



ONTARIO SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

**COUNSEL/ENDORSEMENT SLIP**

**COURT FILE NO.:** CL-26-00000042-0000

**DATE:** April 1, 2026

**NO. ON LIST:** 3

**TITLE OF PROCEEDING:** TOYS "R" US (CANADA) LTD et al

**BEFORE:** Justice J. Dietrich

**PARTICIPANT INFORMATION**

**For Plaintiff, Applicant, Moving Party:**

Name of Person Appearing	Name of Party	Contact Info
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**For Defendant, Respondent, Responding Party:**

Name of Person Appearing	Name of Party	Contact Info
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Victoria Pileggi (On behalf of Michael Doyle)	KassKam Agency Corp.; 360 Sles Solutions Inc.	Victoria@siskinddoyle.com Michael@siskinddoyle.com
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**For Other, Self-Represented:**

Name of Person Appearing	Name of Party	Contact Info
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**ENDORSEMENT OF JUSTICE J. DIETRICH:**

**Introduction**

- [1] Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee (the “**Applicant**”) seeks an order:
- (a) approving the sale and investment solicitation process (the “**SISP**”);
  - (b) increasing the permitted borrowings under the DIP Facility by an additional \$2 million to the maximum principal amount of \$15 million; and
  - (c) extending the Stay Period to July 13, 2026.
- [2] Defined terms used but not otherwise defined herein have the meaning provided to them in the factum of the Applicant filed for use on this motion.
- [3] The relief is supported by the Monitor in its Second Report to Court dated March 27, 2026 (the “**Second Report**”)
- [4] Allied World Specialty Insurance Company (“**Allied**”), has insured various claims of unsecured creditors against the Applicant, and is now (as a result of taking an assignment of certain claims) owed approximately USD \$7,494,939 and CDN \$38,619,511 by the Applicant. Allied as the largest unsecured

creditor of the Applicant opposed certain aspects of the SISP requested. In support of that opposition Allied filed an affidavit of Tracy Montalbano sworn March 30, 2026.

- [5] Since that material has been filed, Allied, the Applicant, the Monitor and the DIP Lender have engaged in discussions and agreed upon a revised form of SISP that was submitted for my consideration this morning.

## **Background**

- [6] The Applicant was granted protection under the CCAA on February 3, 2026. Background related to the proceedings was set out in my endorsement of that day and from the day of the comeback hearing (being February 13, 2026) and is not repeated here.
- [7] At the comeback hearing the Stay Period was extended until May 1, 2026 and an increase to the maximum principal amount of \$13,000,000 under the DIP Facility pursuant to the DIP Loan Agreement was approved.
- [8] Since the Comeback Hearing, the Applicant, in consultation with the Monitor, has commenced a liquidation sale of the Applicant's inventory and FF&E at select closing store locations.
- [9] The DIP Lender and the Applicants' existing secured creditor 1001 Ontario are related to the Applicant's sole shareholder 2625229 Ontario Inc. ("**262**"), which operates as Putman Investments. As well, 13 of the Applicant's store locations as well as its distribution center are leased by entities related to 262. The Applicant also has significant ongoing relationships relating to supply chain and inventory procurement with other entities related to 262.
- [10] The Monitor has received an opinion from its counsel that the security granted to 1001 Ontario in respect of the Applicant's intellectual property is valid and enforceable subject to customary qualifications and assumptions. The underlying obligation to 1001 Ontario is the form of a royalty and in the Second Report the Monitor has provided information estimating the value of the royalty.
- [11] An opinion regarding the pre-filing debt owing to 262 has not been obtained and no credit bidding of that pre-filing debt is contemplated as part of the SISP at this time. 262 as DIP Lender, however, does have credit bidding rights under the proposed SISP.
- [12] The Applicant has developed the proposed SISP in consultation with the Monitor and DIP Lender. The relevant terms of the proposed SISP, as amended following discussions with Allied include:
- (a) It is to be conducted by the Monitor;
  - (b) It provides for two phases;
  - (c) Phase 1 contemplates the solicitation of non-binding letters of interest ("**LOIs**") by May 1, 2026;
  - (d) The Monitor would assess the LOIs received and determine which bids constitute a "Phase 1 Qualified Bid", and which bidders will be permitted to proceed to the second phase of the SISP as "Phase 2 Qualified Bidders"
  - (e) Phase 2 contemplates submission of binding offers no later than May 29, 2026;

(f) If more than one Binding Offer is received, which the Monitor determines constitute Phase 2 Qualified Bids, the Monitor may, in its sole discretion, (i) select one or more of those bids as the Successful Bid(s); (ii) continue negotiations with Phase 2 Qualified Bidders, or (iii) conduct an auction in respect of some or all of the Property or Business;

(g) Selection of the successful bid is contemplated by June 5, 2026;

(h) Following court approval (which is targeted by June 26, 2026), closing of the transaction is anticipated to occur by July 13, 2026.

[13] The SISP provides that the Monitor may extend the above deadlines by up to two weeks without Court approval, provided that the milestone with respect to the closing of the Successful Bid(s) can only be extended or amended, without Court approval, with the prior written consent of the DIP Lender, acting reasonably.

[14] The SISP allows for a full or partial credit bid by (a) the DIP Lender, and (b) 1001 Ontario, as assignee of the secured obligations relating to the Applicant's intellectual property, in connection with the secured obligations that remain outstanding as against the intellectual property.

[15] Given the potential that each of the DIP Lender and 1001 Ontario may participate in the SISP as a bidder, the SISP contains certain insider bid provisions to protect the integrity of the SISP. These provisions have been revised since the form of SISP originally served so as to include changes requested by Allied.

[16] As well, Allied, subject to confirming that it will not be a bidder in the SISP and subject to receipt of an appropriate NDA, also has certain consultation rights as a significant unsecured creditor of the Applicant in the SISP.

[17] The Applicant also seeks to increase the maximum permitted amount of Interim Borrowings under the DIP Facility from \$13,000,000 to \$15,000,000, which increase corresponds to the Applicant's forecasted interim financing needs over the proposed extension of the Stay Period, in accordance with the cash flow projections prepared by the Monitor.

## **Issues**

[18] The issues to be determined are

(a) whether the SISP should be approved;

(b) whether the increase in the DIP Facility should be approved; and

(c) whether the extension of the Stay Period should be granted.

## **Analysis**

[19] In the context of assessing whether a court supervised sale process is appropriate, courts should consider the following non-exhaustive list of factors: (a) whether the sale process is warranted at this time; (b) whether the sale process will be of benefit to the debtors' stakeholders; (c) whether any creditors have a bona fide reason to object to a sale of the business; and (d) whether a better viable alternative is available: see *Nortel Networks Corporation (Re)*, 2009 CanLII 39492 (ONSC) at para 49.

- [20] The *Nortel* criteria for approving a sales process should be evaluated in light of the considerations that may ultimately apply when seeking approval for a concluded sale under section 36 of the CCAA see *Brainhunter Inc. (Re)*, 2009 CanLII 72333 (ON SC) at para 16.
- [21] In other CCAA cases, courts have also considered the following factors: the fairness, transparency and integrity of the proposed process; the commercial efficacy of the proposed process in light of the specific circumstances; and whether the sales process will optimize the chances, in the particular circumstances, of securing the best possible price for the assets up for sale: see *CCM Master Qualified Fund v blutip Power Technologies*, 2012 ONSC 1750 at para 6.
- [22] I am satisfied that the revised SISP presented this morning satisfies the factors set out above and is appropriate in the circumstances. The SISP was developed by the Applicant in consultation with the Monitor and the DIP Lender (the Applicant's senior secured lender) it has since been revised in consultation with Allied as a significant unsecured creditor. The SISP will provide a structured, orderly, fair and efficient process to broadly expose the Applicant's Business and Property to the market and permit interested parties to conduct due diligence and submit offers for potential transactions, with a view to maximizing value and recoveries for the Applicant's stakeholders. I am also satisfied the protections that have been built into the SISP to address the related party concerns and potential credit bidding are appropriate in the circumstances.
- [23] Pursuant to the ARIIO, the Applicant was granted an increase to the permitted borrowings under the DIP Facility and a corresponding increase in the maximum amount of the DIP Lender's Charge to \$13,000,000. The increase to the permitted borrowings and the DIP Lender's Charge corresponds to the forecasted interim financing needs of the Applicant over the proposed extension to the Stay Period, in accordance with the cash flow projections prepared by the Monitor over the course of the SISP.
- [24] Section 11.2 of the CCAA provides the court with the authority to grant an interim financing charge "in an amount the court considers appropriate" based on the factors set out in subsection 11.2(4) of the CCAA. I am satisfied that these factors support the proposed increase to the DIP Lender's Charge. The increased borrowings are supported by the Monitor and are sized appropriately to the Applicant's financial needs during the extended Stay Period, and will enable the Applicant to preserve the going-concern nature of its Business while advancing its restructuring efforts through the implementation of the SISP.
- [25] Finally, the Stay Period currently expires on May 1, 2026 and the Applicant seeks to extend the Stay Period to July 13, 2026 to coincide with the end of the SISP.
- [26] Pursuant to s. 11.02(2) of the CCAA, this Court is empowered to extend the stay of proceedings granted to a debtor company. The Court must consider whether: (a) the order sought is appropriate in the circumstances; and (b) the applicant has been acting in good faith and with due diligence.
- [27] The cash flow forecast attached to the Second Report indicates that the Applicant is expected to have sufficient liquidity to support its operations through the requested extension period. The requested extension is intended to provide the Monitor, the time necessary to conduct the SISP. The requested extension is supported by the Monitor who is of the view that the Applicant is acting with good faith and due diligence. Accordingly, the requested stay extension is approved.

**Disposition**

[28] Order to go in the form signed by me this day with immediate effect.

A handwritten signature in blue ink, consisting of a large, stylized initial 'J' followed by a long, horizontal, slightly wavy line.

Date: Apr 01, 2026

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Justice J. Dietrich