

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

**SEPTEMBER 20, 2016**

## TABLE OF CONTENTS

---

|            |   |           |
|------------|---|-----------|
| <b>1.0</b> | <b>INTRODUCTION.....</b>                                    | <b>1</b>  |
| <b>2.0</b> | <b>TERMS OF REFERENCE AND DISCLAIMER .....</b>              | <b>4</b>  |
| <b>3.0</b> | <b>UPDATED CASH BALANCES AND ESTIMATED RECOVERIES .....</b> | <b>5</b>  |
| <b>4.0</b> | <b>CLAIMS PROCESS .....</b>                                 | <b>8</b>  |
| <b>5.0</b> | <b>EXTENSION OF THE STAY PERIOD.....</b>                    | <b>16</b> |

## **INDEX TO APPENDICES**

Appendix A – List of the Applicants and Partnerships

Appendix B – Monitor’s Twenty-Ninth Report

## 1.0 INTRODUCTION

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

1.4 As described in the Twenty-Ninth Report of the Monitor (the “**Twenty-Ninth Report**”), attached hereto as Appendix B (without appendices):

- (a) on June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that the Second Amended and Restated Joint Plan of Compromise and Arrangement (the “**Second Amended Plan**” or the “**Plan**”) was sanctioned and approved pursuant to Section 6 of the CCAA. A copy of the Second Amended Plan is available on the Monitor’s website;
- (b) on June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List;
- (c) in accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”; (ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor

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

- (d) on June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Equalization Cash Pool Account (collectively, the “**Initial Distributions**”). Initial distributions to Affected Creditors represented interim distributions of approximately 55.3% of such Affected Creditors’ Proven Claims. All distributions were made in Canadian Dollars.

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

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

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

- 2.1 In preparing this Thirty-First Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Target Canada Entities and Target Corporation, and discussions with management of the Target Canada Entities and Target Corporation (collectively, the **“Information”**).
- 2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (**“CASs”**) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
- 2.3 Unless otherwise indicated, capitalized terms not otherwise defined in this Thirty-First Report are as defined in the Prior Reports, the Second Amended Plan and the Initial Order.
- 2.4 Unless otherwise stated, all monetary amounts contained in this Thirty-First Report are expressed in Canadian dollars.

### 3.0 UPDATED CASH BALANCES AND ESTIMATED RECOVERIES

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

| (\$ in 000's CAD)  | Balance on<br>PID | Initial<br>Distribution | Receipts/<br>Subsequent Initial Distributions/<br>Administrative Disbursements | Balance<br>September 15,<br>2016 |
|--|-------------------|-------------------------|--|----------------------------------|
| <b>Target Canada Co.</b>                                       |                   |                         |  |                                  |
| TCC Cash Pool Account  | 441,220           | (441,039)               | 700  | 881                              |
| TCC Disputed Claims Reserve Account                            | 197,907           | -                       | (828)  | 197,079                          |
| Administrative Reserve Account                                 | 12,900            | (177)                   | (1,869)  | 10,854                           |
| Landlord Guarantee Creditor Base Claim Cash Pool Account       | 140,745           | (140,745)               | -  | -                                |
| Landlord Guarantee Enhancement Cash Pool Account               | 59,532            | (59,532)                | -  | -                                |
| Landlord Non-Guarantee Creditor Equalization Cash Pool Account | 7,521             | (7,521)                 | -  | -                                |
| <b>Target Canada Co. Balance</b>                               | <b>859,825</b>    | <b>(649,013)</b>        | <b>(1,996)</b>   | <b>208,815</b>                   |
| <b>Target Canada Property LLC</b>                              |                   |                         |  |                                  |
| PropCo Cash Pool Account                                       | 10,548            | (10,533)                | -  | 15                               |
| Propco Disputed Claims Reserve Account                         | 8,895             | -                       | -  | 8,895                            |
| Plan Sponsor Recovery Limit Reserve Account                    | 23,427            | (12,966)                | -  | 10,461                           |
| <b>Target Canada Property LLC Balance</b>                      | <b>42,870</b>     | <b>(23,499)</b>         | <b>-</b>   | <b>19,371</b>                    |
| <b>TOTAL</b>   | <b>902,695</b>    | <b>(672,512)</b>        | <b>(1,996)</b>   | <b>228,186</b>                   |

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

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



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

3.3 The Monitor has prepared an updated illustrative range of estimated recoveries under the Seconded Amended Plan which is summarized in the table below and is based on information available as at September 15, 2016 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the status of Claims filed in the Claims Process. The Monitor cautions that the Illustrative Recoveries Analysis may change (which change could be material) as: (a) Unresolved Claims continue to be reviewed and assessed, including “marker claims” that have been filed for unliquidated or unknown amounts; and (b) the Claims Process continues to advance, including the resolution of Disputed Claims, in accordance with the Claims Procedure Order.

|  | Illustrative Scenario #1 -<br>LOW | Illustrative Scenario #2 -<br>HIGH |
|--|-----------------------------------|------------------------------------|
| <b>(\$ in 000's CAD)</b>   |                                   |                                    |
| <b>PROPCO</b>  |                                   |                                    |
| <b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>   |                                   |                                    |
| Propco Cash  | \$ 76,950                         | \$ 76,950                          |
| <b>PROCEEDS AVAILABLE FOR DISTRIBUTION</b>   | <u>76,950</u>                     | <u>76,950</u>                      |
| <b>CLAIMS FILED AGAINST PROPCO/PROPERTY LP</b>   |                                   |                                    |
| Total Third Party Claims Against Propco and Property LP  | 13,112                            | 13,112                             |
| PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount)   | 34,081                            | 34,081                             |
| Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit  | 18,049                            | 19,174                             |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS</b>  | <u>11,708</u>                     | <u>10,583</u>                      |
| <b>TARGET CANADA CO</b>  |                                   |                                    |
| <b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>   |                                   |                                    |
| Target Canada Co. Cash   | 780,000                           | 785,000                            |
| Propco Cash (from above)   | 11,708                            | 10,583                             |
| <b>ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION</b>   | <u>791,708</u>                    | <u>795,583</u>                     |
| <b>ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS</b>   |                                   |                                    |
| Secured Claims and Unaffected Creditor Claims  | 59,700                            | 59,700                             |
| Convenience Class Claims - < \$25,000  | 5,885                             | 5,885                              |
| Convenience Class Opt-In - Claim Value < \$35,000  | 1,550                             | 1,550                              |
| <b>TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS</b>   | <u>67,135</u>                     | <u>67,135</u>                      |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS</b>                              | <u>724,573</u>                    | <u>728,448</u>                     |
| <b>LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS</b>  |                                   |                                    |
| Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring)  | 140,745                           | 140,745                            |
| Landlord Guarantee Enhancement Amounts   | 59,532                            | 59,532                             |
| Total Distribution to Landlord Guarantee Creditors   | 200,276                           | 200,276                            |
| Less:  |                                   |                                    |
| Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool  | (25,451)                          | (25,451)                           |
| Plan Sponsor Contribution from the PropCo Intercompany Claims (from above)   | (34,081)                          | (34,081)                           |
| <b>NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS</b>   | <u>140,745</u>                    | <u>140,745</u>                     |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b> | <u>(A) 583,829</u>                | <u>587,704</u>                     |
| <b>ESTIMATED ALLOWABLE CLAIMS</b>  |                                   |                                    |
| Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other)  | 191,974                           | 191,974                            |
| Other Affected Creditor Claims   | 457,353                           | 417,635                            |
| Total Affected Creditor Claims   | 649,327                           | 609,610                            |
| Total Intercompany Claims  | 108,464                           | 108,464                            |
| <b>ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>              | <u>(B) 757,790</u>                | <u>718,073</u>                     |
| <b>RECOVERY % (A/B)</b>  | <b>77.0%</b>                      | <b>81.8%</b>                       |

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

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

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

#### **4.0 CLAIMS PROCESS**

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

##### Status of Claims Review and Assessment

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

- (a) 1,703 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and

(b) 48 Claims are subject to a Notice of Dispute (“NOD”) received by the Monitor from the Claimant in response to an NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “NOD Stage”), including 27 Pharmacist Franchisee Claims (collectively, the “Unresolved Claims”).

4.3 As at September 15, 2016, a summary of the Resolved Claims and Unresolved Claims is as follows:

**RESOLVED CLAIMS**

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

**UNRESOLVED CLAIMS**

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

Notes:

- (a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.
- (b) Allowed amounts do not take into account reduced amounts for claimants who have elected into the Convenience Class.
- (c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

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

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

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

#### Unresolved Claims

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

(a) Government Claims: Information with respect to Government Claims was provided in certain Prior Reports, including the Twenty-Sixth and Twenty-Seventh Reports. On June 27, 2016, the Department of Justice Canada on behalf

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

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

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

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

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

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

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

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

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

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

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



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

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

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

Director & Officer Claims

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

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

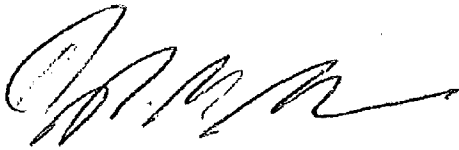
5.1 Pursuant to the Sanction and Vesting Order, the Stay Period is set to expire on September 23, 2016.

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

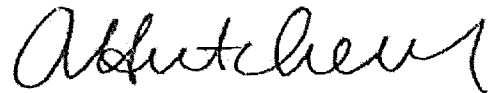
- (a) the extension will provide the Monitor and the Applicants with the time required to: (i) continue to advance the Claims Process in accordance with the Claims Procedure Order; (ii) make the Second Distribution; and (iii) as unresolved claims are resolved, facilitate a further distribution(s) to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

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

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



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



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

**APPENDIX A**  
**LIST OF THE APPLICANTS AND PARTNERSHIPS**

**Applicants**

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

**Partnerships**

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

**APPENDIX B**  
**MONITOR'S TWENTY-NINTH REPORT**

**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**

**TWENTY-NINTH REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**JULY 7, 2016**

## TABLE OF CONTENTS

---

|            |   |           |
|------------|---|-----------|
| <b>1.0</b> | <b>INTRODUCTION.....</b>                                    | <b>1</b>  |
| <b>2.0</b> | <b>TERMS OF REFERENCE AND DISCLAIMER .....</b>              | <b>2</b>  |
| <b>3.0</b> | <b>PLAN IMPLEMENTATION DATE .....</b>                       | <b>3</b>  |
| <b>4.0</b> | <b>ESTABLISHMENT OF CASH POOL AND RESERVE ACCOUNTS.....</b> | <b>6</b>  |
| <b>5.0</b> | <b>INITIAL DISTRIBUTIONS TO CREDITORS .....</b>             | <b>7</b>  |
| <b>6.0</b> | <b>CLAIMS PROCESS .....</b>                                 | <b>10</b> |
| <b>7.0</b> | <b>CLOSING OF THE PHARMACY SHARE SALE AGREEMENT .....</b>   | <b>16</b> |



**INDEX TO APPENDICES**

**Appendix A – List of the Applicants and Partnerships**

## 1.0 INTRODUCTION

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

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

- (i) the Plan Implementation Date for the Second Amended and Restated Joint Plan of Compromise and Arrangement (the “**Second Amended Plan**” or the “**Plan**”);
- (ii) the establishment of the “cash pool” and “reserve” accounts in accordance with the Second Amended Plan;
- (iii) distributions to Creditors;
- (iv) the Claims Process; and
- (v) the closing of the pharmacy Share Sale Agreement.

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

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

2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and,

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

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

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

### **3.0 PLAN IMPLEMENTATION DATE**

#### Background

3.1 The Monitor provided an overview of the Second Amended Plan in the Monitor's Twenty-Seventh Report. A copy of the Second Amended Plan was included in the Meeting Materials sent on April 19, 2016, in accordance with the Meeting Order, to each Affected Creditor at the address set out in such Affected Creditors' Proof of Claim or to such other address subsequently provided to the Monitor by the Affected Creditor (or a transferee in respect of such claim). A copy of the Second Amended Plan is also available on the Monitor's website.

3.2 On May 12, 2016, the Target Canada Entities, with the consent of the Monitor and the Plan Sponsor, made certain minor Plan Modifications that were of a technical and administrative nature. The Plan Modifications were described in the Monitor's Twenty-Eighth Report.

- 3.3 As provided in the Meeting Order, Creditors voted on a resolution to approve the Second Amended Plan at the Creditors' Meeting held on May 25, 2016 at the Toronto Board of Trade. The results of the voting at the Creditors' Meeting were summarized in the Monitor's Twenty-Eighth Report. The vote in favour of the Second Amended Plan was unanimous (there were no votes against the Second Amended Plan), with 1,246 Affected Creditors representing approximately \$554 million of Claims voting (or deemed to have voted pursuant to the Meeting Order) in favour of the Second Amended Plan. Accordingly, the Required Majority was achieved.
- 3.4 On June 2, 2016, the Court granted the Sanction and Vesting Order, which among other things, ordered and/or declared that:
- (i) the Plan has been approved by the Required Majority of Affected Creditors with Proven Claims as required by the Meeting Order, and in conformity with the CCAA;
  - (ii) the Target Canada Entities have complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects;
  - (iii) the Court is satisfied that the Target Canada Entities have not done or purported to do anything that is not authorized by the CCAA;
  - (iv) the Target Canada Entities have acted in good faith and with due diligence, and the Plan and Plan Transaction Steps contemplated therein are fair and reasonable;
  - (v) the Plan is sanctioned and approved pursuant to Section 6 of the CCAA;

- (vi) each of the Target Canada Entities, their respective directors and officers, and the Monitor is authorized and directed to take all steps and actions (including, without limitation, the Plan Transaction Steps), and to do all things necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, disbursements, payments, deliveries, allocations, instruments and agreements contemplated pursuant to the Plan, and such steps and actions are authorized, ratified and approved; and
  
- (vii) upon delivery to the Monitor of written notice from the Target Canada Entities and the Plan Sponsor of the fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in section 8.3 of the Plan, the Monitor shall deliver to the Target Canada Entities a certificate signed by the Monitor confirming that all of the conditions precedent set out in section 8.3 of the Plan have been satisfied or waived, as applicable, in accordance with the terms of the Plan and that the Plan Implementation Date has occurred and the Plan is effective in accordance with its terms and the terms of this Order (the “**Monitor’s Plan Implementation Date Certificate**”). The Monitor was directed to file the Monitor’s Plan Implementation Date Certificate with the Court as soon as reasonably practicable on or forthwith following the Plan Implementation Date after delivery thereof and shall post a copy of same, once filed, on the Website and provide a copy to the Service List.

Plan Implementation Date

3.5 On June 28, 2016 (the “**Plan Implementation Date**”), the Monitor received written notice from the Target Canada Entities and the Plan Sponsor that the conditions precedent to implementation of the Second Amended Plan as set out in section 8.3 thereof had been fulfilled or waived. As such, in accordance with the Second Amended Plan and the Sanction and Vesting Order, the Monitor: (i) delivered the Monitor’s Plan Implementation Date Certificate to the Target Canada Entities; (ii) filed the Monitor’s Plan Implementation Date Certificate with the Court; and (iii) posted a copy of same to the Monitor’s website. The Monitor also provided a copy to the Service List.

**4.0 ESTABLISHMENT OF CASH POOL AND RESERVE ACCOUNTS**

4.1 As described in the Monitor’s Twenty-Eighth Report, as at May 21, 2016, the Target Canada Entities closing cash balance was approximately \$795.7 million, which excluded approximately \$77.0 million held by PropCo. Cash receipts and disbursements from May 21, 2016 to the Plan Implementation Date are summarized below:

| <b>BANK ACTIVITY PRIOR TO PID FUNDING</b>          |                   |
|--|-------------------|
| (\$ in 000's CAD)                                  |                   |
| Beginning Bank Cash Balance (5/21/2016)            | <b>\$ 795,680</b> |
| Receipts   | 1,114             |
| Professional Fees                                  | (3,230)           |
| All Other  | (794)             |
| Ending Bank Cash Balance as at PID (6/28/2016) [1] | <b>\$ 792,769</b> |

[1] Ending Cash Balance does not include cash received from Target Corp. to fund Landlord Cash Pools.

4.2 In accordance with the Second Amended Plan and the Sanction and Vesting Order, on the Plan Implementation Date: (i) TCC and PropCo funded, in trust, approximately \$793 million and \$77.0 million, respectively, into several “cash pool” and “reserve accounts”;

(ii) Target Corporation, as Plan Sponsor, funded, in trust, approximately \$25.5 million into the Landlord Guarantee Enhancement Cash Pool Account and \$7.5 million into the Landlord Non-Guarantee Creditor Equalization Cash Pool Account; and (iii) \$34.1 million was transferred from PropCo to the Landlord Guarantee Enhancement Cash Pool. Following such transfers, the cash positions of the various accounts as at the Plan Implementation Date and after the initial distributions to Creditors are summarized below:

| (\$ in 000's CAD)  | Balance on<br>PID | Initial<br>Distributions | Balance After<br>Initial Distributions |
|--|-------------------|--------------------------|--|
| <b>Target Canada Co.</b>                                       |                   |                          |  |
| TCC Cash Pool Account  | 441,220           | (441,039)                | 181                                    |
| TCC Disputed Claims Reserve Account                            | 197,907           | -                        | 197,907                                |
| Administrative Reserve Account                                 | 12,900            | (177)                    | 12,723                                 |
| Landlord Guarantee Creditor Base Claim Cash Pool Account       | 140,745           | (140,745)                | -                                      |
| Landlord Guarantee Enhancement Cash Pool Account               | 59,532            | (59,532)                 | -                                      |
| Landlord Non-Guarantee Creditor Equalization Cash Pool Account | 7,521             | (7,521)                  | -                                      |
| <b>Target Canada Co. Balance</b>                               | <b>859,825</b>    | <b>(649,013)</b>         | <b>210,811</b>                         |
| <b>Target Canada Property LLC</b>                              |                   |                          |  |
| PropCo Cash Pool Account                                       | 10,548            | (10,533)                 | 15                                     |
| Propco Disputed Claims Reserve Account                         | 8,895             | -                        | 8,895                                  |
| Plan Sponsor Recovery Limit Reserve Account                    | 23,427            | (12,966)                 | 10,462                                 |
| <b>Target Canada Property LLC Balance</b>                      | <b>42,871</b>     | <b>(23,499)</b>          | <b>19,372</b>                          |
| <b>TOTAL</b>   | <b>902,695</b>    | <b>(672,512)</b>         | <b>230,183</b>                         |

## 5.0 INITIAL DISTRIBUTIONS TO CREDITORS

5.1 On June 29 and 30, 2016, TCC issued cheques and wire payments totalling approximately \$672.5 million to Unaffected Creditors, Affected Creditors with Proven Claims, and Landlord Entities entitled to distributions from the Landlord Guarantee Enhancement Cash Pool Account and the Landlord Non-Guarantee Equalization Cash Pool Account. Initial distributions to Affected Creditors with Proven Claims represent interim distributions of approximately 55.3% of such Affected Creditors' Proven Claims. All distributions have been made in Canadian Dollars.



5.2 The Monitor has prepared an updated illustrative range of estimated recoveries under the Seconded Amended Plan which is summarized in the table below and is based on information available as at June 28, 2016 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Second Amended Plan and the status of Claims filed in the Claims Process. The Monitor cautions that the Illustrative Recoveries Analysis may change (which change could be material) as: (a) Unresolved Claims continue to be reviewed and assessed, including “marker claims” that have been filed for unliquidated or unknown amounts; and (b) the Claims Process continues to advance, including the resolution of Disputed Claims, in accordance with the Claims Procedure Order.

|  | Illustrative Scenario #1 -<br>LOW | Illustrative Scenario #2 -<br>HIGH |
|--|-----------------------------------|------------------------------------|
| (\$ in 000's CAD)  |                                   |                                    |
| <b>PROPCO</b>  |                                   |                                    |
| <b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>   |                                   |                                    |
| Propco Cash  | \$ 76,950                         | \$ 76,950                          |
| <b>PROCEEDS AVAILABLE FOR DISTRIBUTION</b>   | <u>76,950</u>                     | <u>76,950</u>                      |
| <b>CLAIMS FILED AGAINST PROPCO/PROPERTY LP</b>   |                                   |                                    |
| Total Third Party Claims Against Propco and Property LP  | 13,112                            | 13,112                             |
| PropCo Intercompany Claims (recontributed into Landlord Guarantee Settlement Amount)   | 34,081                            | 34,081                             |
| Estimated Payments under Plan Sponsor Propco Recovery Reserve Limit  | 17,604                            | 19,054                             |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS</b>  | <u>12,153</u>                     | <u>10,703</u>                      |
| <b>TARGET CANADA CO</b>  |                                   |                                    |
| <b>ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>   |                                   |                                    |
| Target Canada Co. Cash   | 780,000                           | 785,000                            |
| Propco Cash (from above)   | 12,153                            | 10,703                             |
| <b>ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION</b>   | <u>792,153</u>                    | <u>795,703</u>                     |
| <b>ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS</b>   |                                   |                                    |
| Secured Claims and Unaffected Creditor Claims  | 59,700                            | 59,700                             |
| Convenience Class Claims - < \$25,000  | 5,885                             | 5,885                              |
| Convenience Class Opt-In - Claim Value < \$35,000  | 1,550                             | 1,550                              |
| <b>TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS</b>   | <u>67,135</u>                     | <u>67,135</u>                      |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS</b>                              | <u>725,018</u>                    | <u>728,568</u>                     |
| <b>LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS</b>  |                                   |                                    |
| Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring)  | 140,745                           | 140,745                            |
| Landlord Guarantee Enhancement Amounts   | 59,532                            | 59,532                             |
| Total Distribution to Landlord Guarantee Creditors   | 200,276                           | 200,276                            |
| Less:  |                                   |                                    |
| Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool  | (25,451)                          | (25,451)                           |
| Plan Sponsor Contribution from the PropCo Intercompany Claims (from above)   | (34,081)                          | (34,081)                           |
| <b>NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS</b>   | <u>140,745</u>                    | <u>140,745</u>                     |
| <b>ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b> | <u>(A) 584,274</u>                | <u>587,824</u>                     |
| <b>ESTIMATED ALLOWABLE CLAIMS</b>  |                                   |                                    |
| Landlord Non-Guarantee Creditor Claim Amounts (Pre-Filing, Restructuring and Other)  | 191,974                           | 191,974                            |
| Other Affected Creditor Claims   | 477,105                           | 422,291                            |
| Total Affected Creditor Claims   | 669,079                           | 614,265                            |
| Total Intercompany Claims  | 108,464                           | 108,464                            |
| <b>ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS</b>              | <u>(B) 777,543</u>                | <u>722,729</u>                     |
| <b>RECOVERY % (A/B)</b>  | <b>75.1%</b>                      | <b>81.3%</b>                       |

5.3 Based on the Illustrative Recoveries Analysis (and subject to the important qualifications noted in paragraph 5.2 above), the Monitor estimates that Affected Creditors with Proven Claims will ultimately receive aggregate distributions under the Second Amended Plan in the range of approximately 75% to 81% of such Affected Creditors' Proven Claims.

## 6.0 CLAIMS PROCESS

6.1 The Monitor has provided an update on the status of the Claims Process in a number of the Prior Reports, including most recently in the Monitor's Twenty-Seventh Report.

### Status of Claims Review and Assessment

6.2 As at June 28, 2016, 1,751 Claims have been filed with the Monitor, totalling approximately \$2.6 billion (excluding Intercompany Claims and withdrawn claims). As summarized in the tables below:

- (i) 1,641 Claims have been reviewed, reconciled, resolved and allowed (or deemed allowed or disallowed as the time for a Claimant to respond to a Notice of Revision or Disallowance (“**NRDA**”) issued by the Monitor has expired) (collectively, the “**Resolved Claims**”); and
- (ii) 110 Claims are either:
  - (a) under review by the Monitor – one Claim (which was filed after the Claims Bar Date and before the date of the Creditors’ Meeting); or
  - (b) subject to a Notice of Dispute (“**NOD**”) received by the Monitor from the Claimant in response to an NRDA issued by the Monitor, which NOD is under review by the Monitor or remains unresolved (the “**NOD Stage**”) – 109 Claims, including 80 Pharmacist Franchisee Claims;

(collectively, the “Unresolved Claims”).

6.3 As at June 28, 2016, a summary of the Resolved Claims and Unresolved Claims is as follows:

**RESOLVED CLAIMS**

| Category     | Filed Amount |                      | Allowed     |                      |                    | Deemed Disallowed |                  |               | Total        |                    |
|--------------|--------------|----------------------|-------------|----------------------|--------------------|-------------------|------------------|---------------|--------------|--------------------|
|              | #            | \$                   | #           | Filed<br>\$          | Allowed<br>\$      | #                 | Filed<br>\$      | Allowed<br>\$ | #            | \$                 |
| Landlord     | (a) 92       | 1,811,558,587        | 82          | 1,811,558,575        | 335,229,368        | 10                | 12               | -             | 92           | 335,229,368        |
| Vendor       | 1409         | 535,205,390          | 1384        | 531,431,392          | 436,694,426        | 25                | 3,773,997        | -             | 1,409        | 436,694,426        |
| Pharmacist   | 14           | 18,412,934           | 14          | 18,412,934           | 5,960,038          | -                 | -                | -             | 14           | 5,960,038          |
| Government   | 5            | 7,970,325            | 4           | 7,970,324            | 7,946,274          | 1                 | 1                | -             | 5            | 7,946,274          |
| Litigation   | 65           | 8,182,832            | 55          | 7,102,767            | 573,983            | 10                | 1,080,066        | -             | 65           | 573,983            |
| Employee     | 54           | 719,421              | 10          | 386,228              | 136,545            | 44                | 333,193          | -             | 54           | 136,545            |
| Other        | 2            | 2                    | -           | -                    | -                  | 2                 | 2                | -             | 2            | -                  |
| <b>Total</b> | <b>1641</b>  | <b>2,382,049,491</b> | <b>1549</b> | <b>2,376,862,220</b> | <b>786,540,634</b> | <b>(b) 92</b>     | <b>5,187,271</b> | <b>-</b>      | <b>1,641</b> | <b>786,540,634</b> |

**UNRESOLVED CLAIMS**

| Category           | Filed Amount |                      | Monitor Review |               | NRDA Stage |             |               | NOD Stage  |                    |                   |                        |
|--------------------|--------------|----------------------|----------------|---------------|------------|-------------|---------------|------------|--------------------|-------------------|------------------------|
|                    | #            | \$                   | #              | Filed<br>\$   | #          | Filed<br>\$ | Allowed<br>\$ | #          | Filed<br>\$        | Allowed<br>\$     | NOD<br>\$              |
| Landlord           | 4            | 43,720,524           | -              | -             | -          | -           | -             | 4          | 43,720,524         | -                 | 43,720,523             |
| Vendor             | 5            | 9,827,378            | 1              | 26,803        | -          | -           | -             | 4          | 9,800,575          | 6,089,718         | 9,757,271              |
| Pharmacist         | 80           | 141,082,014          | -              | -             | -          | -           | -             | 80         | 141,082,014        | 15,189,354        | 141,082,014            |
| Government         | 8            | 4,408                | -              | -             | -          | -           | -             | 8          | 4,408              | -                 | 2,579,290              |
| Litigation         | 1            | 500,000              | -              | -             | -          | -           | -             | 1          | 500,000            | 5,000             | 350,000                |
| Employee           | 12           | 211,774              | -              | -             | -          | -           | -             | 12         | 211,774            | 1                 | 206,027 (c)            |
| Other              | -            | -                    | -              | -             | -          | -           | -             | -          | -                  | -                 | -                      |
| <b>Total</b>       | <b>110</b>   | <b>195,346,098</b>   | <b>1</b>       | <b>26,803</b> | <b>-</b>   | <b>-</b>    | <b>-</b>      | <b>109</b> | <b>195,319,295</b> | <b>21,284,073</b> | <b>197,695,125 (c)</b> |
| <b>Grand Total</b> | <b>1751</b>  | <b>2,577,395,589</b> |                |               |            |             |               |            |                    |                   |                        |

Notes:

- (a) The Allowed amounts of Landlord Claims in the Resolved Claims table reflect the Claim amounts under the settlement agreements reached with Landlords.
- (b) Allowed amounts does not take into account reduced amounts for claimants who have elected into the Convenience Class.
- (c) Total NOD Amount is unknown as certain Claims cannot yet be quantified as information is still pending at this time.

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

6.5 Pursuant to paragraphs 23 and 27 of the Claims Procedure Order, Claims not filed and received by the Monitor by the respective Claims Bar Dates, or such later date as the Monitor may agree in writing or the Court may otherwise direct, will be forever barred, estopped and extinguished. The Monitor has received a number of late-filed claims

totalling approximately \$16.3 million, including three claims totalling \$8.0 million from Pharmacist Franchisees and one claim of \$1.9 million from a landlord with a Parent Guarantee. Following inquiries of the Claimants as to why the claims were filed late, and after satisfying itself that there was: (i) a prima facie basis for such Claims; and (ii) a valid reason for late filing, the Monitor admitted these Claims into the Claims Process for review and assessment.

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

#### Unresolved Claims

- 6.7 As at the date of this report, 110 NODs have been received from Claimants, disputing a total of approximately \$197.7 million (plus "marker claims" that have been filed for unliquidated or unknown amounts), as compared to the total amount of \$21.3 million allowed by the Monitor in the corresponding NRDA's. The significant NODs relate to:

- (i) Government Claims: Information with respect to Government Claims was provided in certain Prior Reports, including the Twenty-Sixth and Twenty-Seventh Reports. On June 27, 2016, the Department of Justice Canada on behalf of the CRA filed eight revised Notices of Dispute with the Monitor in respect of CRA's outstanding claims. The Monitor, in consultation with the Target Canada Entities, is in the process of reviewing these Notices of Dispute, none of which has a significant impact on potential recoveries to Affected Creditors described in paragraph 5.3 hereof.

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

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

The parties, in consultation with the Claims Officer, developed a list of common issues (the "**Common Issues List**"), which is memorialized in the Claims Officer's Order of May 3, 2016 (the "**May 3 Order**"). The May 3 Order also directed that certain of the Common Issues that were determined to be threshold

legal issues be heard on June 6-7, 2016 (the “**June Hearing**”), with a joint brief of documents to form the evidentiary basis for the adjudication on the threshold issues. The June Hearing took place as scheduled. On June 28, 2016, the Claims Officer issued a Ruling in respect of the June Hearing, which the parties are reviewing. The Ruling resolved certain issues. A further hearing may be required with respect to matters arising from the June Hearing and the Ruling.

Following the June Hearing, on June 24, 2016, the Claims Officer issued an Order (the “**June 24 Order**”), among other things, establishing a litigation timetable for the remaining Common Issues not addressed during the June Hearing. A hearing has been scheduled before the Claims Officer on August 2-5, 2016 (the “**August Hearing**”), for the adjudication of the remaining Common Issues.

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

- (ii) Vendor Claims: Four Claimants have submitted NODs that remain unresolved, with a difference in aggregate claims value between the Monitor and the Claimants of approximately \$3.7 million.
  
- (iii) Employee Claims: 12 Claimants have submitted NODs that remain unresolved, including a NOD in respect of Employee Representative Counsel’s omnibus claim for an unliquidated amount related to a short term incentive program (“**STIP**”) (and two individual Claimants filed their own claims related to the STIP) which

Claims have been referred to the Claims Officer for determination. The parties have scheduled a hearing for July 20, 2016 with the Claims Officer.

- (iv) Landlord Claims: Four Claimants have submitted NODs that remain unresolved in respect of Landlord Claims. Three Claims are in respect of assigned leases and one NOD was filed by a third-party in respect of an indemnity TCC provided in relation to a disclaimed lease.

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

#### Director & Officer Claims

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

- (i) eleven D&O Claims were filed totalling approximately \$567,000;
- (ii) nine of the eleven D&O Claims were filed as “marker claims” for unspecified, unliquidated amounts; and
- (iii) of the eleven D&O Claims filed, six were subsequently withdrawn by the Claimants.



- 6.10 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, reviewed the remaining five filed D&O Claims and issued NRDA's to each of the Claimants disallowing the claims in full.
- 6.11 With respect to the five Claims disallowed in full: (i) two claimants did not respond to the NRDA and the claims have been deemed disallowed pursuant to the Claims Procedure Order; (ii) one claimant responded with an NOD, but has subsequently withdrawn its claim; (iii) one claimant responded with an NOD in the amount of approximately \$180,000; and (iv) one claimant responded with an NOD filed as a "marker claim" for unspecified, unliquidated amounts.
- 6.12 The Monitor, in consultation with the Target Canada Entities and legal counsel to the Directors and Officers, continues to review and assess the two disputed D&O Claims and will provide updates to the Court as the Claims Process continues to advance.

## **7.0 CLOSING OF THE PHARMACY SHARE SALE AGREEMENT**

- 7.1 In accordance with the Approval and Vesting Order (Share Sale Agreement), the transaction contemplated in the Share Sale Agreement between TCC and 2519114 Ontario Inc. dated May 18, 2016 (as described in the Monitor's Twenty-Eighth Report), for the sale of Target Canada Pharmacy (Ontario) Corp.'s shares closed on July 4, 2016.<sup>1</sup> The Monitor's Certificate certifying the completion of the transaction was filed with the Court on July 5, 2016. The net sale proceeds to TCC from the transaction were \$478,000.

---

<sup>1</sup> Although the transaction was originally scheduled to close on June 29, 2016, the Target Canada Entities and the Monitor consented to a limited extension in order to allow the purchaser time to satisfy conditions precedent contemplated under the Share Purchase Agreement.

These funds will be included in a future distribution to Affected Creditors with Proven Claims.

All of which is respectfully submitted to this Court this 7th day of July, 2016.

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

Per:



---

Name: Douglas R. McIntosh  
Title: President

Per:



---

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

**APPENDIX A**  
**LIST OF THE APPLICANTS AND PARTNERSHIPS**

**Applicants**

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

**Partnerships**

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

**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

---

**TWENTY-NINTH REPORT OF THE  
MONITOR**

---

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

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

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

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

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

Tel: 416.979.2211  
Fax: 416.979.1234

Lawyers for the Monitor

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

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

---

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

---

**THIRTY-FIRST REPORT OF THE  
MONITOR**

---

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

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

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

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

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

Tel: 416.979.2211  
Fax: 416.979.1234

Lawyers for the Monitor