

Court File No. \_\_\_\_\_

***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 (CANADA) LTEE**

**PRE-FILING REPORT OF THE PROPOSED MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**FEBRUARY 2, 2026**

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## 1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee (the “**Applicant**” or the “**Company**”) intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, a stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor of the Applicant (in such capacity, the “**Monitor**”). The proceedings to be commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Company operates a network of Toys “R” Us and Babies “R” Us stores across Canada, specializing in toys, clothing, baby and other retail products. The store network spans multiple Canadian provinces and is supported by a centralized distribution and corporate infrastructure.
- 1.3 The Company is 100% owned by 2625229 Ontario Inc. (“**262**”), which operates as Putman Investments (“**Putman**”), a private equity investor holding a number of investments in retail, real estate and other companies. The Applicant and 262 have the same primary directors and officers.
- 1.4 The Applicant, a long-standing leader in Canada’s toy and baby retail sector, has experienced a significant decline in revenue in recent years, resulting in severe liquidity and working-capital constraints. This decline is primarily attributable to increased competition from online and big-box retailers and a broader reduction in consumer demand. As a result, the Company has accumulated substantial arrears owing to suppliers,

landlords, and other creditors, and most of its suppliers have now recently ceased providing inventory and services due to the large amount of unpaid arrears.

- 1.5 The Applicant is commencing these CCAA Proceedings to obtain a stay of proceedings and to access interim funding required to maintain operations, including the funding of February rent which has not yet been paid. The Proposed Monitor understands that the Applicant intends to use the breathing room afforded by the CCAA to pursue measures to address its financial challenges and maximize the value of its business for the benefit of stakeholders. These measures are expected to include: (i) closing certain underperforming stores and liquidating associated inventory and furniture, fixtures and equipment; and (ii) developing and implementing a sale process for the remaining stores that will continue to operate during the CCAA Proceedings.
- 1.6 This pre-filing report (the “**Report**”) should be read in conjunction with the affidavit of Neil Taylor, Chief Restructuring Officer of the Applicant (the “**CRO**”), sworn February 2, 2026, and filed in support of the Applicant’s application for relief under the CCAA (the “**Taylor Affidavit**”). The Taylor Affidavit, among other things, provides a detailed summary of the Applicant’s background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings. Capitalized terms used and not defined in this Report have the meanings given to them in the Taylor Affidavit.

## **2.0 PURPOSE OF THE PRE-FILING REPORT**

- 2.1 The purpose of this Report is to provide the Court with information and, where applicable, the Proposed Monitor’s views on:
  - (i) A&M’s qualifications to act as Monitor (if appointed);

- (ii) certain background information with respect to the Applicant;
- (iii) the Applicant's cash flow forecast for the two-week period ending February 13, 2026 (the "**Cash Flow Forecast**");
- (iv) the relief sought by the Applicant as part of the proposed Initial Order, including, among other things:
  - (a) authorizing the Applicant to continue to utilize its cash management system (the "**Cash Management System**");
  - (b) authorizing the Applicant to borrow from 262 pursuant to a DIP Facility Loan Agreement dated February 2, 2026 (the "**DIP Facility**") during the initial 10-day stay period under the CCAA; and
  - (c) granting the proposed Administration Charge, DIP Lender's Charge and Directors' Charge (each as defined below and together, the "**Charges**") in the initial amounts set out in the proposed Initial Order over the Applicant's current and future assets, property and undertakings (collectively, the "**Property**");
- (v) the Applicant's intended next steps in these CCAA Proceedings; and
- (vi) the Proposed Monitor's conclusions and recommendations in connection with the foregoing, as applicable.

### **3.0 TERMS OF REFERENCE AND DISCLAIMER**

3.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicant, and has held discussions with management of the Applicant and its legal counsel, the CRO, and management of 262, the parent company of the Applicant (collectively, the “**Information**”). Except as otherwise described in this Report in respect of the Applicant’s cash flow forecast:

(i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Report was prepared based on the estimates and assumptions of the Applicant. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the

variations could be significant. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

#### **4.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR**

- 4.1 Alvarez & Marsal Canada ULC was engaged by the Applicant to act as a consultant on January 23, 2026 and, since that time, has worked with the Company's management and legal advisors to become familiar with Applicant's business and financial affairs. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.
- 4.2 The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature and complexity in Canada.
- 4.3 A&M has consented to act as Monitor of the Applicant should the Court grant the proposed Initial Order. A copy of A&M's consent to act is attached to the Taylor Affidavit as Exhibit "U". The Proposed Monitor has retained Stikeman Elliott LLP ("Stikeman") to act as its independent legal counsel.

#### **5.0 BACKGROUND INFORMATION**

- 5.1 This Report summarizes certain background information in relation to the Applicant as it relates to its application for the commencement of these CCAA Proceedings. Readers are

advised to review in full the Taylor Affidavit, which provides an overview of the business, operations and financial circumstances of the Applicant.

Store Locations

5.2 The Company currently operates 22 stores across Ontario, Manitoba, Saskatchewan, Newfoundland, Alberta, and Quebec. Each location contains both the Toys “R” Us and Babies “R” Us banner, and the average store is approximately 45,000 square feet. While the Applicant historically operated an e-commerce platform, all online sales were recently suspended.

5.3 The following table sets out the Applicant’s currently operating stores:

Stores by Province							
	ON	MB	SK	NL	AB	QC	Total
Third-Party Landlord	7	-	1	1	-	-	<b>9</b>
Related Party Landlord	6	2	1	-	3	1	<b>13</b>
<b>Total Active Stores</b>	<b>13</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>22</b>

5.4 As set out above, 13 of the Applicant’s stores are leased from an entity owned or controlled by Putman. The Company pays monthly rent to Putman (or related entities) pursuant to underlying lease agreements.

5.5 In addition to the 22 active store locations summarized above, the Proposed Monitor understands:

(i) the Company also has approximately 9 leased locations that were recently closed and vacated, however the associated leases have not expired or been terminated; and

(ii) over the last approximately two years, the Company 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.

5.6 As is relates to these closed and vacated locations, the Proposed Monitor understands that the Applicant previously stopped paying all monthly rental obligations after the Company exited the store. Accordingly, there is a large amount of unpaid rents and other obligations owing in connection with these locations, as well as material claims and litigation with certain landlords.

5.7 There are no amounts included in the Cash Flow Forecast relating to these closed and vacated locations, and the Applicant has made certain changes to the proposed Initial Order to reflect same. The Proposed Monitor understands that the Applicant does not intend to serve the affected landlords with the initial application seeking the proposed Initial Order, but the affected landlords will be served prior to the comeback hearing.

5.8 The Proposed Monitor also understands that in the days leading up to the CCAA Proceedings, one of the Applicant's landlords took steps to lock out the Company due to unpaid rents (this location is included in the 22 active stores). At this time, the Applicant is in discussions with the landlord to determine if the store can be re-opened during the CCAA Proceedings, at which point the Applicant would be required to pay post-filing rent.

Inventory, Distribution & Shared Services

5.9 The Applicant purchases its inventory from a variety of domestic and international suppliers, including certain suppliers who provide inventory on a consignment-only basis.

The majority of inventory is shipped to the Applicant's two distribution centres located in Ancaster, Ontario.

- 5.10 The Proposed Monitor notes that the Applicant's inventory and supply chain are heavily reliant on various companies that are either owned by or related to Putman, including: (i) the Ancaster distribution centres are owned by a party related to Putman; and (ii) certain of the Applicant's inventory is either purchased from or provided on consignment by companies related to 262 (including, among others, Sunrise Records, HMV Canada and Northern Reflections). The Proposed Monitor also understands that certain critical management and IT services are provided by companies controlled by Putman.
- 5.11 Given its recent engagement, the Proposed Monitor is in the process of gaining a better understanding of the various shared services arrangements and the supplier inventory arrangements that the Applicant has with companies controlled by Putman. The Monitor will provide further updates in this regard in its future reports.

#### Unsecured Creditor Profile

- 5.12 Based on the Applicant's books and records, as at January 28, 2026, amounts payable to unsecured creditors were approximately \$160.0 million, comprised of:
  - (i) \$120.9 million owing to domestic and foreign merchandise vendors;
  - (ii) \$26.0 million owing to service providers and other non-trade vendors;
  - (iii) \$4.7 million owing for rent arrears, property taxes and other amounts, relating to the 22 active stores only; and

(iv) \$8.4 million owing to 262 and related entities, relating to certain accrued but unpaid management fees, license costs and other amounts.

5.13 In addition to the amounts noted above, the Applicant also has approximately \$36.1 million in outstanding gift card obligations, net of a provision for estimated breakage (as at November 29, 2025). In the proposed Initial Order, the Applicant is seeking the authority to honour gift cards sold by the Applicant prior to the date of filing of the CCAA Proceedings for a period of 14 days from and including the date of filing, after which, no future gift card redemptions would be accepted. The Company has also recently stopped selling new gift cards.

5.14 In addition to the amounts noted above, and as discussed in Section 5.6, the Proposed Monitor understands that the Applicant has accrued significant unpaid rents and other obligations related to vacated store locations. Further, the Applicant is also facing various litigation and contingent claims involving landlord demands and other commercial disputes, comprised of alleged lease defaults, contractual disputes, and outstanding payments. These matters are summarized in further detail in Exhibit “B” to the Taylor Affidavit.

## **6.0 SECURED CREDIT FACILITIES AND RELATED-PARTY DEBT**

6.1 Based on the Company’s most recent balance sheet for the period ended November 29, 2025, attached to the Taylor Affidavit as Exhibit “C”, the Applicant’s secured debt position consists of the following:

(i) approximately \$15.2 million in promissory notes owing to 262 (the “**262 Promissory Notes**”); and

(ii) approximately \$76.8 million in obligations secured against intellectual property, which, as described below, relates to deferred purchase price consideration from the Fairfax Transaction (as defined below).

262 Promissory Notes

6.2 As set out in the Taylor Affidavit, the Applicant is party to two promissory notes with 262 dated January 24, 2025 and January 31, 2025, respectively, in the original aggregate principal amount of \$13 million. The 262 Promissory Notes accrue interest at a rate of 20% per annum.

6.3 On June 6, 2025, the Applicant and 262 extended the maturity date of the 262 Promissory Notes to April 30, 2028.

6.4 As described in the Taylor Affidavit, the working capital needs of the Applicant were previously funded through a senior secured revolving loan facility with Gordon Brothers ULC (the “**ABL Loan**”). Following the Christmas holiday season, the Applicant repaid the ABL Loan in full, and the Applicant and Gordon Brothers ULC mutually agreed to terminate the ABL Agreement.

IP Security Agreement

6.5 As described in the Taylor Affidavit, pursuant to a share purchase agreement dated August 19, 2021, Putman acquired the Company from Fairfax Financial Holdings Ltd. (the “**Fairfax Transaction**”). As part of the Fairfax Transaction, a portion of the purchase price was structured to be paid over an extended period of time through deferred monthly

payments. To secure these deferred payments, the Company pledged the Toys “R” Us intellectual property with an agent of Fairfax (the “**IP Security Agreement**”).

6.6 The Proposed Monitor understands that over the last few months, Putman and Fairfax have been in discussion regarding Putman purchasing the remaining deferred payment obligations secured by IP Security Agreement and associated security through an assignment transaction. The Proposed Monitor was advised that on or around February 2, 2026, such a transaction between an affiliate of Putman and Fairfax was completed. The Proposed Monitor will provide further information regarding the assignment transaction once available. Based on information shared by the Applicant, the Proposed Monitor shares its concerns that disclosure of the transaction at this time could negatively impact a future sales process in respect of the Applicant conducted in these CCAA Proceedings.

#### Monitor’s Review of Security

6.7 If appointed, the Proposed Monitor anticipates providing its legal counsel, Stikeman, with instructions to review the security in respect of the 262 Promissory Notes and the IP Security Agreement and provide an opinion on the validity and enforceability of each of the security interests.

### **7.0 CASH MANAGEMENT SYSTEM**

7.1 The Applicant maintains a centralized cash management system to deal with cash collections, disbursements and transfers (the “**Cash Management System**”). The Cash Management System is described in the Taylor Affidavit.

7.2 Royal Bank of Canada is the Applicant's main operating bank. The Applicant has 13 bank accounts, 11 of which are Canadian dollar bank accounts and two of which are U.S. dollar accounts. As described in the Taylor Affidavit, activity in the bank accounts is reviewed and reconciled by the Applicant's banking associates, under the supervision and oversight of senior management.

7.3 As part of the proposed Initial Order, the Applicant is seeking the authority to continue to use the Cash Management System during the CCAA Proceedings. The Cash Management System enables the Applicant to efficiently collect, manage and disburse cash in the normal course. The Proposed Monitor has familiarized itself with the Cash Management System and is of the view that appropriate processes, controls and reporting are in place to enable the Applicant, with the oversight of the Monitor, to continue to use the Cash Management System during the CCAA Proceedings.

7.4 As part of its monitoring procedures, the Monitor (if appointed) will:

- (i) review receipts and disbursements processed through the Cash Management System;
- (ii) review weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management; and
- (iii) review disbursements, for compliance with provisions of the proposed Initial Order.

## **8.0 CASH FLOW FORECAST**

8.1 The Company has prepared the Cash Flow Forecast for the two-week period ending February 13, 2026 (the "**Initial Period**"). A copy of the Cash Flow Forecast, together with

a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “A” and “B”**, respectively.

8.2 The following table provides a summary of the Cash Flow Forecast:

<b>Cash Flow Forecast</b>	
	<u>Initial Period</u>
<b>Receipts</b>	<b>2,275</b>
<b>Disbursements</b>	
Payroll & Benefits	(1,598)
Occupancy	(1,095)
Inventory Purchases	(2,500)
Operating Expenses	(922)
Professional Fees	(460)
<b>Total Disbursements</b>	<b>(6,575)</b>
<b>Net Cash Flow</b>	<b>(4,300)</b>
Opening Cash	250
Net Cash Flow	(4,300)
DIP Facility Advance	4,350
<b>Closing Cash</b>	<b>300</b>

8.3 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (i) receipts include forecast sales from retail stores, net of estimated gift card redemptions;
- (ii) payroll and benefits include: (a) normal course wages, benefits and taxes for continuing employees; (b) certain final salary continuance amounts relating to the pre-filing period for the Applicant’s most recent pay period (no future salary

continuance, severance or termination is projected to be paid); and (c) payments in respect of accrued vacation for planned employee reductions;

- (iii) occupancy includes rent at each of the Applicant's 22 leased locations and the distribution centres for the period of February 3, 2026 to February 15, 2026, only;
- (iv) inventory purchases include post-filing amounts only and are comprised of certain cash-in-advance orders scheduled during the Initial Period. The Applicant's inventory levels are currently depleted, primarily because of the holiday shopping season and because a number of suppliers stopped shipping in recent months; and
- (v) professional fees include those accrued by the Applicant's legal counsel, the Monitor, the Monitor's legal counsel, and the CRO.

8.4 During the Initial Period, net cash flow is projected to be negative \$4.3 million, and is forecast to be funded by the Initial Advance under the proposed DIP Facility.

8.5 Based on the Proposed Monitor's review,<sup>1</sup> nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast; (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or

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<sup>1</sup> The proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor under subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) of the CCAA requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

## 9.0 DIP FINANCING

9.1 The Cash Flow Forecast indicates that interim financing is needed on an urgent basis during the initial 10-day stay period to fund operations. To avoid an abrupt shutdown of the business, 262, the Applicant's shareholder, has advised that it is willing to provide additional financing in the form of the DIP Facility, subject to obtaining a Court-ordered priority charge.

9.2 On February 2, 2026 the Applicant entered into the DIP Facility with 262. Pursuant to the Initial Order, the Applicant is seeking approval to borrow up to \$4.5 million under the DIP Facility during the initial 10-day period until the comeback hearing.

9.3 The requested Initial Order contemplates that Interim Borrowings (as defined in the Initial Order) will be secured by way of a court-ordered priority charge (defined as the “**DIP Lender’s Charge**”), subordinate only to the Administration Charge.

9.4 A summary of certain key terms of the DIP Facility is set out below. Reference should be made to the full terms and conditions of the DIP Facility, a copy of which is attached to the Taylor Affidavit as Exhibit “V”.

<b>DIP Facility</b> <i>(capitalized terms have the meaning ascribed thereto in this Report or in the DIP Agreement)</i>	
<b>Parties</b>	<ul style="list-style-type: none"><li>• Borrower: Toys “R” Us Canada Ltd. / Toys “R” Us Canada Ltee.</li><li>• DIP Lender: 2625229 Ontario Inc.</li></ul>
<b>Facility Size</b>	<ul style="list-style-type: none"><li>• Non-revolving loan up to the principal amount of \$20,000,000</li><li>• Available in multiple advances, as follows:</li></ul>

<b>DIP Facility</b> (capitalized terms have the meaning ascribed thereto in this Report or in the DIP Agreement)	
	(i) an Initial Advance in the amount of \$4.5 million; and (ii) Subsequent advances to be drawn at the request of the Borrower
<b>Interest and Fees</b>	<ul style="list-style-type: none"><li>• Interest: 13% per annum</li><li>• Penalty Interest: Additional 2% per annum</li><li>• Advance Fee: 3% on each advance, provided that the advance fee in respect of the Initial Advance will only be earned and payable upon issuance of the Amended and Restated Initial Order</li></ul>
<b>Cash Flow Test</b>	<ul style="list-style-type: none"><li>• An Event of Default occurs if the Applicant experiences a negative variance of the net cash flows of more than 15% compared to the Approved Cash Flow on a cumulative basis since the beginning of the period covered thereby commencing two weeks after the Initial Advance, provided that the payment of amounts subject to the Administration Charge and the DIP Lender's expenses pursuant to this Agreement shall be excluded from such calculation</li></ul>
<b>Maturity Date</b>	<ul style="list-style-type: none"><li>• The earliest of: (a) conversion of the CCAA Proceedings into a proceeding under the <i>Bankruptcy and Insolvency Act</i> (Canada); (b) an event of Default in respect of which the DIP Lender have notified the Borrower pursuant to Section 23; and (c) the date that is 12 months from the date of Initial Advance</li></ul>
<b>DIP Collateral</b>	<ul style="list-style-type: none"><li>• To be secured in Canada by the DIP Lenders' Charge</li></ul>
<b>Prepayment</b>	<ul style="list-style-type: none"><li>• The Borrower may prepay the DIP Facility, in whole or in part, at any time prior to the Maturity Date</li></ul>

#### Proposed Monitor's View on the DIP Facility

9.5 The Proposed Monitor respectfully recommends that the Court approve the DIP Facility for the following reasons:

- (i) 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;
- (ii) 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. Attached as Appendix "C"

is a summary of select DIP financing facilities that have recently been approved by this Court in similar CCAA proceedings, including certain related-party DIP facilities. The Monitor notes that these comparable DIP loans: (a) range in size from \$1.0 million to \$55.0 million; (b) have interest rates in the range of 4.2% to 18%, with an average rate of 11.8%; and (c) have incremental fees that average 1.8%. In comparison, the proposed DIP Facility contemplates an interest rate of 13% and advance fees of 3%;

- (iii) no financing fees (other than interest) are earned by 262 until the comeback motion is heard; and
- (iv) as discussed in Section 8.0 above, the Initial Advance is projected to provide the Applicant with sufficient liquidity during the initial 10-day stay period of the CCAA Proceedings to allow the Applicant to stabilize its business and operations until the comeback hearing.

## **10.0 CHIEF RESTRUCTURING OFFICER**

- 10.1 The proposed Initial Order seeks approval of the appointment of Neil Taylor as CRO pursuant to the engagement letter dated November 3, 2025 (the “**CRO Engagement Letter**”), a copy of which is attached as Exhibit “W” to the Taylor Affidavit. Mr. Taylor has previously worked with Putman on a number of advisory roles since 2019, including acting as a transaction advisor and general advisor, primarily related to UK- and European-based transaction opportunities identified by Putman.
- 10.2 Without limiting the rights and authorizations granted to the CRO pursuant to the proposed Initial Order, the CRO Engagement Letter contemplates that the CRO will be responsible

for, among other things: (i) working with the Company in developing, reviewing and implementing a refinancing and restructuring plan and participating in communications with Company creditors, employees and other stakeholders; (ii) assisting in day-to-day operations of the Company, assuming carriage of the business as the CRO deems necessary or advisable, and executing such documents and instruments as required; (iii) preserving and protecting all assets of the Company; (iv) establishing a plan or plans for any refinancing or restructuring of the Company in coordination with Monitor, including assisting the Company with developing and implementing a sale process; (v) managing receipts and disbursements consistent with the cash flows filed in the CCAA Proceedings; (vi) providing information to the Company, the Monitor and the secured creditors regarding business and affairs of the Company; and (vii) in consultation with the Monitor, providing other such services relating to the CCAA Proceedings.

10.3 In relation to the CRO Engagement Letter, the Proposed Monitor notes that:

- (i) the CRO shall earn a monthly work fee in the amount of \$20,000 plus HST; and
- (ii) the CRO shall be entitled to reimbursement of reasonable out-of-pocket expenses incurred in connection with services provided.

10.4 The Proposed Monitor is of the view that the scope of the services and the fees contemplated under the CRO Engagement Letter are appropriate in the circumstances, and the terms of the CRO Engagement Letter are otherwise reasonable and consistent with comparable engagements.

## **11.0 STAY OF PROCEEDINGS**

11.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicant, its business and the Property.

11.2 In the circumstances, the Proposed Monitor is of the view that the stay of proceedings is appropriate and is in the best interests of the Applicant and its stakeholders given that:

- (i) the proposed stay of proceedings will provide the breathing room required by the Applicant to stabilize its business and advance its restructuring initiatives;
- (ii) the commencement of enforcement steps against the Applicant would be detrimental to the stability and success of the CCAA Proceedings; and
- (iii) the CCAA Proceedings will provide an appropriate forum to advance a value-maximizing transaction.

## **12.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER**

12.1 The proposed Initial Order seeks the granting of the Charges over the Property of the Applicant, as described below.

12.2 The priorities of the Charges are proposed to be as follows:

Proposed Charges & Priorities		
1. Administration Charge		\$600,000
2. DIP Lender's Charge	Authorized borrowings up to \$4.5 million	
3. Directors' Charge		\$3.2 million

Administration Charge

- 12.3 The proposed Initial Order provides for an initial Administration Charge in an amount not to exceed \$600,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicant (the “**Administration Charge**”). The Proposed Monitor understands that the Applicant intends to seek an increase of the Administration Charge to \$1 million at the comeback hearing.
- 12.4 The Proposed Monitor assisted the Applicant with the calculation of the Administration Charge and is of the view that the amount of the Administration Charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the CCAA Proceedings, the anticipated professional costs to be incurred during the initial 10-day stay period, and the size of charges approved in similar CCAA proceedings.

DIP Lender’s Charge

- 12.5 The proposed Initial Order provides for a charge on the Property as security for the outstanding obligations of the Applicant under the DIP Facility (the “**DIP Lender’s Charge**”). The DIP Lender’s Charge will rank behind the Administration Charge.
- 12.6 It is a condition of the DIP Facility that the DIP Lender’s Charge be granted by the Court. The Proposed Monitor’s observations with respect to the DIP Facility are set out in Section 9.0 above. Given the urgent need for new financing, the Proposed Monitor is of the view that the DIP Lender’s Charge is reasonable and appropriate in the circumstances.

Directors' Charge

- 12.7 The proposed Initial Order grants a charge over the Applicant's Property in the amount of \$3.2 million in favour of the Applicant's director and officers as security for any such obligations or liabilities arising after the commencement of the CCAA Proceedings, except to the extent that any such obligation or liability arises as a result of a director's or officer's gross negligence or wilful misconduct. The Applicant intends to seek an increase in the amount of the Directors' Charge at the comeback hearing.
- 12.8 The proposed Initial Order provides that the Applicant shall indemnify its director and officers against obligations and liabilities that they may incur as director and officers of the Applicant after the commencement of the CCAA Proceedings, except to the extent that, with respect to any office or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
- 12.9 The Proposed Monitor understands that the Applicant holds directors' and officers' insurance policies that provide coverage for certain director and officer obligations. The Applicant's director and officers will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under directors' and officers' insurance policies or to the extent that such coverage is insufficient to pay an indemnified amount.
- 12.10 The Proposed Monitor assisted the Applicant in the calculation of the initial quantum of the Directors' Charge, taking into consideration the amount of the Applicant's payroll, vacation pay and federal and provincial sales tax liabilities during the initial 10-day stay period. The components that comprise the proposed Directors' Charge are as follows:

<b>Proposed Directors' Charge</b>	
Provision for sales taxes (HST, GST, PST)	230,000
Provision for employee wages and source deductions	1,800,000
Provision for accrued vacation outstanding as of the Filing Date	700,000
Provision for employee benefits, EHT and other similar amounts	300,000
Provision for employee termination pay (Saskatchewan only)	170,000
<b>Total</b>	<b>\$3,200,000</b>

12.11 The Proposed Monitor understands that the director and officers of the Applicant have advised that they are not willing to continue in their current roles absent the protection afforded to them under the Directors' Charge. In the circumstances, the Proposed Monitor is of the view that the Directors' Charge is necessary and the quantum and scope of the charge are fair and reasonable.

### **13.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS**

13.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, during the period prior to the comeback hearing, the Applicant intends to:

- (i) implement a fulsome communication plan with stakeholders of the Applicant, including employees, landlords, vendors and service providers;
- (ii) commence negotiations with certain landlords to seek consensual lease amendments, and potentially disclaim these leases if acceptable terms cannot be reached; and
- (iii) perform a review of its overhead cost structure, which may result in reducing headcount and terminating certain supplier contracts.

13.2 At the comeback hearing, the Proposed Monitor understands that the Applicant intends to seek an Amended and Restated Initial Order for, among other things:

- (i) authority for the Applicant to increase the amounts which may be borrowed under the DIP Facility;
- (ii) authority for the Applicant to pay certain pre-filing amounts, with the consent of the Monitor and the DIP Lender;
- (iii) an increase to the quantum of the Charges; and
- (iv) an extension of the stay of proceedings.

13.3 The Proposed Monitor understands that the Applicant intends to seek Court approval to commence a sale process to be conducted by the Proposed Monitor (if appointed). At this time, it is contemplated that the Applicant will seek Court approval for the contemplated sale process at a date following the comeback hearing.

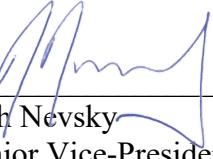
#### **14.0 CONCLUSIONS AND RECOMMENDATIONS**

14.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicant in the proposed Initial Order is reasonable, appropriate and necessary, having regard to the Applicant's current circumstances. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicant.

All of which is respectfully submitted to the Court this 2<sup>nd</sup> day of February, 2026.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Proposed Monitor of  
Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee.**

Per:



\_\_\_\_\_  
Josh Nevskey  
Senior Vice-President

**APPENDIX A**  
**CASH FLOW FORECAST**

See attached.

Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee.

**Cash Flow Forecast**

\$CAD 000's

Cash Flow Week: Week Ending:	Note	Week 1 06-Feb-26	Week 2 13-Feb-26	Total
<b>Receipts</b>	1	<b>1,138</b>	<b>1,138</b>	<b>2,275</b>
<b>Disbursements</b>				
Payroll & Benefits	2	(1,350)	(248)	(1,598)
Occupancy Costs	3	(1,095)	-	(1,095)
Inventory Purchases	4	(1,000)	(1,500)	(2,500)
Operating Expenses	5	(722)	(200)	(922)
Professional Fees	6	-	(460)	(460)
<b>Total Disbursements</b>		<b>(4,167)</b>	<b>(2,408)</b>	<b>(6,575)</b>
<b>Net Cash Flow</b>		<b>(3,029)</b>	<b>(1,271)</b>	<b>(4,300)</b>
<b>Cash</b>				
Opening Cash Balance		250	1,571	250
Net Cash Flow		(3,029)	(1,271)	(4,300)
DIP Facility Advance / (Repayment)	7	4,350	-	4,350
<b>Ending Cash Balance</b>		<b>1,571</b>	<b>300</b>	<b>300</b>
<b>DIP Facility</b>				
Opening DIP Facility		-	4,350	-
DIP Facility Advance / (Repayment)	7	4,350	-	4,350
Accrued Interest		-	11	11
<b>Ending DIP Facility Balance</b>		<b>4,350</b>	<b>4,361</b>	<b>4,361</b>

# Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee.

## Cash Flow Forecast

### Notes and Summary of Assumptions

#### Disclaimer

*In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions described below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.*

*The Forecast is presented in thousands of Canadian dollars.*

#### **1) Receipts**

Includes projected sales at the Company's 22 active store locations, inclusive of sales taxes, net of anticipated gift card redemptions.

#### **2) Payroll & Benefits**

Includes: (a) normal course wages, benefits and taxes for continuing employees; (b) certain final salary continuance amounts relating to the Company's most recent pre-filing pay period (no future salary continuance, severance or termination is projected to be paid); and (c) payments in respect of accrued vacation for planned employee reductions.

#### **3) Occupancy Costs**

Post-filing rent for the period February 3 to February 15 relating to the Company's 22 active store locations and distribution centres.

#### **4) Inventory Purchases**

Post-filing purchases to replenish merchandise at continuing stores only.

#### **5) Operating Expenses**

Payments to logistics and supply chain providers, credit card processing fees, and other general operating costs.

#### **6) Professional Fees**

Includes the Applicants' legal counsel, the Proposed Monitor, Proposed Monitor's legal counsel, and the CRO.

#### **7) DIP Facility Advance / (Repayment)**

Initial Advance amount in accordance with the proposed DIP Facility.

**APPENDIX B**  
**MANAGEMENT'S REPRESENTATION LETTER**  
**REGARDING CASH FLOW FORECAST**

See attached.

Alvarez & Marsal Canada Inc.  
200 Bay Street, Suite 2900  
Toronto ON M5J 2J1

Attention: Mr. Josh Nevsky

**February 1, 2026**

Dear Sir:

**Re: Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee. (collectively the "Applicant") – CCAA section 10(2) Prescribed Representations with Respect to the Cash Flow Forecast**

In connection with the application by the Applicant for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of the Applicant have prepared the attached 2-week projected cash flow statement for the period January 31, 2026 to February 13, 2026 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of the Applicant during the CCAA proceedings.

The Applicant confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,

Per: Name: Jesse Gardner  
Title: CFO



Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee.  
2777 Langstaff Rd, Concord, ON L4K 4M5

**APPENDIX C**  
**SUMMARY OF RECENT COMPARABLE DIP FACILITIES**

See attached.

Debtor	DIP Lender	Filing Date	Industry	Jurisdiction	DIP Loan (C\$) <sup>1</sup>	Fees as a % of Loan <sup>2</sup>	Interest Rate <sup>3</sup>
<b>Related Party DIP Facilities</b>							
B+H Architects Corp.	Surbana Jurong Holdings (Canada) Ltd.	Oct-25	Construction	ON	6,000,000	0.0%	4.2%
Attalah Group Inc (SSENSE)	Attalah Family and BMO	Sep-25	Retail	QC	40,000,000	1.5%	12.8%
QM GP Inc.	WeShall Investments Inc.	Jul-25	Construction	ON	14,000,000	1.0%	14.0%
Oak and Fort Corp et al.	Klaus Lam, Bo Ra Kam, Min-Seon Scott Park, Bear and Otter	Jun-25	Retail	BC	2,500,000	4.0%	15.0%
Li-Cycle Holdings Corp. et al.	Glencore International AG	May-25	Cleantech	ON	14,595,000	0.0%	11.3%
Enerkem Inc.	Repsol Química S.A.	May-25	Cleantech	QC	12,500,000	0.0%	15.0%
Earth Alive Clean Technologies Inc.	Nikolaus Sofronis	Oct-24	Cleantech	QC	1,720,000	0.0%	18.0%
Humble & Fume Inc.	1000760498 Ontario Inc.	Jan-24	Cannabis	ON	3,475,000	0.0%	12.0%
Myra Falls Mine Ltd.	Trafigura US Inc.	Dec-23	Mining	BC	21,000,000	1.0%	11.0%
Athabasca Minerals Inc.	JMAC Energy Services LLC	Nov-23	Mining	AB	2,850,000	0.0%	18.0%
Dataxax Business Services Limited	2872802 Ontario Inc.	Aug-23	Professional Services	AB	2,500,000	0.0%	12.0%
Fire & Flower Inc. et al.	2707031 Ontario Inc.	Jun-23	Cannabis	ON	9,800,000	4.1%	12.0%
Forex Inc. et al.	Les Placements Al-Vi Inc.	Feb-23	Manufacturing	QC	10,630,000	0.0%	10.0%
<b>Max - Related Party</b>					<b>40,000,000</b>	<b>4.1%</b>	<b>18.0%</b>
<b>Average - Related Party</b>					<b>10,890,000</b>	<b>0.9%</b>	<b>12.7%</b>
<b>Min - Related Party</b>					<b>1,720,000</b>	<b>0.0%</b>	<b>4.2%</b>
<b>Other Comparable DIP Facilities</b>							
1061511 B.C. Ltd.	Maynbridge Capital Inc.	Nov-25	Construction	BC	31,000,000	3.5%	10.0%
AMCO Farms Inc.	RBC	Aug-25	Agriculture	ON	4,100,000	3.0%	13.0%
Coast Automotive Group et al.	BMO	Jul-25	Automotive	AB	2,500,000	0.0%	9.5%
Sinobec Group Inc.	Syndicate of lenders including BMO, Laurentian Bank, BDC	May-25	Distribution	QC	5,700,000	2.6%	5.0%
STS Renewables Ltd. et al.	BNS	May-25	Professional Services	ON	2,900,000	3.5%	10.0%
Shaw-Almex Industries Limited and	RBC	May-25	Technology	ON	1,000,000	2.0%	12.0%
Asbestos Corporation Limited	Certain Underwriters At Lloyd's et al.	May-25	Mining	QC	27,800,000	0.0%	6.0%
Earth Boring Co. Limited, Yarbridge	BMO	Apr-25	Construction	ON	5,500,000	1.8%	9.5%
Synaptive Medical Inc.	Export Development Canada	Mar-25	Technology	ON	7,000,000	5.0%	15.0%
Hudson's Bay Company ULC	Restore Capital	Mar-25	Retail	ON	16,000,000	3.0%	14.3%
Pelican International Inc. et al.	NBC, BMO, Desjardins, TD Bank	Mar-25	Manufacturing	QC	6,800,000	1.2%	12.0%
Joriki Inc.	BNS and TD Bank	Jan-25	Food Manufacturing	ON	1,200,000	2.5%	12.5%
Comark Holdings Inc.	CIBC	Jan-25	Retail	ON	18,000,000	1.5%	10.0%
KMC Mining	ATB Financial	Jan-25	Mining	AB	6,000,000	5.7%	10.5%
The Lion Electric Company	NBC, BMO, Desjardins	Dec-24	Manufacturing	QC	10,000,000	2.4%	12.5%
Delta 9 Cannabis Inc. et al.	FIKA Herbal Goods	Jul-24	Cannabis	SK	16,000,000	0.0%	10.0%
Taiga Motors Corporation et al.	EDC	Jul-24	Manufacturing	QC	4,400,000	2.4%	14.0%
DCL Corporation	Wells Fargo	Dec-22	Manufacturing	QC	55,000,000	0.0%	7.9%
Quality Sterling Group	Ironbridge Equity Partners	Aug-23	Other	ON	7,000,000	0.0%	12.0%
Gesco Industries Inc. et al.	BNS	May-23	Manufacturing	ON	8,600,000	0.6%	12.7%
BlackRock Metals Inc. et al.	OMF Fund II H Ltd. and Investissement Québec	Dec-21	Mining	QC	2,000,000	0.0%	12.0%
Urthecast Corp. <sup>4</sup>	HCP-FVL, LLC	Sep-20	Technology	BC	6,950,000	11.0%	18.0%
<b>Max - Combined Total</b>					<b>55,000,000</b>	<b>11.0%</b>	<b>18.0%</b>
<b>Average - Combined Total</b>					<b>11,060,000</b>	<b>1.8%</b>	<b>11.8%</b>
<b>Min - Combined Total</b>					<b>1,000,000</b>	<b>0.0%</b>	<b>4.2%</b>

Source: Insolvency Insider and Government of Canada Public CCAA Records

1. US dollar denominated loans are translated at 1.39 USD/CAD. Certain DIP Loans are presented as the maximum draw reported in the latest court materials.

2. Excludes amounts for "reasonable fees and expenses of the DIP Lender" if these are not specifically defined.

3. Interest rates that are determined by a benchmark rate (i.e. prime rate, SOFR) were calculated as of the respective filing date.

4. The figures listed herein represent the maximum terms of the second DIP loan provided to the Urthecast Corp. (the "Debtor").