

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., TARGET CANADA HEALTH CO., TARGET CANADA MOBILE GP CO., TARGET CANADA PHARMACY (BC) CORP., TARGET CANADA PHARMACY (ONTARIO) CORP., TARGET CANADA PHARMACY CORP., TARGET CANADA PHARMACY (SK) CORP., AND TARGET CANADA PROPERTY LLC

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

MARCH 19, 2019

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1.0 INTRODUCTION

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

1.4 As described in certain of the Prior Reports, and most recently in the Fortieth Report of the Monitor (the “**Fortieth Report**”, attached hereto as Appendix B (without appendices)):

- (a) on June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that the Second Amended and Restated Joint Plan of Compromise and Arrangement dated May 19, 2016 (the “**Second Amended Plan**” or the “**Plan**”) was sanctioned and approved pursuant to Section 6 of the CCAA. A copy of the Second Amended Plan is available on the Monitor’s website;
- (b) on June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List;
- (c) in accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793.0 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”; (ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement

Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor Equalization Cash Pool Account; and (iii) \$34.1 million was transferred from PropCo to the Landlord Guarantee Enhancement Cash Pool Account;

- (d) on June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Creditor Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). The Initial Distributions to Affected Creditors represented interim distributions of approximately 55.34% of such Affected Creditors’ Proven Claims. Subsequent interim distributions totaling approximately \$830,000 were also made prior to September 30, 2016 to five claimants whose Claims were resolved in accordance with the Claims Procedure Order subsequent to the Plan Implementation Date;
- (e) on or about October 18, 2016, TCC issued cheques and wire payments totalling approximately \$87.5 million to Affected Creditors with Proven Claims (the “**Second Interim Distributions**”) and Target Canada Property LLC issued a payment of approximately \$3.0 million to the Plan Sponsor.¹ The Second Interim Distributions represented further distributions of 12.65% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions, equated to aggregate interim distributions to Affected Creditors of approximately 67.99% of such Affected Creditors’ Proven Claims; and

¹ This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

(f) on or about October 10, 2017, TCC issued cheques and wire payments totalling approximately \$64.1 million to Affected Creditors with Proven Claims (the “**Third Interim Distributions**”) and Target Canada Property LLC issued a payment of approximately \$2.1 million to the Plan Sponsor.² The Third Interim Distributions represented further distributions of 9.05% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions and the Second Interim Distributions, equate to aggregate interim distributions to Affected Creditors to-date of approximately 77.04% of such Affected Creditors’ Proven Claims.

1.5 The purpose of this Forty-First Report of the Monitor (the “**Forty-First Report**”) is to provide this Court and stakeholders with information regarding the following:

- (a) an update on the cash balances held in the “cash pool” and “reserve” accounts that were established in accordance with the Second Amended Plan;
- (b) the current status of the Claims Process;
- (c) expected timing of a final distribution to creditors; and
- (d) the Applicants’ motion for an order substantially in the form attached to the Applicants’ Motion Record dated March 19, 2019 seeking an order extending the Stay Period to August 23, 2019 (the “**Stay Extension Order**”).

1.6 As set out in further detail below, pursuant to a comprehensive agreement with the CRA, all CRA claims in the estate through the end of the 2017 tax year, and the quantum of tax

² This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

refunds to the Target Canada Entities for that period, have been agreed and confirmed. The CRA claims in the estate will not be fully and finally resolved until TCC's 2018 and 2019 tax year filings have been submitted and reviewed and approved, which is expected in the short term.

- 1.7 Following the expedited submission and approval of the 2018 and 2019 tax year filings, allowing full and final resolution and the corresponding withdrawal of the CRA claims in accordance with the comprehensive agreement, the Monitor will publish the Notice of Final Distribution at least 30 days prior to the Final Distribution Date in accordance with the Sanction Order and thereafter the Applicants will make a final distribution to Affected Creditors with Proven Claims.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Forty-First Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Target Canada Entities and Target Corporation, and discussions with management of the Target Canada Entities and Target Corporation (collectively, the "**Information**").
- 2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* and,

accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

2.3 Unless otherwise indicated, capitalized terms not otherwise defined in this Forty-First Report are as defined in the Prior Reports, the Second Amended Plan and the Initial Order.

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

3.0 UPDATE ON THE “CASH POOL” AND “RESERVE” ACCOUNTS

3.1 The various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions, Second Interim Distributions, Third Interim Distributions and other administrative disbursements, are summarized below (with the “Balance November 16, 2018” column being the balances as at the date of the Fortieth Report):

| (\$ in 000's CAD) | Balance on PID | Initial Distribution | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance September 15, 2016 | Transfers | | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance November 16, 2018 | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance March 6, 2019 |
|--|----------------|----------------------|--|----------------------------|-----------------------------------|--------------------------------|--|---------------------------|--|-----------------------|
| | | | | | Prior to Subsequent Distributions | Second and Third Distributions | | | | |
| Target Canada Co. | | | | | | | | | | |
| TCC Cash Pool Account | 441,220 | (441,039) | 700 | 881 | 89,556 | (151,560) | 67,399 | 6,276 | 9 | 6,285 |
| TCC Disputed Claims Reserve Account | 197,907 | - | (828) | 197,079 | (89,556) | - | (81,613) | 25,911 | - | 25,911 |
| Administrative Reserve Account [1] | 12,900 | (177) | (1,869) | 10,854 | - | - | (8,989) | 1,865 | (566) | 1,299 |
| Landlord Guarantee Creditor Base Claim Cash Pool Account | 140,745 | (140,745) | - | - | - | - | - | - | - | - |
| Landlord Guarantee Enhancement Cash Pool Account | 59,532 | (59,532) | - | - | - | - | - | - | - | - |
| Landlord Non-Guarantee Creditor Equalization Cash Pool Account | 7,521 | (7,521) | - | - | - | - | - | - | - | - |
| Target Canada Co. Balance | 859,825 | (649,013) | (1,996) | 208,815 | - | (151,560) | (23,202) | 34,053 | (557) | 33,496 |
| Target Canada Property LLC | | | | | | | | | | |
| PropCo Cash Pool Account | 10,548 | (10,533) | - | 15 | - | - | 1,574 | 1,589 | - | 1,589 |
| PropCo Disputed Claims Reserve Account | 8,895 | - | - | 8,895 | - | - | - | 8,895 | - | 8,895 |
| Plan Sponsor Recovery Limit Reserve Account | 23,427 | (12,966) | - | 10,461 | - | (5,084) | - | 5,378 | - | 5,378 |
| Target Canada Property LLC Balance | 42,870 | (23,499) | - | 19,371 | - | (5,084) | 1,574 | 15,862 | - | 15,862 |
| TOTAL | 902,695 | (672,512) | (1,996) | 228,186 | - | (156,644) | (21,628) | 49,914 | (557) | 49,356 |

Notes:

[1] The Administrative Reserve Account balance includes \$25,000 withheld from a Claim distribution in accordance with a Charging Order in favour of Bougadis, Chang LLP on account of its legal fees pending its agreement with the claimant on the amount of the legal fees or determination by an assessment officer.

3.2 The changes to the above table relative to the similar table included in the Fortieth Report are:

- (a) TCC Cash Pool Account: The cash balance increased by approximately \$9,000 on account of a refund received by TCC.
- (b) Administrative Reserve Account: The cash balance decreased by approximately \$566,000 related primarily to administrative disbursements for professional fees, Shared Services and estate administrative costs.

3.3 The Monitor has prepared an updated illustrative recovery estimate under the Second Amended Plan, which is summarized in the table below and is based on information available as at March 19, 2019 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the current status of Claims filed in the Claims Process. The Illustrative Recoveries Analysis has been prepared on the basis that all remaining claims with the CRA are fully and finally resolved and tax refunds of approximately \$34.1 million in the aggregate are paid to the Target Canada Entities. The Monitor cautions that the Illustrative Recoveries Analysis may change following CRA’s expedited review and approval of the 2018 Return and the Pro Forma Return (each as defined below). However, based on the Monitor’s understanding of the facts and circumstances related to the Target Canada Entities and their estates, those filings are not expected to have a material effect on creditor recoveries. Additional information on the status of the agreement to finalize outstanding claims and refund amounts between the Target Canada Entities and the CRA is described in more detail below.

| | | Illustrative Scenario |
|--|------------|-----------------------|
| (\$ in 000's CAD) | | |
| PROPCO | | |
| ESTIMATED CASH AVAILABLE FOR DISTRIBUTION | | |
| Propco Cash | \$ | 76,950 |
| CRA Refunds Received | | 1,574 |
| CRA Refunds to be Received | | 14,355 |
| PROCEEDS AVAILABLE FOR DISTRIBUTION | | 92,879 |
| CLAIMS FILED AGAINST PROPCO/PROPERTY LP | | |
| Total Third Party Claims Against Propco and Property LP | | 10,533 |
| PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount) | | 34,081 |
| Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit | | 20,666 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS | | 27,600 |
| TARGET CANADA CO | | |
| ESTIMATED CASH AVAILABLE FOR DISTRIBUTION | | |
| Target Canada Co. Cash | | 780,000 |
| CRA and RQ Tax Refunds Received | | 9,372 |
| CRA Refunds to be Received | | 19,792 |
| Other Receipts | | 466 |
| Propco Cash (from above) | | 27,600 |
| ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION | | 837,230 |
| ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS | | |
| Secured Claims and Unaffected Creditor Claims | | 60,242 |
| Convenience Class Claims - < \$25,000 | | 5,993 |
| Convenience Class Opt-In - Claim Value < \$35,000 | | 1,550 |
| TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS | | 67,785 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS | | 769,445 |
| LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS | | |
| Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring) | | 140,745 |
| Landlord Guarantee Enhancement Amounts | | 59,532 |
| Total Distribution to Landlord Guarantee Creditors | | 200,276 |
| Less: | | |
| Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool | | (25,451) |
| Plan Sponsor Contribution from the PropCo Intercompany Claims (from above) | | (34,081) |
| NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS | | 140,745 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS | (A) | 628,700 |
| ESTIMATED ALLOWABLE CLAIMS | | |
| Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other) | | 190,035 |
| Other Affected Creditor Claims | | 414,224 |
| Total Affected Creditor Claims | | 604,260 |
| Total Intercompany Claims | | 108,464 |
| ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS | (B) | 712,723 |
| RECOVERY % (A/B) | | 88.2% |

3.4 Based on the Illustrative Recoveries Analysis (and subject to the important qualifications noted in paragraph 3.3 above), the Monitor now estimates that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended

Plan of approximately 88.2% of such Affected Creditors' Proven Claims, which is an increase of approximately 4.5% from the high recovery estimate provided in the Fortieth Report.

4.0 CLAIMS PROCESS UPDATE

4.1 The Monitor has provided an update on the status of the Claims Process in a number of the Prior Reports, including most recently in the Fortieth Report.

Status of Claims Review and Assessment

4.2 As at March 19, 2019, 1,759 Claims have been filed with the Monitor, totalling approximately \$2.6 billion, excluding Intercompany Claims and withdrawn claims, and including those claims filed with the Monitor in connection with the Late Claims Motion and subsequent to the Late Claims Order (as described and defined below). As summarized in the tables below:³

- (a) 1,750 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the case may be), as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and
- (b) nine Claims are subject to a Notice of Dispute (“**NOD**”) where a NOD has been received by the Monitor from the Claimant in response to a NRDA issued by the Monitor, which NOD remains outstanding (the “**NOD Stage**”) (collectively, the “**Unresolved Claims**”). Pending the expedited submission and review and

³ The tables include late-filed claims that were the subject of the Late Claims Motion and those that have been permitted to be filed with the Monitor subsequent to the Late Claims Order.

approval of the 2018 and 2019 tax year filings (at which time there will be full and final resolution of the CRA claims), these Claims are reflected as Unresolved Claims for purposes of the below chart and discussion.

4.3 In connection with the Monitor’s November 2016 motion for advice and directions regarding late claims (the “**Late Claims Motion**”), on March 1, 2017, the Court issued an order, among other things: (i) permitting certain identified late claims to be filed with the Monitor; and (ii) establishing the procedure for the filing of claims at this stage in the proceedings (the “**Late Claims Order**”). As described in the Fortieth Report, the Court has permitted nine late claimants to file claims for determination in the Claims Process.

4.4 Since the issuance of the Fortieth Report, there have been no late filed claims submitted to the Monitor.

4.5 As at March 19, 2019, a summary of the Resolved Claims and Unresolved Claims is as follows:

RESOLVED CLAIMS

| Category | Filed Amount | | Allowed | | | Deemed Disallowed | | | Total | |
|--------------|--------------|----------------------|-------------|----------------------|--------------------|-------------------|------------------|---------------|--------------|--------------------|
| | # | \$ | # | Filed \$ | Allowed \$ | # | Filed \$ | Allowed \$ | # | \$ |
| Landlord | (a) 96 | 1,855,279,112 | 86 | 1,855,279,100 | 338,293,548 | 10 | 12 | - | 96 | 338,293,548 |
| Vendor | 1421 | 549,974,418 | 1396 | 546,200,421 | 450,223,116 | 25 | 3,773,997 | - | 1,421 | 450,223,116 |
| Pharmacist | 95 | 159,934,118 | 95 | 159,934,118 | 26,541,098 | - | - | - | 95 | 26,541,098 |
| Government | 5 | 7,922,787 | 4 | 7,922,786 | 7,870,409 | 1 | 1 | - | 5 | 7,870,409 |
| Litigation | 69 | 9,835,332 | 59 | 8,755,267 | 617,333 | 10 | 1,080,066 | - | 69 | 617,333 |
| Employee | 62 | 869,677 | 18 | 536,484 | 381,286 | 44 | 333,193 | - | 62 | 381,286 |
| Other | 2 | 2 | - | - | - | 2 | 2 | - | 2 | - |
| Total | 1750 | 2,583,815,447 | 1658 | 2,578,628,176 | 823,926,791 | 92 | 5,187,271 | - | 1,750 | 823,926,791 |

UNRESOLVED CLAIMS

| Category | Filed Amount | | Monitor Review | | NRDA Stage | | | NOD Stage | | | |
|--------------------|--------------|----------------------|----------------|----|------------|-------------|---------------|-----------|--------------|---------------|--------------|
| | # | \$ | # | \$ | # | Filed \$ | Allowed \$ | # | Filed \$ | Allowed \$ | NOD \$ |
| Landlord | - | - | - | - | - | - | - | - | - | - | - |
| Vendor | - | - | - | - | - | - | - | - | - | - | - |
| Pharmacist | - | - | - | - | - | - | - | - | - | - | - |
| Government | 8 | 4,408 | - | - | - | - | - | 8 | 4,408 | - | - |
| Litigation | - | - | - | - | - | - | - | - | - | - | - |
| Employee | 1 | 1 | - | - | - | - | - | 1 | 1 | - | 1 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total | 9 | 4,409 | - | - | - | - | - | 9 | 4,409 | - | 1 (c) |
| Grand Total | 1759 | 2,583,819,856 | | | | | | | | | |

Notes:

(a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.

(b) Allowed amounts do not take into account reduced amounts for claimants who have elected into the Convenience Class.

(c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

4.6 In addition to the Claims set out above, 40 Claims totaling approximately \$61.4 million were filed and subsequently withdrawn by those Claimants.

4.7 The Monitor will continue to administer any further late claims in accordance with the Late Claims Order, including seeking evidence relating to late filing and obtaining the Court’s required determination, if appropriate, on whether the late-filed claim may be accepted to be filed in the Claims Process based on such evidence.

Unresolved Claims

4.8 As at the date of this report, nine NODs have been received from Claimants which remain outstanding, disputing an aggregate total of approximately \$4,400 (plus “marker claims” that have been filed for unliquidated or unspecified amounts), as compared to the total amount of \$nil allowed by the Monitor in the corresponding NRDA’s. The remaining outstanding NODs relate to:

(a) Government Claims: As described in the Fortieth Report, the Monitor, in consultation with the Target Canada Entities, was in the process of reviewing

eight revised NODs that had been filed by the Department of Justice Canada on behalf of the CRA on June 27, 2016. Since the date of the Fortieth Report, significant progress with respect to the CRA claims has been made, with the only outstanding matter to be resolved prior to full and final resolution of all CRA claims being the expedited submission and review and approval of the 2018 and 2019 tax year filings, as more fully described below.

Resolution of Tax Court Litigation

As described in the Fortieth Report, a settlement conference was scheduled with the Tax Court of Canada for December 12, 2018 in respect of litigation commenced in the Tax Court relating to a limited number of issues affecting the assessments of certain of the Applicants (the “**Litigation Issues**”). The settlement conference was attended by (in addition to the CRA): (a) representatives of the Monitor; (b) Monitor’s counsel; (c) a representative of the Target Canada Entities; (d) counsel to the Target Canada Entities; and (e) as the settlement conference also dealt with separate proceedings relating to an affiliate of Target Corporation that is not a Target Canada Entity, representatives of Target Corporation and its counsel.

Resolution of the Litigation Issues was reached at the settlement conference and the CRA and PropCo entered into a settlement agreement on December 21, 2018. The net result of the settlement is that PropCo is in a net refund position of approximately \$14.3 million. The claim filed by the CRA against PropCo will be withdrawn in accordance with the comprehensive agreement outlined below, with a refund to be paid shortly thereafter.

Comprehensive Agreement re: CRA Claims

The CRA, the Target Canada Entities, Target Corporation and certain non-Applicant affiliates have entered into a comprehensive agreement dated March 18, 2019 (the “**Tax Agreement**”) pursuant to which, among other things: (a) all CRA claims up to and including the Target Canada Entities’ 2017 tax year have been agreed; (b) the amount of net tax refunds to be paid to the Target Canada Entities in respect of all periods up to and including the 2017 tax year in the approximate aggregate amount of \$34.1 million (which for greater certainty includes the PropCo refund of approximately \$14.3 million referenced above) have been agreed; (c) TCC will deliver to CRA for its review each of a 2018 tax return for the period ended February 2, 2019 (the “**2018 Return**”), a pro-forma tax return for the period ending on the proposed final distribution date (the “**Pro-Forma Return**”), and a final tax return for the period ended on the final distribution date (the “**Final Return**”); (d) CRA will review and approve each of these 2018 and 2019 tax year filings on an expedited basis in accordance with the terms of the Tax Agreement; (e) following the review and approval by the CRA of the 2018 Return and the Pro-Forma Return, tax refunds owing to the Target Canada Entities (net of taxes, if any, relating to these 2018 and 2019 tax year filings) will be paid to the applicable Target Canada Entity within the time periods set out in the Tax Agreement and all proofs of claim filed by CRA are irrevocably deemed withdrawn (and thereby fully and finally resolved).

Following full and final resolution, the Applicants have advised that they will proceed with a final distribution to creditors. An anticipated timeline with respect to a final distribution is provided below.

- (b) Employee Claims: One remaining marker claim filed against the estate on behalf of the directors and officers is expected to be withdrawn once all CRA claims are fully and finally resolved.

Director & Officer Claims

- 4.9 As described in the Fortieth Report, the eleven D&O Claims filed in these proceedings have all been resolved.

5.0 FINAL DISTRIBUTION TIMELINE

- 5.1 As described above, with a comprehensive agreement reached with CRA, the Applicants are expecting that they will soon be in a position to make a final distribution to creditors and complete these CCAA proceedings. Subject to the important qualifications noted in paragraph 3.3 above, TCC expects to issue cheques and wire payments totalling approximately \$79.5 million to Affected Creditors with Proven Claims (the “**Final Distributions**”) and Target Canada Property LLC is expected to issue a payment of approximately \$2.6 million to the Plan Sponsor.⁴ The Final Distribution is estimated to represent further distributions of approximately 11.16% of such Affected Creditors’ Proven Claims, and when combined with the prior interim distributions, equate to

⁴ This payment is in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

aggregate distributions to Affected Creditors of approximately 88.2% of such Affected Creditors' Proven Claims.

5.2 Although subject to change, the following timetable is currently anticipated with respect to Final Distributions:

| <u>TIMELINE</u> | <u>ESTIMATED DATE</u> |
|---|------------------------------|
| 1. Target Canada Entities to file 2018 Return and Pro-Forma Return | On or around April 12, 2019 |
| 2. CRA Net Refunds to be released | Within 35 days of above date |
| 3. Notice of Final Distribution Published | On or around June 7, 2019 |
| 4. Final Distribution mailed to creditors | On or around July 24, 2019 |
| 5. Final Monitor Motion in accordance with paragraph 41 of the Sanction Order | August 2019 |

5.3 Pursuant to the Sanction Order: (a) TCC is to provide written notice to the Monitor once TCC has completed its duties to effect distributions, disbursements and payments in accordance with the Plan, after which the Monitor is to file the Monitor's Plan Completion Certificate; and (b) following the filing of the Monitor's Plan Completion Certificate, the Monitor is to seek an Order, among other things: (i) approving its final fees and disbursements and those of its counsel; (ii) discharging the Monitor from its duties as Monitor in the CCAA Proceedings; (iii) terminating, releasing and discharging the Administration Charge (subject to payment of final fees and disbursements) and the Directors' Charge; and (iv) releasing the Target Canada Entities, the Monitor and any Directors and Officers holding such office following the Plan Implementation Date and their advisors, from all claims relating to the implementation of the Plan.

5.4 Accordingly, the Applicants are seeking a stay extension to August 23, 2019 to enable Final Distributions to be made and a completion of the administration of the estates and the CCAA Proceedings.

6.0 EXTENSION OF THE STAY PERIOD

6.1 Pursuant to the Order dated December 7, 2018 (Extending the Stay Period), the Stay Period is set to expire on March 27, 2019.

6.2 The Monitor supports the Applicants' motion to extend the Stay Period to August 23, 2019 for the following reasons:

- (a) the extension is intended to provide the time required to: (i) complete matters in accordance with the Tax Agreement and reach full and final resolution on the CRA claims; (ii) complete a final distribution to Affected Creditors with Proven Claims; and (iii) complete the administration of the estates and a termination of the CCAA Proceedings in accordance with the Plan and the Sanction Order;
- (b) the Applicants have sufficient liquidity through August 23, 2019; and
- (c) the Applicants continue to act in good faith and with due diligence in the implementation of the Plan.

All of which is respectfully submitted to this Court this 19th day of March, 2019.

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

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J. Hutchens
Title: Senior Vice-President

APPENDIX A
LIST OF THE APPLICANTS AND PARTNERSHIPS

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

APPENDIX B
FORTIETH REPORT OF THE MONITOR

(see attached)

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TARGET CANADA CO., TARGET CANADA HEALTH CO., TARGET CANADA MOBILE GP CO., TARGET CANADA PHARMACY (BC) CORP., TARGET CANADA PHARMACY (ONTARIO) CORP., TARGET CANADA PHARMACY CORP., TARGET CANADA PHARMACY (SK) CORP., AND TARGET CANADA PROPERTY LLC

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

NOVEMBER 30, 2018

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APPENDIX B THIRTY-NINTH REPORT OF THE MONITOR

1.0 INTRODUCTION

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

1.4 As described in certain of the Prior Reports, and most recently in the Thirty-Ninth Report of the Monitor (the “**Thirty-Ninth Report**”, attached hereto as Appendix B (without appendices)):

- (a) on June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that the Second Amended and Restated Joint Plan of Compromise and Arrangement dated May 19, 2016 (the “**Second Amended Plan**” or the “**Plan**”) was sanctioned and approved pursuant to Section 6 of the CCAA. A copy of the Second Amended Plan is available on the Monitor’s website;
- (b) on June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List;
- (c) in accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793.0 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”; (ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement

Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor Equalization Cash Pool Account; and (iii) \$34.1 million was transferred from PropCo to the Landlord Guarantee Enhancement Cash Pool Account;

- (d) on June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Creditor Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). The Initial Distributions to Affected Creditors represented interim distributions of approximately 55.34% of such Affected Creditors’ Proven Claims. Subsequent interim distributions totaling approximately \$830,000 were also made prior to September 30, 2016 to five claimants whose Claims were resolved in accordance with the Claims Procedure Order subsequent to the Plan Implementation Date;
- (e) on or about October 18, 2016, TCC issued cheques and wire payments totalling approximately \$87.5 million to Affected Creditors with Proven Claims (the “**Second Interim Distributions**”) and Target Canada Property LLC issued a payment of approximately \$3.0 million to the Plan Sponsor.¹ The Second Interim Distributions represented further distributions of 12.65% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions, equated to aggregate interim distributions to Affected Creditors of approximately 67.99% of such Affected Creditors’ Proven Claims; and

¹ This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

(f) on or about October 10, 2017, TCC issued cheques and wire payments totalling approximately \$64.1 million to Affected Creditors with Proven Claims (the “**Third Interim Distributions**”) and Target Canada Property LLC issued a payment of approximately \$2.1 million to the Plan Sponsor.² The Third Interim Distributions represented further distributions of 9.05% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions and the Second Interim Distributions, equate to aggregate interim distributions to Affected Creditors to-date of approximately 77.04% of such Affected Creditors’ Proven Claims.

1.5 The purpose of this Fortieth Report of the Monitor (the “**Fortieth Report**”) is to provide this Court and stakeholders with information regarding the following:

- (a) an update on the cash balances held in the “cash pool” and “reserve” accounts that were established in accordance with the Second Amended Plan;
- (b) the current status of the Claims Process; and
- (c) the Applicants’ motion for an order substantially in the form attached to the Applicants’ Motion Record dated November 30, 2018 seeking an order extending the Stay Period to June 26, 2019 (the “**Stay Extension Order**”).

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Fortieth Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information

² This payment was made in accordance with section 5.6(b)(ii) of the Plan, and is in respect of the Plan Sponsor’s pro-rata share of proceeds relating to the Plan Sponsor Recovery Limit Reserve.

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

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

2.3 Unless otherwise indicated, capitalized terms not otherwise defined in this Fortieth Report are as defined in the Prior Reports, the Second Amended Plan and the Initial Order.

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

3.0 UPDATE ON THE “CASH POOL” AND “RESERVE” ACCOUNTS

3.1 The various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions, Second Interim Distributions, Third Interim Distributions and other administrative disbursements, are summarized below (with the “Balance April 27, 2018” column being the balances as at the date of the Thirty-Ninth Report):

| (\$ in 000's CAD) | Balance on PID | Initial Distribution | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance September 15, 2016 | Transfers | | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance April 27, 2018 | Receipts/ Subsequent Distributions/ Administrative Disbursements | Balance November 16, 2018 |
|--|----------------|----------------------|--|----------------------------|-----------------------------------|--------------------------------|--|------------------------|--|---------------------------|
| | | | | | Prior to Subsequent Distributions | Second and Third Distributions | | | | |
| Target Canada Co. | | | | | | | | | | |
| TCC Cash Pool Account | 441,220 | (441,039) | 700 | 881 | 89,556 | (151,560) | 67,614 | 6,491 | (215) | 6,276 |
| TCC Disputed Claims Reserve Account | 197,907 | - | (828) | 197,079 | (89,556) | - | (81,613) | 25,911 | - | 25,911 |
| Administrative Reserve Account [1] | 12,900 | (177) | (1,869) | 10,854 | - | - | (8,319) | 2,535 | (670) | 1,865 |
| Landlord Guarantee Creditor Base Claim Cash Pool Account | 140,745 | (140,745) | - | - | - | - | - | - | - | - |
| Landlord Guarantee Enhancement Cash Pool Account | 59,532 | (59,532) | - | - | - | - | - | - | - | - |
| Landlord Non-Guarantee Creditor Equalization Cash Pool Account | 7,521 | (7,521) | - | - | - | - | - | - | - | - |
| Target Canada Co. Balance | 859,825 | (649,013) | (1,996) | 208,815 | - | (151,560) | (22,317) | 34,937 | (885) | 34,053 |
| Target Canada Property LLC | | | | | | | | | | |
| PropCo Cash Pool Account | 10,548 | (10,533) | - | 15 | - | - | 795 | 810 | 779 | 1,589 |
| PropCo Disputed Claims Reserve Account | 8,895 | - | - | 8,895 | - | - | - | 8,895 | - | 8,895 |
| Plan Sponsor Recovery Limit Reserve Account | 23,427 | (12,966) | - | 10,461 | - | (5,084) | - | 5,378 | - | 5,378 |
| Target Canada Property LLC Balance | 42,870 | (23,499) | - | 19,371 | - | (5,084) | 795 | 15,083 | 779 | 15,862 |
| TOTAL | 902,695 | (672,512) | (1,996) | 228,186 | - | (156,644) | (21,523) | 50,020 | (106) | 49,914 |

Notes:

[1] The Administrative Reserve Account balance includes \$25,000 withheld from a Claim distribution in accordance with a Charging Order in favour of Bougadis, Chang LLP on account of its legal fees pending its agreement with the claimant on the amount of the legal fees or determination by an assessment officer.

3.2 The changes to the above table relative to the similar table included in the Thirty-Ninth Report are:

- (a) TCC Cash Pool Account: The cash balance decreased by approximately \$215,000 due primarily to a claims payment of \$405,000 related to catch-up distributions for a previously settled claim. The decrease was partially offset by a \$190,000 sales tax refund received from Revenu Quebec.
- (b) Administrative Reserve Account: The cash balance decreased by approximately \$670,000 related primarily to administrative disbursements for professional fees, Shared Services and estate administrative costs.
- (c) Propco Cash Pool Account: The cash balance increased by approximately \$779,000 on account of a Quebec Sales Tax refund received from Revenu Quebec.

3.3 The Monitor has prepared an updated illustrative range of estimated recoveries under the Second Amended Plan, which is summarized in the table below and is based on information available as at November 16, 2018 (the “**Illustrative Recoveries Analysis**”).

The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the current status of Claims filed in the Claims Process. The Monitor cautions that the Illustrative Recoveries Analysis may change (which change could be material) as: (a) Unresolved Claims continue to be reviewed and assessed, including “marker claims” that have been filed for unliquidated or unknown amounts; and (b) the Claims Process continues to advance, including the resolution of Disputed Claims, in accordance with the Claims Procedure Order.

| | Illustrative Scenario #1 - LOW | Illustrative Scenario #2 - HIGH |
|--|-----------------------------------|------------------------------------|
| (\$ in 000's CAD) | | |
| PROPCO | | |
| ESTIMATED CASH AVAILABLE FOR DISTRIBUTION | | |
| Propco Cash | \$ 76,950 | \$ 76,950 |
| RQ Tax Refunds Received | 1,574 | 1,574 |
| PROCEEDS AVAILABLE FOR DISTRIBUTION | 78,524 | 78,524 |
| CLAIMS FILED AGAINST PROPCO/PROPERTY LP | | |
| Total Third Party Claims Against Propco and Property LP | 13,112 | 10,533 |
| PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount) | 34,081 | 34,081 |
| Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit | 19,457 | 19,616 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS | 11,874 | 14,295 |
| TARGET CANADA CO | | |
| ESTIMATED CASH AVAILABLE FOR DISTRIBUTION | | |
| Target Canada Co. Cash | 780,000 | 782,000 |
| CRA and RQ Tax Refunds Received | 9,372 | 9,372 |
| Other Receipts | 466 | 466 |
| Propco Cash (from above) | 11,874 | 14,295 |
| ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION | 801,712 | 806,132 |
| ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS | | |
| Secured Claims and Unaffected Creditor Claims | 60,242 | 60,242 |
| Convenience Class Claims - < \$25,000 | 5,993 | 5,993 |
| Convenience Class Opt-In - Claim Value < \$35,000 | 1,550 | 1,550 |
| TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS | 67,785 | 67,785 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS | 733,927 | 738,347 |
| LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS | | |
| Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring) | 140,745 | 140,745 |
| Landlord Guarantee Enhancement Amounts | 59,532 | 59,532 |
| Total Distribution to Landlord Guarantee Creditors | 200,276 | 200,276 |
| Less: | | |
| Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool | (25,451) | (25,451) |
| Plan Sponsor Contribution from the PropCo Intercompany Claims (from above) | (34,081) | (34,081) |
| NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS | 140,745 | 140,745 |
| ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS | (A) 593,182 | 597,603 |
| ESTIMATED ALLOWABLE CLAIMS | | |
| Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other) | 190,035 | 190,035 |
| Other Affected Creditor Claims | 415,724 | 415,224 |
| Total Affected Creditor Claims | 605,760 | 605,260 |
| Total Intercompany Claims | 108,464 | 108,464 |
| ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS | (B) 714,223 | 713,723 |
| RECOVERY % (A/B) | 83.1% | 83.7% |

3.4 Based on the Illustrative Recoveries Analysis (and subject to the important qualifications noted in paragraph 3.3 above), the Monitor now estimates that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended

Plan in the range of approximately 83.1% to 83.7%³ of such Affected Creditors' Proven Claims.

4.0 CLAIMS PROCESS UPDATE

4.1 The Monitor has provided an update on the status of the Claims Process in a number of the Prior Reports, including most recently in the Thirty-Ninth Report.

Status of Claims Review and Assessment

4.2 As at November 16, 2018, 1,759 Claims have been filed with the Monitor, totalling approximately \$2.6 billion, excluding Intercompany Claims and withdrawn claims, and including those claims filed with the Monitor in connection with the Late Claims Motion and subsequent to the Late Claims Order (as described and defined below). As summarized in the tables below:⁴

- (a) 1,750 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the case may be), as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and
- (b) nine Claims are subject to a Notice of Dispute (“**NOD**”) where a NOD has been received by the Monitor from the Claimant in response to a NRDA issued by the Monitor, which NOD remains unresolved (the “**NOD Stage**”) (collectively, the “**Unresolved Claims**”).

³ The estimated range of recovery does not include any potential refunds that may be received from the Canada Revenue Agency, which refunds, if received, would increase the high range of the recovery.

⁴ The tables include late-filed claims that were the subject of the Late Claims Motion and those that have been permitted to be filed with the Monitor subsequent to the Late Claims Order.

4.3 In connection with the Monitor’s November 2016 motion for advice and directions regarding late claims (the “**Late Claims Motion**”), on March 1, 2017, the Court issued an order, among other things: (i) permitting certain identified late claims to be filed with the Monitor; and (ii) establishing the procedure for the filing of claims at this stage in the proceedings (the “**Late Claims Order**”). As described in the Thirty-Ninth Report, the Court has permitted nine late claimants to file claims for determination in the Claims Process.

4.4 Since the issuance of the Thirty-Ninth Report, there have been no late filed claims submitted to the Monitor.

4.5 As at November 16, 2018, a summary of the Resolved Claims and Unresolved Claims is as follows:

RESOLVED CLAIMS

| Category | Filed Amount | | Allowed | | | Deemed Disallowed | | | Total | |
|--------------|--------------|----------------------|-------------|----------------------|------------------------|-------------------|------------------|---------------|--------------|--------------------|
| | # | \$ | # | Filed \$ | Allowed \$ | # | Filed \$ | Allowed \$ | # | \$ |
| Landlord (a) | 96 | 1,855,279,112 | 86 | 1,855,279,100 | 338,293,548 | 10 | 12 | - | 96 | 338,293,548 |
| Vendor | 1421 | 549,974,418 | 1396 | 546,200,421 | 450,223,116 | 25 | 3,773,997 | - | 1,421 | 450,223,116 |
| Pharmacist | 95 | 159,934,118 | 95 | 159,934,118 | 26,541,098 | - | - | - | 95 | 26,541,098 |
| Government | 5 | 7,922,787 | 4 | 7,922,786 | 7,870,409 | 1 | 1 | - | 5 | 7,870,409 |
| Litigation | 69 | 9,835,332 | 59 | 8,755,267 | 617,333 | 10 | 1,080,066 | - | 69 | 617,333 |
| Employee | 62 | 869,677 | 18 | 536,484 | 381,286 | 44 | 333,193 | - | 62 | 381,286 |
| Other | 2 | 2 | - | - | - | 2 | 2 | - | 2 | - |
| Total | 1750 | 2,583,815,447 | 1658 | 2,578,628,176 | 823,926,791 (b) | 92 | 5,187,271 | - | 1,750 | 823,926,791 |

UNRESOLVED CLAIMS

| Category | Filed Amount | | Monitor Review | | NRDA Stage | | | NOD Stage | | | |
|--------------------|--------------|----------------------|----------------|----|------------|-------------|---------------|-----------|--------------|---------------|----------------------|
| | # | \$ | # | \$ | # | Filed \$ | Allowed \$ | # | Filed \$ | Allowed \$ | NOD \$ |
| Landlord | - | - | - | - | - | - | - | - | - | - | - |
| Vendor | - | - | - | - | - | - | - | - | - | - | - |
| Pharmacist | - | - | - | - | - | - | - | - | - | - | - |
| Government | 8 | 4,408 | - | - | - | - | - | 8 | 4,408 | - | 2,579,290 |
| Litigation | - | - | - | - | - | - | - | - | - | - | - |
| Employee | 1 | 1 | - | - | - | - | - | 1 | 1 | - | 1 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total | 9 | 4,409 | - | - | - | - | - | 9 | 4,409 | - | 2,579,291 (c) |
| Grand Total | 1759 | 2,583,819,856 | | | | | | | | | |

Notes:

(a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.

(b) Allowed amounts do not take into account reduced amounts for claimants who have elected into the Convenience Class.

(c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

4.6 In addition to the Claims set out above, 40 Claims totaling approximately \$61.4 million were filed and subsequently withdrawn by those Claimants.

4.7 The Monitor will continue to administer any further late claims in accordance with the Late Claims Order, including seeking evidence relating to late filing and obtaining the Court’s required determination, if appropriate, on whether the late-filed claim may be accepted to be filed in the Claims Process based on such evidence.

Unresolved Claims

4.8 As at the date of this report, nine NODs have been received from Claimants which remain unresolved, disputing an aggregate total of approximately \$4,400 (plus “marker claims” that have been filed for unliquidated or unspecified amounts), as compared to the total amount of \$nil allowed by the Monitor in the corresponding NRDA’s. The remaining unresolved NODs relate to:

(a) Government Claims: Information with respect to Government Claims was provided in certain Prior Reports, including the Twenty-Sixth and Twenty-

Seventh Reports. At the time of the Thirty-Ninth Report, the Monitor, in consultation with the Target Canada Entities was in the process of reviewing eight revised NODs that had been filed by the Department of Justice Canada on behalf of the CRA on June 27, 2016. This process continues. None of the revised NODs is expected to have a significant impact on potential recoveries to Affected Creditors described in paragraph 3.3 above. The overall resolution of matters with CRA will also necessarily address any issues that may arise for periods after June 27, 2016, including subsequent tax filings.

The Monitor understands that CRA has completed its audits of all tax filings up to fiscal 2017. In addition, the proceedings in the Tax Court of Canada on limited issues that may affect the assessments of a limited number of Applicants are advancing, including a settlement conference scheduled with the Tax Court of Canada on December 12, 2018 with the following attending (in addition to the CRA): (a) representatives of the Monitor; (b) Monitor's counsel; (c) the representative of the Target Canada Entities, Corey Haaland, who was appointed to complete the orderly wind-down and administration of the Target Canada Entities' estates following the resignation of Aaron Alt; (d) counsel to the Target Canada Entities; and (e) as the settlement conference will also deal with separate proceedings relating to an affiliate of Target Corporation that is not a Target Canada Entity, a representative of Target Corporation and its counsel. With the completion of the audits up to fiscal 2017 and the advancement of the proceedings in the Tax Court of Canada, the Target Canada Entities, in consultation with the Monitor, and CRA representatives continue to regularly engage with a view to reaching a final resolution of all issues related to CRA's claims.

CRA's claims are the only material matters remaining to be resolved in the CCAA proceedings. Once these claims are resolved, the Applicants have advised that they will proceed with a final distribution to creditors.

- (b) Employee Claims: One remaining marker claim filed against the estate on behalf of the directors and officers is expected to be withdrawn once certain other claims are resolved.

4.9 The Monitor will provide updates to the Court as the Claims Process continues to advance.

Director & Officer Claims

4.10 As described in the Thirty-Ninth Report, the eleven D&O Claims filed in these proceedings have all been resolved.

5.0 EXTENSION OF THE STAY PERIOD

5.1 Pursuant to the Order dated May 14, 2018 (Extending the Stay Period), the Stay Period is set to expire on December 14, 2018.

5.2 The Monitor supports the Applicants' motion to extend the Stay Period to June 26, 2019 for the following reasons:

- (a) the extension will provide the Monitor, in consultation with the Applicants, with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; and (ii) facilitate further distributions to Affected Creditors with Proven Claims as Unresolved Claims are resolved;

- (b) the Applicants have sufficient liquidity through June 26, 2019;
- (c) the Applicants continue to act in good faith and with due diligence in the implementation of the Plan; and
- (d) the Monitor, the Applicants, and Target Corporation are continuing the process of discussing the steps required for completion of these CCAA Proceedings.

All of which is respectfully submitted to this Court this 30th day of November, 2018.

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

Per: _____



Name: Douglas R. McIntosh
Title: President

Per: _____



Name: Alan J. Hutchens
Title: Senior Vice-President

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

FORTIETH REPORT OF THE MONITOR

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

Jay Carfagnini LSO#: 22293T
jcarfagnini@goodmans.ca

Melaney Wagner LSO#: 44063B
mwagner@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Monitor

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

FORTY-FIRST REPORT OF THE
MONITOR

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

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

Jay Carfagnini LSO#: 22293T
jcarfagnini@goodmans.ca

Melaney Wagner LSO#: 44063B
mwagner@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Monitor