

**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**

**RESPONDING FACTUM OF
ALLIED WORLD SPECIALTY INSURANCE COMPANY
(Motion Returnable April 1, 2026)**

March 31, 2026

Thornton Grout Finnigan LLP
3200-100 Wellington Street West
TD West Tower, Toronto-Dominion
Centre
Toronto, ON M5K 1K7

Mitchell W. Grossell (LSO# 69993I)
Email: mgrossell@tgf.ca

Stephanie Fernandes (LSO# 85819M)
Email: sfernandes@tgf.ca

Rebekah O'Hare (LSO# 87983G)
Email: rohare@tgf.ca

Lawyers for Allied World Specialty
Insurance Company

TO: THE SERVICE LIST

ONTARIO
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ARRANGEMENT OF TOYS "R" US (CANADA) LTD. / TOYS
"R" US (CANADA) LTEE (the "Applicant")

SERVICE LIST
(as of March 24, 2026)

AIRD & BERLIS LLP

Brookfield Place
181 Bay St., Suite 1800
Toronto, ON M5J 2T9

Ian Aversa

Tel: (416) 865-3082
Email: iaversa@airdberlis.com

Matilda Lici

Tel: (416) 865-3428
Email: mlici@airdberlis.com

Samantha Hans

Tel: (437) 880-6105
Email: shans@airdberlis.com

Lawyers for the Applicant, Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee

ALVAREZ & MARSAL CANADA INC.

Royal Bank Plaza, South Tower
200 Bay Street, Suite 3501
Toronto, ON M5J 2J1

Josh Nevsky

Tel: (416) 710-0910
Email: jnevsky@alvarezandmarsal.com

Sven Dedic

Tel: (416) 847-2711
Email: sdedic@alvarezandmarsal.com

Mitchell Binder

Tel: (416) 847-5202
Email: mbinder@alvarezandmarsal.com

Marci Graff

Email: mgraff@alvarezandmarsal.com

The Monitor

STIKEMAN ELLIOTT LLP

Commerce Court W
5300-199 Bay St
Toronto, ON M5L 1B9

Lee Nicholson

Tel: (416) 869-5604
Email: leenicholson@stikeman.com

Chloe Duggal

Tel: (416) 869-5627
Email: cduggal@stikeman.com

Lawyers for the Monitor, Alvarez & Marsal Canada Inc.

LOOPSTRA NIXON LLP

130 Adelaide St. West – Suite 2800
Toronto, ON M5H 3P5

Graham Phoenix

Tel: (416) 748-4776
Email: gphoenix@ln.law

Shahrazad Hamraz

Tel: (416) 748-5116

Email: shamraz@ln.law

Lawyers for 2625229 Ontario Inc. and 1001485743 Ontario Inc.

ATTORNEY GENERAL OF CANADA

Department of Justice of Canada
Ontario Regional Office, Tax Law Section
120 Adelaide Street West, Suite 400
Toronto, ON M5H 1T1

Edward Park

Email: edward.park@justice.gc.ca

Randy Ramoodit

Email: Randy.Ramoodit@justice.gc.ca

Email: AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca

Counsel for His Majesty the King in Right of Canada as represented by the Minister of National Revenue

MINISTRY OF FINANCE (ONTARIO)

Legal Services Branch
Revenue Collections Branch – Insolvency Unit
11-777 Bay Street
Toronto, ON M5G 2C8

Email: insolvency.unit@ontario.ca

BLAKE, CASSELS & GRAYDON LLP

199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Jake Harris

Email: jake.harris@blakes.com

Lawyers for Lego Canada Inc.

LAX O'SULLIVAN LISUS GOTTLIEB LLP

145 King Street West, Suite 2750
Toronto, ON M5H 1J8

Zain Naqi

Email: znaqi@lolg.ca

Annecy Pang

Email: apang@lolg.ca

Co-counsel for Concord Kingsway Project GP Ltd.

MCEWAN COOPER KIRKPATRICK LLP

900-980 Howe Street
Vancouver, BC V6Z 0C8

David Gruber

Email: dgruber@mcewanpartners.com

Co-counsel for Concord Kingsway Project GP Ltd.

FASKEN MARTINEAU DUMOULIN LLP

350 7th Avenue SW, Suite 3400
Calgary, AB T2P 3N9

Tiffany Bennett

Email: tbennett@fasken.com

Desmond Mitic

Email: dmitic@fasken.com

Lawyers for Dexterra Group Inc.

REVENU QUÉBEC

3800, rue de Marly, secteur 5-2-8
Québec, QB G1X 4A5

Francois Poirier

Email: francois.poirier@revenuquebec.ca

WITTEN LLP

10303 Jasper Avenue, Suite 2500
Edmonton, AB T5J 3N6

Howard J. Sniderman, KC

Email: hsniderman@wittenlaw.com

Lawyers for Cameron Corporation and Canadian Property Holdings (Alberta) Inc.

KOHNER, MANN & KAILAS, S.C.

4650 North Port Washington Road
Milwaukee, WI 53212

Samuel C. Wisotzkey

Email: swisotzkey@kmksc.com

Lawyers for Franco Mfg. of Canada ULC

LAWSON LUNDELL LLP

Cathedral Place, Suite 1600
925 West Georgia Street
Vancouver, BC V6C 3L2

Candace Formosa

Email: cformosa@lawsonlundell.com

William Clark

Email: wclark@lawsonlundell.com

Lawyers for Ravine Equities Inc. and Ravine Properties Limited Partnership

CAMBRIDGE LLP

333 Adelaide Street West
Fourth Floor
Toronto ON M5V 1R5

Leon Li

Email: lli@cambridgellp.com

Meryl Morant

Email: mmorant@cambridgellp.com

Tel: 416-477-7007

Lawyers for The DAAN Groups Inc.

METRO SUPPLY CHAIN SOLUTIONS INC. (FORMERLY NAMED SCI LOGISTICS LTD.)

1002 rue Sherbrooke Ouest, Suite 2000
Montréal, QC H3A 3L6

Chloé Fleurant

Email: CFleurant@MetroSCG.com

CANADIAN PACIFIC KANSAS CITY (CPKC)

Network Service Centre
BLDG #7, 478 McPhillips Street
Winnipeg, MB R2X 2G8

Mike Ignacio

Email: Credit_Department@cpkcr.com

KESTENBERG LITIGATION

1600 - 2300 Yonge Street
Toronto, ON M4P 1E4

Kevin Schoenfeldt

Email: kevin@kestenberglitigation.com

Marc Kestenberg

Email: marc@kestenberglitigation.com

Lawyers for 1721169 Ontario Inc.

YOUD LEV-FARRELL DAS SMILEY LLP

141 Adelaide Street West, Suite 400
Toronto, ON M5H 3L5

Alex Lev-Farrell

Email: alev-farrell@byldslaw.com

Rachel Hennick

Email: rhennick@byldslaw.com

Lawyers for RioTrin Properties (Belcourt) Inc., RioCan Holdings (Brentwood Village) Inc., RioCan Holdings Inc., Dorval Crossing West Holdings Inc., beIMC Realty Corporation, Bower Place Holdings Inc., 2725312 Canada Inc., 2973758 Canada Inc., and Willowbrook Langley Holdings Inc.

COCA-COLA CANADA BOTTLING LIMITED

15 Westcreek Blvd
Brampton, ON L6T 5T4

Indira Singh

Email: indirasingh@cokecanada.com

THORNTON GROUT FINNIGAN LLP

100 Wellington Street West
Suite 3200, TD West Tower
Toronto ON M5K 1K7

Mitchell W. Grossell

Tel: 416-304-7978

Email: mgrossell@tgf.ca

Stephanie Fernandes

Tel: 416-304-0596

Email: sfernandes@tgf.ca

Rebekah O'Hare

Tel: 416-307-2423

Email: rohare@tgf.ca

Lawyers for Allied World Specialty Insurance Company

DENTONS CANADA LLP

77 King Street West, Suite 400

Toronto-Dominion Centre

Toronto, ON M5K 0A1

Kenneth Kraft

Tel: 416-863-4374

Email: kenneth.kraft@dentons.com

Lawyers for Roynat Inc.

TORKIN MANES LLP

151 Yonge Street, Suite 1500

Toronto, ON M5C 2W7

Jeffrey Simpson

Email: jsimpson@torkinmanes.com

Sumeet (Sonu) Dhanju-Dhillon

Email: sdhanju-dhillon@torkinmanes.com

Kanwar Dhaliwal

Tel: 416-777-5450

Email: kdhaliwal@torkinmanes.com

Lawyers for ACI Brands Inc.

CHAITONS LLP

5000 Yonge Street, 10th Floor

Toronto, Ontario M2N 7E9

Harvey Chaiton

Email: harvey@chaitons.com

Lawyers for msi Spergel Inc., in its capacity as Court-appointed Receiver of 1322297 Ontario Inc. c.o.b. as Everest Toys

BROWN BEATTIE O'DONOVAN LLP

1600-380 Wellington Street
London, ON N6A 5B5

Ciara L. Pittam

Email: cpittam@bbo.on.ca

Lawyers for Wonderland Power Centre Inc.

DONATI MAISONNEUVE S.E.N.C.R.L.

2000, av. McGill College, bureau 2150
Montréal, QB H3A 3H3

Cynthia Brunet

Email: cbrunet@donatimaisonneuve.ca

Lawyers for Centre d'achat Vaudreuil Ltée.

VTECH TECHNOLOGIES CANADA LTD.

13888 Wireless Way
Richmond, BC V6V 0A3

Frederick Lam

Email: FredLam@vtech.ca

MATTEL

Melanie de Souza

Email: melanie.desouza@mattel.com

TORYS LLP

79 Wellington St. W., 30th Floor
TD South Tower
Toronto, ON M5K 1N2

David Bish

Email: dbish@torys.com

Lawyers for The Cadillac Fairview Corporation Limited

LAWSON LUNDELL LLP

1600 - 925 West Georgia Street
Vancouver, BC V6C 3L2

Camille Chisholm

Email: cchisholm@lawsonlundell.com

Noor Mann

Email: nmann@lawsonlundell.com

Jillian Epp

Email: jepp@lawsonlundell.com

Lawyers for West Broadway Centre Ltd.

TORKIN MANES LLP

151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Stewart Thom

Email: sthom@torkinmanes.com

Lawyers for SpinMaster

CASSELS BROCK & BLACKWELL LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Alec Hoy

Email: ahoy@cassels.com

Lawyers for MEGA Brands ULC

MINISTRY OF THE ATTORNEY GENERAL (BRITISH COLUMBIA)

Legal Services Branch, Ministry of Attorney General
PO Box 9280 Stn Prov Govt
Victoria, BC V8W 9J7

Cindy Cheuk

Email: Cindy.Cheuk@gov.bc.ca

Email: AGLSBRevTaxInsolvency@gov.bc.ca

MCMILLAN LLP

Brookfield Place
181 Bay Street, Suite 4400
Toronto, ON M5J 2T3

Brett Harrison

Email: brett.harrison@mcmillan.ca

Lawyers for MGA Entertainment Canada Company

PENGUIN RANDOM HOUSE CANADA

400 Hahn Rd
Westminster, MD 21157

Anne Mink

Email: Amink@penguinrandomhouse.com

FOGLER, RUBINOFF LLP

Scotia Plaza
40 King Street West, Suite 2400
Toronto, ON M5H 3Y2

Hailey Abramsky

Email: habramsky@foglers.com

Lawyers for Borgfeldt (Canada) Limited

BLAKE, CASSELS & GRAYDON LLP

199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Chris Burr

Email: chris.burr@blakes.com

Lawyers for Element Fleet Management Corp.

**DARTMOUTH CROSSING 3 LIMITED,
DARTMOUTH CROSSING 4 LIMITED**

34 Logiealmond Close
Dartmouth, NS B3B 0C8

Ann-Louise McKinnon

Email: amckinnon@nadg.com

SISKIND DOYLE

58 Shaftesbury Avenue
Toronto, ON M4T 1A3

Michael Doyle

Email: michael@siskinddoyle.com

Lawyers for KassKam Agency Corp. and 360 Sales Solutions Inc.

DICKINSON WRIGHT LLP

199 Bay Street, Suite 2200, Box 447
Commerce Court Postal Station

Toronto, ON M5L 1G4

Lisa S. Corne

Email: lcorne@dickinsonwright.com

Lawyers for Zuru Inc.

APL LOGISTICS

14350 N 87th St #350
Scottsdale, AZ 85260

James Fakhoury

Email: james_fakhoury@apllogistics.com

BLAKES, CASSELS & GRAYDON LLP

Barrister and Solicitors
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Caitlin McIntyre

Email: caitlin.mcintyre@blakes.com

Lawyers for InComm Canada Prepaid, Inc.

DAOUST VUKOVICH LLP

Barristers and Solicitors
20 Queen Street West, Suite 3000
Toronto, ON M5H 3R3

Dina Peat

Email: dpeat@dv-law.com

Latisha Cohen

Email: lcohen@dv-law.com

Lawyers for 9182071 Canada Inc., 410 Fairview Drive Inc., CF Markville Mall Rec Inc., First Capital (Anjou) Corporation, First Capital Holdings (Ontario) Corporation, First Capital (Lachenaie) Corporation and Desjardins Financial Security Life Assurance Company

DWF LLP

2600 150 9th Ave SW
Calgary, AB T2P 3H9

Gordon Becher

Email: gordon.becher@dwfgroup.com

Counsel for Dynacraft BSC Inc.

LANDLORDS

EUROPRO (LAMBTON MALL) LP

812 Lawrence Avenue West
Toronto, ON M6A 0B5

Emily Boynton

Email: eboynton@europro.ca

Landlord

9538-2677 QUEBEC INC. O/A LEYLAD

Niagara Pen Centre
221 Glendale Ave, St.
Catharines, ON L2T 2K9

Attention: Specialty Leasing Manager, Hannah Plumadore

Landlord

OXFORD PROPERTIES RETAIL HOLDINGS II INC.

Royal Bank Plaza, North Tower
200 Bay Street, Suite 900
Toronto, ON M5J 2J2

Attention: Vice President, REM Legal

Landlord

FOGLER, RUBINOFF LLP

40 King Street West, Suite 2400
Toronto, ON M5H 3Y2

Ian P. Katchin

Email: ikatchin@foglers.com

Lawyers for 410-7 Shopping Centre Ltd.

713959 ONTARIO LIMITED

c/o Morguard Real Estate Investment Trust
55 City Centre Drive, Suite 800
Mississauga, ON L5B 1M3

Landlord

MIDTOWN PLAZA INC.

c/o Cushman & Wakefield Asset Services ULC

161 Bay Street, Suite 1500, P.O. Box 602
Toronto, ON M5J 2S1

Landlord

GARDINER ROBERTS LLP

Bay Adelaide Centre - East Tower
22 Adelaide Street West, Suite 3600
Toronto, ON M5H 4E3

S. Michael Citak

Email: mcitak@grllp.com

Lawyers for Crombie Property Holdings Limited

CAMELINO GALESSIERE LLP

65 Queen St West, Suite 440
Toronto, ON M5H 2M5

Linda Galessiere

Email: lgalessiere@cglegal.ca

Lawyers for Ivanhoe Cambridge II Inc./Jones Lang LaSalle Incorporated, Morguard Investments Limited, Cushman & Wakefield Asset Services ULC and SmartCentres Real Estate Investment Trust

DAOUST VUKOVICH LLP

20 Queen Street West, Suite 3000
Toronto, ON, M5H 3R3

Latisha Cohen

Email: lcohen@dv-law.com

Lawyers for 9182071 Canada Inc. and 410 Fairview Drive Inc.

CASSELS BROCK & BLACKWELL LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Ted Frankel

Email: tfrankel@cassels.com

Jamie Arabi

Email: jarabi@cassels.com

Lawyers for 1000623576 Ontario Inc.

PRIMARIS REIT

Brookfield Place
181 Bay Street, Suite 2720
Toronto, ON M5J 2T3

Elina Towie

Email: etowie@primarisreit.com

Director of Accounts Receivable

PFK LAWYERS

900 – 444 St. Mary Avenue
Winnipeg, MB R3C 3T1

Renato Mamucud

Email: rmamucud@pkflawyers.com

Lawyers for Malcolm J. Conrad and Lisa Kerkowich

LAW OFFICE OF KIMBERLY A. BISHOP

P.O. BOX 160453
AUSTIN, TEXAS 78716

Kimberly A. Bishop

Email: kimberly@lawofficeofkimberlyabishop.com

Lawyers for Bazaarvoice, Inc.

PPSA REGISTRANTS**10163686 CANADA LTD O/A KIDSVIP**

180 Trowers Rd, Unit 16
Woodbridge, ON L4L 7J1

Victoria Shnaider

Email: admin@kidsvip.ca

ASCA OFFICE SOLUTIONS INC.

100 Arbors Lane, Unit H
Vaughan, ON L4L 7G4

JIM PEPLINSKI LEASING INC.

2425 Matheson Blvd E., Suite 120
Mississauga, ON L4W5K4

1903P LOAN AGENT, LLC

101 Huntington Ave, 11th Floor
Boston, MA 02199

WELLS FARGO CAPITAL FINANCE CORPORATION CANADA, AS AGENT

C/O WELLS FARGO CAPITAL FINANCE, RETAIL FINANCE DIVISION

125 High St., 11th
Boston, MA 02110

GB FUNDING, LLC, AS AGENT

800 Boylston Street, 27th Floor
Boston, MA 02199

1903P LOAN AGENT, LLC, AS AGENT

101 Huntington Ave, 11th Floor
Boston, MA 02199

G.N. JOHNSTON EQUIPMENT CO. LTD.

5990 Avebury Road
Mississauga, ON L5R3R2

BOYNECLARKE LLP

99 Wyse Road, Suite 600
Dartmouth, NS B3A 4S5

James D. MacNeil

Email: jmacneil@boyneclarke.ca

Lawyers for The Shaw Group Limited

ELEMENT FLEET MANAGEMENT INC.

4 Robert Speck Parkway, Suite 900
Mississauga, ON L4Z 1S1

XEROX CANADA LTD

20 York Mills Road, Suite 500
Toronto, on M2P 2C2

MERIDIAN ONECAP CREDIT CORP.

Suite 1500, 4710 Kingsway
Burnaby, BC V5H 4M2

Email: absecparties@avssystems.ca

Email Service List

iaversa@airdberlis.com; mlici@airdberlis.com; shans@airdberlis.com;
jnevsky@alvarezandmarsal.com; sdedic@alvarezandmarsal.com;
mbinder@alvarezandmarsal.com; mgraff@alvarezandmarsal.com; leenicholson@stikeman.com;
cduggal@stikeman.com; AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca;
insolvency.unit@ontario.ca; lgalessiere@clegal.ca; admin@kidsvip.ca;
jmacneil@boyneclarke.ca; absecparties@avssystems.ca; jake.harris@blakes.com;
dgruber@mcewanpartners.com; tbennett@fasken.com; dmitic@fasken.com;
francois.poirier@revenuquebec.ca; hsniderman@wittenlaw.com; swisotzkey@kkmksc.com;
cformosa@lawsonlundell.com; wclark@lawsonlundell.com; lli@cambridgellp.com;
mmorant@cambridgellp.com; CFleurant@MetroSCG.com; Credit_Department@cpkr.com;
kevin@kestenberglitigation.com; marc@kestenberglitigation.com; alev-farrell@byldslaw.com;
rhennick@byldslaw.com; indirasingh@cokecanada.com; mgrossell@tgf.ca; sfernandes@tgf.ca;
rohare@tgf.ca; kenneth.kraft@dentons.com; mcitak@grllp.com; jsimpson@torkinmanes.com;
sdhanju-dhillon@torkinmanes.com; kdhaliwal@torkinmanes.com; harvey@chaitons.com;
eboynton@europro.ca; cpittam@bbo.on.ca; cbrunet@donatimaisonneuve.ca;
FredLam@vtech.ca; gphoenix@ln.law
shamraz@ln.law; edward.park@justice.gc.ca; Randy.Ramoodit@justice.gc.ca; znaqi@lolg.ca;
apang@lolg.ca; melanie.desouza@mattel.com; dbish@torys.com;
cchisholm@lawsonlundell.com; jepp@lawsonlundell.com; sthom@torkinmanes.com;
ikatchin@foglers.com; ahoy@cassels.com; Cindy.Cheuk@gov.bc.ca;
AGLSBRevTaxInsolvency@gov.bc.ca; brett.harrison@mcmillan.ca;
Amink@penguinrandomhouse.com; habramsky@foglers.com; chris.burr@blakes.com;
lcohen@dv-law.com; tfrankel@cassels.com; jarabi@cassels.com; nmann@lawsonlundell.com;
amckinnon@nadg.com; lcorne@dickinsonwright.com; michael@siskinddoyle.com;
james_fakhoury@apllogistics.com; etowie@primarisreit.com; caitlin.mcintyre@blakes.com;
dpeat@dv-law.com; lcohen@dv-law.com; kimberly@lawofficeofkimberlyabishop.com;
rmamucud@pkflawyers.com; gordon.becher@dwfgroup.com

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PART I - OVERVIEW

1. The issue on this motion is not whether Toys “R” Us Canada (the “**Applicant**”) should conduct a sale and investment solicitation process (the “**SISP**”). It should.
2. The issue is whether the Court should approve the SISP in the form proposed by the Applicant, where the evidentiary record shows that: (a) the SISP was developed without consultation with any arm’s-length unsecured creditor, (b) allows Insiders¹ to communicate with other SISP participants, and (c) permits the possibility that the SISP may be terminated after a 29-day Phase 1 in favour of an Insider credit bid without seeking the advice and direction of the Court.
3. Allied World Specialty Insurance Company (“**Allied World**”) is a major economic stakeholder in these proceedings. Allied World has received 36 claims from the Applicant’s merchandise suppliers in the aggregate amount of approximately USD \$10.3 million and CAD \$52.1 million and, as of March 23, 2026, has already paid 32 claims in the aggregate amount of approximately USD \$7.5 million and CAD \$38.6 million.² As of the filing date, the Applicant reported total unsecured liabilities of approximately \$160,000,000.³ Given Allied World’s total exposure, Allied World represents approximately 37.5% of the unsecured liabilities of the Applicant.⁴

¹ Insiders are defined in the SISP as “any direct or indirect shareholder, affiliate, director, officer or senior management of the Applicant, including the DIP Lender or 1001 Ontario”. In other words, this definition is extremely broad and encompasses the Applicant, its senior representatives, and all of the Applicant’s related parties.

² Affidavit of Tracy L. Montalbano sworn March 30, 2026 (“**Montalbano Affidavit**”) at [para. 6](#) and [Exhibit “A”](#).

³ Pre-filing Report of the Monitor dated February 2, 2026 at [para. 5.12](#).

⁴ Montalbano Affidavit [at para. 7](#) and [Exhibit “A”](#).

4. Allied World seeks targeted amendments to the SISP that would:⁵
 - (a) provide Allied World with limited consultation rights at specific stages of the process;
 - (b) strengthen the already existing safeguards with respect to Insider participation in the SISP; and
 - (c) mitigate features of the proposed SISP that may chill arm's-length participation and depress value.

5. As an unsecured creditor with a significant economic interest, Allied World's interest at this stage of the CCAA proceedings is simply to ensure that the proposed SISP has the best possible chance of maximizing value for the Applicant's stakeholders, including all unsecured creditors. Allied World has no intention of participating in the SISP and is willing to sign a commercially reasonable NDA that requires Allied World to keep any information it receives confidential.⁶

PART II - THE FACTS

6. The facts applicable to this motion are more fully set out in the affidavit of Neil Taylor sworn March 23, 2026 (the "**Third Taylor Affidavit**") and the Montalbano Affidavit. Capitalized terms used herein that are not otherwise defined have the meanings ascribed to them in either the Third Taylor Affidavit, the Montalbano Affidavit, or the SISP.

⁵ Montalbano Affidavit [at para. 8.](#)

⁶ Montalbano Affidavit [at para. 25.](#)

A. *Allied World and its Economic Stake*

7. Allied World is a trade credit insurer. In the ordinary course of business, it insured many of the Applicant's key merchandise suppliers against non-payment by the applicable buyer (in this case, the Applicant) in the event of a protracted default.⁷ Once Allied World pays a supplier's claim, it is subrogated to that supplier's rights against the Applicant.⁸

8. As described above, Allied World has already paid a significant amount in claims, and has maximum exposure of approximately USD \$10.5 million and CAD \$52.1 million.⁹ Allied World therefore has a significant economic interest in the outcome of these CCAA proceedings, particularly whether the proposed SISP is structured in a manner that is fair, transparent and likely to maximize value for the benefit of the Applicant's creditors.¹⁰

B. *Lack of Consultation on the Proposed SISP*

9. At the comeback hearing on February 13, 2026, Allied World raised concerns regarding the volume and significance of related-party transactions.¹¹ The Court's endorsement recognized that those issues might become more significant as these CCAA proceedings continue, and the Amended and Restated Initial Order authorized the Monitor to provide creditors with information supplied by the Applicant in response to reasonable written information requests.¹²

⁷ Montalbano Affidavit at [para. 5](#).

⁸ Montalbano Affidavit at [para. 6](#).

⁹ Montalbano Affidavit at [para. 6](#).

¹⁰ Montalbano Affidavit at [para. 7](#).

¹¹ Montalbano Affidavit at [para. 9](#).

¹² Montalbano Affidavit at [para. 10](#); *Toys "R" Us. (Re)*, [Endorsement dated February 13, 2026](#), CL-26-00000042-0000 at para. 7; *Toys "R" Us. (Re)*, [Amended and Restated Initial Order dated February 13, 2026](#), CL-26-00000042-0000, at para. 33.

10. Against that backdrop, the Applicant's subsequent approach to the proposed SISP is concerning. Mr. Taylor swears that one of the primary objectives of these CCAA proceedings is to "engage with the Applicant's principal stakeholders".¹³ Notwithstanding this sworn statement, the Applicant did not consult with Allied World and Allied World is unaware of any engagement with other arm's-length creditor regarding the structure of the SISP.¹⁴ Instead, Mr. Taylor says that the Applicant has developed the SISP in consultation with the Monitor and the DIP Lender, a related party with the same directors and officers as the Applicant.¹⁵

11. The actions of the Applicant to date in these CCAA proceedings show a disregard for the Applicant's approximate \$160 million indebtedness to its unsecured creditors. The chronology set out in the Montalbano Affidavit reinforces this point. The Applicant (a) declined to consult on the scheduling of the motion notwithstanding Allied World's significant economic interest, (b) declined to provide Allied World with advance visibility into the proposed SISP, and (c) failed to provide a copy of the SISP in a timely manner, which was only provided by the Monitor's counsel after repeated follow-ups.¹⁶ Allied World's counsel delivered its markup of the SISP to the Applicant's counsel and the Monitor's counsel the following day.

¹³ Third Taylor Affidavit at [para. 20](#).

¹⁴ Montalbano Affidavit at [paras. 16-19](#).

¹⁵ Third Taylor Affidavit at [para. 21](#); Second Report of the Monitor dated March 27, 2026 ("**Second Report**") at para. 5.19.

¹⁶ Montalbano Affidavit at [paras. 17 – 18, 22](#) and [25-27](#).

12. As noted in Allied World’s markup, Allied World seeks: (a) targeted consultation rights, including access to non-binding LOIs and binding offers, (b) strengthened insider protections to ensure Insiders do not have access to information that may compromise the integrity of the SISP and consequences if such protections are violated, including disqualification of Insiders from the SISP, and (c) procedural enhancements that include modestly extending the Phase 1 and Phase 2 bid deadlines, removing the initial financial wherewithal requirement for access to the VDR, and clarifying that the DIP Lender’s credit bid is restricted solely to the amount outstanding under the DIP Facility.¹⁷

C. Related Party Dynamic is a Primary Feature of these CCAA Proceedings

13. The Applicant is a wholly-owned subsidiary of 2625229 Ontario Inc. (“**262**”), who is also the DIP Lender and an alleged secured creditor of the Applicant (which claim is subject to ongoing security review by the Monitor).¹⁸ The Applicant and 262 share the same primary directors and officers.¹⁹ Further, of the Applicant’s 18 remaining stores (following the disclaimers summarized in the Third Taylor Affidavit), 13 of those stores are subject to related-party leases.²⁰ Mr. Taylor also discloses that he has worked with 262 in advisory roles since 2019, which raises concerns whether he is an independent Chief Restructuring Officer.²¹

¹⁷ Montalbano Affidavit at [paras. 25-27](#) and [Exhibit “E”](#).

¹⁸ Second Report at paras. 1.3 and 5.14 - 5.18.

¹⁹ Second Report at para. 1.3.

²⁰ Second Report at paras. 4.1 – 4.3.

²¹ Affidavit of Neil Taylor sworn February 2, 2026 (“**First Taylor Affidavit**”) [at para. 3](#); Montalbano Affidavit at [para. 20](#).

14. The Cash Flow Variance Report and the Second Updated Cash Flow Forecast demonstrate the extent of the related party dynamic in these CCAA proceedings. Of the approximately \$12 million in disbursements for the seven-week period from February 3, 2026 to March 20, 2026, approximately \$3.284 million in disbursements (27%) were made to related parties who are not subject to these CCAA proceedings.²²

15. This issue is more pronounced in the Second Updated Cash Flow Forecast where the Applicant forecasts to pay approximately \$9 million of the projected \$28.6 million in expenses (i.e. 31% of forecasted expenses) over the forecast period.²³

16. As discussed further below, the proposed SISP gives Insiders roles in the process. In particular, Allied World is concerned with the following Insider features in the SISP:
 - (a) consultation rights are only given to Insiders – the Applicant, 262 and 1001485743 Ontario Inc. (“**1001 Ontario**”);²⁴

 - (b) the Monitor is permitted to declare the SISP concluded and pursue a transaction with 262 after only 29 days and without first extending the Phase 1 Bid Deadline, or seeking the advice and direction of the Court;²⁵

 - (c) 262, in its capacity as DIP Lender, is deemed to be a Phase 2 Qualified Bidder even if it does not submit an LOI by the Phase 1 Bid Deadline;²⁶

²² Second Report at paras. 6.1 and 7.2.

²³ Second Report at para. 7.2.

²⁴ *Toys “R” Us. (Re)*, Sale and Investment Solicitation Process (“SISP”) dated April 1, 2026, CL-26-00000042-0000, at paras. [6](#), [7](#), [9](#), [11–15](#), [17](#), [22](#), [24](#), [27](#).

²⁵ SISP [at para. 17](#).

²⁶ SISP [at para. 16](#).

- (d) 262, in its capacity as the DIP Lender, is permitted to submit a credit bid even after the Phase 2 Bid Deadline;²⁷ and
 - (e) both 262 and 1001 Ontario are given specific shortfall and backstop consultation rights once Binding Offers are received.²⁸
17. The SISP does not provide any third-party creditor with corresponding process visibility during the SISP.

PART III - ISSUES

18. The issue on this motion is whether the proposed SISP is appropriate, fair and commercially reasonable in the circumstances and, specifically, whether it should be approved without the targeted amendments sought by Allied World.
19. For the reasons that follow, Allied World submits that the Court should approve the SISP only with the targeted amendments proposed by Allied World.

PART IV - LAW AND ARGUMENT

A. Legal Framework

20. The Court has broad discretion under the CCAA to supervise restructuring proceedings and to approve sales processes where doing so is appropriate in the circumstances.²⁹ That

²⁷ SISP at [para. 16](#).

²⁸ SISP at [para. 24\(b\)](#).

²⁹ 9354-9186 *Québec inc. v. Callidus Capital Corp.* (“*Bluberi Gaming*”), 2020 SCC 10 at [para. 48](#).

discretion is broad, but it is not boundless.³⁰ It must be exercised in furtherance of the remedial purposes of the CCAA and with the baseline considerations of appropriateness, good faith and due diligence firmly in view.³¹ The unique position of the supervising judge allows them to address the circumstances of each case and adapt the relief granted to business and social needs.³² In this case, where insiders play a significant role in the operations of the business, the supervising judge should ensure that arm's-length creditors have transparency in the steps taken during these proceedings.

21. In the sales-process context, courts continue to ask whether the proposed process is warranted at the time, whether it will benefit the overall stakeholder community, whether any affected stakeholder has a *bona fide* basis to object, and whether there is a better viable alternative.³³ Courts also examine whether the process is fair, transparent and has integrity, whether it is commercially efficacious, and whether it is likely to optimize the chances of securing the best available outcome in the circumstances.³⁴
22. Section 36 of the CCAA is directly instructive. Parliament requires the Court to consider, among other things, whether the process leading to the proposed sale was reasonable and the extent to which creditors were consulted.³⁵ If the eventual transaction is with a related person, section 36(4) imposes additional scrutiny, including whether good faith efforts were made to sell to non-related parties and whether the insider consideration is superior

³⁰ *Bluberi Gaming* at [para. 49](#).

³¹ *Bluberi Gaming* at [paras. 49](#) and [70](#).

³² *Bluberi Gaming* at [para. 48](#); *Century Services Inc. v. Canada (Attorney General)*, 2010 SCC 60 at [paras. 69-70](#).

³³ *Nortel Networks Corp. (Re)*, 2009 CanLII 39492 (Ont. S.C.J.) at [para. 49](#).

³⁴ *2675970 Ontario Inc. et al. (Re)*, [Endorsement of Cavanagh J dated September 18, 2024](#), CV-24-00726584-00CL, at para. 4.

³⁵ *Companies' Creditors Arrangement Act* ("CCAA"), R.S.C. 1985, c. C-36, [Section 36\(3\)\(d\)](#); Schedule "A".

to any other compliant offer.³⁶ In a case such as this where the proposed SISP contemplates multiple levels of Insider rights from the outset, those statutory concerns justify stronger procedural protections from the outset of the SISP, rather than only at the approval stage of a later insider transaction.

23. Allied World submits that its targeted amendments to the proposed SISP will increase the overall fairness and transparency of the SISP, and the ability of the SISP to maximize value for all stakeholders of the Applicant because the targeted amendments: (a) provide consultation rights to Allied World, a key creditor of the Applicant, (b) increase the integrity of the SISP through clarifying Insider participation throughout the SISP, and (c) remove aspects of the proposed SISP that may inadvertently have a chilling effect on arm's-length third parties participating in the SISP.

B. Limited Consultation Rights Are Appropriate and Necessary

24. Meaningful consultation is part of the fairness analysis. At the sale approval hearing in *Just Energy*, the Court expressly noted that extensive consultation was undertaken with both secured creditors and unsecured creditors, and that there was no suggestion any creditor had been ignored or overlooked.³⁷ This aspect of the analysis was important even though unsecured creditors ultimately received no recovery in *Just Energy* and Justice McEwen concluded “that is a function of the market”.³⁸ The point is a simple one: where a

³⁶ CCAA, [Section 36\(4\)](#); Schedule “A”.

³⁷ *Just Energy Group Inc. et al. v. Morgan Stanley Capital Group Inc. et al.*, 2022 ONSC 6354 at [para. 53](#) (“*Just Energy*”).

³⁸ *Just Energy* at [para. 60](#).

stakeholder is materially affected by the design and outcome of a sales process, the integrity of the process matters in its own right.

25. In this case, the asymmetry in the proposed SISP is obvious. The Applicant says these CCAA proceedings are intended to engage principal stakeholders, yet the SISP was developed only with the Monitor and the DIP Lender.³⁹ The proposed SISP then builds in specific roles for the Applicant, 262 and 1001 Ontario (all Insiders) at certain junctures, including bidder qualification, bid evaluation, milestone amendments, shortfall consultation and back-stop credit bid mechanics.⁴⁰ However, the Applicant does not propose to provide any process visibility to Allied World, notwithstanding its substantial economic interest in these CCAA proceedings, or any other arm's-length creditor at all.⁴¹
26. Allied World does not seek consent rights, a veto, or any ability to displace the decision-making process of the Monitor. It seeks only limited consultation rights at material junctures such as the identification of Phase 1 Qualified Bids, the selection of Phase 2 Qualified Bidders, the selection of any Successful Bid, and the extension or amendment of any material milestones in the SISP.⁴² This is a modest request designed to improve the process, not to control it.
27. Recent SISPs granted in other CCAA proceedings demonstrate that this request is not novel. In *Balboa*, the SISP granted consultation rights to the unsecured creditor

³⁹ Third Taylor Affidavit at [para. 21](#); Second Report of the Monitor dated March 27, 2026 at para. 5.19.

⁴⁰ SISP at paras. [6](#), [9-16](#), [24\(b\)-\(c\)](#), [31-35](#).

⁴¹ Montalbano Affidavit [at para. 25](#).

⁴² Montalbano Affidavit [at para. 25](#).

representative counsel in respect of the bidder-identification process, the LOI review process, milestone extensions and other related decision points, with those rights falling away if the representative or a represented creditor elected to bid.⁴³ Similarly, in *Canacol*, the *ad hoc* committee of senior unsecured noteholders had even more substantial participation rights, including rights relating to waiving bid defects, Phase 1 assessment, Phase 2 design, milestone changes, Phase 2 bid evaluation and the selection of the successful bid.⁴⁴

28. *Balboa* and *Canacol* are instructive to the appropriateness of the consultation rights sought by Allied World and support the proposition that where a sales process already contemplates stakeholder input at critical junctures, and especially in circumstances where insider participation is in play, limited creditor-side consultation rights are appropriate to promote transparency, improve decision-making and maximize value. There is no reason why such rights should not be provided for in this case.
29. Allied World's request for consultation does not go beyond what has been provided to unsecured creditors in other CCAA proceedings. Allied World simply seeks to be kept apprised through the Monitor so it can provide informed feedback to maximize value for the Applicant and to inform Allied World's own economic decision making during these CCAA proceedings.

⁴³ *Balboa Inc et al (Re)*, [SISP Approval Order dated April 12, 2024](#), CV-24-00713245-00CL at paras. 6, 9(a), 9, 11(a), 12, 13, 15, 17, 19, 21 and 22 ("*Balboa*").

⁴⁴ *Canacol Energy Ltd (Re)* ("*Canacol*"), [Sales Process Approval and Other Relief Order dated January 26, 2026](#), Action No. 2501-18462, Schedule "A" (Sale and Investment Solicitation Process) (the "*Canacol SISP*") at paras. 13-14, 16, 19, 20-21, 23, 25-27 and 39; *Canacol*, Schedule "B" (Auction Procedures) at paras. 1, 3(c), 4 and 5.

30. In this case, there is no issue with granting consultation rights to a single unsecured creditor for the following reasons:

- (a) Allied World's total exposure makes up approximately 37.5% of unsecured liabilities;
- (b) there is a general alignment of interest among the unsecured creditors to maximize value;
- (c) Allied World is not aware of any other creditor asking for similar consultation rights; and
- (d) granting Allied World consultation rights does not prejudice the substantive or procedural rights of other unsecured creditors.

31. Consultation rights are also a proportionate solution. The Applicant has granted consultation rights to Insiders, but not arm's-length creditors.⁴⁵ The Court should correct that imbalance now, while preserving the Monitor's independence and ultimate authority to conduct the SISP as it sees fit.⁴⁶

C. Stronger Insider Safeguards Are Required

32. Stronger Insider safeguards are required because the Insider overlap in the circumstances is significant. The Applicant is wholly-owned by 262, the Applicant and 262 share the same primary directors and officers, and the Applicant operates a majority of its stores

⁴⁵ Third Taylor Affidavit at [para. 21](#); Second Report at para. 5.19; SISP at paras. [6, 7, 9, 11-15, 17, 22, 24, 27](#).

⁴⁶ Third Taylor Affidavit at [para. 24](#); Montalbano Affidavit at [para. 25](#).

from related-party premises.⁴⁷ In these circumstances, the Court should be particularly attentive to the integrity and fairness of the process.

33. In *Hudson's Bay*, a separate insider protocol (the "**HBC Insider Protocol**") was established alongside the SISP and the lease monetization process to ensure the integrity and fairness of the SISP for all participants.⁴⁸ Among other things, the HBC Insider Protocol: (a) prohibited affected management from participating in any substantive communications with any potential bidder except at the prior written request or with the prior written consent of the monitor, (b) did not permit affected management to receive any information with respect to the SISP that was not shared with other SISP participants, and (c) prohibited management from being told who had signed NDAs or expressed interest.⁴⁹ Further, the *Hudson's Bay* SISP Approval Order required related persons that wished to submit a bid or participate in the SISP declare such intention approximately two weeks after the commencement of the SISP.⁵⁰

34. Similarly, in *Canacol*, stakeholders that elected to bid immediately lost their consultation/consent rights and were excluded from internal SISP communications and decision-making.⁵¹ In *QME*, the monitor managed communications with bidders and, other than a limited back-stop mechanism, insider and secured creditor bids were required to

⁴⁷ Second Report at paras. 1.3, 4.1 and 5.14-5.18; First Taylor Affidavit at [paras. 24-25](#); Montalbano Affidavit at [para. 20](#).

⁴⁸ *Hudson's Bay Company ULC et al. (Re)*, [Insider Protocol dated April 10, 2025](#), CV-25-00738613-00CL.

⁴⁹ *Hudson's Bay Company ULC et al. (Re)*, [Insider Protocol dated April 10, 2025](#), CV-25-00738613-00CL.

⁵⁰ *Hudson's Bay Company ULC et al. (Re)*, [SISP Approval Order dated March 21, 2025](#), CV-25-00738613-00CL at para. 7.

⁵¹ *Canacol*, [Sales Process Approval and Other Relief Order dated January 26, 2026](#), Action No 2501-18462, at paras. 15.

comply with the ordinary bid-deadline discipline of the process.⁵² In *Grafton-Fraser*, any member of management intending to bid was required to submit a participation notice by a prescribed deadline. Upon receipt of such notice, the monitor assumed the company's role to manage the SISP, effectively creating an ethical wall that excluded bidding insiders from sensitive decision-making. This mechanism ensured that management was treated as a standard interested party, preventing information asymmetry and maintaining a level playing field for all bidders.⁵³

35. The current Insider protections do not go far enough and do not follow the safeguards implemented in other CCAA proceedings where insiders intended to participate for the following reasons:
- (a) the proposed SISP permits Insiders to communicate directly with other Participants.⁵⁴ It is not clear why an Insider needs to communicate with any other Participant;
 - (b) the proposed SISP is silent on the Insiders' requirement to declare their intention to participate in the SISP by a certain date; and
 - (c) 262 is permitted to participate in the SISP by way of credit bidding at any stage, including after the Phase 2 Bid Deadline, and is deemed to be a Phase 2 Qualified Bidder.⁵⁵

⁵² *QM GP Inc. and HighPoint Environmental Services Inc. (Re)*, [SISP Approval Order dated August 7, 2025](#), CV-25-00748510-00CL, at paras. 13, 25-28, 41-42, 46 and 50.

⁵³ *Grafton-Fraser Inc. (Re)*, [Stalking Horse and SISP Order dated January 30, 2017](#), CV-17-11677-00CL.

⁵⁴ SISP at [para. 32](#).

⁵⁵ SISP at [para. 16](#).

36. Allied World's proposed amendments are not onerous or unreasonable. The proposed amendments ensure a level playing field is established at the outset of the SISP. All communications with Participants should occur through the Monitor. If the Monitor requires information from the Applicant, the Monitor can request that information from the Applicant and relay it to the Participant.⁵⁶ This protocol would eliminate any real or perceived opportunity for an Insider to either intentionally or unintentionally gain or confer an informational or procedural advantage outside the formal process.
37. Given the potential for serious and irreparable harm to the integrity of the SISP, any breach of that protocol should constitute grounds for immediate disqualification from further participation in the SISP, including by way of credit bid, unless otherwise ordered by the Court.⁵⁷ At a minimum, if the Court is not prepared to adopt Allied World's proposed language, it should require a separate *Hudson's Bay*-style insider protocol.
38. The Court should also resolve the present ambiguity concerning 1001 Ontario now: either 1001 Ontario must participate on the same terms as other bidders through Phase 1, or the proposed SISP must clearly state its status and subject it to the same timing and constraints as any other Insider bidder.⁵⁸

⁵⁶ Montalbano Affidavit at [paras. 26](#) and [Exhibit "E"](#).

⁵⁷ Montalbano Affidavit at [paras. 26](#) and [Exhibit "E"](#).

⁵⁸ Second Report at paras. 5.9; Montalbano Affidavit at [para. 26](#) and [Exhibit "E"](#).

D. The Proposed SISP May Chill Arm's-Length Participation

39. A distressed sales process may have to move quickly, but it still must be realistic. As Justice Brown observed in *CCM*, a sales process in insolvency is often a “fast track ride”, but the Court must still balance the need for expediency against a timetable that is realistic and that encourages, rather than chills, superior offers.⁵⁹
40. Viewed cumulatively, the proposed SISP contains the following features that may chill arm's-length participation:⁶⁰
- (a) there are only 29 days from commencement of the SISP to the Phase 1 Bid Deadline;⁶¹
 - (b) the Monitor may end the process and permit a related party credit bid after the Phase 1 Bid Deadline if no Phase 1 Qualified Bid is received, without first seeking the advice and direction of the Court;⁶²
 - (c) if requested by the Monitor, Participants must provide the Monitor with evidence of financial wherewithal before gaining access to the VDR;⁶³
 - (d) 262 is deemed to be a Phase 2 Qualified Bidder without complying with the terms of the SISP by submitting an LOI;⁶⁴

⁵⁹ *CCM Master Qualified Fund v. blutip Power Technologies*, 2012 ONSC 1750 at [para. 8](#).

⁶⁰ Montalbano Affidavit at [para. 28](#).

⁶¹ SISP at [para. 6](#).

⁶² SISP at [para. 16](#).

⁶³ SISP at paras. [6, 9 and 10](#).

⁶⁴ SISP at [para. 16](#).

- (e) 262 is permitted to submit a credit bid even after the Phase 2 Bid Deadline;⁶⁵ and
 - (f) 262 and 1001 Ontario receive specific shortfall / back-stop consultation rights after Binding Offers are in hand.⁶⁶
41. Taken together, these features, individually and collectively, may discourage third parties from participating in the process.⁶⁷ It also risks signalling to the market that third parties are subject to strict conditions and have a very short runway while Insiders enjoy privileged fallback routes.
42. The Applicant may respond that abbreviated timelines are common in distressed cases. That is true only up to a point. In *Harte Gold*, for example, the Court approved an abbreviated SISP after an extensive pre-filing sales process had already reached out to 246 parties and resulted in 31 NDAs. There is no comparable record of an extensive pre-filing market test that would justify an unusually short Phase 1 in this case.⁶⁸
43. When there is a two-phase SISP, as is the case here, the average number of days for Phase 1 is 36.5 days and the average number of days for Phase 2 is 34.33 days, for a total average SISP timeline of 85.33 days.⁶⁹ Attached hereto as Schedule “C”, is a summary of SISP timelines approved in other CCAA proceedings.⁷⁰

⁶⁵ SISP at [para. 16](#).

⁶⁶ SISP at [para. 24\(b\)-\(c\)](#); Third Taylor Affidavit at [paras. 25-45](#); Second Report at paras. 5.3-5.10.

⁶⁷ Montalbano Affidavit at [para. 28](#).

⁶⁸ *Harte Gold Corp. (Re)*, [Endorsement of Penny J. dated December 20, 2021](#), CV-21-00673304-00CL; Second Report at paras. 5.3 and 5.23(ii).

⁶⁹ Note: Averages were determined based on the list of examples gathered for Schedule “C”.

⁷⁰ Schedule “C”.

44. Allied World's proposed changes are modest and commercially sensible. Extending the Phase 1 Bid Deadline from May 1 to May 15 gives arm's-length parties a better opportunity to evaluate the business and decide whether to invest the time and cost of submitting an LOI. Likewise, extending the Phase 2 Bid Deadline incrementally to June 5, 2026 prevents a bid deadline from falling on the Friday of a holiday week in both Canada and the United States.⁷¹ Importantly, the extension of both the Phase 1 Bid Deadline and the Phase 2 Bid Deadline does not impact the overall closing schedule.⁷² This is important in the context of these proceedings where there are significant related party transactions, including alleged oral agreements that must be understood and evaluated by SISP participants.⁷³ These requests are justified in the context where the Monitor has the authority to extend milestones by up to two weeks, and the Applicant has requested to extend the stay until July 13, 2026.
45. Removing financial wherewithal as a potential threshold condition to initial VDR access is appropriate because financial wherewithal is already assessed at the Phase 1 qualification stage.⁷⁴ Any genuinely sensitive information can be staged or withheld until Phase 2.
46. Finally, if no Phase 1 Qualified Bid is received, the Monitor should not be permitted to pivot directly to a concluded process or an Insider outcome without first extending Phase 1 or seeking further directions from the Court.⁷⁵

⁷¹ Montalbano Affidavit at [para. 28](#).

⁷² Montalbano Affidavit at [para. 28](#).

⁷³ First Report of the Monitor dated February 11, 2026 at para. 7.0.

⁷⁴ Montalbano Affidavit at [para. 28](#).

⁷⁵ Montalbano Affidavit at [para. 28](#).

E. Conclusion

47. Allied World remains a constructive participant in these CCAA proceedings and supports a process that is designed to maximize value for stakeholders. Its objection is not to the commencement of a SISP, but to the approval of a SISP that, as currently proposed, is asymmetrical in its consultation architecture, insufficiently robust in its insider protections, and unnecessarily restrictive at the front end of the market test.⁷⁶
48. The amendments sought by Allied World are modest and practical. They do not displace the Monitor. Rather, they are intended to improve transparency, protect the integrity of the process, and increase the likelihood of a robust and competitive outcome. The proposed SISP should therefore only be approved as amended in accordance with Allied World's requested relief.⁷⁷

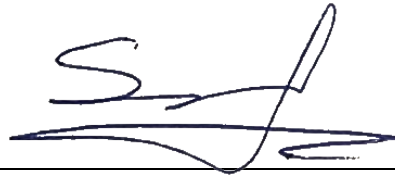
PART V - RELIEF REQUESTED

49. For all of the foregoing reasons, Allied World respectfully requests that this Court approve the amended SISP proposed by Allied World, in the form attached as Exhibit "F" to the Montalbano Affidavit.

⁷⁶ Montalbano Affidavit [at para. 29](#).

⁷⁷ Montalbano Affidavit [at para. 29](#).

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 31st day of March, 2026.



Thornton Grout Finnigan LLP
3200-100 Wellington Street West
TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Mitchell W. Grossell (LSO# 69993I)
Email: mgrossell@tgf.ca

Stephanie Fernandes (LSO# 85819M)
Email: sfernandes@tgf.ca

Rebekah O'Hare (LSO# 87983G)
Email: rohare@tgf.ca

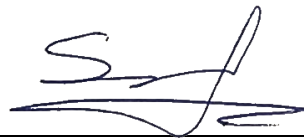
**SCHEDULE “A”
LIST OF AUTHORITIES**

1. 2675970 *Ontario Inc. et al. (Re)*, [Endorsement of Cavanagh J dated September 18, 2024](#), CV-24-00726584-00CL.
2. 9354-9186 *Québec Inc v Callidus Capital Corp*, [2020 SCC 10](#).
3. *Balboa Inc et al (Re)*, [SISP Approval Order dated April 12, 2024](#), CV-24-00713245-00CL
4. *Canacol Energy Ltd (Re)*, [Sales Process Approval and Other Relief Order dated January 26, 2026](#), Action No 2501-18462.
5. *CCM Master Qualified Fund v. blutip Power Technologies*, [2012 ONSC 1750](#).
6. *Century Services Inc. v Canada (Attorney General)*, [2010 SCC 60](#).
7. *Grafton-Fraser Inc. (Re)*, [Stalking Horse and SISP Order dated January 30, 2017](#), CV-17-11677-00CL.
8. *Harte Gold Corp. (Re)*, [Endorsement of Penny J. dated December 20, 2021](#), CV-21-00673304-00CL.
9. *Hudson’s Bay Company ULC et al. (Re)*, [Insider Protocol dated April 10, 2025](#), CV-25-00738613-00CL.
10. *Just Energy Group Inc. et. al. v. Morgan Stanley Capital Group Inc. et. al.*, [2022 ONSC 6354](#).
11. *Nortel Networks Corporation (Re)*, [2009 CanLII 39492](#) (Ont. S.C.J.).
12. *QM GP Inc. and HighPoint Environmental Services Inc.(Re)*, [SISP Approval Order dated August 7, 2025](#), CV-25-00748510-00CL.
13. *Toys “R” Us. (Re)*, [Amended and Restated Initial Order dated February 13, 2026](#), CL-26-00000042-0000.
14. *Toys “R” Us. (Re)*, [Endorsement dated February 13, 2026](#), CL-26-00000042-0000.

I certify that I am satisfied as to the authenticity of every authority.

Note: Under the Rules of Civil Procedure, an authority or other document or record that is published on a government website or otherwise by a government printer, in a scholarly journal or by a commercial publisher of research on the subject of the report is presumed to be authentic, absent evidence to the contrary (rule 4.06.1(2.2)).

Date March 31, 2026



**SCHEDULE “B”
RELEVANT STATUTES**

Companies’ Creditors Arrangement Act, RSC, 1985, c. C-36

Section 36

Restriction on disposition of business assets

36 (1) A debtor company in respect of which an order has been made under this Act may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

Notice to creditors

(2) A company that applies to the court for an authorization is to give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

Factors to be considered

- (3) In deciding whether to grant the authorization, the court is to consider, among other things,
- (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
 - (b) whether the monitor approved the process leading to the proposed sale or disposition;
 - (c) whether the monitor filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
 - (d) the extent to which the creditors were consulted;
 - (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
 - (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

Additional factors — related persons

(4) If the proposed sale or disposition is to a person who is related to the company, the court may, after considering the factors referred to in subsection (3), grant the authorization only if it is satisfied that

- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company; and

(b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.

Related persons

(5) For the purpose of subsection (4), a person who is related to the company includes

(a) a director or officer of the company;

(b) a person who has or has had, directly or indirectly, control in fact of the company; and

(c) a person who is related to a person described in paragraph (a) or (b).

Assets may be disposed of free and clear

(6) The court may authorize a sale or disposition free and clear of any security, charge or other restriction and, if it does, it shall also order that other assets of the company or the proceeds of the sale or disposition be subject to a security, charge or other restriction in favour of the creditor whose security, charge or other restriction is to be affected by the order.

Restriction — employers

(7) The court may grant the authorization only if the court is satisfied that the company can and will make the payments that would have been required under paragraphs 6(5)(a) and (6)(a) if the court had sanctioned the compromise or arrangement.

Restriction — intellectual property

(8) If, on the day on which an order is made under this Act in respect of the company, the company is a party to an agreement that grants to another party a right to use intellectual property that is included in a sale or disposition authorized under subsection (6), that sale or disposition does not affect that other party's right to use the intellectual property — including the other party's right to enforce an exclusive use — during the term of the agreement, including any period for which the other party extends the agreement as of right, as long as the other party continues to perform its obligations under the agreement in relation to the use of the intellectual property.

Schedule “C”

Summary of SISP Timelines in Other CCAA Proceedings¹

| | CCAA Proceedings | Industry | Assets and Liabilities | Phase 1 | Phase 2 | Total SISP |
|----|--|------------|---|---------|---------|-----------------------|
| 1. | <u>Canacol Energy Ltd.</u> | Energy | <ul style="list-style-type: none"> • Assets: \$1,300,000,000 • Liabilities: \$900,000,000 | 52 days | 28 days | 165 days ² |
| 2. | <u>ClearPier Acquisition Corp. and 10000238820 Ontario Inc.</u> | Technology | <ul style="list-style-type: none"> • Assets: \$51,808,140 • Liabilities: \$75,110,823 | 47 days | 50 days | 103 days |
| 3. | <u>Myra Falls Mine Ltd. (Second SISP)</u> | Mining | <ul style="list-style-type: none"> • Assets: \$214,000,000 • Liabilities: \$326,000,000 | 46 days | 49 days | 101 days |
| 4. | <u>Lithion Technologies</u> | Technology | <ul style="list-style-type: none"> • Assets: \$61,908,285 • Liabilities: \$12,515,071 | 35 days | 30 days | 93 days |
| 5. | <u>Varenes Cellulosic Ethanol LP and 7037163 Canada Inc. dba Recyclage Carbone Varenes</u> | Energy | <ul style="list-style-type: none"> • Liabilities: \$286,253,000 | 44 days | 42 days | 91 days |
| 6. | <u>Enerkem Inc. et al.</u> | Energy | <ul style="list-style-type: none"> • Assets: \$31,504,255 • Liabilities: \$372,841,420 | 38 days | 43 days | 88 days |

¹ Note: This summary does not account for any subsequent extensions to the bid deadlines.

² End date of SISP is based on Outside Date.

| | CCAA Proceedings | Industry | Assets and Liabilities | Phase 1 | Phase 2 | Total SISP |
|-----|--|---------------------------------|---|----------------|----------------|-------------------|
| 7. | Sinobec Group Inc. et al. | Metals trading and distribution | <ul style="list-style-type: none"> • Asset: \$232,000,000 • Liabilities: Approx. \$156,350,000 | 38 days | 36 days | 81 days |
| 8. | Arrangement relatif à Atallah Group Inc. | Luxury e-commerce and Retail | <ul style="list-style-type: none"> • Assets: Approx. \$387 million • Liabilities: Between approximately \$371 million and \$499 million in secured debt, trade payables, related party loans, and lease obligations | 24 days | 39 days | 74 days |
| 9. | STS Renewables Ltd. et al. | Energy | <ul style="list-style-type: none"> • Assets: \$60,800,000 • Liabilities: \$75,200,000 | 29 days | 35 days | 70 days |
| 10. | 1735825 Ontario Inc | Retail | <ul style="list-style-type: none"> • Assets: \$77,329,199 • Liabilities: \$101,636,697 | 42 days | 11 days | 60 days |
| 11. | Li-Cycle Corp. et al. | Environmental | <ul style="list-style-type: none"> • Asset: Approx. \$861,200,000 • Liabilities: Approx. \$598,100,000 | 25 days | 21 days | 49 days |
| 12. | Earth Boring Co. Limited | Civil Construction | <ul style="list-style-type: none"> • Assets: \$80,000,000 • Liabilities: \$83,000,000 | 18 days | 28 days | 49 days |

**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

**RESPONDING FACTUM OF ALLIED WORLD
SPECIALTY INSURANCE COMPANY**

THORNTON GROUT FINNIGAN LLP
100 Wellington Street West, Suite 3200
Toronto, Ontario M5K 1K7

Mitchell W. Grossell (LSO# 69993I)
Email: mgrossell@tgf.ca

Stephanie Fernandes (LSO# 85819M)
Email: sfernandes@tgf.ca

Rebekah O’Hare (LSO #87983G)
Email: rohare@tgf.ca

Lawyers for Allied World Specialty Insurance
Company