

**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 TOYS "R" US (CANADA) LTD. /
TOYS "R" US (CANANDA) LTEE (the "Applicant")**

**AIDE MEMOIRE OF ALLIED WORLD SPECIALTY INSURANCE
COMPANY
(Motion Returnable February 13, 2026)**

February 13, 2026

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TO: **SERVICE LIST**

1. Allied World Specialty Insurance Company ("**Allied World**") is a merchandise supplier insurer for a significant number of the Applicant's merchandise suppliers. To date, Allied World has already paid \$50 million in claims and expect to reach up to approximately \$60

million in claims. Given the substantial economic interest, Allied World is a major stakeholder in these proceedings, and the Applicant's largest unsecured creditor.

2. Allied World has identified several non-arm's length transactions that warrant immediate scrutiny. For instance, at Exhibit "C" of the Affidavit of Neil Taylor sworn February 2, 2026 ("**First Neil Affidavit**"), are the financial statements of the Applicant in a report prepared by Doane Grant Thornton LLP (the "**GT Report**").¹ The GT Report discloses that on or around November 2024, the Applicant entered into certain real property transactions for the sale of five properties to a related party for total proceeds of \$38,980,000 (less the assignment of the remaining principal on a mortgage in the amount of \$20,452,000). This transaction ultimately resulted in a loss for the Applicant, due to debt and contractual obligations, as more particularly described in the GT Report.
3. Allied World submits that the current circumstances necessitate increased oversight from both the Court and the Monitor.²
4. Specifically, Allied World seeks to add language to the Amended and Restated Initial Order that authorizes the Monitor to investigate whether any assets were transferred for less than fair market value, and identify any payments made to specific creditors, particularly related parties to the Applicant, that would have resulted in a preferential treatment to the exclusion of the general creditor body.

¹ First Neil Affidavit, at Exhibit "C".

² Capitalized terms not defined herein have their meaning in the First Neil Affidavit.

5. The relief sought is consistent with established practice in complex Canadian insolvencies where the integrity of an applicant's pre-filing conduct is in question. For instance, the court in *Bondfield*³, the Monitor was authorized by the Court to review and investigate potential transfers at undervalue to ensure protection of stakeholder interests. Further, the Court in *Carillion*⁴ required the Monitor to review all pre-filing related party claims and provide a comprehensive report and recommendation to the Court regarding their validity.
6. Allied World further relies on the relevant statutes attached hereto at Schedule "A"

Need for Relief

7. For the foregoing reasons, in order to maintain creditor confidence in these proceedings, and ensure a fair outcome for its economic stakeholders, it is imperative that the Applicant's related party transactions be investigated. Therefore, Allied World requests that this Court authorize the Monitor to conduct a review of the Applicant's related party transactions to ensure that the estate is not being improperly diminished.

³ *Re Bondfield Construction Company Limited, et al.*, Court File No. CV-19-615560-00CL (Ont Sup Ct J (Commercial List) [Order of Justice Hainey](#) dated May 30, 2019 at paras 2-8.

⁴ *Re Carillion Canada Holdings Inc., et al.*, Court File No. CV-18-590812-00CL (Ont Sup Ct J (Commercial List) [Amended CCAA Administration Order of Justice Hainey](#) dated April 29, 2020 at paras 5-9; See also [Related Party Claims Approval Order](#) of Justice Dietrich dated August 4, 2021.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 13th day of February, 2026

A handwritten signature in cursive script, appearing to read "Mitchell W. Grossell".

Mitchell W. Grossell, of counsel to Allied World Insurance
Specialty Company

Schedule “A”

Relevant Statutes

[Companies’ Creditors Arrangement Act \(R.S.C., 1985, c. C-36\)](#)

Application of [sections 38](#) and [95](#) to [101](#) of the [Bankruptcy and Insolvency Act](#)

- **36.1 (1)** [Sections 38](#) and [95](#) to [101](#) of the [Bankruptcy and Insolvency Act](#) apply, with any modifications that the circumstances require, in respect of a compromise or arrangement unless the compromise or arrangement provides otherwise.
- **Interpretation**
 - (2) For the purposes of subsection (1), a reference in [sections 38](#) and [95](#) to [101](#) of the [Bankruptcy and Insolvency Act](#)
 - (a) to “date of the bankruptcy” is to be read as a reference to “day on which proceedings commence under this Act”;
 - (b) to “trustee” is to be read as a reference to “monitor”; and
 - (c) to “bankrupt”, “insolvent person” or “debtor” is to be read as a reference to “debtor company”.

[Bankruptcy and Insolvency Act \(R.S.C., 1985, c. B-3\)](#)

Preferences

- **95 (1)** A transfer of property made, a provision of services made, a charge on property made, a payment made, an obligation incurred or a judicial proceeding taken or suffered by an insolvent person
 - (a) in favour of a creditor who is dealing at arm’s length with the insolvent person, or a person in trust for that creditor, with a view to giving that creditor a preference over another creditor is void as against — or, in Quebec, may not be set up against — the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is three months before the date of the initial bankruptcy event and ending on the date of the bankruptcy; and
 - (b) in favour of a creditor who is not dealing at arm’s length with the insolvent person, or a person in trust for that creditor, that has the effect of giving that creditor a preference over another creditor is void as against — or, in Quebec, may not be set up against — the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is 12 months

before the date of the initial bankruptcy event and ending on the date of the bankruptcy.

- **Preference presumed**

(2) If the transfer, charge, payment, obligation or judicial proceeding referred to in paragraph (1)(a) has the effect of giving the creditor a preference, it is, in the absence of evidence to the contrary, presumed to have been made, incurred, taken or suffered with a view to giving the creditor the preference — even if it was made, incurred, taken or suffered, as the case may be, under pressure — and evidence of pressure is not admissible to support the transaction.

- **Exception**

(2.1) Subsection (2) does not apply, and the parties are deemed to be dealing with each other at arm's length, in respect of the following:

- (a) a margin deposit made by a clearing member with a clearing house; or
- (b) a transfer, charge or payment made in connection with financial collateral and in accordance with the provisions of an eligible financial contract.

Transfer at undervalue

- **96 (1)** On application by the trustee, a court may declare that a transfer at undervalue is void as against, or, in Quebec, may not be set up against, the trustee — or order that a party to the transfer or any other person who is privy to the transfer, or all of those persons, pay to the estate the difference between the value of the consideration received by the debtor and the value of the consideration given by the debtor — if
 - (a) the party was dealing at arm's length with the debtor and
 - (i) the transfer occurred during the period that begins on the day that is one year before the date of the initial bankruptcy event and that ends on the date of the bankruptcy,
 - (ii) the debtor was insolvent at the time of the transfer or was rendered insolvent by it, and
 - (iii) the debtor intended to defraud, defeat or delay a creditor; or
 - (b) the party was not dealing at arm's length with the debtor and
 - (i) the transfer occurred during the period that begins on the day that is one year before the date of the initial bankruptcy event and ends on the date of the bankruptcy, or
 - (ii) the transfer occurred during the period that begins on the day that is five years before the date of the initial bankruptcy event and ends on the day before the day on which the period referred to in subparagraph (i) begins and

- (A) the debtor was insolvent at the time of the transfer or was rendered insolvent by it, or
- (B) the debtor intended to defraud, defeat or delay a creditor.

- **Establishing values**

(2) In making the application referred to in this section, the trustee shall state what, in the trustee's opinion, was the fair market value of the property or services and what, in the trustee's opinion, was the value of the actual consideration given or received by the debtor, and the values on which the court makes any finding under this section are, in the absence of evidence to the contrary, the values stated by the trustee.

- **Meaning of *person who is privy***

(3) In this section, a *person who is privy* means a person who is not dealing at arm's length with a party to a transfer and, by reason of the transfer, directly or indirectly, receives a benefit or causes a benefit to be received by another person.

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TOYS “R” US (CANADA) LTD. / TOYS “R”
US (CANANDA) LTEE**

Court File No.: CL-26-00000042-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

**AIDE MEMOIRE OF ALLIED WORLD
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