

**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.**

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

MAY 7, 2015

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1.0 INTRODUCTION

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

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

(1) information regarding the following:

(a) the Applicants’ motion for an order (the “**Approval and Vesting Order – Lease Surrender Agreement**”) substantially in the form attached to the Applicants’ Motion Record dated May 4, 2015, approving the Lease Surrender Agreement (as defined below) between the Landlord Entities (as defined below) and TCC relating to the leases held by TCC for five retail store properties, and vesting TCC’s right, title and interest in and to the Surrendered Assets (as defined below) in the Landlord Entities; and

(b) the Applicants’ motion for an order (the “**Approval and Vesting Order**”) substantially in the form attached to the Applicants’ Motion Record dated May 4, 2015, approving the Agreement of Purchase and Sale between Cadillac Fairview Corporation Limited (“**Cadillac Fairview**”) and TCC (the “**Polo Park APS**”), and vesting TCC’s right, title and interest in and to the Subject Assets (as defined below) in Cadillac Fairview; and

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

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

- 2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
- 2.3 This Tenth Report should be read in conjunction with the affidavit of Mark J. Wong, General Counsel and Assistant Secretary of TCC, sworn May 4, 2015 (the “**Eighth Wong Affidavit**”).
- 2.4 Capitalized terms not otherwise defined in this Tenth Report are as defined in the Prior Reports, the Initial Order and the Eighth Wong Affidavit, as applicable.
- 2.5 Unless otherwise stated, all monetary amounts contained in this Tenth Report are expressed in Canadian dollars.

3.0 REAL PROPERTY PORTFOLIO SALES PROCESS

- 3.1 The Monitor recently provided an update on the Real Property Portfolio Sales Process in the Eighth Report of the Monitor (the “**Eighth Report**”) dated April 29, 2015. A copy of the Eighth Report is attached as **Appendix “B”** to this Tenth Report.
- 3.2 As described in the Eighth Report:

- (a) Competing Bidders were required to submit Qualified Bids to Lazard Frères & Co. LLC (“**Lazard**”) by the Qualified Bid Deadline (being April 23, 2015), or such later date or time as may have been determined by the Applicants, on the consent of the Monitor, and in consultation with Lazard and the DIP Lender. There was no extension to the Qualified Bid Deadline;

- (b) Lazard notified all Competing Bidders by email on April 21, 2015 that the timing of the Auction(s) had been rescheduled to May 5, 6 and 7, 2015 at the Toronto offices of Osler, Hoskin & Harcourt LLP, with further details to be provided on or about April 28, 2015; and
- (c) a significant number of bids were submitted by the Qualified Bid Deadline across the real property portfolio (including the bids received from the Landlord Entities and Cadillac Fairview which are discussed below).

4.0 PROPOSED TRANSACTIONS

Surrender of Five Leases

4.1 As described in the Eighth Wong Affidavit, CF/Realty Holdings Inc., Ontrea Inc., Market Mall Leaseholds Inc., Les Promenades St-Bruno Leaseholds Inc., Les Galeries d'Anjou Leaseholds Inc., and Chinook (2014) Inc. (collectively, the "**Landlord Entities**"), each of which is affiliated with Cadillac Fairview, submitted a Qualified Bid in respect of five of TCC's leases for the following properties (collectively, the "**Five Leases**"):

1. Les Galeries d'Anjou, Montreal, Quebec;
2. Masonville Place, London, Ontario;
3. Les Promenades St-Bruno, Saint-Bruno-de-Montarville, Quebec;
4. Market Mall, Calgary, Alberta; and
5. Chinook Centre, Calgary, Alberta.

4.2 Each of the Five Leases is guaranteed by Target Corporation.

4.3 The Landlord Entities' aggregate Qualified Bid amount for the Five Leases was approximately \$25.6 million, less a "Lease Termination Fee" of \$2,572,951 (representing compensation for lost

rents for the Five Leases for the period June 1, 2015 to October 31, 2015) for net cash consideration of approximately \$23 million, subject to certain pre-closing adjustments, in exchange for TCC's surrender of all of TCC's right, title and interest in and to each of the Five Leases, the related Real Property Interests and the Premises, on the terms and conditions included in the Landlord Entities' proposed form of lease surrender agreement.

Sale of Polo Park

- 4.4 Also as described in the Eighth Wong Affidavit, Cadillac Fairview submitted a Qualified Bid for one of TCC's three owned stores - the Polo Park mall location, Winnipeg, Manitoba ("**Polo Park**") in the amount of \$12 million, subject to certain adjustments, to acquire from TCC all of TCC's rights, title and interest in and to the Subject Assets on the terms and conditions included in Cadillac Fairview's proposed form of agreement of purchase and sale.

Enhancements to the Qualified Bids for the Five Leases and Polo Park

- 4.5 Following the Qualified Bid Deadline, Lazard and TCC, in consultation with the Monitor, concluded, after assessing the consideration offered and other features included in the Qualified Bids for the Five Leases and Polo Park, that there was merit to further discussions with the Landlord Entities and Cadillac Fairview.
- 4.6 On April 30, 2015, following further discussions and negotiations, the Landlord Entities increased their offer for the Five Leases by approximately \$3.6 million from \$25.6 million to approximately \$29.2 million (to be reduced by the Lease Termination Fee), subject to an agreement being concluded before the commencement of the auction and the leases being withdrawn from the auction process. Similarly, on May 1, 2015, following further discussions and negotiations, Cadillac Fairview increased its offer to purchase Polo Park by approximately \$6.5 million to approximately \$18.5 million, also subject to an agreement being concluded before

the commencement of the auction and the property being withdrawn from the auction process. As part of its consideration for the Polo Park property, Cadillac Fairview agreed to deliver on Closing a full release of approximately \$2.2 million of secured claims that have been asserted for a construction lien asserted by affiliates of Cadillac Fairview against the property.

4.7 TCC subsequently entered into the Lease Surrender Agreement and the Purchase and Sale Agreement described below. The Monitor was involved throughout in the discussions and negotiations that culminated in the agreements.

5.0 LEASE SURRENDER AGREEMENT

5.1 On May 4, 2015, TCC and the Landlord Entities entered into a lease surrender agreement in respect of the Five Leases (the “**Lease Surrender Agreement**”), a copy of which is attached as Exhibit “B” to the Eighth Wong Affidavit.

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

Target Canada Co. (the “Tenant”) Summary of Lease Surrender Agreement	
Object and Intent	<ul style="list-style-type: none"> In connection with the Real Property Portfolio Sales Process, the Landlord Entities offer to accept a surrender from the Tenant of all of the Tenant’s right, title and interest in and to each of the Five Leases, the related Real Property Interests and the Premises.
Surrender Consideration	<ul style="list-style-type: none"> The aggregate consideration (“Consideration”) payable by the Landlord Entities to the Tenant for surrender of all of the Leases and related Real Property Interests, exclusive of Taxes, will be \$29,172,000.
Lease Termination Compensation Payment	<ul style="list-style-type: none"> Tenant will pay by way of an adjustment in favour of the Landlord Entities on Closing, \$2,572,951 as allocated to the Surrendered Leases, as compensation for loss of rent under the Surrendered Leases for the period from June 1, 2015 to October 31, 2015. Accordingly, the net cash consideration will be \$26,599,049.
Deposit	<ul style="list-style-type: none"> Within two business days following the date that Tenant accepts the Offer, 10% of the Surrender Consideration for each Surrendered Lease as set forth on Schedule “D” (the

Target Canada Co. (the “Tenant”) Summary of Lease Surrender Agreement	
	<p>“Deposit”) of the Lease Surrender Agreement is to be paid to the Monitor, in trust. Following receipt, the Deposit will be invested by the Monitor, in trust, in an interest bearing account or term deposit or guaranteed investment certificate. The Deposit amount has been paid to the Monitor, in trust.</p>
Adjustments	<ul style="list-style-type: none"> • Concurrently with the execution of the Agreement, the parties reconciled and finalized all additional rent matters (including realty taxes) with respect to each of the Leases. Therefore, there will be no post-closing adjustments on account thereof.
Outside Date and Closing Date	<ul style="list-style-type: none"> • The Lease Surrender Agreement adopts the Outside Date defined in the Sales Procedures approved by this Court, being June 30, 2015 (the “Outside Date”), and provides that the Lease Surrender Agreement may be terminated by the Tenant or Cadillac Fairview on behalf of the Landlord Entities if Closing has not occurred on or prior to the Outside Date. • Subject to the Sale Procedures and issuance of the Approval and Vesting Order, the completion of the Transaction (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the later of: (i) June 1, 2015; or (ii) the date that is three business days following the issuance of the Approval and Vesting Order, or at such other place, on such other date and at such other time as may be agreed upon in writing by the Parties (the “Closing Date”), provided that in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at the Surrendered Premises. The Closing will be deemed to be effective as of the date and time set out in the Monitor’s Certificate.
Property Claims and Guarantees	<ul style="list-style-type: none"> • On Closing, the Landlord Entities will execute and deliver to the Tenant the Release of Property Claims in favour of the Tenant, Target Corporation, TCC Propco, Zellers Inc. and Hudson’s Bay Company, where “Property Claims” means any and all Claims which the Landlord Entities ever had, now have or hereafter can, shall or may have against the Tenant or Target Corporation in respect of the Surrendered Leases, the Surrendered Real Property Interests, the Surrendered Premises, the Properties of which any Surrendered Premises form a part or the Guarantees in respect of any Surrendered Leases. • The release of Property Claims also includes that the Landlord Entities shall not have any Claims in the CCAA Proceedings or in any subsequent bankruptcy proceeding under the <i>Bankruptcy and Insolvency Act</i> (Canada) in connection with the Claims.
Tenant Claims	<ul style="list-style-type: none"> • On Closing, the Tenant and Target Corporation shall execute a release in the form attached as Schedule “O” to the Lease Surrender Agreement in favour of the Releasees whereby the Tenant and Target Corporation will fully and unconditionally release and forever discharge each of the Releasees of and from any and all Claims which each of Tenant and Target Corporation ever had, now has or hereafter can, shall or may have against any of the Releasees, whether in respect of the period prior to or after Closing, in any way relating to or arising from the Surrendered Leases, the Surrendered Premises and the Properties of which any of the Surrendered Premises form a part. • “Releasees” means collectively, the Landlord Entities and each of their respective Affiliates, members, partners, directors, officers, employees, agents, shareholders, successors and permitted assigns.

5.3 In addition to the key terms of the Lease Surrender Agreement outlined above, the Approval and Vesting Order sought by the Applicants in connection with the Lease Surrender Agreement

contains a provision in paragraph 9 that, if granted, will extend certain protections afforded to the Landlord Entities under the Initial Order, including the co-tenancy stay in paragraph 18 of the Initial Order, for an additional finite period of time. This relief was requested by the Landlord Entities in order to provide protection and maintain the *status quo* while new tenants are sought. The Monitor views this requested relief as appropriate in the circumstances.

The Monitor Supports the Lease Surrender Agreement

5.4 In assessing whether to provide its support to the Applicants' entering into, and seeking the Court's approval of, the Lease Surrender Agreement, the Monitor considered the following:

- (a) the indication by the Landlord Entities that the enhanced consideration offered by them was conditional on an agreement being entered into before the commencement of the auction on May 5, 2015 and the Five Leases being withdrawn from the auction process;
- (b) Lazard's view that the consideration included in the Lease Surrender Agreement was unlikely to be exceeded in the auction process;
- (c) the speed and certainty of Closing (including the *en bloc* nature of the Transaction in that it comprised all of the leases where affiliates of Cadillac Fairview are the landlord) provided for in the Lease Surrender Agreement, including that there is no requirement to seek an assignment of the Leases on behalf of a new tenant or landlord consent of same;
- (d) there are no financing or other non-customary, material conditions to the Lease Surrender Agreement;

- (e) the Lease Surrender Agreement provides for a release of claims in favour of TCC, thereby eliminating certain claims that might otherwise be provable against the Target Canada Entities in a claims process, and reducing potential aggregate claims to the benefit of all other creditors;
- (f) the Lease Surrender Agreement also provides for a release in favour of Target Corporation under guarantees or indemnities provided to the Landlord Entities in respect of each of the Five Leases, or by third party predecessors, thereby eliminating certain potential subrogated claims that Target Corporation or third party predecessors might otherwise have against the Target Canada Entities in a claims process, and reducing potential aggregate claims to the benefit of all other creditors;
- (g) the intended flexibility of the Real Property Portfolio Sales Process, which provides the Applicants, in consultation with Lazard and the Monitor, with the ability to negotiate and enter into a transaction at any point in the sales process;
- (h) the process leading to the Lease Transaction Agreement and the consideration to be received in light of the requirements of section 36 of the CCAA, including, among other things:
 - (A) that the Monitor approves of the process resulting in the Lease Transaction Agreement and is of the view that the process was fair and reasonable in the circumstances; and
 - (B) that the Monitor does not believe in this case that a realization of the Five Leases under a bankruptcy would be more beneficial to the creditors of the Target Canada Entities; and

- (i) Lazard recommends and supports the approval of the Lease Surrender Agreement.

5.5 After taking into consideration the factors set out above, the Monitor supports and recommends that the Court approve the Lease Surrender Agreement.

6.0 AGREEMENT OF PURCHASE AND SALE

6.1 On May 4, 2015, TCC and Cadillac Fairview entered into the Polo Park APS in respect of the land and buildings located at 875 St. James St., Winnipeg, Manitoba, together with certain ancillary assets. A copy of the Polo Park APS is attached as Exhibit “C” to the Eighth Wong Affidavit.

6.2 The Polo Park APS is summarized in the table below. Terms capitalized in the table but not defined therein have the meaning ascribed to them in the Polo Park APS.

Target Canada Co. (the “Vendor”) Summary of Agreement of Purchase and Sale	
Object and Intent	<ul style="list-style-type: none"> • Subject to the Initial Order and the Sale Procedures, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase and assume from the Vendor, the Subject Assets on the Closing Date in accordance with the terms and conditions of the Agreement of Purchase and Sale (the “Agreement”). • “Subject Assets” means all of the right, title and interest of the Vendor, in and to: (a) the Property; (b) the Warranties; and (c) the fixtures listed in Schedule “G” to the Agreement, but excludes, the Vendor’s right, title and interest in and to each of the Excluded Assets and any and all other assets of the Vendor relating to the Property not included in the foregoing. • Except as expressly stated in the Agreement, the Purchaser is purchasing the Subject Assets (including the state of title thereto and/or the state of any Encumbrances and Permitted Encumbrances) and accepting and assuming the Subject Assets on an “as is, where is” basis, without any written or oral statements, representations, warranties, promises or guarantees of any nature or kind whatsoever, either legal or conventional, express or implied (by operation of law or otherwise), as to the condition of any of the Subject Assets, among numerous other things.
Purchase Price	<ul style="list-style-type: none"> • The purchase price for the Subject Assets is \$18,500,000 (the “Purchase Price”) exclusive of all Taxes, with \$2,209,712.40 of the Purchase Price to be satisfied by the Purchaser delivering to the Vendor on Closing a full release of the claim of Polo Park Holdings L.P. and the Lien

Target Canada Co. (the “Vendor”) Summary of Agreement of Purchase and Sale	
	Nominee (being 8239959 Ontario Inc.) against the Vendor in connection with site development work completed at the Property.
Deposit	<ul style="list-style-type: none"> On the business day following the Execution Date, \$1,850,000 (the “Deposit”) is to be paid by the Purchaser to Monitor, in trust, pending the completion or other termination of the Agreement. The Execution Date was May 4, 2015. The Deposit amount has been paid to the Monitor, in trust.
Adjustments	<ul style="list-style-type: none"> The Vendor will prepare a statement of adjustments and deliver same with supporting documentation to the Purchaser no later than five (5) business days prior to the Closing Date. If the amount of any adjustments required to be made pursuant to the Agreement cannot be reasonably determined as of the Closing Date, an estimate will be made by the Vendor as of the Closing Date based upon the best information available to the Parties at such time, each Party acting reasonably and such estimate will serve as the final determination. There will be no further adjustments or readjustments after Closing of any amounts adjusted or intended to be adjusted on the statement of adjustments pursuant to the Agreement and the amounts set out on the statement of adjustments will be final.
Closing Date	<ul style="list-style-type: none"> Subject to the Sale Procedures and issuance of the Approval and Vesting Order, the completion of the transaction of purchase and sale contemplated by the Agreement (the “Closing”) will take place at 10:00 a.m. (Toronto time) at the Toronto office of Osler, Hoskin & Harcourt LLP, on the later of: (i) June 1, 2015; or (ii) the first Monday which is not less than three (3) business days following the issuance of the Approval and Vesting Order or at such other place, on such other date and at such other time as may be agreed upon in writing by the parties (the “Closing Date”), provided that in no event shall the Closing Date take place prior to the completion of any sale of Inventory and/or FF&E at the Property. The Closing will be deemed to be effective as of the date and time set out in the Monitor’s Certificate.
Other Terms and Conditions	<ul style="list-style-type: none"> The Agreement is not conditional on the Closing of the Lease Surrender Agreement.

The Monitor Supports the Polo Park Agreement of Purchase and Sale

6.3 In assessing whether to provide its support to the Applicants’ entering into, and seeking the Court’s approval of, the Polo Park APS, the Monitor considered the following:

- (a) the indication by Cadillac Fairview that the enhanced consideration offered by them on May 1, 2015 was conditional on an agreement being entered into before the commencement of the auction on May 5, 2015 and the Polo Park property being withdrawn from the auction process;

- (b) Lazard's view that the purchase price included in the Polo Park APS is unlikely to be exceeded in the auction process;
- (c) there are no financing or other non-customary, material conditions to the Polo Park APS;
- (d) the speed and certainty of Closing;
- (e) the intended flexibility of the Real Property Portfolio Sales Process, which provides the Applicants, in consultation with Lazard and the Monitor, with the ability to negotiate and enter into a transaction at any point in the sales process;
- (f) the process leading to the Polo Park APS and the consideration to be received in light of the requirements of section 36 of the CCAA, including, among other things:
 - (A) that the Monitor approves of the process resulting in the Polo Park APS and is of the view that the process was fair and reasonable in the circumstances; and
 - (B) that the Monitor does not believe in this case that a realization of the property under a bankruptcy would be more beneficial to the creditors of the Target Canada Entities; and
- (g) Lazard recommends and supports the approval of the Polo Park APS.

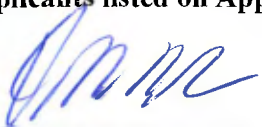
6.4 After taking into consideration the factors set out above, the Monitor supports and recommends that the Court approve the Polo Park APS.

7.0 MONITOR'S RECOMMENDATION


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

All of which is respectfully submitted to this Court this 7th day of May, 2015.

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

Per: 

Name: Douglas R. McIntosh
Title: President

Per: 

Name: Alan J. Hutchens
Title: Senior Vice President

APPENDIX “A”

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

APPENDIX "B"
(SEE ATTACHED)

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COMMERCIAL LIST**

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

APRIL 29, 2015

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- 1.2 On February 11, 2015, this Court issued the “**Amended and Restated Initial Order**” (hereinafter, unless the context otherwise requires, the “**Initial Order**”), which incorporates certain changes to the Order granted January 15, 2015 that are described in the Second Report of the Monitor (the “**Second Report**”) dated February 9, 2015.
- 1.3 In connection with the CCAA Proceedings, the Monitor has previously provided to this Court seven reports and one supplementary report (collectively, the “**Monitor’s Reports**”).¹ A&M has also provided to this Court the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) dated January 14, 2015 (together with the Monitor’s Reports, the “**Prior Reports**”). The Prior Reports, the Initial Order, and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/targetcanada.
- 1.4 On February 11, 2015, this Court issued an order (the “**Approval Order – Real Property**”

¹ The Eighth Report referenced in the Monitor’s notice of motion served on April 17, 2015 (which is in support of the Monitor’s motion for advice and directions returnable May 11, 2015) will be replaced by the Ninth Report of the Monitor to be served in advance of that motion.

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

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

1.6 As described in the Sixth and/or Seventh Reports:

- (a) since the commencement of the Real Property Portfolio Sales Process, the Monitor has supervised the process in accordance with its terms. From the date of the Court’s February 4, 2015 Endorsement through close of business on March 5, 2015 (the “**Phase 1 Bid Deadline**”), Lazard had been in contact with approximately 360 prospective interested parties and had distributed 275 teasers, and TCC had entered into 67 confidentiality agreements (each a “**CA**”) with potential buyers. Those parties that executed a CA were provided with access to the data room established for the Real Property Portfolio Sales Process, which includes the Confidential Information Memorandum;
- (b) the eleven leases/locations included in the Lease Transaction Agreement were withdrawn from the Real Property Portfolio Sales Process, which reduced the

number of leasehold stores (“**Stores**”) remaining in the process at that time to 126 (plus three owned Stores, three owned distribution centres (“**DCs**”), the leased headquarters, ten leased regional office suites and six leasehold/contracted warehouse facilities);

- (c) pursuant to the terms of the Real Property Portfolio Sales Process, Interested Bidders were required to deliver an LOI to Lazard not later than the Phase 1 Bid Deadline of March 5, 2015;
- (d) a significant amount of interest was received across the real property portfolio, with 51 LOIs submitted by the Phase 1 Bid Deadline, with the majority of bids including multiple locations; and
- (e) at the time of the Sixth Report, the Applicants, in consultation with Lazard and the Monitor, were in the process of assessing which Qualified LOI bidders would be invited by the Applicants to participate in Phase 2 of the Real Property Portfolio Sales Process (all of the parties that were subsequently determined to be Qualified LOI bidders were invited to participate in Phase 2 of the Real Property Portfolio Sales Process (each a “**Competing Bidder**”), as discussed below).

1.7 Phase 2 of the Real Property Portfolio Sales Process required that Competing Bidders that wished to submit:

- (a) Stalking Horse Bids - submit such bids by 5:00 p.m. (Toronto time) on March 26, 2015, or such later date or time as may be determined by the Applicants on the consent of the Monitor and in consultation with Lazard and the DIP Lender (the “**Stalking Horse Bid Deadline**”); and

- (b) Qualified Bids - submit such bids by 5:00 p.m. (Toronto time) on April 23, 2015 (the “**Qualified Bid Deadline**”).

- 1.8 On March 20, 2015, Lazard wrote to all Competing Bidders to invite them to submit a Qualified Bid by the Qualified Bid Deadline, and advising them that the Stalking Horse Bid Deadline had been extended by one week to April 6, 2015 (which extension was made by the Applicants on the consent of the Monitor and in consultation with Lazard and the DIP Lender).
- 1.9 Pursuant to paragraph 42 of the Real Property Portfolio Sales Process, the Monitor is to provide periodic updates to the Court on notice to the Service List with respect to the conduct and progress of the Real Property Portfolio Sales Process, including an update to be delivered to the Court at the conclusion of Phase 1, prior to the commencement of any Auction and at the conclusion of any Auction.
- 1.10 The purpose of this Eighth Report is to, prior to the commencement of any Auction and in accordance with paragraph 42 of the Real Property Portfolio Sales Process, provide the Court with an update on the Real Property Portfolio Sales Process with the Stalking Horse Bid Deadline of April 6, 2015 and the Qualified Bid Deadline of April 23, 2015 having now passed. The Monitor will provide a further report on the Real Property Portfolio Sales Process in due course following the completion of the Auction(s) as described herein.

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

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

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

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

3.0 UPDATE ON THE REAL PROPERTY PORTFOLIO SALES PROCESS

Stalking Horse Bid Deadline

3.1 Paragraph 20 of the Real Property Portfolio Sales Process required Competing Bidders to submit Stalking Horse Bids to Lazard by the Stalking Horse Bid Deadline of March 26, 2015 (or such later date or time as may have been determined by the Applicants, on the consent of the Monitor, and in consultation with Lazard and the DIP Lenders).

3.2 Varying degrees of interest were expressed by Competing Bidders with respect to the potential submission of Stalking Horse Bids, with the discussions and negotiations regarding such potential bids resulting in one Stalking Horse Bid advancing to a definitive agreement (a “**Selected Stalking Horse Bid**”).

3.3 The Selected Stalking Horse Bid was negotiated and settled with the Selected Stalking Horse Bidder with respect to TCC's DC located in Milton, Ontario (the "**Milton DC**") in accordance with the parameters set out in the Real Property Portfolio Sales Process, including the bid protections set out in paragraph 25 therein (i.e. a break fee not to exceed 3.0% of the negotiated purchase price and an expense reimbursement to a maximum amount of \$150,000²). The Agreement of Purchase and Sale as between TCC and the Selected Stalking Horse Bidder, dated April 17, 2015 (the "**Stalking Horse Agreement**"), was posted to the data room for the Real Property Portfolio Sales Process on that same date, and those Competing Bidders that had previously been provided with access to the area of the data room specific to the Milton DC were notified of the Selected Stalking Horse Bid. The Stalking Horse Agreement included the provision that the initial bid increment for the Milton DC at the auction will be \$1,500,000 plus the break fee and expense reimbursement.

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

Qualified Bid Deadline

3.5 Paragraph 27 of the Real Property Portfolio Sales Process required Competing Bidders to submit Qualified Bids to Lazard by the Qualified Bid Deadline (or such later date or time as may have been determined by the Applicants, on the consent of the Monitor, and in consultation with Lazard and the DIP Lender).

3.6 A significant number of bids were submitted by the Qualified Bid Deadline across the real property portfolio.

² Pursuant to paragraph 33(i) of the Real Property Portfolio Sales Process, any break fee or other fees due to a Selected Stalking Horse Bidder who is not a Successful Bidder or Backup Bidder shall be payable upon the consummation of a the Successful Bid or Backup Bid, as applicable, for the applicable Leases and/or Real Property.

3.7 Pursuant to paragraphs 30 and 31 of the Real Property Portfolio Sales Process, the Applicants, in consultation with Lazard and the Monitor are working to determine: (i) if any bids received by the Qualified Bid Deadline do not satisfy all of the requirements of Qualified Bids; (ii) which leases and real properties will proceed to Auction(s) (as defined below) and which may proceed to a definitive agreement outside of the auction process; (iii) which Qualified Bid(s) will be the Baseline Bids at the Auction(s); and (iv) based on the Qualified Bids received and the determination in clauses (ii) and (iii) above, the procedures for the conduct of the Auction(s). In addition, during the period prior to and leading up to the Auction(s), the Applicants, Lazard, and the Monitor have had and anticipate further discussions, negotiations and clarifications with those that submitted bids by the Qualified Bid Deadline.

Auction Process

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

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

3.10 At the Auction, those parties invited to participate will be assigned their own designated conference rooms. Each bidding party must designate, at the outset of the Auction, a single person as its speaker for purposes of bidding or other statements made on the record, as discussed below.

3.11 As contemplated by the Real Property Portfolio Sales Process, the Applicants, in consultation with the Financial Advisor and the Monitor, will conduct one or more auctions, which may be for a property or a group of properties. At the outset of each such Auction, the Applicants and their advisors will announce: (a) the Qualified Bid selected by the Applicants, in their reasonable business judgment and on the consent of the Monitor, as the most favourable Qualified Bid to serve as the Baseline Bid in respect of that Auction; and (b) any specific procedures for the conduct of that Auction, including, among other things, any overbid amounts.

3.12 In general terms and as set out in the Real Property Portfolio Sales Process³:

- (a) all bidding will be on the record;
- (b) to make a bid at the Auction, a Qualified Bidder will indicate on the record any proposed changes to its Qualified Bid (whether as to price or any contractual terms), and such proffered changes must constitute such bidder's modified and re-submitted Qualified Bid. Document changes to reflect such modifications must be submitted as quickly as possible;
- (c) subsequent bids after the Baseline Bid must be higher or better (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and the Monitor) by at least the amount of any applicable overbids;
- (d) the Auction for a property or group of properties shall continue until there are no further higher or better Qualified Bids (as determined by the Applicants, in their reasonable business judgment and in consultation with the Financial Advisor and

³ Please refer to the Real Property Portfolio Sales Process for the full process provisions.

the Monitor) that comply with the procedures set forth for the Auction, and such highest and best Qualified Bid becomes the Successful Bid; and

- (e) in accepting a Successful Bid, the Applicants shall also designate any Back-Up Bids.

3.13 The Auction dates for the Stores have been set as May 5 and 6, 2015, and as May 7, 2015 for the DCs, at Osler's offices in Toronto.

Other Real Property Updates

3.14 All 133 Stores are now closed, with the final group of Stores being closed to the public on April 12, 2015. TCC, the Agent and the Monitor have been working to conclude the remaining sales of furniture, fixtures and equipment ("**FF&E**") in preparation for vacating the Stores. Further, TCC and the Monitor, and their respective legal counsel, continue to work with the landlords to attempt to consensually resolve any remaining issues related to the sale and removal of FF&E. The first of the Stores subject to disclaimers or termination agreements are expected to be released back to landlords beginning on April 30, 2015 following the removal of FF&E.

3.15 During the period between the Phase 1 Bid Deadline and the Qualified Bid Deadline, the Target Canada Entities, with the consent of the Monitor, delivered 33 notices of disclaimer or resiliation pursuant to section 32 of the CCAA with respect to the leases for 14 Stores and 19 office and/or warehouse facilities. The leases for these locations were withdrawn from the Real Property Portfolio Sales Process. Following the Qualified Bid Deadline and as at the date of this Report, the Target Canada Entities, with the consent of the Monitor, delivered 40 notices of disclaimer or resiliation pursuant to section 32 of the CCAA with respect to the leases for a further 40 Stores.

- 3.16 On April 15, 2015, in accordance with the terms of the Lease Transaction Agreement with Oxford Properties Corporation, Ivanhoe Cambridge Inc. and certain other landlord entities (as described and defined in the Third and Sixth Reports of the Monitor), TCC delivered an Early Vacate Notice to the applicable landlord entities pursuant to which the term of each of the 10 Short Term Leases (as defined in the Lease Transaction Agreement) will expire and be terminated as of April 30, 2015.
- 3.17 Pursuant to a Termination, Disclaimer, Surrender and Release Agreement (the “**Termination Agreement**”) as between TCC and One York Street Inc. (“**One York**”), dated as of March 26, 2015, the “**One York Premises**” (a Target store that was to be located on the site of a large residential and commercial project that is under construction) was withdrawn from the Real Property Portfolio Sales Process in exchange for a mutual release of all manner of actions, causes of action, suits, claims and demands for damages, etc. relating to the One York Premises, the One York Premises project and all related contracts. The One York Premises had been included in the Real Property Portfolio Sales Process, subject to a reservation of rights by One York, as set out in paragraph 3 of the Approval Order – Real Property Portfolio Sales Process and Stay Extension granted by this Court on February 11, 2015. The Monitor and its legal counsel were extensively involved in the discussions and negotiations amongst the parties with respect to the One York Premises and the Monitor provided its consent to the Termination Agreement.
- 3.18 Pursuant to the Sale, Disclaimer and Release Agreement (the “**Release Agreement**”) as between TCC and HOOPP Realty Inc. (“**HOOPP**”), made as of April 1, 2015, three leases with respect to TCC’s former head office and two other ancillary office locations were disclaimed with effect as of April 30, 2015 (in the case of the head office lease) and May 31, 2015 (in the case of the two

other locations),⁴ and the three leases were withdrawn from the Real Property Portfolio Sales Process. As part of the Release Agreement, TCC sold certain FF&E assets located at the head office to HOOPP for \$714,676, which amount was satisfied through set off of amounts owed by TCC for rent for April (in the case of the head office), and April and May (in the case of the two other locations).⁵ The Release Agreement provides for a release in favour of the Target Canada Entities and their respective subsidiaries, affiliated and related companies and each of their respective directors, officers, shareholders, employees, servants, agents, administrators, trustees, successors and assigns from and against all claims, demands, actions etc. that HOOPP has, had or may have against any of the releasees solely in any way arising out of or relating to the occupancy of the premises subject to the Release Agreement for the period between January 15, 2015 up to and including the applicable vacancy date, including in respect of Rent and accelerated rent or penalties but excluding certain repair costs. The Monitor and its legal counsel were extensively involved in the discussions and negotiations amongst the parties with respect to these locations and the Monitor provided its consent to the related notices to disclaim.


- 3.19 In the Monitor's view, the Real Property Portfolio Sales Process continues to be conducted in a fair and reasonable manner, and in accordance with its terms. The Monitor will provide a further update to the Service List and the Court following the Auction(s).

⁴ With the option, exercisable by TCC until 5:00 p.m. on May 15, 2015, to elect to remain in such premises until June 30, 2015, provided rent must be paid for that month, in which case, the effective date for the disclaimer will be deemed to be June 30, 2015.


⁵ HOOPP acknowledged in the Release Agreement that there were no arrears of Rent owing under the applicable leases for the period up to and including January 15, 2015.

All of which is respectfully submitted to this Court this 29th day of April, 2015.

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

Per: 

Name: Douglas R. McIntosh
Title: President

Per: 

Name: Alan J. Hutchens
Title: Senior Vice President

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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"

SCHEDULE "B"

REAL PROPERTY PORTFOLIO SALE PROCESS

Introduction

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

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

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

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

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

Defined Terms

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

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

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

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

Supervision of the Real Property Portfolio Sales Process

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

“As Is, Where Is”

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

Solicitation of Interest

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

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

Participation Requirements

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

REAL PROPERTY PORTFOLIO SALES PROCESS – PHASE 1

Phase 1 Initial Timing

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

Due Diligence

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

Non-Binding Letters of Intent from Interested Bidders

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

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

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

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

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

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

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

PHASE 2

Due Diligence

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

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

Stalking Horse Bids from Competing Bidders

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

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

Qualified Bids

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

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

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

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

Auction Process

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

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

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

Approval Motion for Definitive Agreements

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

OTHER TERMS

Approvals

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

Amendment

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

DIP Lender Communications

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

Monitor Updates

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

Reservation of Rights

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

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

Landlord Communications

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

Outside Date

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

SCHEDULE "A"

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Property LLC

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

SCHEDULE "B"

To the Company:

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

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

With a copy to:

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

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

To the Monitor:

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

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

With a copy to:

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

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

To the Financial Advisor:

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

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

To the Broker:

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

Attn: Tim Sanderson
Email: tim@nwaretail.com

To the DIP Lender:

Target Corporation
1000 Nicollet Mall
Minneapolis, MN 55403

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

With a copy to:

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

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

SCHEDULE "C"

Leases

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

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

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

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

SCHEDULE "D"

Real Property

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

EIGHTH REPORT OF THE MONITOR

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**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

TENTH REPORT OF THE MONITOR

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