or activity which injures or adversely affects Franchisor, the System, the Marks and other Target Pharmacy pharmacies, or which might depreciate the goodwill associated with any of them;
- (k) participate in and adhere to all elements of all promotional, advertising and marketing programs including, without limitation, special discount or free coupon programs (where permitted by law), campaigns, flyers, newsletters and cooperatives, as well as all media, as Franchisor may direct and continuously exert Franchisee's best efforts to promote and enhance Franchisee's operation as a Target Pharmacy pharmacy;
- (l) accept all major credit cards and utilize payment processors as designated by Franchisor in the Manual or otherwise;
- (m) maintain adequate inventory levels;
- (n) comply with all mandatory Operating Standards relating to the appearance or operation of a Target Pharmacy pharmacy (whether contained in the Manual or any other written or oral communication to Franchisee);
- (o) immediately notify Franchisor if any of Franchisee's owners, directors, managers, employees, contractors or agents are arrested;
- (p) ensure that all Equipment used in connection with the Pharmacy conform to the Operating Standards and are maintained in good order and repair, and shall cause the same to be promptly replaced, in accordance with this Agreement, if they become damaged due to the willful or negligent acts or omissions of Franchisee, Pharmacist or Franchisee's employees, agent or independent contractors;
- (q) participate in a business planning session with Franchisor, which shall occur annually or quarterly at the discretion of Franchisor;
- (r) purchase and wear and cause its employees or contractors to wear such uniforms or apparel as Franchisor may designate from time to time in the Manual or otherwise;
- (s) ensure that Franchisee's Fiscal Year is consistent with Franchisor's Fiscal Year so that Franchisee's Fiscal Year end and resulting fiscal month ends shall remain consistent with Franchisor's Fiscal Year end and resulting fiscal month ends throughout the Term of the Agreement;
- (t) promptly pay when due all taxes, expenses and charges of any kind (including interest and penalties) levied or assessed by any and all governmental bodies or agencies, in connection with Franchisee's operation of the Pharmacy; and

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- (u) obtain and use, at Franchisee's sole expense, the Computer System, as further described in Section 5.8, and such inventory, accounting, record keeping, payroll and reporting systems and related computer systems and software (if not included in or as part of the Computer System) as may be designated or approved by Franchisor from time to time and, subject to applicable privacy laws, to permit Franchisor to have physical and remote electronic access (by way of modem or otherwise) to all such systems at any time.

## 5.2 Approved Products, Suppliers, Equipment and Supplies

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

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

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

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

Franchisor will use commercially reasonable efforts to arrange with suppliers for prices and terms of supply which are generally competitive in the marketplace with those offered by other suppliers taking into account the standards of quality, safety, availability of supplies, credit arrangements, delivery and warehousing capabilities and other supply related items. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee or the supplier will submit to Franchisor a written request for approval. Franchisor's approval will not be unreasonably withheld. Franchisee acknowledges that most Approved Products (such as Prescription Drugs), and certain equipment, inventory, supplies, products and materials may be only available from one source that Franchisor designates.

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

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Franchisor for or, at the option of Franchisor, pay directly to the suppliers thereof, the cost of such Computer System, Equipment, inventory, forms, supplies and other items.

### 5.3 Rebates

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

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

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

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

### 5.4 Retail Pricing and Dispensing Fee

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

### 5.5 Capital

Beginning on the Effective Date and thereafter, including at all times during the Term, Franchisee shall maintain and employ in the Pharmacy such minimum working capital as may be reasonably required by Franchisor from time to time to enable Franchisee to fully carry out all of Franchisee's obligations under this Agreement. Franchisee shall provide Franchisor with proof of working capital from time to time, as reasonably required by Franchisor, by providing adequate supporting documentation and completing the proof of working capital form prescribed by Franchisor from time to time, the current form of which is attached as Schedule "D".

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## 5.6 Insurance

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

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

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

## 5.7 Blanket Insurance

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

## 5.8 Computer System

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

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

Franchisee shall ensure that Franchisor shall at all times have physical and remote electronic (by way of modem or otherwise) access to the Computer System and financial and operational data and information, and that the Computer System and related computer hardware and software are kept up to date at all times.

All financial and operational data and information stored on the Computer System shall be owned by Franchisor and Franchisor shall have the right, in its discretion, to use such data and information in any

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manner and for any purpose as it sees fit, provided that Franchisor complies with all applicable privacy and similar laws in doing so.

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

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

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

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

Franchisee shall cause the Pharmacist to devote full-time and attention to the management and operation of the Pharmacy. With the exception of reasonable holiday time, Franchisee shall ensure that the Pharmacist is present a minimum of thirty-five (35) hours per week at the Pharmacy. Subject to compliance with any requirements of the pharmacy regulatory authority in the province or territory regarding use of a temporary licensed pharmacy manager, Franchisee may use a third party service provider to provide a temporary pharmacist manager licensed in the province or territory for coverage during the Pharmacist's vacation, absence due to illness, leaves of absence or parental leaves. Franchisee must obtain Franchisor's prior written approval of the temporary pharmacist manager if the temporary pharmacist manager will provide coverage for more than two (2) weeks. Franchisor may provide a list of preferred third party service providers for such purposes in the Manual, which Franchisee may engage in its discretion. Nothing herein shall be deemed to relieve Franchisee of the Pharmacist's obligation to devote full-time and attention to the Pharmacy. Franchisee shall not delegate a substantial part of the management of the Pharmacy without the prior written consent of Franchisor.

Franchisee shall monitor the activities of its agents, employees and independent contractors to ensure that any such agents, employees or independent contractors effect customer service in full compliance

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

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

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

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

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

#### 5.10 Waste Diversion

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

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## ARTICLE 6 FEES AND REPORTING

### 6.1 Initial Franchise Fee and Deposit

Franchisee is not required to pay an initial franchise fee.

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

### 6.2 Franchisee Fee

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

Monthly Gross Sales		Monthly Franchisee Fee
Greater Than	Less Than or Equal To	
-	\$40,000.00	0.00%
\$40,000.00	\$60,000.00	0.25%
\$60,000.00	\$75,000.00	0.50%
\$75,000.00	\$90,000.00	0.75%
\$90,000.00	\$100,000.00	1.00%
\$100,000.00	\$110,000.00	1.25%
\$110,000.00	\$120,000.00	1.50%
\$120,000.00	\$125,000.00	1.75%
\$125,000.00	\$130,000.00	2.00%
\$130,000.00	\$140,000.00	2.25%
\$140,000.00	\$150,000.00	2.50%
\$150,000.00	\$160,000.00	2.75%

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

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

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

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

#### 6.3 Operations Fee

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

#### 6.4 Licensed Space Fee

In consideration of the right and license to use the Licensed Space, Franchisee shall pay to Franchisor a monthly fee based upon the fair market value of the Licensed Space (the "Licensed Space Fee") as determined by Franchisor. The Licensed Space Fee for the Pharmacy is set out in Schedule A to this Agreement. Franchisor reserves the right to adjust the amount of the Licensed Space Fee during every

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other Fiscal Year to reflect changes in the fair market value of the Licensed Space, including as a result of renovations or refurbishments carried out by Franchisor, as determined by Franchisor acting reasonably.

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

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

#### **6.5 Franchisor OTC Products Royalty Payment**

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

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

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

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

#### **6.6 Records and Reporting Systems**

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

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

- (a) upon the written request of Franchisor, by the tenth (10<sup>th</sup>) day of each fiscal month written fill-rate reports, compliance reports, a statement of financial condition for the Pharmacy and any other information Franchisor requires relating to the Pharmacy in the format Franchisor requires;
- (b) upon the written request of Franchisor, copies of all federal and provincial income, retail sales, harmonized sales and goods and services tax returns submitted by Franchisee for any period;
- (c) within thirty (30) days of the end of each Fiscal Year, annual unaudited financial statements prepared on a review engagement basis in accordance with Franchisor's standard reporting system (including an income statement and balance sheet) by an independent chartered accountant acceptable to Franchisor detailing the performance of

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the Pharmacy, provided that Franchisor shall have the right to require that such financial statements be audited;

- (d) on an annual basis, a third-party audit of physical inventory (at Franchisee's expense) pursuant to the process set forth in the Manual;
- (e) if required by Franchisor and with the assistance of a representative of Franchisor at no additional cost or expense to Franchisee, by the last day of each Fiscal Year during the Term of this Agreement, a final business plan for the Pharmacy for that Fiscal Year; and
- (f) upon the written request of Franchisor, such additional financial or other reports and other documentation relating to the operation of the Pharmacy with such frequency as Franchisor may reasonably require from time to time including, without limitation, a statement by an independent chartered accountant acceptable to Franchisor certifying the sales of Franchisee, copies of all bank statements, cancelled cheques and deposit slips for all bank accounts related to the Pharmacy.

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

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

#### 6.7 Inspection and Audit

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

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

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

Franchisor may, at its expense, conduct periodic inspections and evaluations of the Pharmacy as Franchisor determines in its discretion to offer suggestions on the business performance of the Pharmacy inspected and to consult during such inspections with Franchisee on such business performance subjects as Franchisee reasonably may desire; provided, however, that such periodic inspections do not

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unreasonably interfere with the day to day business activities of the Pharmacy being inspected. Such inspections may be made at such times as Franchisor, in its discretion, deems appropriate.

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

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

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

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

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

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

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

#### **6.10 Security**

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

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## ARTICLE 7 ADVERTISING AND MARKETING

### 7.1 Advertising and Marketing

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

### 7.2 Grand Opening Advertising

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

### 7.3 Local Advertising and Other Promotional Campaigns

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

### 7.4 Advertising Fund

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

- (a) Franchisee shall pay in the same manner and at the same time as the Franchisee Fee a monthly advertising contribution (the "Advertising Contribution") to the Advertising Fund in an amount equal to one percent (1%) of the Gross Sales for Franchisee's previous fiscal month. Such amount will be prorated for the first and last months of this Agreement.
- (b) Franchisor reserves the right to create, develop and place all such commercials, advertising and promotion and to market the same as agent for and on behalf of Franchisee either directly or through an advertising agency retained or formed for such purpose and funded from the Advertising Fund. All decisions concerning the maintenance, direction and administration of the Program and the selection of particular media shall be within the discretion of Franchisor.
- (c) Franchisee understands and acknowledges that advertising and promotion undertaken as part of the Program (whether detailed herein or otherwise) is intended to increase or enhance general public recognition and acceptance of Target Pharmacy Franchisees for the benefit of all Target Pharmacy Franchisees including Franchisee, and Franchisor undertakes no obligation to ensure that any particular franchisee including Franchisee will benefit directly or on a pro rata basis from the placement or conduct of such advertising

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and promotion, including without limitation the selection and placement of particular media commercials, advertisements, promotions and catalogues;

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

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

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

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

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

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

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

The Pharmacy shall not be advertised on the Internet and other electronic media without Franchisor's prior written approval. Franchisee shall not reserve, make, apply for, register or use any domain name, website address, electronic mail address or name, or any similar name, listing, address or identity which includes, in whole or in part, any of the Marks or any other word or mark confusingly similar to any of the Marks. Franchisee acknowledges that any such name, listing, address or identity is owned by Franchisor or its Affiliate or designee and shall transfer and assign all rights thereto to Franchisor or its designee upon Franchisor's written request. Except as Franchisor may authorize in writing, Franchisee will not: (a) link or frame Franchisor's website; (b) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication) in connection

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with the Pharmacy; (c) create or register any Internet domain name in connection with the Pharmacy; (d) use any e-mail address which Franchisor has not authorized for use in operating the Pharmacy; or (e) establish any website relating to the Pharmacy. Franchisee shall, immediately upon receipt of notice from Franchisor, dismantle any frames and links if and as required by Franchisor.

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

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

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

## ARTICLE 8 INTELLECTUAL PROPERTY

### 8.1 Use of Intellectual Property

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

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

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action involving the Intellectual Property including the Marks, that is threatened or instituted by any person against Franchisee and to allow Franchisor to undertake the defence of any such action. If Franchisor undertakes any such defence, Franchisee and the Pharmacist shall fully cooperate with Franchisor and execute such documents and do such acts and things as, in the opinion of Franchisor, may be necessary. Franchisee and Pharmacist hereby waive the benefit of Subsection 50(3) of the *Trade-marks Act* (Canada). Franchisee will have no obligation to and will not, without Franchisor's prior written consent, defend or enforce any of the Intellectual Property, including the Marks in any court or other proceedings for or against imitation, infringement, passing off, any claim of prior use, or for any other allegation. Franchisee must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim;

- (f) without Franchisor's prior written consent and except for any registration requirement under applicable provincial business or trade name registration laws, not to use any of the Marks as part of Franchisee's corporate, partnership, trade or other legal name, domain name or electronic mail address or as part of the corporate, partnership, trade or other legal name, domain name or electronic mail address of any corporation, partnership or other entity in which Franchisee or Pharmacist has a direct or indirect interest, nor to hold out or otherwise employ any of the Marks or any portion of Franchisor's corporate name to perform any activity, nor to incur any obligation or indebtedness, in such manner as could reasonably result in thereby making Franchisor liable;
- (g) without Franchisor's consent, not to reserve, apply for or register any trade-mark, service mark, domain name, website address, electronic mail address or name, URL, or any other name, listing or address which includes or consists of any of the Marks or any other word or mark confusingly similar to the Marks nor counsel, procure or assist anyone else to do any of the foregoing;
- (h) to operate and advertise as the Pharmacy only under the Marks and under no other name and use the Marks only with accompanying words or symbols approved in writing by Franchisor;
- (i) to not make any changes or substitutions to the Marks unless Franchisor so directs in writing;
- (j) to use or display the Marks on all products and services as Franchisor specifies in writing;
- (k) to use or display the Marks on signs, forms, stationery, business cards, cheques, invoices, paper goods, delivery service vehicles and other items used in connection with the Pharmacy and other materials only in the manner and form prescribed by Franchisor and as provided for in this Agreement or in the Manual, to provide copies of any materials depicting the Marks to Franchisor when requested, and to affix in a prominent place at the Licensed Space a notice in the form prescribed by Franchisor specifying substantially the following:  
  
"The Target trade-marks are owned Target Brands, Inc., and are used under license. The operator of this pharmacy is an independent licensed user of such trade-marks";
- (l) to not use or display the Marks in any external communications, including without limitation, to Customers or third party service providers, without Franchisor's prior written approval;
- (m) to not use the translation of English words in the Marks to another language without Franchisor's prior written approval;
- (n) to permit Franchisor or its authorized representatives, at all reasonable times, to have access to the Licensed Space and any relevant documents, materials and records

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pertaining to Franchisee's operation as a Target Pharmacy Franchisee in order to determine that Franchisee is complying with this Section 8.1; and,

- (c) to observe such reasonable requirements with respect to copyright notices, trade name registrations and other forms of marking as Franchisor may direct from time to time.

## 8.2 Change in Intellectual Property Laws

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

## 8.3 New Marks

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

## 8.4 Copyright

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

# ARTICLE 9 MANUALS AND CONFIDENTIALITY

## 9.1 Manual

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

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**9.2 Confidentiality**

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

**ARTICLE 10  
RESTRICTIVE COVENANTS**

**10.1 Non-competition during Term**

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

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

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

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

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

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

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

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

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

#### **10.4 Claims No Defense**

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

### **ARTICLE 11 TRANSFER**

#### **11.1 Transfer by Franchisor**

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

#### **11.2 Transfer by Franchisee**

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

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

#### **11.3 Death or Incapacitation**

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

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

## ARTICLE 12 TERMINATION AND EXPIRATION

### 12.1 Termination Without Cause

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

### 12.2 Termination For Cause

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

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

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

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

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

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**12.3 Termination by Franchisee**

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

**12.4 Unsatisfactory Background Check**

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

**12.5 Unsuccessful Training**

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

**12.6 Right of Entry**

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

**12.7 Franchisor as Attorney**

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

**12.8 Payments Upon Termination or Expiration**

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

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

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

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

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

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

#### 12.9 Other Relief

Any termination under Section 12.2 shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which Franchisor may otherwise be entitled against Franchisee or Pharmacist. All moneys paid by Franchisee to Franchisor hereunder or otherwise shall be

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retained by Franchisor as consideration for the rights and benefits previously conferred on Franchisee and Pharmacist hereunder and as liquidated damages. The foregoing remedy shall not exclude any of the remedies which Franchisor may have at law or in equity by reason of the default, breach or non-observance by Franchisee or Pharmacist of any provision hereof.

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

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

- (a) pay to Franchisor or any Affiliates all amounts as have or will thereafter become due hereunder or under any other agreement between Franchisee and Franchisor or such Affiliates and are then unpaid;
- (b) take such actions as may be required to transfer the Pharmacy's Inventory and Prescription Files to Franchisor or its licensed pharmacy operator designee;
- (c) cooperate with Franchisor and take such actions as may be required to assist Franchisor with the orderly wind-down and/or transition of Franchisee's Pharmacy operations;
- (d) cease to use and return to Franchisor all copies of the Manual then in the control or possession of Franchisee, advertising materials, and all other printed materials relating to the System;
- (e) cease to operate as the Pharmacy under the System or otherwise and thereafter not, directly or indirectly, represent to the public that such Pharmacy is operated in association with the System, or hold itself, himself or herself out as a present or former franchisee of Franchisor;
- (f) cease to use, directly or indirectly, in any manner whatsoever the Intellectual Property, including the Marks and any similar name or mark, any other identifying characteristics or indicia of operation of the System, and cease to associate itself as being associated with Franchisor;
- (g) cease to use the Confidential Information and return to Franchisor all documents in Franchisee's possession or under its control that contain Confidential Information;
- (h) take such action as may be required to cancel any advertisements, including white page and yellow page advertisements and similar directories and listings;
- (i) remove from any delivery service vehicles and discontinue using for any purpose any and all signs, decals, equipment, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms or other product or materials and other items which display the Marks or any distinctive feature or device associated with the System;
- (j) cease to use the Computer System and all related computer software programs, and any and all data and information generated by the use of the Computer System (except for data or information required by Franchisee for preservation of records or preparation of goods and services, harmonized, sales tax or income tax returns or filings), and immediately destroy all back-up or other copies of such software;
- (k) at the request of Franchisor, take all such action as may be necessary to cancel any trade or business name registration made under any federal or provincial laws or regulations where such registration contains any part of the Marks, and furnish Franchisor with evidence satisfactory to it of compliance with such obligation within fifteen (15) days after termination or expiration; and
- (l) comply with all other applicable provisions of this Agreement.

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

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

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

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

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

#### 12.12 Equitable Relief

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

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

### ARTICLE 13 RELATIONSHIP AND INDEMNIFICATION

#### 13.1 Independent Parties

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

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

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**13.2 Non-Liability**

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

**13.3 Franchisee and Pharmacist Indemnity**

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

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

**ARTICLE 14  
ADVISORY COUNCIL**

**14.1 Advisory Council**

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

**ARTICLE 15  
GENERAL**

**15.1 Counterparts**

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

**15.2 Successors and Assigns**

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

**15.3 Survival**

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

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**15.4 Notice**

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

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

Email: [naser\\_q@yahoo.com](mailto:naser_q@yahoo.com)

The proper notice address for Franchisor shall be:

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

**15.5 Taxes**

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

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

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

**15.6 Right of Set-off**

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

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**15.7 Not Withhold Payment**

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

**15.8 Rights of Franchisor are Cumulative**

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

**15.9 Franchisor's Rights**

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

**15.10 Franchisee Investigation**

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

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

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

**15.12 Consent to Disclosure of Personal Information**

Franchisee and Pharmacist hereby expressly permit Franchisor to disclose in its Disclosure Document (whether required by law to be provided to a prospective Target Pharmacy franchisee or made available on a voluntary basis) personal information relating to Pharmacist and the directors and shareholders of Franchisee, including their names, addresses, telephone numbers and facsimile numbers, as well as sales, revenues, expenses, costs, results of operations, and similar information regarding the Pharmacy, and any information regarding the non-renewal, closure, expiry or termination of this Agreement, the Pharmacy or the Target Pharmacy franchise operated under this Agreement. Franchisee shall obtain the consent of the directors and shareholders of Franchisee necessary to permit the disclosure of their personal information as contemplated under this Section 15.12.

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

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**15.13 Further Assurances**

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

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

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

By: 

Name: Marty Weintraub

Title: Vice President, Operations

Date: Nov 11, 2013**LOU PHARMA CORP.**By: 

Name: Naser Ghasemlou

Title: Director

Date: Nov 11, 2013

**SIGNED, SEALED & DELIVERED**  
In the presence of:



Witness



Naser Ghasemlou

NASER GHASEMLOU  
Printed Name

**SCHEDULE "A"**  
**LICENSED SPACE AND FEE**

<b>Name of Target Store:</b>	Calgary Market Mall
<b>Target Store Number:</b>	T-3714
<b>Target Store Address:</b>	Market Mall 3625 Shaganappi Trail NW Calgary, Alberta T3A 0E2
<b>Target Pharmacy Address:</b>	Same as Target Store Address above.
<b>Licensed Space Fee:</b>	\$3,646.00 per month plus GST.

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

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

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## SCHEDULE "D"

## FRANCHISEE PROOF OF WORKING CAPITAL FORM



## Franchisee Proof of Working Capital Form

Franchisee Name:	LOU PHARMA CORP
Pharmacist Name:	Naser Ghasemlou
Store Number:	T-3714
Store Address:	3625 Shaganappi Trail NW Calgary, AB T3A 0E2

Pursuant to section 5.5 of the Franchise Agreement, I certify that I have the following sources of working capital of at least \$150,000.00 to carry out my obligations under the Franchise Agreement:

## Instructions

Please use the table below to detail the source(s) of your working capital. Attach to this form any documentation that supports the statement made below. Do not include specific bank account numbers on attached documents.

	Amount	Form	Source	Address	Signature <sup>1</sup>
Ex	\$100,000	Operating Line of Credit	Royal Bank of Canada	123 Main St. London, ON	
1					
2					
3					
4					
Total					

- 1) Required for private sources of capital; signature must be of the individual providing capital. Signature is not required for bank sources of capital.

I have attached the following documentation of my working capital (check all that are applicable):

- ☐ Copy of banking statement  
☐ Letter of credit from my banking institution  
☐ Attestation from a private source of funding  
☐ Other

Franchisee Name	LOU PHARMA CORP.
Pharmacist Name	Naser Ghasemlou
Signature	<i>Naser Ghasemlou</i>
Date	NOV 11, 2013



**AMENDING AGREEMENT**

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

BETWEEN:

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

- and -

**LOU PHARMA CORP.**, a corporation incorporated under the laws of Alberta, having its principal place of business at 14 Discovery Ridge Heights SW, Calgary, Alberta, Canada, T3H 5T1 ("Franchisee")

- and -

**NASER GHASEMLOU**, an individual residing at 14 Discovery Ridge Heights SW, in the City of Calgary, in the Province of Ontario, T3H 5T1 ("Pharmacist").

The parties to this Agreement mutually acknowledge the following:

- A. Pharmacist on his/her own behalf and on behalf of Franchisee has submitted an application to Franchisor to be granted the right to operate a Target® Pharmacy franchise.
- B. Such application has been conditionally approved by Franchisor in reliance upon all of the representations and statements contained in and made in connection with such application to date, including, without limitation, representations with respect to the financial resources and experience of Pharmacist and Franchisee.
- C. Contemporaneous with the execution of this Agreement, Pharmacist, Franchisee and Franchisor will enter into a Franchise Agreement to grant Franchisee the right to operate a Target Pharmacy franchise in the Target retail store located at Store T-3714, Calgary Market Mall, 3625 Shaganappi Trail NW, Calgary, Alberta T3A 0E2 ("Location").
- D. Another Target Pharmacy franchisee (the "Former Franchisee") had previously been granted the right, license and privilege to develop, own and operate the Target Pharmacy franchise located at the Location. The Franchisor terminated the Former Franchisee's franchise agreement after receiving an unauthorized notice of termination from the Former Franchisee (the "Termination"), which Termination was effective midnight on September 30, 2013. The Franchisor is currently operating the Target Pharmacy franchise located at the Location itself or through an affiliate. The Franchisor anticipates refranchising the Target Pharmacy franchise located at the Location on or around January 14, 2014 (the "Turnover Date").

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

**1. Definitions**

In this Agreement, capitalized terms appearing in, but not defined in this Agreement are more fully defined in the Franchise Agreement.

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## 2. Term of Franchise Agreement

Franchisee acknowledges and agrees that the grant of the right, license and privilege to develop, own and operate the Target Pharmacy franchise at the Location pursuant to Section 2.2 of the Franchise Agreement will not take effect until the Turnover Date or such other date as specified by Franchisor in its discretion. Accordingly, Section 2.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the right, license and privilege to develop, own and operate a Pharmacy at the Licensed Space within the Territory, and to use the System and the Marks and any Intellectual Property in connection therewith, for an initial term of five (5) years commencing on January 14, 2014 or such other date as specified by Franchisor in its discretion (the "Initial Term"), subject to earlier termination as provided herein.

## 3. Confidentiality

Franchisee and Pharmacist will maintain the absolute confidentiality of this Agreement and will not disclose the terms of this Agreement, directly or indirectly, to any Target Pharmacy franchisee, Target Pharmacy franchisee candidate or any other person, without the prior written consent of Franchisor, with the exception of Franchisee and/or Pharmacist's professional advisors.

## 4. Entire Agreement

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

## 5. No Waiver

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

## 6. Successors and Assigns

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

## 7. Applicable Law

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

## 8. Venue and Jurisdiction

Any action brought by Franchisee or Pharmacist against Franchisor shall be brought exclusively, and any action brought by Franchisor against Franchisee may be brought, in the Ontario Superior Court in Toronto, Ontario, provided that if this Agreement is governed by the laws of Alberta, Prince Edward Island, New Brunswick, Manitoba or another province that has enacted franchise disclosure or similar legislation, then any such action may be brought by Franchisee or Pharmacist in a court of competent

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jurisdiction located within such respective province. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**9. Counterparts**

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

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

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

  
Name: Marty Weintraub

Title: Vice President, Operations

Nov 26 2013  
Date

LOU PHARMA CORP.

By:

  
Name: Naser Ghasemlou

Title: Director

Date: NOV 11, 2013

SIGNED, SEALED & DELIVERED  
In the presence of:

  
Witness

  
Naser Ghasemlou

NASER GHASEMLOU  
Printed Name

LEGAL COMMENTS:

**SECOND AMENDING AGREEMENT**

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

BETWEEN:

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

- and -

**LOU PHARMA CORP.**, a corporation incorporated under the laws of Alberta, having its principal place of business at 14 Discovery Ridge Heights SW, Calgary, Alberta, Canada, T3H 5T1 ("Franchisee")

- and -

**NASER GHASEMLOU**, an individual residing at 14 Discovery Ridge Heights SW, in the City of Calgary, in the Province of Ontario, T3H 5T1 ("Pharmacist").

The parties to this Agreement mutually acknowledge the following:

- A. Pharmacist, Franchisee and Franchisor have entered into a Franchise Agreement effective November 20, 2013 to grant Franchisee the right to operate a Target Pharmacy franchise in the Target retail store located at Store T-3714, Calgary Market Mall, 3625 Shaganappi Trail NW, Calgary, Alberta T3A 0E2 ("Location").
- B. The Franchisor is currently operating the Target Pharmacy franchise located at the Location itself or through an affiliate. The Franchisor anticipates turning over the operation of the Target Pharmacy located at the Location to Franchisee and Pharmacist on or around January 14, 2014 or such other date as specified by Franchisor in its discretion (the "Turnover Date").
- C. In connection with the transfer of the operation of the Target Pharmacy located at the Location to the Franchisee and Pharmacist, Franchisee and Pharmacist have requested and Franchisor has agreed to sell or cause its affiliate to sell to Franchisee all of the on-hand inventory located at the Location as at the Turnover Date (the "Inventory").

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

**1. Definitions**

In this Agreement, capitalized terms appearing in, but not defined in this Agreement are more fully defined in the Franchise Agreement.

**2. Purchase of On-hand Inventory**

In connection with the transfer of the operation of the Target Pharmacy located at the Location to the Franchisee and Pharmacist, Franchisor agrees to sell, or to cause its affiliate to sell, and the Franchisee agrees to purchase from the Franchisor, or its affiliate, the Inventory for a total purchase price to be

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determined on the Turnover Date. On the Turnover Date, Franchisor shall enlist, at its sole cost, a third party to conduct an audit of the inventory and following such audit, Franchisor (or its affiliate) and Franchisee shall come to an agreement regarding the fair market value of the inventory and the final purchase price payable, but in no event shall such final purchase price exceed sixty-five thousand dollars (\$65,000). At such time, Franchisor will, or will cause its affiliate to, enter into a bill of sale evidencing the conveyance of the inventory to the Franchisee. Pharmacist together with the designated pharmacist of Franchisor or its affiliate will sign such bill of sale confirming that they have visually examined the inventory to verify the identity and to verify that there has been no damage to the inventory.

**3. All Other Terms Remain in Force**

All other terms and conditions of the Franchise Agreement not specifically modified herein remain in full force and effect.

**4. Confidentiality**

Franchisee and Pharmacist will maintain the absolute confidentiality of this Agreement and will not disclose the terms of this Agreement, directly or indirectly, to any Target Pharmacy franchisee, Target Pharmacy franchisee candidate or any other person, without the prior written consent of Franchisor, with the exception of Franchisee and/or Pharmacist's professional advisors.

**5. Entire Agreement**

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

**6. Right of Set-off**

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

**7. Not Withhold Payment**

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

**8. No Waiver**

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

**9. Successors and Assigns**

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

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**10. Survival**

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

**11. Applicable Law**

This Agreement shall be governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein.

**12. Venue and Jurisdiction**

Any action brought by Franchisee or Pharmacist against Franchisor shall be brought exclusively, and any action brought by Franchisor against Franchisee may be brought, in a court of competent jurisdiction located within the province of Alberta. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**THE BALANCE OF THIS PAGE WAS INTENTIONALLY LEFT BLANK**


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**Counterparts**

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


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

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

  
Name: Marty Weintraub  
Title: Vice President, Operations


Dec. 12, 2013  
Date

LOU PHARMA CORP.

  
Name: Naser Ghasemlou  
Title: Director

SIGNED, SEALED & DELIVERED  
In the presence of:

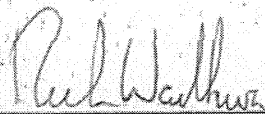
  
Witness

  
Naser Ghasemlou

Isabelle Fanti  
Printed Name

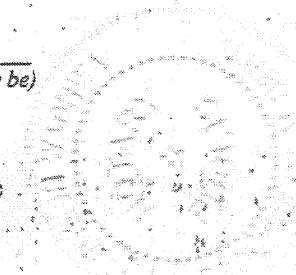
This is Exhibit "B" referred to in the  
Affidavit of NASER GHASEMLOU

sworn this 14 day of November, 2016.



*A Notary Public in and for the Province of Alberta (or as may be)*

**RIKESH WADHWA**  
Barrister, Solicitor & Notary Public







199 BAY STREET, SUITE 2200  
P.O. BOX 447, COMMERCE COURT POSTAL STATION  
TORONTO, ON CANADA M5L 1G4  
TELEPHONE: (416) 777-0101  
FACSIMILE: (416) 865-1398  
<http://www.dickinsonwright.com>

LISA S. CORNE  
[LCorne@dickinsonwright.com](mailto:LCorne@dickinsonwright.com)  
(416) 646-4608

October 17, 2016

**VIA EMAIL**

**Melany Wagner**  
Goodmans LLP  
Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto ON M5H 2S7

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

Dear Sir/Madame:

**Re: Claims Process under the *Companies' Creditors Arrangement Act* ("Act")  
Late filing of Claim against Target Canada Pharmacy Franchising LP  
Our File No.: 72808-1**

We have recently been retained by Lou Pharma Corp. and Naser Ghasemlou to seek your consent or leave of the Court with respect to the late filing of their claim against Target Canada Pharmacy Franchising, LP ("TCPF"). Pursuant to a Pharmacy Franchise Agreement, and Amending Agreement dated November 11, 2013, and a second Amending Agreement dated December 12, 2013, our clients operated the Target Pharmacy at the Calgary Market Mall, Store No. T-3714 at 3625 Shaganappi Trail, Northwest Calgary Alberta. Operations commenced on or around January 14, 2014.

As a result of his mother's illness, Mr. Ghasemlou was required to return to his native Iran during the summer of 2015 and was out of the country for the entire month of June and July, and part of August 2015. Our client advises that he did not receive a claim package pursuant to the Claims Procedure Order and was not aware of the claims bar date. Mr. Ghasemlou is not familiar with the legal process generally or the claims process in insolvency or restructuring proceedings. Only recently, when he received an email from the Target Pharmacy Franchisee

DICKINSON WRIGHT LLP

Target Canada Pharmacy Franchising LP  
October 17, 2016  
Page 2

Association, did he become aware of the need to file a claim under the Claims Procedure Order. Similarly, our clients were not aware of the requirement for opting out of representation by the law firm of Sutts, Strosberg LLP.

Our clients wish to file a claim against TCPF in respect of damages resulting from the termination of the Franchise Agreement, and have asked us to seek leave, if necessary, to represent them in this matter.

Please contact me to discuss next steps at your first opportunity.

Very truly yours,



Lisa S. Corne

LSC/jss

cc: Client  
TORONTO 72808-1 1206909v3

**Jennifer S. Samuels**

---

**From:** Jennifer S. Samuels on behalf of Lisa S. Corne  
**Sent:** Tuesday, October 18, 2016 8:49 AM  
**To:** 'mwagner@goodmans.ca'; 'ahutchens@alvarezandmarsal.com';  
'gkarpel@alvarezandmarsal.com'  
**Cc:** Lisa S. Corne  
**Subject:** Late Filing of Claim against Target Canada Pharmacy Franchising LP  
**Attachments:** TORONTO-#1207298-v1-Letter\_re\_consent\_for\_late\_filing\_-\_17\_Oct\_2016.PDF

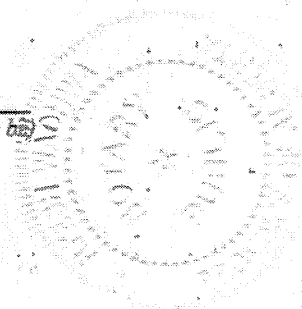
Please see attached correspondence.

This is Exhibit "C" referred to in the  
Affidavit of NASER GHASEMLOU  
sworn this 14 day of November, 2016.



*A Notary Public in and for the Province of Alberta (or as may be)*

**RIKESH WADHWA**  
Barrister, Solicitor & Notary Public



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

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

**Debtor:**

Target Canada Health Co., Target Canada Pharmacy (BC) Corp., Target Canada Pharmacy Corp., Target Canada Pharmacy (SK) Corp., Target Canada Pharmacy (Ontario) Corp, Target Canada Pharmacy Franchising LP, Target Canada Co.

**2(a) Original Claimant (the "Claimant")**

Legal Name of Claimant:	Target Pharmacy T3714 Lou Pharma Corp. Naser Ghasemlou																			
Address:	14 Discovery Ridge Heights S.W.																			
City:	Calgary																			
Prov/State:	Alberta																			
Postal/Zip Code:	T3H 5T1																			
Name of Contacts:	<table border="1"> <tr> <td>Name:</td> <td>Naser Ghasemlou</td> </tr> <tr> <td>Phone#:</td> <td>(403) 560-3412</td> </tr> <tr> <td>Fax#:</td> <td></td> </tr> <tr> <td>Email:</td> <td>Naser.ghasemlou@gmail.com</td> </tr> <tr> <td colspan="2">and</td> </tr> <tr> <td>Name:</td> <td>Dickinson Wright LLP Attention: Lisa S. Corne</td> </tr> <tr> <td>Phone#:</td> <td>(416) 646-4608</td> </tr> <tr> <td>Fax#:</td> <td>(844) 670-6009</td> </tr> <tr> <td>Email:</td> <td>Lcorne@dickinsonwright.com</td> </tr> </table>		Name:	Naser Ghasemlou	Phone#:	(403) 560-3412	Fax#:		Email:	Naser.ghasemlou@gmail.com	and		Name:	Dickinson Wright LLP Attention: Lisa S. Corne	Phone#:	(416) 646-4608	Fax#:	(844) 670-6009	Email:	Lcorne@dickinsonwright.com
Name:	Naser Ghasemlou																			
Phone#:	(403) 560-3412																			
Fax#:																				
Email:	Naser.ghasemlou@gmail.com																			
and																				
Name:	Dickinson Wright LLP Attention: Lisa S. Corne																			
Phone#:	(416) 646-4608																			
Fax#:	(844) 670-6009																			
Email:	Lcorne@dickinsonwright.com																			

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

Legal Name of Assignee:	Not Applicable
Address:	
City:	
Prov/State:	
Postal/Zip Code:	
Name of Contact:	
Title:	
Phone #:	
Fax #:	
Email:	

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

**Page 2- Proof of Claim Form for Claims Against  
The Target Canada Entities**

**3. Amount of Claim**

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

Currency	Amount of Claim (including interest up to and including January 14, 2015)	Unsecured claim	Secured Claim
1. CAD\$	\$618,459	<input checked="" type="checkbox"/>	<input type="checkbox"/>

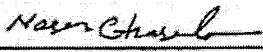


**4. Documentation**

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

**5. Certification**

I hereby certify that:

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

Signature: 	Witness: 
Name: Naser Ghasemlou	(signature)
Title: Corporate Director	PARNA LOU MANZOURI
Signature: 	(print)
Name: Naser Ghasemlou	
Title: Pharmacist/Franchisee	

Dated at Calgary this 1st day of November, 2016.

**6. Filing of Claim**

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

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

For more information see [www.alvarezandmarsal.com/targetcanada](http://www.alvarezandmarsal.com/targetcanada), or contact the Monitor by telephone (1-844-864-9548) #1329058

**Target Store T3714**  
**Lou Pharma Corp.**  
**Proof of Loss Claim Amount Summary**  
**(CAD\$)**

**About the claimant**

Target Pharmacy T3714 ("the Pharmacy"), located in Calgary, AB was operated by Naser Ghasemlou and Lou Pharma Corp. The franchisee took over the store opened during on January 15, 2014, and closed in March, 2015.

As a result of the disclaimer of its Target Pharmacy franchise and related agreements the following claim amounts are believed to be due from the Target Canada Entities as listed on the proof of claim form, herein referred to as "Target Pharmacy".

Loss Items			Package Reference
January 4-14, 2015 amounts owed by Target		8,926	A
Loss of future business profits		548,033	B1
Gross sales payout	2% of gross sales for last 12 months	352,455 x 2%	C
Other amounts		25,000	D
		589,008	
Add: GST		29,450	
Total loss claim		<u>\$ 618,459</u>	

**Underlying assumptions supporting the claim:**

**General**

As per the initial franchise term as described in the Franchise Disclosure Document, the period of claim has been calculated as 3 years.

Target Pharmacy has settled with the Franchisees ongoing trade amounts for the period from January 15th to February 26th.

**For A above**

Target Pharmacy has not settled with the Franchisees ongoing trade amounts for the period from November 30, 2014 to January 14, 2015. The portion of this period from November 30th to January 3rd is included within the list of amounts due to creditors. The period from January 4, 2015 to January 14, 2015 has not been added to this list and the balance due is included here.

**For C above**

This amount agrees to the FDD.

Gross Sales are calculated as 11.5 months of 2017 income and 0.5 months of 2018 income.

**For D above**

This is the general amount that has been awarded by the Monitor to other franchisees to cover costs such as shut down, inventory losses and such.

Pharmacy 3714  
Summary of Amounts Owed

	Total Not Owed to (Due from) Target	Total Paid	Total Owed to (Due from) Target
Pre-Filing Period			
November 30, 2014 - January 3, 2015	(5,830)	0	(5,830)
January 4, 2015 - January 14, 2015	(3,096)	0	(3,096)
Total Pre-Filing Claim			(8,926)
Post-Filing Period			
January 15, 2015 - January 31, 2015	(5,155)	(5,155)	0
February 1, 2015 - February 25, 2015	(1,939)	(1,939)	0
Total Post-Filing Claim			0

D



Target Store T3714  
 Lou Pharma Corp.  
 Loss of Business Profits  
 (CAD\$)

81

Year-end Date	[6] Actual December 31, 2014	Adjusted December 31, 2014	Projected December 31, 2015	Projected December 31, 2016	Projected December 31, 2017
Gross Revenues					
Total sales (1)	240,436	240,436	307,761	350,847	389,440
Cost of goods sold	(170,492)	(170,492)	(218,230)	(246,782)	(276,148)
Gross profit	69,946	69,946	89,531	102,065	113,292
Other income (4)	10,546	10,546	13,499	15,389	17,081
OTC Top-Up	38,500	38,500	42,000	42,000	42,000
Total gross profit and other income	118,992	118,992	145,030	159,454	172,374
Operating Expenses					
Salaries and wages (2,5)	60,817	-	-	-	-
Office and general (3)	2,400	2,400	2,640	2,772	2,911
Licenses, dues and registration fees (3)	1,445	1,445	1,590	1,668	1,782
Insurance (3)	1,568	1,568	1,725	1,811	1,902
Travel (3)	5,771	5,771	6,348	6,566	6,999
Professional fees (3)	1,200	1,200	1,320	1,386	1,455
Bank charges and interest (3)	2,795	2,795	3,075	3,228	3,390
Advertising (3)	-	-	-	-	-
Other (3)	1,004	1,004	1,104	1,160	1,218
Total operating expenses	77,000	16,183	17,801	18,691	19,626
Franchise fees	10,600	10,600	11,660	12,243	12,855
Total expenses	87,600	26,783	29,461	30,934	32,481
Net income (loss) before EBIT Top-Up	31,392	92,209	115,568	128,520	139,893
EBIT Top-Up (B1-1)	37,027	37,027	158,178	154,185	141,651
Franchise fees paid	-	-	(7,094)	-	-
Net Franchise fees owed	37,027	37,027	161,084	154,185	141,651
Income before taxes	68,419	129,236	276,652	282,704	281,543
Months remaining	23.5	-	11	12	0.5
Income before taxes - pro-rated	-	-	253,598	282,704	11,731
Mitigation factor (7)	-	-	-	-	-
Loss of future profit	-	-	253,598	282,704	11,731
Total loss of business profit claimed:	-	-	-	\$	548,093

Supporting Information			
(1) Script Growth Factor	28.00%	14.00%	11.00%
(2) Gross Profit	29.09%	29.09%	29.09%
(3) Salary expense growth	14.00%	7.00%	5.00%
(4) Other operating expense growth factor	10.00%	5.00%	5.00%
Notes			
(1) Sales growth rate is estimated using the Target 5 year earnings overview included in the Franchise Disclosure Document.			
(2) Salary expense is expected to grow at 50% of sales growth.			
(3) Other operating expense growth is estimated at 10% for the first year of projections, then 5% per annum subsequently.			
(4) Other income excludes amounts received from the Franchisor.			
(5) Shareholder salaries of \$60,000 and \$817 of benefits have been excluded from this total. See B3 and B4 for franchisee T4s.			
(6) Actual results have been sourced from the December 31, 2014 financial statements for the Pharmacy see B2.			
(7) Actual mitigation is zero as franchisee has no income subsequent to disclaimer.			

81-1

EBIT Calculation	Actual December 31, 2014	Projected December 31, 2015	Projected December 31, 2016	Projected December 31, 2017
Total Sales	240,438	307,761	350,847	389,440
Gross Profit	69,946	89,531	102,065	113,292
Gross Margin %	29.1%	29.1%	29.1%	29.1%
Other operating income	10,546	13,499	15,389	17,081
Gross profit and other operating income	80,492	103,030	117,454	130,374
Operating expenses (1)				
Labour		105,872	105,872	105,872
Operations fee		9,600	9,600	9,600
1% advertising fee		3,078	3,508	3,894
Franchisee fee				
Licensed space fee				
Admin costs per FDD		42,658	42,658	42,658
Total operating expense		161,208	161,638	162,024
EBIT per the EBIT calculator methodology		(58,178)	(44,185)	(31,651)
EBIT Threshold		110,000	110,000	110,000
EBIT Top-Up	97,027	168,178	154,185	141,651

(1) Expense figures obtained from other Calgary franchisees NRDA.

B2

**Lou Pharma Corp.****Statement of Income****For the Year Ended December 31, 2014**

	2014
<b>Sales</b>	
Script sales	\$ 126,921
Other sales of pharmaceutical supplies	113,518
<b>Total sales</b>	<b>240,439</b>
<b>Cost of goods sold</b>	<b>170,492</b>
<b>Gross profit</b>	<b>69,947</b>
<b>Other operating income</b>	
Over the counter royalties	38,500
EBIT funding	37,027
Discounts and rebates	6,000
Professional allowances	4,546
<b>Total other operating income</b>	<b>86,073</b>
<b>Gross profit and other operating income</b>	<b>156,020</b>
<b>Operating expenses</b>	
Management salaries	60,817
Franchise fees	10,600
Travel	5,771
Interest and bank charges	2,795
Office and general	2,400
Insurance	1,568
Licenses, dues and registration fees	1,445
Professional fees	1,200
Advertising and promotion	1,004
<b>Total operating expenses</b>	<b>87,600</b>
<b>Income before income taxes</b>	<b>68,420</b>
<b>Current income taxes</b>	<b>3,714</b>
<b>Net income</b>	<b>\$ 64,706</b>

Unaudited - See Notice to Reader

B3

<b>Employer's name – Nom de l'employeur</b> Lou Pharma Corp 14 Discovery Ridge HTS. SW Calgary AB T3H5T1		 <b>Canada Revenue Agency</b> <b>Agence du revenu du Canada</b> Year / Année: <b>2014</b>		<b>T4</b> <b>Statement of Remuneration Paid</b> <b>État de la rémunération payée</b>													
<b>64 Employer's account number / Numéro de compte de l'employeur</b>  Social insurance number / Numéro d'assurance sociale <b>12 653 723 635</b>		Province of employment / Province d'emploi <b>10 AB</b> Employment code / Code d'emploi <b>28</b>		Employment income – line 101 / Revenus d'emploi – ligne 101 <b>14 20,000.00</b> Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308 <b>18 816.75</b> Employee's QPP contributions – line 308 / Cotisations de l'employé au RRC – ligne 308 <b>17</b> Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312 <b>18</b> RPP contributions – line 207 / Cotisations à un RPA – ligne 207 <b>20</b> Pension adjustment – line 206 / Facteur d'équivalence – ligne 206 <b>62</b> Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso <b>65</b>													
<b>Exempt – Exemption</b> CPP/QPP    EI    PPIP <b>28</b> <b>X</b> <b></b> RPC/RRQ    AE    RPAP		EI insurable earnings / Gains assurables d'AE <b>24 0.00</b> CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ <b>26 20,000.00</b> Union dues – line 212 / Cotisations syndicales – ligne 212 <b>44</b> Charitable donations – line 349 / Dons de bienfaisance – ligne 349 <b>48</b> RPP or DPSP registration number / N° d'enregistrement d'un RPA ou d'un RPDB <b>60</b> PPIP insurable earnings / Gains assurables du RPAP <b>66</b>		Employee's name and address – Nom et adresse de l'employé Last name (in capital letters) – Nom de famille (en lettres majuscules)    First name – Prénom Initial – Initiale <b>Ghasemlou, Naser</b>  14 Discovery Ridge HTS SW Calgary AB T3H5T1													
Approval code/Code d'approbation: RC-14-414																	
Other information (see over) / Autres renseignements (voir au verso) <table style="width: 100%;"> <tr> <td>Box – Case</td> <td>Amount – Montant</td> <td>Box – Case</td> <td>Amount – Montant</td> <td>Box – Case</td> <td>Amount – Montant</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>						Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant						
Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant												

T4 (14)

Protected B when completed / Protégé B une fois rempli

<b>Employer's name – Nom de l'employeur</b> Lou Pharma Corp 14 Discovery Ridge HTS. SW Calgary AB T3H5T1		 <b>Canada Revenue Agency</b> <b>Agence du revenu du Canada</b> Year / Année: <b>2014</b>		<b>T4</b> <b>Statement of Remuneration Paid</b> <b>État de la rémunération payée</b>													
<b>64 Employer's account number / Numéro de compte de l'employeur</b>  Social insurance number / Numéro d'assurance sociale <b>12 653 723 635</b>		Province of employment / Province d'emploi <b>10 AB</b> Employment code / Code d'emploi <b>28</b>		Employment income – line 101 / Revenus d'emploi – ligne 101 <b>14 20,000.00</b> Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308 <b>18 816.75</b> Employee's QPP contributions – line 308 / Cotisations de l'employé au RRC – ligne 308 <b>17</b> Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312 <b>18</b> RPP contributions – line 207 / Cotisations à un RPA – ligne 207 <b>20</b> Pension adjustment – line 206 / Facteur d'équivalence – ligne 206 <b>62</b> Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso <b>65</b>													
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Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant												

T4 (14)

Keep a copy of this slip for your records and attach the other to your return.  
 Conservez une copie de ce feuillet dans vos dossiers et joignez l'autre à votre déclaration de revenu.

T4 (34)

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

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**AFFIDAVIT OF NASER GHASEMLOU**

**DICKINSON WRIGHT LLP**

Barristers & Solicitors  
199 Bay Street  
Suite 2200, Box 447  
Commerce Court Postal Station  
Toronto, Ontario M5L 1G4

**LISA S. CORNE (27974M)**

Tel: (416) 646-4608  
Fax: (416) 865-1398  
Email: [lcorne@dickinsonwright.com](mailto:lcorne@dickinsonwright.com)

Lawyers for Lou Pharma Corp. and Naser Ghasemlou

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

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

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

PROCEEDING COMMENCED AT  
TORONTO

**RESPONDING MOTION RECORD**

**DICKINSON WRIGHT LLP**  
Barristers & Solicitors  
199 Bay Street  
Suite 2200, Box 447  
Commerce Court Postal Station  
Toronto, Ontario M5L 1G4

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Lawyers for Lou Pharma Corp. and Naser Ghasemlou