

**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.**

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

JUNE 5, 2015

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1.0 INTRODUCTION

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

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

- (1) information regarding the following:
 - (a) the process undertaken by the Monitor to coordinate the formation of a consultative committee of stakeholder representatives (the “**Consultative Committee**”);
 - (b) the Monitor’s motion seeking an order approving the proposed claims process (the “**Claims Process**”) to identify and determine claims of creditors of the Target Canada Entities as outlined further in this Fifteenth Report and, among other things, authorizing, directing and empowering the Monitor to take such actions as are contemplated by the proposed Claims Procedure Order substantially in the form attached as Tab 3 to the Monitor’s Motion Record (the “**Claims Procedure Order**”);
 - (c) the Employee Trust; and
 - (d) the Monitor’s activities since the date of the Third Report of the Monitor (February 27, 2015); and
- (2) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

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

2.3 Capitalized terms not otherwise defined in this Fifteenth Report are as defined in the Prior Reports, or the Claims Procedure Order, as applicable.

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

3.0 CONSULTATIVE COMMITTEE

3.1 On May 11, 2015, this Court granted an advice and directions order (the “**Advice and Directions Order**”) outlining the process and consultations the Monitor was to undertake in developing the Claims Process.

3.2 In accordance with the Advice and Directions Order, since May 12, 2015, the Monitor and its counsel, Goodmans LLP, have undertaken the following activities:

- (a) met with legal counsel to a number of stakeholders and coordinated the formation of the Consultative Committee;
- (b) developed and served a draft Claims Procedure Order to the Service List on May 28, 2015 and invited input and comments;

- (c) working with the Consultative Committee, developed a Consultative Committee protocol to assist in the calling and conduct of meetings of the Consultative Committee;
- (d) on June 2, 2015, convened a meeting with the Consultative Committee to discuss the role of the Consultative Committee in these CCAA Proceedings and the draft Claims Procedure Order; and
- (e) continued its dialogue with the Consultative Committee and other constituents, including Employee Representative Counsel and Pharmacists' Representative Counsel, regarding the Claims Procedure Order.

3.3 The Consultative Committee is comprised of the following members in their capacity as legal counsel to creditors of the Target Canada Entities:

- (a) Louis Brzezinski, Blaney McMurty LLP (“**Blaney**”);
- (b) Melvyn Solmon, Solmon Rothbart Goodman LLP;
- (c) Richard Orzy, Bennett Jones LLP;
- (d) Linda Galessiere, McLean & Kerr LLP;
- (e) Linc Rogers, Blakes, Cassels & Graydon LLP;
- (f) Jeffrey Carhart, Miller Thomson LLP; and
- (g) Yannick Katirai, Stikeman Elliott LLP.

3.4 The members of the Consultative Committee represent a cross-section of the Target Canada Entities' creditors, including landlords, suppliers of goods and service providers.

4.0 PROPOSED CLAIMS PROCEDURE ORDER

Overview

- 4.1 Capitalized terms used but not defined in this section of the Fifteenth Report have the meaning ascribed to them in the Claims Procedure Order.
- 4.2 The Claims Procedure Order responds to the desire of all stakeholders for speed and certainty in bringing these CCAA Proceedings to their ultimate conclusion, balanced with their desire to be consulted in the process in a meaningful way. The Claims Process is intended to facilitate the determination of claims against the Target Canada Entities in a fair, consultative and expeditious manner.
- 4.3 The proposed Claims Procedure Order reflects the Court's instructions to the Monitor regarding the Claims Process as set out in the Court's endorsement dated March 5, 2015 (the "**March 5 Endorsement**") and the Advice and Directions Order.
- 4.4 Among other things, the Claims Procedure Order addresses the following concerns of stakeholders in the following manner:
- (a) *Intercompany Claims*: the filing of Intercompany Claims no later than July 31, 2015, in advance of the Claims Bar Date for other Claims, which is August 31, 2015. In accordance with the March 5 Endorsement and the Advice and Directions Order, the Monitor will prepare the Monitor's Intercompany Claims Report, which will be served by August 31, 2015;
 - (b) *Meaningful Consultation during the Claims Process*: the Monitor has convened the Consultative Committee, which it will consult on a number of matters; and

(c) *Fair and Expeditious Process*: the proposed Claims Procedure Order provides that creditor rights and interests be dealt with in a timely fashion. Key dates for the Claims Process are set out below:

Timeframe	Activity
No later than June 18, 2015	Notices to claimants published in newspapers and posted to Monitor's website
No later than June 30, 2015	Claims Packages mailed to Claimants
July 31, 2015	Claims Bar Date for Intercompany Claims and Target Derivative Claims
August 31, 2015	Monitor's Intercompany Claims Report to be served
August 31, 2015	Claims Bar Date for Claims other than Intercompany Claims and Target Derivative Claims
November 15, 2015	All Notices of Revision or Disallowance to be sent

4.5 In developing the Claims Process, the Monitor considered the concerns of stakeholders and the views expressed by this Court. With the objective of finalizing the CCAA Proceedings and distributing funds to creditors as quickly as possible, the Claims Process has certain complexities and an ambitious timeframe. In recognition of this, the Monitor has included a provision in the Claims Procedure Order that it may apply to this Court for guidance, including advice and directions regarding the discharge of its duties or the interpretation or application of this Order. The Monitor may also seek an Order extending the time for any action it is required to take. The Monitor is committed to fulfilling the timeframes set out in the Claims Procedure Order, but has included this provision in the event that recourse to it becomes necessary in order to enable the Monitor to fulfill its duties and obligations for the benefit of the stakeholders of the estate.

Consultation

4.6 In developing the Claims Procedure Order, the Monitor consulted with:

- (a) the Target Canada Entities regarding the Claims Process;
- (b) Target Corporation regarding the Claims Process, in particular with respect to the achievability of the proposed timelines in connection with the information required by the Monitor to conduct its Intercompany Claims review;
- (c) Employee Representative Counsel regarding the Claims Process, including the manner in which Employees will be notified of the Claims Process; and
- (d) members of the Consultative Committee regarding the Claims Process, including the role of the Consultative Committee and the Intercompany Claims process.

4.7 In addition, the Monitor:

- (a) on May 28, 2015, served a draft of the Claims Procedure Order on the Service List and invited comments;
- (b) on June 2, 2015, convened a meeting of the Consultative Committee at which the Claims Process and the Claims Procedure Order were discussed; and
- (c) engaged in discussions with stakeholders in the days leading up to the service of the Motion Record. Discussions regarding the form of Claims Procedure Order are ongoing.

4.8 The comments received from stakeholders span a variety of views on many aspects of the proposed Claims Procedure Order. The Claims Procedure Order takes into account those views to the extent the Monitor considers appropriate and reasonable, and in a balanced manner. The

Monitor continues to engage with stakeholders regarding the proposed Claims Procedure Order, and will continue to make such revisions as it deems appropriate.

- 4.9 The Monitor is of the view that the Claims Process provided for in the Claims Procedure Order is fair and reasonable in the circumstances, appropriately balances competing views, and will facilitate the determination of Claims against the Target Canada Entities in a fair, consultative and expeditious manner.

Claims

- 4.10 As set out in greater detail in the Claims Procedure Order, the Monitor, on behalf of the Target Canada Entities, is soliciting the following claims:

- (a) *Pre-Filing Claims*: any right or claim of any Person against any of the Target Canada Entities in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Target Canada Entities that was in existence on the Filing Date;
- (b) *Restructuring Period Claims*: any right or claim of any Person arising out of the restructuring, disclaimer, resiliation, termination or breach by any such Target Canada Entity on or after the Filing Date of any contract, lease or other agreement whether written or oral;
- (c) *D&O Claims*: any right or claim that may be asserted by any Person against one or more of the Directors and/or Officers, however arising, whereby such Directors and/or Officers are by law or equity, liable to pay in his or her capacity as a Director or Officer;

- (d) *Intercompany Claims*: any Claims filed by any of the Target Canada Entities, or any of their affiliated companies, partnerships, or other corporate entities, including Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities in accordance with the terms of the Claims Procedure Order, but excluding Target Derivative Claims;¹ and
- (e) *Target Derivative Claims*: any Claims filed by Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities in accordance with the terms of this Order arising through subrogation or assignment of any Claim, including a contingent claim arising through subrogation or assignment of any Claim.¹

4.11 However, the Claims Procedure Order does not apply to the following:

- (a) any Claim entitled to the benefit of Charges under the Initial Order and the Approval Order – Agency Agreement;
- (b) any Claim enumerated in sections 5.1(2) and 19(2) of the CCAA; and
- (c) any Claim of Royal Bank of Canada, The Toronto-Dominion Bank, Bank of America, and JPMorgan in connection with the Cash Management System, as, in their capacity as providers of the Cash Management System, these parties, pursuant to paragraph 6 of the Initial Order, are unaffected creditors under a Plan with regard to any claims or expenses they may suffer or incur in connection with the provision of the Cash Management System.

¹ It is expected that Intercompany Claims and Target Derivative Claims are likely to include marker claims for unknown or contingent amounts.

Claims Bar Dates

- 4.12 The Monitor proposes that any Creditor asserting a Pre-Filing Claim or a D&O Claim be required to file the applicable Proof of Claim form with the Monitor by 5:00 p.m. Toronto Time on August 31, 2015 (the “**Claims Bar Date**”). The Monitor believes that a Claims Bar Date of August 31, 2015 is reasonable in that it provides sufficient time from the date of this motion for potential Claimants to evaluate and submit any Claim they may have against the Target Canada Entities or their Directors and Officers.
- 4.13 The Monitor proposes that any Creditor asserting a Restructuring Period Claim be required to file the applicable Proof of Claim form, the later of (i) within 45 days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Claim, and (ii) the Claims Bar Date, including a proof of claim form with respect to the Restructuring Claim (the “**Restructuring Period Claims Bar Date**”). The Monitor believes that a 45 day period is reasonable in that it provides sufficient time from the date a Claims Package is sent to a Claimant to evaluate and submit any Claim they may have against the Target Canada Entities in respect of a Restructuring Period Claim.
- 4.14 The Monitor proposes that any Intercompany Claim or Target Derivative Claims must be filed by submitting a Proof of Claim form by 5:00 p.m. Toronto Time on July 31, 2015 (the “**Intercompany Claims Bar Date**”). While ambitious, following discussions with the Target Canada Entities and Target Corporation, the Monitor believes that an Intercompany Claims Bar Date of July 31, 2015 should provide sufficient time for the filing of such Claims while allowing for the completion of the Monitor’s Intercompany Claims Report by August 31, 2015.

Notice

4.15 The proposed Claims Procedure Order provides that the Monitor will do the following in providing notification of the Claims Process:

- (a) by no later than 5:00 p.m. Toronto Time on June 18, 2015, post a copy of the Notice to Claimants and the Claims Package on the Monitor's Website;
- (b) by no later than 5:00 p.m. Toronto Time on June 18, 2015, cause the Notice to Claimants to be published, for at least two Business Days in: (i) The Globe and Mail (National Edition); (ii) La Presse; and (iii) The Wall Street Journal;
- (c) by no later than 5:00 p.m. Toronto Time on June 30, 2015, cause a Claims Package to be sent to: (i) each party that appears on the Service List or has requested a Claims Package; and (ii) all known Claimants, other than Employees, as evidenced by the books and records of the Target Canada Entities at their respective last known address as recorded in the Target Canada Entities' books and records;
- (d) by no later than 5:00 p.m. Toronto Time on June 30, 2015, cause the Employee Letter to be sent to all Employees; and
- (e) provide a Claims Package to any Claimant that requests documents or information relating to the Claims Process prior to the Claims Bar Date, or if the Target Canada Entities or the Monitor become aware of any further Claims, the Monitor shall take the steps that are considered appropriate to provide such Claimant with a Claims Package.

- 4.16 After consultation with Employee Representative Counsel, the Monitor is proposing that Employees receive the Employee Letter rather than a Claims Package given the payments which were made to Employees under the Employee Trust, and the Employee Trust dispute process.

Adjudication of Claims Other Than Intercompany Claims

- 4.17 The Monitor, in consultation with the Target Canada Entities, and with the assistance (but not at the direction) of Target Corporation (such assistance necessitated because of the support personnel, information and records that reside with Target Corporation), will review all Proofs of Claim received on or before the Claims Bar Date and Restructuring Period Claims Bar Date, and shall accept, revise or reject each claim. In respect of D&O Proofs of Claim received, the Monitor in consultation with the Target Canada Entities and Directors and Officers named in respect of such D&O Claim, will review and accept, revise or reject such D&O Claim.
- 4.18 The Monitor will consult with the Consultative Committee with respect to any claim the Monitor proposes to allow in excess of \$5 million. If the Consultative Committee objects to the allowance of such claim, the Monitor will seek the Court's approval. The \$5 million threshold amount was determined by the Monitor, in consultation with the Consultative Committee and the Target Canada Entities, taking into consideration: (i) the Consultative Committee's desire for visibility in respect of higher dollar Claims submitted in the Claims Process; (ii) the anticipated number of Claims that may be submitted in the Claims Process which may exceed \$5 million (based on information currently available to the Monitor); (iii) the materiality of anticipated individual Claims relative to estimated aggregate Claims; and (iv) a reasonable balancing of the desire of the Consultative Committee for visibility in respect of the Claims Process relative to the Monitor's and Target Canada Entities' objective of implementing a fair, consultative and expeditious process.

- 4.19 If the Monitor intends to revise or reject a Claim, the Monitor will notify the Claimant in writing by sending a Notice of Revision or Disallowance and set out the reasons for why the Claim has been revised or rejected on or before November 15, 2015.
- 4.20 Any Claimant who intends to dispute a Notice of Revision or Disallowance must send written notice to the Monitor by completing a Notice of Dispute of Revision or Disallowance so that it is received by the Monitor within 28 days, or such other date as may be agreed by the Monitor, after the date on which the Claimant receives the Notice of Revision or Disallowance. In the event a dispute raised in a Notice of Dispute of Revision or Disallowance is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Target Canada Entities, the Monitor shall refer the dispute raised in the Notice of Dispute of Revision or Disallowance to a Claims Officer or the Court for adjudication at its election.
- 4.21 Any Claimant that receives a Notice of Revision or Disallowance that does not file a completed Notice of Dispute of Revision or Disallowance with the Monitor within the time period established shall be deemed to have accepted the amount and determination as set out in the Notice of Revision or Disallowance and such Claimant shall have no further right to dispute same.

Adjudication of Intercompany Claims

- 4.22 The Monitor will prepare a report, detailing its review of all Intercompany Claims and assessing the validity and quantum of such Claims as filed (the “**Monitor’s Intercompany Claims Report**”), subject to further review and adjustments in respect of claims that may be pursued by the Monitor in accordance with section 36.1 of the CCAA. The Monitor’s Intercompany Claims Report will include, among other things, full particulars of the debt comprising the Intercompany Claims, including without limitation: (i) the source of the funds comprising the debt; (ii) whether such funds were advanced from another Target Canada Entity, or any of their affiliated

companies, partnerships, or other corporate entities, including Target Corporation or any of its subsidiary or affiliated companies, partnerships, or other corporate entities; (iii) the portion of the debt arising as a result of penalties or early termination of agreements; and (iv) which portion (if any) of the amount of the debt was: (x) advanced on or after the Filing Date; (y) originally advanced as equity by a related entity; and/or (z) originally advanced on an unsecured basis. The Monitor's Intercompany Claims Report shall be served on the Service List on August 31, 2015, unless otherwise ordered by this Court on application by the Monitor.

4.23 After the service of the Monitor's Intercompany Claims Report, any Claimant may file objections, which may include, but are not limited to, any claim asserted for the subordination of outstanding intercompany debts of any of the Target Canada Entities, any relief regarding claimed priority rights, any argument asserted for substantive consolidation, the validity and quantum of Intercompany Claims, and any claim relating to debt recharacterization, by filing a Notice of Objection with the Monitor, no later than the Notice of Objection Bar Date. Any Notice of Objection served after the Notice of Objection Bar Date shall be disregarded and of no effect.

4.24 Promptly following the Notice of Objection Bar Date, and after convening a meeting of the Consultative Committee, the Monitor shall schedule a motion with the Court to seek approval of a process for the resolution of any objections filed in connection with the validity or quantum of Intercompany Claims and any other intercreditor disputes, including a process regarding requests for the production of documents or any oral examinations.

Claims Officers

4.25 The Monitor is consulting with various stakeholders including the Consultative Committee concerning Claims Officers and will advise as soon as practicable with respect to the Claims

Officers it proposes to be identified in the Claims Procedure Order. If further Claims Officers are required, the Monitor will seek the approval of this Court, after consultation with stakeholders.

- 4.26 The Claims Officers will review and determine the validity and amount of disputed Claims in accordance with the terms of the Claims Procedure Order and, to the extent necessary, may determine whether any Claim or part thereof constitutes an Excluded Claim. The Claims Officers will determine all procedural matters which may arise in respect of their determination of these matters, including the manner in which any evidence may be adduced. The Claims Officers will not be involved in adjudicating the Intercompany Claims.
- 4.27 Claims Officers are commonly used in CCAA proceedings in order to expedite the resolution of disputed claims in a cost-effective manner. The Monitor views the use of Claims Officers in the present proceedings as appropriate given the large volume of anticipated claims and the objectives of speed and certainty in the process.

5.0 EMPLOYEE TRUST UPDATE

- 5.1 As described in the First Report of the Monitor, the Initial Order approved the creation of the Employee Trust on substantially the terms and conditions set out in the Employee Trust Agreement, including without limitation, the appointments of Hon. John D. Ground as Trustee and the Monitor as Administrator. As at the date of this Fifteenth Report, the Monitor, in its capacity as Administrator under the Employee Trust has, among other things:

- (a) in conjunction with the Trustee, jointly opened the Target Canada Employee Trust bank account at Royal Bank of Canada (the “**Employee Trust Account**”);
- (b) transferred the full \$90 million of initial contributions received from the Settlor (i.e. Target Corporation) to the Employee Trust Account;

- (c) transferred an additional \$5 million (the “**Additional Contribution**”) received from the Settlor to the Employee Trust Account (as a result of the accelerated timing of the store closures, the Monitor requested and received, on April 24, 2015, the Additional Contribution);
- (d) provided extensive assistance and review of TCC’s calculation of individual bi-weekly entitlement amounts for thousands of Eligible Employees;
- (e) with the assistance of TCC, reviewed and addressed notices of dispute received regarding Eligible Employee Claims (all of which must be filed with the Monitor and Employee Representative Counsel by July 30, 2015); and
- (f) with the consent of the Trustee, made payments from the Employee Trust totaling approximately \$80.1 million for the benefit of more than 15,000 Eligible Employees.

5.2 Under the terms of the Employee Trust Agreement, Eligible Employees received payments from the Employee Trust for the pay periods ended February 7, 2015 through May 16, 2015 for the majority of Eligible Employees, and May 30, 2015 for those Eligible Employees working in Manitoba (due to that province’s statutory 18 week notice requirement). The final regularly scheduled Employee Trust disbursement was made on June 4, 2015 in respect of the pay period ending May 30, 2015. The Monitor continues to work with TCC to reconcile amounts owing between the Employee Trust and TCC and expects that TCC will be further reimbursed by the Employee Trust on account of final wage, employer tax and benefits reconciliations.

5.3 Based on the projected final reconciliation, the Monitor expects that all beneficiaries of the Employee Trust will receive the benefits to which they are entitled in accordance with its terms and conditions.

6.0 MONITOR'S ACTIVITIES

- 6.1 As described in the Seventh Report of the Monitor (the “**Seventh Report**”) dated March 24, 2015 and the Ninth Report of the Monitor (the “**Ninth Report**”) dated May 4, 2015 and expanded upon below, since the granting of the Initial Order, the Monitor worked closely with the Target Canada Entities to stabilize their business and operations such that all 133 open stores in Canada remained operational throughout the Inventory Liquidation Process (the final group of stores closed to the public on April 12, 2015). This work included concerted efforts to address extensive and urgent supply chain and other logistical issues essential to the Orderly Wind-down and extensive communications with stakeholders, as well as assisting with other activities essential to the Orderly Wind-down, including matters related to the Inventory Liquidation Process and the Real Property Portfolio Sales Process.
- 6.2 In the Second Report and in submissions to the Court on February 11, 2015, the Monitor undertook to provide information regarding the quantity of TCC’s inventory: (a) received and in-transit (where title had transferred to TCC) as at January 15, 2015; and (b) received and/or where title had transferred to TCC and had not been paid for during the 30-day period immediately preceding January 15, 2015 (the “**Requested Information**”). The Monitor was also asked by the Court to update the Service List as to its progress in assembling the Requested Information no later than February 18, 2015. The Monitor served the Inventory Update Letter on the Service List on February 18, 2015. In the Fourth Report of the Monitor (the “**Fourth Report**”) dated March 3, 2015, the Monitor provided the Court with information regarding the key dates and assumptions, methodology and approach, and conclusions related to the Requested Information.
- 6.3 Pursuant to the Endorsement of this Court dated February 19, 2015, Blaney submitted a list of 61 questions and information requests to TCC, Target Corporation and the Monitor on March 2, 2015 (the “**March 2 Letter**”). The Monitor conducted an extensive amount of work in order to

respond to the questions directed to the Monitor or that the Monitor was best able to respond to. In the Fifth Report of the Monitor (the “**Fifth Report**”) dated March 16, 2015, the Monitor provided the Court with responses to certain of the inventory-related and other questions included in the March 2 Letter. In addition, the Monitor also provided extensive assistance to TCC and Osler, Hoskin & Harcourt LLP (“**Osler**”) in obtaining and analyzing information to assist in the preparation of Osler’s responding letter, on behalf of TCC, to the March 2 Letter.

6.4 In addition to the Monitor’s ongoing supervision and involvement with the Inventory Liquidation Process and Real Property Portfolio Sales Process (as described in certain of the Prior Reports), the activities of the Monitor from the date of the Third Report (February 27, 2015) have included the following:

- (a) assisting the Target Canada Entities with communications with employees, PFAC, pharmacy franchisees, suppliers and other parties;
- (b) as described above, assisting TCC in stabilizing its supply chain, including extensive communications with the third-party operator of TCC’s distribution centres, vendors, freight forwarders and consolidators, ocean freight carriers and other transportation companies, and TCC’s customs broker, with a view to minimizing supply disruption and continuing the movement of goods-in-transit to the distribution centres and stores;
- (c) numerous meetings and discussions with the Target Canada Entities and the Agent regarding the Inventory Liquidation Process, including assisting TCC in reviewing and reconciling data in support of the Agent’s weekly invoices and working towards final reconciliation of proceeds due to TCC and the Agent pursuant to the terms of the Agency Agreement;

- (d) various matters regarding the Real Property Portfolio Sales Process, including: numerous discussions with the Target Canada Entities, Lazard and the Broker; assisting with the closing of the Oxford/Ivanhoe Cambridge Lease Transaction Agreement; reviewing the LOIs and bids received in each of Phase 1 and Phase 2 of the Real Property Portfolio Sales Process and meeting with, among others, the Target Canada Entities and Lazard regarding same; maintaining the Monitor's trust bank account for administering deposits and proceeds in connection with the Real Property Portfolio Sales Process; reviewing other draft letters and agreements with respect to the Real Property Portfolio Sales Process, including the termination and release agreements entered into and described in the Monitor's Eighth Report; providing updates on the Real Property Portfolio Sales Process in the Monitor's Sixth, Eighth and Tenth Reports, and a comprehensive update in the Monitor's Eleventh Report with the Auctions having been concluded; attending the Auctions held on May 5, 6 and 7, 2015, at Osler's offices in Toronto; assisting in the negotiation of final transaction agreements in respect of the three distribution centres, three owned stores and 64 store leases; preparing the Monitor's Twelfth and Thirteenth Reports, which provided details of and recommendations in respect of a series of real property transactions; attending at Court on May 19, 20 and 21, 2015, for the hearings to seek approval of the applicable agreements and assisting in closings of the real property transactions, including the Cadillac Fairview transactions and a number of single location lease transfer agreements; and assisting with respect to the Rona transaction agreement and Backup Bids;
- (e) numerous discussions with the Target Canada Entities and their legal counsel to develop a comprehensive plan for addressing the sale and removal of FF&E on a

premises-by-premises basis, and addressing specific issues related to individual store locations and other real estate;

- (f) numerous discussions with the Target Canada Entities related to the Asset Purchase Agreement between TCC, Target Corporation and Target Brands, Inc. with respect to the sale of various assets using or displaying intellectual property proprietary to Target Brands, Inc. and preparing the Monitor's Seventh Report related thereto;
- (g) assisting the Target Canada Entities in coordinating store closures;
- (h) responding to approximately 830 enquiries (from the commencement of the CCAA Proceedings) from stakeholders that contacted the Monitor on the toll-free number or email account established by the Monitor, plus numerous other enquiries made directly to the Monitor or directed to the Monitor by employees of the Target Canada Entities;
- (i) monitoring the receipts, disbursements, purchase commitments and arrangements for deposits with certain suppliers and creditors of the Target Canada Entities, including tracking outstanding balances and commitments due to critical service providers;
- (j) assisting the Target Canada Entities in assessing and responding to the Target Canada Entities' requests for Monitor consents to disclaimers for in excess of 500 contracts, leases and agreements;
- (k) monitoring and providing ongoing updates to assist the Target Canada Entities in managing the Orderly Wind-down;

- (l) assisting the Target Canada Entities in assessing their employee requirements as the Orderly Wind-down advanced; assisting the Target Canada Entities in identifying KERP eligible employees and in calculating individual entitlements under the KERP;
- (m) in its capacity as Administrator of the Employee Trust, communications with and among Employee Representative Counsel, Monitor counsel, Target Canada Entities' counsel and the Trustee regarding the Employee Trust, assistance with the calculation of specific entitlement amounts for Eligible Employees and facilitating required payments from the Employee Trust;
- (n) corresponding with and tracking claims transfers and assignments received from purchasers of creditor claims;
- (o) bringing the Monitor's motion seeking the advice and directions of the Court with respect to a proposed framework for a claims process motion to be brought by the Monitor and preparing the Monitor's Ninth Report related thereto;
- (p) developing the Claims Process and discussing or consulting with the Consultative Committee, the Target Canada Entities, Target Corporation, Employee Representative Counsel, Pharmacists' Representative Counsel, and other stakeholders that provided comments to the Monitor or its counsel prior to the date of the Monitor's motion;
- (q) reviewing agreements, consulting with the Target Canada Entities, and preparing the Monitor's Fourteenth Report with respect to the Zellers/HBC Transaction Agreement; and

- (r) posting non-confidential materials filed with the Court to the website established by the Monitor for the CCAA Proceedings.

6.5 The Monitor requests the approval of its Third to Fifteenth Reports and the activities set out therein.

7.0 MONITOR'S RECOMMENDATION

7.1 For the reasons set out in this Fifteenth Report, the Monitor is of the view that the Claims Procedure Order reflects a fair, consultative and expeditious process, and respectfully recommends that this Court grant the Claims Procedure Order.

All of which is respectfully submitted to this Court this 5th day of June, 2015.

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

Per:



Name: Douglas R. McIntosh
Title: President

Per:



Name: Alan J. Hutchens
Title: Senior Vice President

APPENDIX “A”

Applicants

Target Canada Co.

Target Canada Health Co.

Target Canada Mobile GP Co.

Target Canada Pharmacy (BC) Corp.

Target Canada Pharmacy (Ontario) Corp.

Target Canada Pharmacy (SK) Corp.

Target Canada Pharmacy Corp.

Target Canada Property LLC

Partnerships

Target Canada Pharmacy Franchising LP

Target Canada Mobile LP

Target Canada Property LP

**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

FIFTEENTH REPORT OF THE MONITOR

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