

**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**

**THIRTY-THIRD REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**JANUARY 17, 2017**

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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 thirty-two 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](http://www.alvarezandmarsal.com/targetcanada).

1.4 As described in the Twenty-Ninth Report of the Monitor and the Thirty-First Report of the Monitor (the “**Thirty-First 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 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; and

- (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 55.3% 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. All distributions were made in Canadian Dollars.

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

- (a) an update, following the Second Interim Distributions (as described and defined below), 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 January 16, 2017 seeking an order extending the Stay Period to April 28, 2017 (the "**Stay Extension Order**").

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

- 2.1 In preparing this Thirty-Third 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 Thirty-Third 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 Thirty-Third Report are expressed in Canadian dollars.

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

3.1 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.<sup>1</sup> The Second Interim Distributions represented further distributions of 12.65% of such Affected Creditors’ Proven Claims, and when combined with the Initial Distributions, equate to aggregate interim distributions to Affected Creditors to-date of approximately 67.99% of such Affected Creditors’ Proven Claims. The various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions and Second Interim Distributions and other administrative disbursements are summarized below:

(\$ in 000's CAD)	Receipts/ Subsequent Distributions/ Administrative Disbursements			Balance September 15, 2016	Transfers Prior to Second Distribution		Receipts/ Subsequent Distributions/ Administrative Disbursements	Balance January 16, 2017
	Balance on PID	Initial Distribution			Second Distribution	Second Distribution		
<b>Target Canada Co.</b>								
TCC Cash Pool Account	441,220	(441,039)	700	881	88,056	(87,469)	42,759	44,227
TCC Disputed Claims Reserve Account	197,907	-	(828)	197,079	(88,056)	-	(61,741)	47,283
Administrative Reserve Account [1]	12,900	(177)	(1,869)	10,854	-	-	(2,636)	8,218
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)	-	-	-	-	-	-
<b>Target Canada Co. Balance</b>	<b>859,825</b>	<b>(649,013)</b>	<b>(1,996)</b>	<b>208,815</b>	<b>-</b>	<b>(87,469)</b>	<b>(21,618)</b>	<b>99,728</b>
<b>Target Canada Property LLC</b>								
PropCo Cash Pool Account	10,548	(10,533)	-	15	-	-	-	15
PropCo Disputed Claims Reserve Account	8,895	-	-	8,895	-	-	-	8,895
Plan Sponsor Recovery Limit Reserve Account	23,427	(12,966)	-	10,461	-	(2,964)	-	7,498
<b>Target Canada Property LLC Balance</b>	<b>42,870</b>	<b>(23,499)</b>	<b>-</b>	<b>19,371</b>	<b>-</b>	<b>(2,964)</b>	<b>-</b>	<b>16,408</b>
<b>TOTAL</b>	<b>902,695</b>	<b>(672,512)</b>	<b>(1,996)</b>	<b>228,186</b>	<b>-</b>	<b>(90,433)</b>	<b>(21,618)</b>	<b>116,136</b>

**Notes:**

[1] The Administrative Reserve Account balance includes approximately \$578,000 related to the 10% holdback on Pharmacy Claims.

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

<sup>1</sup> 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.



- (a) TCC Cash Pool Account: The cash balance increased by approximately \$42.1 million due to resolution of claims and the corresponding transfer in of approximately \$129.7 million from funds held in the TCC Disputed Claims Reserve Account representing the excess of amounts reserved for previously unresolved claims over the amount such claims were ultimately resolved for, reduced by the Second Interim Distributions of \$87.5 million occurring before such claims resolutions were completed.
- (b) TCC Disputed Claims Reserve Account: The decrease of approximately \$148.4 million is related to the resolution of previously disputed claims. Claimants with subsequently resolved claims have received their Initial and Second Interim Distributions totalling approximately 67.99%, with the balance in excess of resolved amounts transferred to the TCC Cash Pool Account.
- (c) Administrative Reserve Account: The decrease of approximately \$2.6 million related primarily to administrative disbursements for professional fees and Shared Services.

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 January 10, 2017 (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)		
<b>PROPCO</b>		
<b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>		
Propco Cash	\$ 76,950	\$ 76,950
<b>PROCEEDS AVAILABLE FOR DISTRIBUTION</b>	<u>76,950</u>	<u>76,950</u>
<b>CLAIMS FILED AGAINST PROPCO/PROPERTY LP</b>		
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	18,751	19,453
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS</b>	<u>11,005</u>	<u>12,883</u>
<b>TARGET CANADA CO</b>		
<b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>		
Target Canada Co. Cash	780,000	785,000
Propco Cash (from above)	11,005	12,883
<b>ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION</b>	<u>791,005</u>	<u>797,883</u>
<b>ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS</b>		
Secured Claims and Unaffected Creditor Claims	59,700	59,700
Convenience Class Claims - < \$25,000	5,918	5,918
Convenience Class Opt-In - Claim Value < \$35,000	1,550	1,550
<b>TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS</b>	<u>67,168</u>	<u>67,168</u>
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS</b>	<u>723,837</u>	<u>730,715</u>
<b>LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS</b>		
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)
<b>NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS</b>	<u>140,745</u>	<u>140,745</u>
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>	(A) <u>583,093</u>	<u>589,971</u>
<b>ESTIMATED ALLOWABLE CLAIMS</b>		
Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other)	190,035	190,035
Other Affected Creditor Claims	429,997	411,997
Total Affected Creditor Claims	620,033	602,033
Total Intercompany Claims	108,464	108,464
<b>ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>	(B) <u>728,496</u>	<u>710,496</u>
<b>RECOVERY % (A/B)</b>	<b>80.0%</b>	<b>83.0%</b>

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 80% to 83% 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-First Report.

##### Status of Claims Review and Assessment

4.2 As at January 16, 2017, 1,751 Claims have been filed with the Monitor, totalling approximately \$2.6 billion, excluding Intercompany Claims, withdrawn claims and potential claims that are subject to the Late Claims Motion (as described and defined below). As summarized in the tables below:<sup>2</sup>

(a) 1,733 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) 18 Claims are subject to a Notice of Dispute (“**NOD**”) received by the Monitor from the Claimant in response to a NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “**NOD Stage**”), including five Pharmacist Franchisee Claims (collectively, the “**Unresolved Claims**”).

4.3 As at January 7, 2017, a summary of the Resolved Claims and Unresolved Claims is as follows:

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<sup>2</sup> The tables do not include late-filed claims that were the subject of the Late Claims Motion.

**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	1414	544,938,544	1389	541,164,547	445,037,806	25	3,773,997	-	1,414	445,037,806
Pharmacist	89	145,179,991	89	145,179,991	25,494,744	-	-	-	89	25,494,744
Government	5	7,970,325	4	7,970,324	7,946,274	1	1	-	5	7,946,274
Litigation	67	8,685,332	57	7,605,267	583,333	10	1,080,066	-	67	583,333
Employee	60	869,675	16	536,482	232,799	44	333,193	-	60	232,799
Other	2	2	-	-	-	2	2	-	2	-
<b>Total</b>	<b>1733</b>	<b>2,562,922,981</b>	<b>1641</b>	<b>2,557,735,710</b>	<b>817,588,504 (b)</b>	<b>92</b>	<b>5,187,271</b>	<b>-</b>	<b>1,733</b>	<b>817,588,504</b>

**UNRESOLVED CLAIMS**

Category	Filed Amount		Monitor Review		NRDA Stage			NOD Stage		
	#	\$	#	Filed \$	Filed \$	Allowed \$	#	Filed \$	Allowed \$	NOD \$
Landlord	-	-	-	-	-	-	-	-	-	-
Vendor	-	-	-	-	-	-	-	-	-	-
Pharmacist	5	14,314,958	-	-	-	-	5	14,314,958	613,335	14,314,958
Government	8	4,408	-	-	-	-	8	4,408	-	2,579,290
Litigation	-	-	-	-	-	-	-	-	-	-
Employee	5	58,539	-	-	-	-	5	58,539	1	52,791
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18</b>	<b>14,377,904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>14,377,904</b>	<b>613,336</b>	<b>16,947,039 (c)</b>
<b>Grand Total</b>	<b>1751</b>	<b>2,577,300,885</b>								

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.

4.4 In addition to the Claims set out above, 38 Claims totalling approximately \$61.3 million were filed and subsequently withdrawn by the Claimants.

4.5 Pursuant to paragraphs 23 and 27 of the Claims Procedure Order, Claims not filed and received by the Monitor by the respective Claims Bar Dates, or such later date as the Monitor may agree in writing or the Court may otherwise direct, are forever barred, estopped and extinguished. As previously reported, subsequent to the applicable Claims Bar Dates but prior to the meeting of creditors held May 25, 2016 (the “**Creditors’ Meeting**”), the Monitor received a number of late-filed claims totalling approximately \$16.3 million, including three claims totalling \$8.0 million from Pharmacist Franchisees and one claim of \$1.9 million from a landlord with a Parent Guarantee. Following

inquiries of the Claimants as to why the claims were filed late, and after satisfying itself that there was: (i) a *prima facie* basis for such Claims; and (ii) a valid reason for late filing, the Monitor admitted these Claims into the Claims Process for review and assessment.

- 4.6 As set out in the Monitor's Thirty-Second Report, the Monitor brought a motion seeking the advice and direction of the Court as to whether a small number of claimants who came forward attempting to file claims subsequent to the Creditors' Meeting should be admitted to the Claims Process (the "**Late Claims Motion**"). Based on information provided by known putative late claimants to the Monitor (all of which were served with the Monitor's Thirty-Second Report and motion materials in connection with the Late Claims Motion), the late claimants assert claims of a minimum aggregate amount of approximately \$8.4 million against the Target Canada Entities.
- 4.7 The Late Claims Motion was heard on November 29, 2016, with a number of parties appearing to make submissions on behalf of putative claimants. The Court has reserved its decision regarding the Late Claims Motion, and as of the date of this Report, such decision has not yet been rendered. In accordance with the Initial Order, the Monitor will serve the Late Claims Motion decision on the Service List and post it to the Monitor's website when it has been rendered. The Monitor will also include in a subsequent report the impact, if any, of such decision on claims and the illustrative recovery analysis.
- 4.8 Subsequent to the Late Claims Motion, counsel to the Monitor was contacted by one of the late claimant parties who had been served with the Monitor's Thirty-Second Report and motion materials, but who did not file a response or participate in the Late Claims Motion. Counsel to the Monitor explained that because such party had not appeared or

otherwise filed evidence in connection with the Late Claims Motion, the Court did not have a record before it with respect to such claimant's circumstances. The Monitor will provide the Court's Late Claims Motion decision to such claimant when available, and will, with the assistance of the Target Canada Entities, determine any next steps with respect to such late claim, depending on the terms of the Court's decision.

#### Unresolved Claims

4.9 As at the date of this report, 18 NODs have been received from Claimants which remain unresolved, disputing an aggregate total of approximately \$16.9 million (plus "marker claims" that have been filed for unliquidated or unspecified amounts), as compared to the total amount of approximately \$613,000 allowed by the Monitor in the corresponding NRDA's. The significant 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. On June 27, 2016, the Department of Justice Canada on behalf of the CRA filed eight revised NODs with the Monitor in respect of CRA's claims. The Monitor, in consultation with the Target Canada Entities, is in the process of reviewing these NODs, none of which is expected to have a significant impact on potential recoveries to Affected Creditors described in paragraph 3.3 hereof. The overall resolution of matters with the CRA will also necessarily address any issues that may arise for periods after June 27, 2016, including from the Target Canada Entities' 2016 tax filings, which are to be filed subsequent to Target Canada Co.'s financial year-end of January 28, 2017.

(b) Pharmacist Claims: As described in certain of the Prior Reports, including the Twenty-Sixth and Thirty-First Reports, Pharmacist Franchisees filed 93 individual Proofs of Claim (including three claims filed subsequent to the Claims Bar Date), and the Monitor issued individual NRDA's in respect of 91 of such Pharmacist Franchisee Claims, with the other two being allowed as filed. On January 7, 2016, Pharmacist Representative Counsel filed an Omnibus Pharmacist NOD in response to the individual NRDA's issued. By order of the Court dated February 12, 2016 (the "**February 12 Order**"), the Omnibus Pharmacist NOD was accepted as a valid dispute on behalf of all unresolved Pharmacist Franchisee claimants, subject to such claimants' ability to opt out of the dispute process and representation by Pharmacist Representative Counsel in this regard. In accordance with the February 12 Order, the Monitor received a total of 11 Opt-Out Notices (by those Pharmacist Franchisees who did not wish to participate in the claims adjudication process). As a result of the Opt-Out process and the Claims Process to date, a total of five Pharmacist Franchisee claims remain unresolved at present. The difference between the aggregate allowed amounts in the NRDA's issued by the Monitor to the remaining Pharmacist Franchisee claimants and the amount disputed is approximately \$14.3 million.

As described in the Twenty-Fifth Report, pursuant to the February 12 Order, the Omnibus Pharmacist NOD was referred to the Honourable Dennis O'Connor (the "**Claims Officer**") to determine the validity and amount of the Pharmacist Franchisee Claims under the Claims Procedure Order with direction to implement a summary process for the resolution of each disputed claim.

A comprehensive description of the procedural history relating to the adjudication of the Pharmacist Franchisees' claims dispute was set out in the Thirty-First Report. The following is an update of procedural matters since that time.

In brief, at the time of the Thirty-First Report:

- i. of the 80 pharmacist franchisees participating in the Omnibus Pharmacist NOD following the opt-out process, 27 Pharmacist Franchisee Claims remained unresolved (the remainder having resolved their claims on a consensual basis in accordance with the Claims Procedure Order); and
- ii. the parties were still engaged in the claims adjudication proceeding before the Claims Officer and were in the process of preparing for a hearing scheduled for October 6, 2016.

Subsequent to the time of the Thirty-First Report, as detailed below:

- i. a further 22 Pharmacist Franchisee Claims were resolved such that, at present, only five Pharmacist Franchisee Claims remain unresolved;
- ii. the Claims Officer has issued his rulings on all of the Common Issues submitted for adjudication; and
- iii. the remaining claimants have filed appeals from the Claims Officer's rulings in accordance with the Claims Procedure Order.

In resolving the claims of the 75 Pharmacist Franchisees who were originally participating in the Omnibus Pharmacist NOD, the Monitor and the Target Canada Entities entered into binding settlement agreements with each claimant that were consistent with the principles underlying the Monitor's methodology for



assessing the Pharmacist Franchisees claims and were reflective of the rulings of the Claims Officer.

*Procedural Update*

The final Pharmacist Franchisee claims adjudication hearing took place before the Claims Officer on October 6, 2016, as scheduled. The Claims Officer issued the third and final ruling in respect of the agreed common issues on October 25, 2016.

Pursuant to paragraph 44 of the Claims Procedure Order, on November 4, 2016, on behalf of the five remaining unresolved claimants, Pharmacist Representative Counsel and Bougadis Chang LLP (counsel of record to T Pharmacy Ltd.) filed Notices of Appeal from the Claims Officer's rulings.

The Claims Procedure Order provides that an appeal from the decision of a Claims Officer is to be heard by the CCAA Court. Accordingly, the parties attended at a scheduling hearing before the Court on November 16, 2016 to determine a schedule and procedures for the appeal of the Claims Officer's rulings.

The Court-ordered timetable provides that the appeal will be heard by the Court on February 23, 2017, with facta to be submitted by the parties before that date.

In accordance with the appeal timetable, on January 9, 2017, T Pharmacy Ltd. (self-represented) submitted an appellant's factum.<sup>3</sup> On January 10, 2017,

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<sup>3</sup> In September, 2016, the Monitor and the Target Canada Entities were advised that T Pharmacy Ltd. (one of the Pharmacist Franchisee claimants) no longer wished to be represented by Pharmacist Representative Counsel, and that claimant obtained leave of the Court to retain its own legal counsel in connection with the claims adjudication process. Although T Pharmacy Ltd. did retain new legal counsel, and a Notice of Change of Lawyer was served on

Pharmacist Representative Counsel submitted a factum on behalf of the other four remaining unresolved Pharmacist Franchisees.

At this stage, the Monitor, in consultation with the Target Canada Entities, is preparing its responding factum, which will be submitted in accordance with the appeal timetable.

- (c) Employee Claims: At present, five employee claims remain outstanding. Of the remaining employee claims, three are directly related to claims for unliquidated amounts with respect to TCC's short term incentive program ("**STIP**"). Employee Representative Counsel has indicated to the Monitor that only one specific area of the STIP claim, pertaining to STIP for TCC's former Quebec employees (the "**Quebec STIP Claim**") is still in dispute. As of the date of this Thirty-Third Report, the parties have filed written submissions with the Claims Officer with respect to the Quebec STIP Claim and are awaiting direction from the Claims Officer as to whether a hearing will be required. The remaining two claims relate to "marker claims" for unliquidated amounts. The Monitor will provide updates to the Court as the Claims Process continues to advance.

#### Director & Officer Claims

4.10 A summary of the D&O Claims received by the Monitor is provided below:

- (a) eleven D&O Claims were filed totalling approximately \$567,000;

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the service list, recently, T Pharmacy Ltd. has indicated that it is no longer represented by legal counsel in these proceedings and is currently self-represented. Bougadis Chang LLP remains their counsel of record at this time.

(b) nine of the eleven D&O Claims were filed as “marker claims” for unspecified, unliquidated amounts; and

(c) of the eleven D&O Claims filed, six were subsequently withdrawn by the Claimants.

4.11 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, reviewed the remaining five filed D&O Claims and issued NRDA's to each of the Claimants disallowing the claims in full.

4.12 With respect to the five D&O Claims disallowed in full: (i) two claimants did not respond to the NRDA and the claims have been deemed disallowed pursuant to the Claims Procedure Order; (ii) two claimants responded with a NOD, but have subsequently withdrawn their claims; and (iii) one claimant responded with an NOD filed as a “marker claim” for unspecified, unliquidated amounts.

4.13 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, continues to review and assess the one disputed D&O Claim and will provide updates to the Court as the Claims Process continues to advance.

## **5.0 EXTENSION OF THE STAY PERIOD**

5.1 Pursuant to the Order (Extending the Stay Period), the Stay Period is set to expire on January 20, 2017, which date was subsequently amended by endorsement of the Court to January 23, 2017.

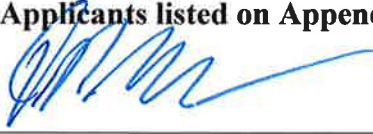
5.2 The Monitor supports the Applicants' motion to extend the Stay Period to April 28, 2017 for the following reasons:

- (a) the extension will provide the Monitor with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; and (ii) subject to resolution of the remaining unresolved claims, facilitate a further distribution(s) to Affected Creditors with Proven Claims;
- (b) the Applicants have sufficient liquidity through April 28, 2017;
- (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 commencing discussions regarding planning and steps for completion of these CCAA Proceedings.

All of which is respectfully submitted to this Court this 17<sup>th</sup> day of January, 2017.

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

Per:



\_\_\_\_\_  
Name: Douglas R. McIntosh  
Title: President

Per:



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

## **APPENDIX “A”**

### **Applicants**

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

### **Partnerships**

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

**APPENDIX B**  
**THIRTY-FIRST 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**

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

**SEPTEMBER 20, 2016**



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Appendix A – List of the Applicants and Partnerships

Appendix B – Monitor’s Twenty-Ninth Report

## 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 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](http://www.alvarezandmarsal.com/targetcanada).

1.4 As described in the Twenty-Ninth Report of the Monitor (the “**Twenty-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 (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 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; and

- (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 Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). Initial distributions to Affected Creditors represented interim distributions of approximately 55.3% of such Affected Creditors’ Proven Claims. All distributions were made in Canadian Dollars.

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

- (a) an update, following the Initial Distributions, and subsequent initial distributions and administrative disbursements, on the cash balances held in the “cash pool” and “reserve” accounts that were established in accordance with the Second Amended Plan;
- (b) the Claims Process; and
- (c) the Applicants’ motion for an order substantially in the form attached to the Applicants’ Motion Record dated September 20, 2016 (the “**Stay Extension Order**”) seeking an order extending the Stay Period to January 20, 2017.

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

- 2.1 In preparing this Thirty-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 Thirty-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 Thirty-First Report are expressed in Canadian dollars.

### 3.0 UPDATED CASH BALANCES AND ESTIMATED RECOVERIES

3.1 The cash positions of the various “cash pool” and “reserve” accounts as at the Plan Implementation Date, and after the Initial Distributions, receipts, subsequent Initial Distributions and administrative disbursements, are summarized below:

(\$ in 000's CAD)	Balance on PID	Initial Distribution	Receipts/ Subsequent Initial Distributions/ Administrative Disbursements	Balance September 15, 2016
<b>Target Canada Co.</b>				
TCC Cash Pool Account	441,220	(441,039)	700	881
TCC Disputed Claims Reserve Account	197,907	-	(828)	197,079
Administrative Reserve Account	12,900	(177)	(1,869)	10,854
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)	-	-
<b>Target Canada Co. Balance</b>	<b>859,825</b>	<b>(649,013)</b>	<b>(1,996)</b>	<b>208,815</b>
<b>Target Canada Property LLC</b>				
PropCo Cash Pool Account	10,548	(10,533)	-	15
Propco Disputed Claims Reserve Account	8,895	-	-	8,895
Plan Sponsor Recovery Limit Reserve Account	23,427	(12,966)	-	10,461
<b>Target Canada Property LLC Balance</b>	<b>42,870</b>	<b>(23,499)</b>	<b>-</b>	<b>19,371</b>
<b>TOTAL</b>	<b>902,695</b>	<b>(672,512)</b>	<b>(1,996)</b>	<b>228,186</b>

3.2 The only changes to the above table relative to the corresponding table included in the Twenty-Ninth Report are:

- (a) TCC Cash Pool Account: The increase of approximately \$700,000 related primarily to interest, returned deposits and funds remaining from previously disputed claims.
- (b) TCC Disputed Claims Reserve Account: The decrease of approximately \$830,000 related to initial distributions on five claims that were resolved subsequent to the Plan Implementation Date. The Claimants have received their Initial Distribution of approximately 55.3% with the balance transferred to the TCC Cash Pool.

- (c) Administrative Reserve Account: The decrease of approximately \$1.9 million related primarily to administrative disbursements for professional fees and Shared Services.

3.3 The Monitor has prepared an updated illustrative range of estimated recoveries under the Seconded Amended Plan which is summarized in the table below and is based on information available as at September 15, 2016 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the 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
<b>(\$ in 000's CAD)</b>		
<b>PROPCO</b>		
<b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>		
Propco Cash	\$ 76,950	\$ 76,950
<b>PROCEEDS AVAILABLE FOR DISTRIBUTION</b>	<u>76,950</u>	<u>76,950</u>
<b>CLAIMS FILED AGAINST PROPCO/PROPERTY LP</b>		
Total Third Party Claims Against Propco and Property LP	13,112	13,112
PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount)	34,081	34,081
Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit	18,049	19,174
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS</b>	<u>11,708</u>	<u>10,583</u>
<b>TARGET CANADA CO</b>		
<b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>		
Target Canada Co. Cash	780,000	785,000
Propco Cash (from above)	11,708	10,583
<b>ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION</b>	<u>791,708</u>	<u>795,583</u>
<b>ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS</b>		
Secured Claims and Unaffected Creditor Claims	59,700	59,700
Convenience Class Claims - < \$25,000	5,885	5,885
Convenience Class Opt-In - Claim Value < \$35,000	1,550	1,550
<b>TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS</b>	<u>67,135</u>	<u>67,135</u>
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS</b>	<u>724,573</u>	<u>728,448</u>
<b>LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS</b>		
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)
<b>NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS</b>	<u>140,745</u>	<u>140,745</u>
<b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>	<u>(A) 583,829</u>	<u>587,704</u>
<b>ESTIMATED ALLOWABLE CLAIMS</b>		
Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other)	191,974	191,974
Other Affected Creditor Claims	457,353	417,635
Total Affected Creditor Claims	649,327	609,610
Total Intercompany Claims	108,464	108,464
<b>ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>	<u>(B) 757,790</u>	<u>718,073</u>
<b>RECOVERY % (A/B)</b>	<b>77.0%</b>	<b>81.8%</b>

3.4 Based on the Illustrative Recoveries Analysis (and subject to the important qualifications noted in paragraph 3.3 above), the Monitor estimates that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended Plan in the range of approximately 77% to 82% of such Affected Creditors' Proven Claims.

3.5 As set out below, significant progress has been made with respect to resolving claims that were unresolved as at the Plan Implementation Date. In particular, 53 of the remaining

80 claims of the pharmacist franchisees have recently been resolved. As such, TCC, in consultation with the Monitor and on a date established by the Monitor in accordance with the Second Amended Plan, intends to make a second interim distribution (a “**Second Distribution**”) to Affected Creditors with Proven Claims in an amount of approximately 12.5% of such Affected Creditors’ Proven Claims. Such a Second Distribution will comprise aggregate distributions of approximately \$87 million to Affected Creditors with Proven Claims, and will increase the combined cumulative recoveries to Affected Creditors with Proven Claims, from the Initial Distribution and Second Distribution, to approximately 68% of such Affected Creditors’ Proven Claims.

#### **4.0 CLAIMS PROCESS**

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 Monitor’s Twenty-Ninth Report.

##### Status of Claims Review and Assessment

4.2 As at September 15, 2016, 1,751 Claims have been filed with the Monitor, totalling approximately \$2.6 billion (excluding Intercompany Claims and withdrawn claims). As summarized in the tables below:

- (a) 1,703 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed 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) 48 Claims are subject to a Notice of Dispute (“NOD”) received by the Monitor from the Claimant in response to an NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “NOD Stage”), including 27 Pharmacist Franchisee Claims (collectively, the “Unresolved Claims”).

4.3 As at September 15, 2016, 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) 92	1,811,558,587	82	1,811,558,575	335,229,368	10	12	-	92	335,229,368
Vendor	1409	535,295,295	1384	531,521,298	436,933,929	25	3,773,997	-	1,409	436,933,929
Pharmacist	67	110,106,181	67	110,106,181	21,097,704	-	-	-	67	21,097,704
Government	5	7,970,325	4	7,970,324	7,946,274	1	1	-	5	7,946,274
Litigation	67	8,685,332	57	7,605,267	583,333	10	1,080,066	-	67	583,333
Employee	61	872,656	17	539,463	270,768	44	333,193	-	61	270,768
Other	2	2	-	-	-	2	2	-	2	-
<b>Total</b>	<b>1703</b>	<b>2,474,488,378</b>	<b>1611</b>	<b>2,469,301,107</b>	<b>802,061,377</b>	<b>(b) 92</b>	<b>5,187,271</b>	<b>-</b>	<b>1,703</b>	<b>802,061,377</b>

**UNRESOLVED CLAIMS**

Category	Filed Amount		Monitor Review		NRDA Stage			NOD Stage			
	#	\$	#	Filed \$	#	Filed \$	Allowed \$	#	Filed \$	Allowed \$	NOD \$
Landlord	4	43,720,524	-	-	-	-	-	4	43,720,524	-	8,505,231
Vendor	4	9,800,575	-	-	-	-	-	4	9,800,575	6,089,718	9,757,271
Pharmacist	27	49,388,768	-	-	-	-	-	27	49,388,768	3,523,442	49,388,768
Government	8	4,408	-	-	-	-	-	8	4,408	-	2,579,290
Litigation	-	-	-	-	-	-	-	-	-	-	-
Employee	5	58,539	-	-	-	-	-	5	58,539	1	52,791
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>48</b>	<b>102,972,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>102,972,813</b>	<b>9,613,161</b>	<b>70,283,351</b>
<b>Grand Total</b>	<b>1751</b>	<b>2,577,461,191</b>									

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.

4.4 In addition to the Claims set out above, 36 Claims totalling approximately \$60.8 million were filed and subsequently withdrawn by the Claimants.

4.5 Pursuant to paragraphs 23 and 27 of the Claims Procedure Order, Claims not filed and received by the Monitor by the respective Claims Bar Dates, or such later date as the Monitor may agree in writing or the Court may otherwise direct, will be forever barred, estopped and extinguished. The Monitor has received a number of late-filed claims totalling approximately \$16.3 million, including three claims totalling \$8.0 million from Pharmacist Franchisees and one claim of \$1.9 million from a landlord with a Parent Guarantee. Following inquiries of the Claimants as to why the claims were filed late, and after satisfying itself that there was: (i) a prima facie basis for such Claims; and (ii) a valid reason for late filing, the Monitor admitted these Claims into the Claims Process for review and assessment.

4.6 In accordance with the discretion provided to the Monitor in the Claims Procedure Order, and as described in the Monitor's Twenty-Seventh Report, the Monitor has not accepted late-filed claims since the date of the Creditors' Meeting.

#### Unresolved Claims

4.7 As at the date of this report, 48 NODs that remain unresolved have been received from Claimants, disputing a total of approximately \$70.3 million (plus "marker claims" that have been filed for unliquidated or unknown amounts), as compared to the total amount of \$9.6 million allowed by the Monitor in the corresponding NRDA's. The significant 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. On June 27, 2016, the Department of Justice Canada on behalf

of the CRA filed eight revised Notices of Dispute with the Monitor in respect of CRA's outstanding claims. The Monitor, in consultation with the Target Canada Entities, is in the process of reviewing these Notices of Dispute, none of which has a significant negative impact on potential recoveries to Affected Creditors described in paragraph 3.4 hereof.

- (b) Pharmacist Claims: As described in certain of the Prior Reports, including the Twenty-Sixth Report, Pharmacist Franchisees filed 93 individual Proofs of Claim (including three claims filed subsequent to the Claims Bar Date), and the Monitor issued individual NRDA's in respect of 91 of such Pharmacist Franchisee Claims. Pharmacist Representative Counsel filed an Omnibus Pharmacist NOD in response to the individual NRDA's issued that, by its terms and the terms of the Pharmacist Order, applies to all Pharmacist Franchisee Claims, other than those that were accepted as filed or where an Opt-Out Notice was filed. The Monitor received a total of 11 Opt-Out Notices (by those Pharmacist Franchisees who do not wish to be represented by the Pharmacist Representative Counsel). As a result of the Opt-Out process and the Claims Process, a total of 80 Pharmacist Franchisee claims remained. As set out in the Twenty-Ninth Report, the difference between the aggregate allowed amounts in the NRDA's issued by the Monitor and the disputed amount in the Omnibus Pharmacist NOD was approximately \$125.9 million.

On August 9, 2016, the Monitor made an offer to settle to each of the Pharmacist Franchisees, the deadline for acceptance of which was extended to September 14, 2016. It was a condition of the offer that all Pharmacist Franchisees accept the

offer, however, such unanimity condition could be waived at the sole discretion of the Monitor. Pharmacist Franchisees representing 53 of the remaining 80 Pharmacist Franchisee Claims accepted the offer to settle on or before the deadline. On September 9, 2016, the Monitor advised the Pharmacist Franchisees that it had elected to waive the unanimity condition, and therefore all of the acceptances received by the Monitor were accepted in full, final and irrevocable satisfaction of those claims. Accordingly, the difference between the aggregate allowed amounts in the NRDA's issued by the Monitor as amended by the offers to settle and the disputed amount in the Omnibus Pharmacist NOD with respect to those Pharmacist Franchisees who have not settled is \$45.9 million.

As described in the Twenty-Fifth Report, pursuant to the Pharmacist Order, the Omnibus Pharmacist NOD was referred to the Honourable Dennis O'Connor (the "**Claims Officer**") to determine the validity and amount of the Pharmacist Franchisee Claims under the Claims Procedure Order with direction to implement a summary process for the resolution of each disputed claim.

The parties, in consultation with the Claims Officer, developed a list of common issues (the "**Common Issues**"), which is memorialized in the Claims Officer's Order of May 3, 2016 (the "**May 3 Order**"). The May 3 Order also directed that certain of the Common Issues that were determined to be threshold legal issues be heard on June 6-7, 2016 (the "**June Hearing**"), with a joint brief of documents to form the evidentiary basis for the adjudication on the threshold issues. The June Hearing took place as scheduled. On June 28, 2016, the Claims Officer issued a

Ruling (the "**June Ruling**") in respect of the June Hearing which resolved certain issues.

Following the June Hearing, the Claims Officer issued an Order dated June 24 (the "**June Order**"), confirming the resolution of one of the Common Issues, and establishing a litigation timetable for the adjudication of the remaining Common Issues not addressed during the June Hearing or by the June Order. A further hearing subsequently took place before the Claims Officer on August 3, 2016 (the "**August Hearing**"), for the adjudication of certain of the remaining Common Issues, as well as certain matters arising from the June Ruling.

In advance of the August Hearing, the Pharmacist Representative Counsel and the Monitor exchanged affidavit and expert evidence in accordance with the timetable set out in the Claims Officer's June 24 Order.

On August 19, 2016, the Claims Officer issued a ruling (the "**August Ruling**") in respect of the August hearing, resolving certain of the matters arising from the June Ruling and addressing one of the Common Issues.

A final hearing is now scheduled for October 6 and 7, 2016 (the "**October Hearing**") for the Claims Officer to adjudicate the remaining Common Issue and the remaining matters arising from the June Ruling. A schedule for the October Hearing was set by the Claims Officer by Order dated September 8, 2016 which, among other things, addressed the delivery of a questionnaire by each of the Pharmacist Franchisees in respect of their mitigation efforts and the preparation of a Monitor's Report with respect to such questionnaires, as well as the delivery of

additional evidence and cross-examinations, to take place in advance of the October Hearing. Absent settlement, the October Hearing will proceed in respect of the claims by the 27 remaining Pharmacist Franchisee claimants.

- (c) Vendor Claims: Four Claimants have submitted NODs that remain unresolved, with a difference in aggregate claims value between the Monitor and the Claimants of approximately \$3.7 million.
- (d) Employee Claims: Employee Claims: Five Claimants have submitted NODs that remain unresolved, including a NOD in respect of Employee Representative Counsel's omnibus claim for an unliquidated amount related to a short term incentive program ("**STIP**") (and two individual Claimants filed their own claims related to the STIP) which Claims have been referred to the Claims Officer for determination. The parties have scheduled a hearing for September 21, 2016 with the Claims Officer.
- (e) Landlord Claims: Four Claimants have submitted NODs that remain unresolved in respect of Landlord Claims. Three Claims are in respect of assigned leases and one NOD was filed by a third-party in respect of an indemnity TCC provided in relation to a disclaimed lease.

4.8 The Monitor, in consultation with the Target Canada Entities, is in the process of reviewing and assessing the NODs, including through further discussions or reconciliation with the Claimant and/or assessing whether any further Claims should be referred to a Claims Officer or the Court for adjudication, and will provide updates to the Court as the Claims Process continues to advance.



Director & Officer Claims

- 4.9 A summary of the D&O Claims received by the Monitor is provided below:
- (a) eleven D&O Claims were filed totalling approximately \$567,000;
  - (b) nine of the eleven D&O Claims were filed as “marker claims” for unspecified, unliquidated amounts; and
  - (c) of the eleven D&O Claims filed, six were subsequently withdrawn by the Claimants.
- 4.10 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, reviewed the remaining five filed D&O Claims and issued NRDA's to each of the Claimants disallowing the claims in full.
- 4.11 With respect to the five Claims disallowed in full: (i) two claimants did not respond to the NRDA and the claims have been deemed disallowed pursuant to the Claims Procedure Order; (ii) one claimant responded with an NOD, but has subsequently withdrawn its claim; (iii) one claimant responded with an NOD in the amount of approximately \$180,000; and (iv) one claimant responded with an NOD filed as a “marker claim” for unspecified, unliquidated amounts.
- 4.12 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, continues to review and assess the two disputed D&O Claims and will provide updates to the Court as the Claims Process continues to advance.

## **5.0 EXTENSION OF THE STAY PERIOD**

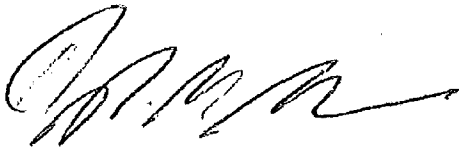
5.1 Pursuant to the Sanction and Vesting Order, the Stay Period is set to expire on September 23, 2016.

5.2 The Monitor supports the Applicants' motion to extend the Stay Period to January 20, 2017 for the following reasons:

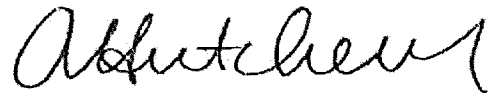
- (a) the extension will provide the Monitor and the Applicants with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; (ii) make the Second Distribution; and (iii) as unresolved claims are resolved, facilitate a further distribution(s) to Affected Creditors with Proven Claims;
- (b) the Applicants have sufficient liquidity through to January 20, 2017; and
- (c) the Applicants continue to act in good faith and with due diligence in the implementation of the Plan and in distributing amounts to the Affected Creditors in accordance with the Plan.

All of which is respectfully submitted to this Court this 20<sup>th</sup> day of September, 2016.

**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

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
Proceeding commenced at Toronto

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**THIRTY-FIRST REPORT OF THE  
MONITOR**

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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

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**THIRTY-THIRD REPORT OF THE  
MONITOR**

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