ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

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

DATE:
FEB 03 2026

NO. ON LIST:

TITLE OF PROCEEDING: 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 (CANADA) LTEE** (the "Applicant")

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

Other:

Name of Person Appearing	Name of Party	Contact Info
Josh Nevsky	Proposed Monitor (A&M)	jnevsky@alvarezandmarsal.com
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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 initial order (the "**Initial Order**") and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

2. Alvarez & Marsal Canada Inc. ("**A&M**") as proposed monitor has filed a pre-filing report dated February 2, 2026, supporting the relief requested by the Applicant.

3. Defined Terms not otherwise defined herein have the meaning provided for in the factum of the Applicant for use on this initial hearing.

4. The Initial Order sought by the Applicant includes:

    a. the appointment of A&M as monitor of the Applicant (in such capacity, the "**Monitor**");

    b. a stay of proceedings for an initial 10-day period (the "**Initial Stay Period**");

    c. authorization to borrow from 2625229 Ontario Inc. ("**262**"), the Applicant's primary secured creditor and sole shareholder, as debtor in possession lender (the "**DIP Lender**"), pursuant to a DIP Facility Loan Agreement dated as of February 2, 2026 (the "**DIP Agreement**") to fund the Applicant's working capital requirements and the costs of these CCAA Proceedings during the Initial Stay Period (the "**Interim Borrowings**"), provided certain conditions precedent are satisfied; and

    d. the granting of the following priority charges (collectively, the "**Charges**") over the Property (as defined in the Initial Order), listed in the following order of priority:

        a. the Administration Charge in the maximum amount of $600,000;

        b. the DIP Lender's Charge with initial authorized borrowings under the DIP Agreement of $4,500,000; and

        c. the Directors' Charge in the maximum amount of $3,200,000; and

    e. a limited sealing order in respect of an unredacted version of the Contingent Additional Consideration Right and IP Security Purchase Agreement (the "**CACR**") dated February 2, 2026.

5. No opposition was raised with respect to the relief sought by the Applicant.

Background

6. The Applicant seeks protection under the CCAA to address acute liquidity constraints and to provide a framework for a court-supervised restructuring, including a sale and investment solicitation process to solicit offers (i) to acquire all, substantially all, or a portion of the Applicant's Business and/or Property; (ii) to make an investment in, reorganize or refinance the Applicant; or (iii) for the orderly liquidation of the Property of the Applicant.

7. The Applicant operates under the registered trademarks and business names of "Toys "R" US Canada", "Toys "R" Us", "Babies "R" Us", "Babies "R" Us Canada" and "Toys "R" Us Express". Currently, there are 22 active Toys "R" Us store locations. All Toys "R" Us locations maintain a Babies "R" Us section within them. The Applicant's active stores are leased from various landlords, including 13 of which are leased from related parties. The active stores are located in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland.

8. Along with the active stores, the Applicant also has approximately 9 leased locations that were recently closed and vacated, however the associated leases have not expired or been terminated. As well, over the last approximately two years, the Applicant has closed and vacated approximately 53 additional locations, for which the associated leases have now either expired or have been terminated by the respective landlord.

9. The Applicant currently has approximately 654 full time and part time employees across Canada, 439 of which are hourly and 215 of which are salaried. None of the employees are unionized or have registered pension plans.

10. The Applicant is a privately-held corporation governed by the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16. Douglas Putman is the sole director and Secretary of the Applicant, and Jesse Gardner is the President of the Applicant. 262 is the direct parent company of the Applicant, and is not an applicant in these CCAA Proceedings. Mr. Putman is the sole shareholder of 262. The Proposed Monitor's report indicates that the Applicant's inventory and supply chain are heavily reliant on various companies owned or related to Mr. Putman and that certain critical management and IT services are also provided by companies controlled by Mr. Putman.

11. In September 2017, the Applicant filed for and obtained CCAA protection (the "**2017 CCAA Proceedings**"). The 2017 CCAA Proceedings were part of a coordinated global restructuring of the Toys "R" Us group, including a Chapter 11 proceeding in the US. Following the 2017 CCAA Proceedings the shares in the Applicant were held by, among others Fairfax Financial Holdings Ltd. ("**Fairfax**").

12. On August 19, 2021, all of the issued and outstanding shares of the Applicant were purchased by 285 (one of the pre-amalgamation entities of the Applicant), as purchaser, from Fairfax, Odyssey Reinsurance Company, United States Fire Insurance Company and Zenith Insurance Company, as vendors (collectively, the "**Vendors**"), by way of a share purchase agreement (the "**SPA**").

13. Approximately $142,000,000 is outstanding under the SPA, which obligations remain secured by an intellectual property security agreement dated August 19, 2021 (the "**IP Security Agreement**"). On or around February 2, 2026, pursuant to the CACR, the Vendors absolutely assigned all of its right, title and interest in, among other documents, the SPA and the IP Security Agreement, to 1001485743 Ontario Inc., a company related to Mr. Putman.

14. Separately, 262 is also owed approximately $17 million under certain promissory notes that are secured by a general security agreement dated January 27, 2025.

15. On an unsecured basis, the Applicant owes approximately $120 million owing to trade vendors, approximately $26 million owing to service providers non-trade vendors, and $4.7 million for rent arrears, property taxes and other amounts relating to the 22 active stores, $8.4 million to 262 and related entities for unpaid management fees, license costs and other amounts. As well, the Applicant has over $36 million outstanding in gift card obligations and is facing significant litigation related to accrued unpaid rents and other obligations in respect of the vacated store locations and other commercial disputes.

16. During the ten-month period ended November 29, 2025, the Applicant experienced a net loss of approximately $170 million As well, as at November 29, 2025, the assets of the Applicant had a book value of approximately $127 million.

17. Following a review of the Applicant's performance described above, the evaluation of the impact on the Applicant, and the careful consideration of all options and alternatives, the Applicant and its advisors, in their business judgement, determined that it is in the best interest of the Applicant's business and its stakeholders to file for CCAA protection.

Issues

18. The issues to be determined today are whether the Court should:

    a. grant the Applicant protection under the CCAA;

    b. grant the requested Stay of Proceedings;

    c. appoint A&M as Monitor;

    d. approve Interim Borrowings in the amount of $4.5 million (the "**DIP Facility**") under the terms of the DIP Agreement and grant a corresponding DIP Lender's Charge;

    e. authorize the Applicant ceasing to honour Gift Cards after a 14 day period;

    f. approve the Administration Charge;

    g. approve the Directors' Charge; and

    h. grant the limited sealing order requested in respect of the CACR.

Analysis

19. The CCAA applies to a "debtor company" or affiliated debtor companies where the total of claims against the debtor or its affiliates exceeds five million dollars. It is clear the total claims against the Applicant exceed $5 million.

20. A "debtor company" includes a company that is insolvent. I am satisfied that the Applicant is currently insolvent as defined under the CCAA by reference to the definition of insolvent person under the *Bankruptcy and Insolvency Act* (the "**BIA**"). Significant amounts are owed to its secured creditor as well as trade vendors, landlords and other unsecured creditors which the Applicant does not have the liquidity to satisfy. As such, the Applicant is unable to meet its obligations generally as they become due.

21. Section 9(1) of the CCAA provides that an application for a stay of proceedings may be made to the court that has jurisdiction in the province in which the head office or chief place of business of the company in Canada is situated, or, if the company has no place of business in Canada, in any province within which any assets of the company of the company are situated. The registered Head Office of the Applicant is in Ontario, as well, the largest number of the Applicant's stores under both the Toys "R" Us and Babies "R" Us banners are in Ontario and the largest number of the Applicant's employees are in Ontario. Further, the Ontario-based stores generate the largest number of sales. Accordingly, I am satisfied that each of the Applicants is entitled to protection under the CCAA.

22. Section 11.02(1) of the CCAA permits the Court to grant an initial stay of up to 10 days on an application for an initial order, provided such a stay is appropriate and the Applicant has acted with due diligence and in good faith. Under s. 11.001, other relief granted pursuant to this Court's powers under s. 11 of the CCAA at the same time as an order under s. 11.02(1) must be limited "to relief that is reasonably necessary for the continued operation of the debtor company in the ordinary course of business during that period." Whether particular relief is necessary to stabilize a debtor company's operations during the Initial Stay Period is an inherently factual determination, based on all of the circumstances of the particular debtor: see *Lydian International Limited (Re)*, 2019 ONSC 7473, at para. 26 and 30.

23. I am satisfied that the requested Stay of Proceedings for an initial 10 day period is appropriate in the circumstances. The terms of the Initial Order have been modified during today's hearing to those which are reasonably necessary for the continued operation of the Applicant's business in the ordinary course

during the initial 10 day period. Provisions that were removed from the order sought today, may be sought at the Comeback hearing.

24. Pursuant to s. 11.7 of the CCAA, the Court shall appoint a person to monitor the business and financial affairs of the company when an order is made on the initial application. The person appointed must be a trustee within the meaning of s. 2(1) of the BIA.

25. The Applicant proposes to have A&M appointed as the Monitor. A&M is a "trustee" within the meaning of s. 2(1) of the BIA, is established and qualified, and has consented to act as Monitor. A&M is not subject to any of the restrictions set out in s. 11.7(2) of the CCAA. Accordingly, I am satisfied that A&M should be appointed as Monitor in these proceedings.

26. The Applicants seek approval of the DIP Agreement and a DIP Lender's Charge over the Applicants' assets, property and undertakings in favour of the DIP Lender. The proposed DIP Lender's Charge ranks behind the Administration Charge and but above all other encumbrances – other than those held by parties who were not provided with notice of this initial application.

27. The DIP Facility is a non-revolving credit facility in the principal amount of $20 million available in multiple advances. Interest is 13% per annum, with penalty interest of 2% per annum and an advance fee of 3%. At this time approval is only sought for the Initial Advance of $4.5 million to fund working capital and general corporate needs of the Applicant during, and costs and expenses incurred in connection with the CCAA Proceedings in the first 10 day period.

28. Section 11.2 of the CCAA permits the Court to approve the DIP Facility and grant the DIP Lender's Charge on notice to those secured creditors that would be affected and in an amount that the Court considers appropriate having regard to the Applicants' cash flow forecast.

29. 262 has notice of these proceedings and counsel for the Applicant advises the DIP Lender supports the relief sought. The DIP Lender's Charge will not prime any other secured creditor who has not been provided with notice of the request for the Initial Order, although the Applicant is free to seek that priority at the Comeback hearing.

30. In determining whether the DIP Lender's Charge is appropriate, the Court is required to consider the following factors under s. 11.2(4) of the CCAA: (a) the period during which the company is expected to be subject to proceedings under the CCAA; (b) how the company's business and financial affairs are to be managed during the proceedings; (c) whether the company's management has the confidence of its major creditors; (d) whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company; (e) the nature and value of the company's property; (f) whether any creditor would be materially prejudiced as a result of the security or charge; and (g) the monitor's report, if any.

31. In this case, the Cash Flow Forecast demonstrates that interim financing is required to provide the Applicant with the required liquidity for continued operations in the ordinary course. The Initial Advance Amount is limited to the amount reasonably necessary to allow the Applicants to make critical payments and continue critical operations during the initial 10-day stay of proceedings, as shown in the cash flow forecast and supported by the Proposed Monitor.

32. I note that the funding provided for in the initial 10-day period for rent is only that for those 10 days for the 22 active store locations.

33. Funding under the DIP Facility will preserve the value and going concern operations of the Applicant's business, which is in the best interests of the Applicant and its stakeholders at this time. The Applicant has no other financing alternative and, in the absence of the DIP Facility being approved, the Applicant will have no liquidity to fund its operations or these CCAA Proceedings. The proposed DIP Lender's

Charge does not secure any pre-filing obligations of the Applicants. The Proposed Monitor has reviewed comparable DIP financing facilities and is of the view that the terms of the DIP Facility, including the interest rate and fees charged, are reasonable and within market parameters.

34. In the circumstances, the DIP Facility and the DIP Lender's Charge are approved.

35. The Applicant seeks the authority, to continue to honour gift cards sold by the Applicant prior to the CCAA Proceedings, for a period of 14 days, following which gift cards will not be honoured. Similar relief has been previously granted by the Court as part of initial orders see: Comark Holdings Inc. et. al. (Re), (January 7, 2025), Ont S.C.J [Commercial List], Court File No. CV-25-00734339-00CL (Initial Order) at para. 5(d); Mastermind GP Inc. (Re), (November 23, 2023), Ont S.C.J [Commercial List], Court File No. CV-23-00710259-00CL (Initial Order). In the circumstances, I am satisfied that this relief is appropriate.

36. The Applicant seeks an Administration Charge in favour of the Proposed Monitor, its counsel and counsel to the Applicants as security for their respective fees and disbursements up to a maximum of$600,000 (the "**Administration Charge**").

37. Section 11.52 of the CCAA gives this Court jurisdiction to grant a priority charge for the fees and expenses of financial, legal and other advisors or experts. Courts have considered the following non-exhaustive factors in determining whether an administration charge is appropriate: (a) the size and complexity of the business being restructured; (b) the proposed role of the beneficiaries of the charge; (c) whether there is an unwarranted duplication of roles; (d) whether the quantum of the proposed charge appears to be fair and reasonable; (e) the position of the secured creditors likely to be affected by the charge, and (f) the position of the Monitor See *CanWest Publishing Inc*., 2010 ONSC 222 at para. 54.

38. The Administration Charge was developed in consultation with the Proposed Monitor and I am satisfied that the requested amount is fair and reasonable, and appropriate to the size and complexity of the businesses being restructured and tailored to the needs within the initial Stay Period.

39. The Applicant also seeks a directors and officers charge in the amount of $3.2 million (the "**Directors' Charge**").

40. Section 11.51 of the CCAA provides the Court jurisdiction to grant a directors' charge provided notice is given to the secured creditors who are likely to be affected by it. Such a charge may not be made if "the company could obtain adequate indemnification insurance for the director or officer at a reasonable cost" and the court shall declare that the charge does not apply in respect of a specific obligation or liability incurred by a director or officer "if, in its opinion, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct": CCAA, s 11.51. Also see *Jaguar Mining Inc. (Re)*, 2014 ONSC 494 at para. 45.

41. The Directors' Charge will apply only to the extent that the directors' and officers' respective insurance is insufficient or ineffective, and only in respect of obligations and liabilities incurred after the commencement of the CCAA Proceedings excluding wilful misconduct or gross negligence.

42. The Proposed Monitor supports the Applicants' request for the Directors' Charge and I am satisfied that the proposed amount is reasonable in the circumstances, and limited to the potential exposure during the initial 10 day period. Accordingly, the Directors' Charge is approved.

42. The Applicant seeks a limited sealing order in respect of the CACR. The Applicant is concerned that the disclosure of the financial terms of the CACR will negatively impact the Applicant's ability to maximize value for the Applicant's Property pursuant to the contemplated sale and investment solicitation process for which the Applicant intends to seek approval after the Comeback hearing. Accordingly, the

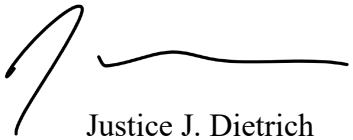
Applicant seeks an order that the unredacted CACR should remain sealed until the completion of any restructuring transaction in accordance with the contemplated SISP, or further Order of the Court.

43. I am satisfied that the limited sealing order being sought is necessary to preserve the Applicant's ability to maximize the value of its Property and meets the test in *Sherman Estate v. Donovan* 2021 SCC 25 at para 38 and that disclosure of this information would pose a risk to the public interest in enabling stakeholders of a company in insolvency proceedings to maximize the realization of assets. The Applicant is directed to follow the applicable guidelines for the filing of sealed material with the court, and to eventually apply, at the appropriate time, for an unsealing order, if necessary.

Disposition

44. Initial Order to go in the form signed by me today.

45. The Comeback hearing is scheduled for February 13, 2026 at 10:00 am 2 hours (virtual).



February 3, 2026 Justice J. Dietrich