

**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

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

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.

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:

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

[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 PID	Initial Distributions	Balance After Initial Distributions
Target Canada Co.			
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)	-
Target Canada Co. Balance	859,825	(649,013)	210,811
Target Canada Property LLC			
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
Target Canada Property LLC Balance	42,871	(23,499)	19,372
TOTAL	902,695	(672,512)	230,183

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 - LOW	Illustrative Scenario #2 - HIGH
(\$ in 000's CAD)		
PROPCO		
ESTIMATED CASH AVAILABLE FOR DISTRIBUTION		
Propco Cash	\$ 76,950	\$ 76,950
PROCEEDS AVAILABLE FOR DISTRIBUTION	<u>76,950</u>	<u>76,950</u>
CLAIMS FILED AGAINST PROPCO/PROPERTY LP		
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
ESTIMATED NET PROCEEDS AVAILABLE FOR TCC AFTER DISTRIBUTIONS	<u>12,153</u>	<u>10,703</u>
TARGET CANADA CO		
ESTIMATED CASH AVAILABLE FOR DISTRIBUTION		
Target Canada Co. Cash	780,000	785,000
Propco Cash (from above)	12,153	10,703
ESTIMATED PROCEEDS AVAILABLE FOR DISTRIBUTION	<u>792,153</u>	<u>795,703</u>
ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITORS		
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
TOTAL ESTIMATED SECURED, UNAFFECTED AND CONVENIENCE CLASS CREDITOR CLAIMS	<u>67,135</u>	<u>67,135</u>
ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED AND CONVENIENCE CLASS CLAIMS	<u>725,018</u>	<u>728,568</u>
LANDLORD GUARANTEE CREDITOR SETTLEMENT AMOUNTS		
Landlord Guarantee Creditor Base Claim Amounts (Pre-filing and Restructuring)	140,745	140,745
Landlord Guarantee Enhancement Amounts	59,532	59,532
Total Distribution to Landlord Guarantee Creditors	200,276	200,276
Less:		
Plan Sponsor Contribution to the Landlord Guarantee Enhancement Cash Pool	(25,451)	(25,451)
Plan Sponsor Contribution from the PropCo Intercompany Claims (from above)	(34,081)	(34,081)
NET DISTRIBUTION TO LANDLORD GUARANTEE CREDITORS AFTER PLAN SPONSOR CONTRIBUTIONS	<u>140,745</u>	<u>140,745</u>
ESTIMATED NET PROCEEDS AVAILABLE FOR DISTRIBUTION AFTER SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS	<u>(A) 584,274</u>	<u>587,824</u>
ESTIMATED ALLOWABLE CLAIMS		
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
ESTIMATED ALLOWABLE TOTAL CLAIMS EXCLUDING SECURED, UNAFFECTED, CONVENIENCE CLASS AND LANDLORD GUARANTEE CREDITOR CLAIMS	<u>(B) 777,543</u>	<u>722,729</u>
RECOVERY % (A/B)	75.1%	81.3%

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 \$	Allowed \$	#	Filed \$	Allowed \$	#	\$
Landlord	(a) 92	1,811,558,587	82	1,811,558,575	335,229,368	10	12	-	92	335,229,368
Vendor	1409	535,205,390	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	-
Total	1641	2,382,049,491	1549	2,376,862,220	786,540,634	(b) 92	5,187,271	-	1,641	786,540,634

UNRESOLVED CLAIMS

Category	Filed Amount		Monitor Review		NRDA Stage			NOD Stage			
	#	\$	#	Filed \$	#	Filed \$	Allowed \$	#	Filed \$	Allowed \$	NOD \$
Landlord	4	43,720,524	-	-	-	-	-	4	43,720,524	-	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	-	-	-	-	-	-	-	-	-	-	-
Total	110	195,346,098	1	26,803	-	-	-	109	195,319,295	21,284,073	197,695,125 (c)
Grand Total	1751	2,577,395,589									

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, 2016.¹ 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.

¹ 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