ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CL-26-00000042-0000 **DATE: June 22, 2026**

NO. ON LIST: 2

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

BEFORE: JUSTICE J. DIETRICH

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Ian Aversa	Toys "R" Us (Canada) Ltd	iaversa@airdberlis.com
Matilda Lici		mlici@airdberlis.com

For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info
Jake Harris	Lego Canada Inc	jake.harris@blakes.com
Rachel Hennick	Dorval Crossing West Holdings Inc. et al.	rhennick@byldslaw.com
Alexandra Lev-Farrell		alevfarrell@byldslaw.com
Linda Galessiere	Landlords Morguard; Cushman; Ivanhoe; NADG/Centrecorp; Smartcentres	lgalessiere@cglegal.ca
Graham Phoenix	DIP Lender; 10001	gphoenix@In.law
Victoria Pileggi (on behalf of Michael Doyle)	KassKam Agency Corp.; 360Sles Solutions Inc.	victoria@siskinddoyle.com michael@siskinddoyle.com

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Lee Nicholson	Counsel to the Monitor	leenicholson@stikeman.com
Chloe Duggal		cduggal@stikeman.com
David Im	Receiver of Everest Toys	dim@chaitons.com
Harvey Chaiton		harvey@chaitons.com
Tara Deschamps	The Canadian Press	tsd@cp.org
Josh Nevsky	CCAA Monitor (A&M)	jnevsky@alvarezandmarsal.com
Mitch Binder		mbinder@alvarezandmarsal.com
Annecy Pang	Concord Kingsway Project GP	apang@lolg.ca
Joe Pasquariello-Goodmans	Observer	jpasquariello@goodmans.ca
Stephanie Fernandes	Counsel to Allied World Specialty Insurance Company	sfernandes@tgf.ca
Mitch Grossell		mgrossell@tgf.ca
Rebekah O'Hare		rohare@tgf.ca
Matthew Cressatti	TD Bank	mcressatti@millerthomson.com
Natalie Levine	Fox Group Jumbo Canada Inc.	nlevine@cassels.com
David Bish	The Cadillac Fairview Corp Ltd	mbinder@alvarezandmarsal.com
Larry Ellis	Next Century IPCO Can ULC	lellis@millerthomson.com
Stewart Thom	Spin Master Ltd	sthom@torkin.com
Victoria Snaider	Self-Represented Party	admin@kidsvip.ca
Latisha Cohen	9182071 Canada Inc. and 410 Fairview Drive Inc.	lcohen@dv-law.com
Ciara Pittam	Wonderland Power Centre Inc.	cpittam@bbo.on.ca

ENDORSEMENT OF JUSTICE J. DIETRICH:

[1] Toys "R" Us (Canada) Ltd. / Toys "R" Us (Canada) Ltee (the "**Applicant**") seeks four orders.

[2] First, an Approval and Vesting Order (the "**AP AVO**") is sought approving the sale transaction (the "**AP Transaction**") contemplated by an asset purchase agreement (the "**AP Agreement**") between the Applicant, as vendor, and Ad Populum, LLC, as purchaser (the "**AP Purchaser**"), dated June 4, 2026.

[3] Second, an Approval and Vesting Order (the "**Fox Jumbo AVO**") is sought approving the transaction (the "**Fox Jumbo Transaction**") contemplated by an assignment and assumption of lease (the "**Fox Jumbo Agreement**") between the Applicant, as assignor, and Fox Group Jumbo Canada Inc., as assignee (the "**Fox Jumbo Assignee**"), dated June 10, 2026.

[4] Third, an Approval and Vesting Order (the "**262 AVO**") is sought approving the sale transaction (the "**262 Transaction**" and, together with the AP Transaction and the Fox Jumbo Transaction, the "**Transactions**") contemplated by an asset purchase agreement (the "**262 Agreement**") between the

Applicant, as vendor, and 2625229 Ontario Inc., as assigned to a nominee corporation as purchaser (the "**262 Purchaser**"), dated June 11, 2026.

[5] Fourth, an Order, (the "**Stay and Distribution Order**") is sought:

(a) approving and authorizing distributions from the sale proceeds of the Fox Jumbo Transaction: first, to satisfy amounts payable under the Administration Charge; and second, the balance of said proceeds to 2625229 Ontario Inc. (the "**DIP Lender**") in partial satisfaction of amounts owing by the Applicant under the DIP Loan Agreement and secured by the DIP Lender's Charge;

(b) approving and authorizing distributions from the sale proceeds of the AP Transaction: first, from the cash portion of the proceeds, to satisfy any and all amounts payable under the Administration Charge; and second, to 1001485743 Ontario Inc. ("**1001 Ontario**") by way of (i) a distribution of the remaining cash portion of the proceeds to 1001 Ontario; and (ii) the assignment of the promissory note portion of the proceeds to 1001 Ontario, to partially satisfy amounts owing by the Applicant to 1001 Ontario under the Contingent Additional Consideration Right and IP Security Purchase Agreement dated February 2, 2026;

(c) approving the Pre-Filing Report of the Monitor dated February 2, 2026 (the "**Pre-Filing Report**"), the First Report of the Monitor dated February 11, 2026 (the "**First Report**"), the Second Report of the Monitor dated March 27, 2026 (the "**Second Report**"), the Third Report of the Monitor dated June 12, 2026 (the "**Third Report**"), and the Report of the Monitor on Related Party Transactions dated June 12, 2026 (the "**Related Party Transactions Report**" and, together with the Pre-Filing Report, the First Report, the Second Report, and the Third Report, the "**Reports**"), and the actions of the Monitor described therein;

(d) extending the Stay Period to and including August 31, 2026; and

(e) sealing the confidential appendices to the Third Report (the "**Confidential Appendices**") until the closing of the AP Transaction, the Fox Jumbo Transaction, and the 262 Transaction, or further Order of this Court.

[6] Three groups of stakeholders have raised limited objections to the relief sought by the Applicant. First, msi Spergel inc., in its capacity as the Court-appointed receiver and trustee in bankruptcy of 1322297 Ontario Inc. o/a Everest (in such capacities, the "**Everest Trustee**"), an unsecured creditor of the Applicant, opposes the approval of the 262 Transaction to the extent that potential reviewable transaction claims are being sold to the 262 Purchaser as part of the transaction. The Applicant takes the position that no such claims are being sold to the 262 Purchaser. The Everest Trustee also takes issue with the approval of the 262 Transaction to the extent claims by the Applicant itself against related parties and the directors / officers of the Applicant are being purchased by 262 (being another related party). This objection is addressed below.

[7] Similarly, KidsVIP, Dorval Crossing West Holdings Inc. and Malcolm J. Conrad and Lisa Kerkowich (collectively, the "**Third-Party Stakeholders**"), have requested clarifying language, confirming that their claims against the Applicant or more importantly directly against its directors and officers are not being released or compromised by the 262 Transaction. Again, the Applicant takes the position that no such claims are in fact purchased assets under the 262 Transaction. Given the apparent agreement on this issue, as discussed at the hearing, the draft 262 AVO has been amended to make it clear such claims are not conveyed to 262.

[8] KidsVIP also requested during today's hearing that I direct the Applicant to pay amounts owing to it. I am not in a position to do so today based on the material in front of me, however, I would encourage the representative of KidsVIP to engage in discussions with the Monitor in this regard.

[9] Finally, Allied World Specialty Insurance Company ("**AWAC**") opposes the proposed distributions from the proceeds of the Fox Jumbo Transaction to the DIP Lender, and the proposed distributions from the AP Transaction to 1001 Ontario as secured creditor over the IP assets. As discussed below, the draft Stay and Distribution Order has been revised to remove, at this time, the distribution to 1001 Ontario.

[10] Defined terms used but not otherwise defined herein have the meaning provided to them in the factum of the Applications filed for use on this motion.

[11] The Applicants obtained an Initial Order on February 3, 2026 which was subsequently amended and restated on February 13, 2026 (the "**ARIO**"). On April 1, 2026, the Court granted an Order (the "**SISP Order**"), which, among other things, approved the SISP, authorized the Monitor to implement the SISP and extended the Stay Period to July 13, 2026.

[12] The Monitor conducted the SISP, which has resulted in the three Transactions for which approval is now sought.

[13] The Monitor distributed a teaser letter and a non-disclosure agreement ("**NDA**") to 90 parties. 19 parties executed NDAs (each a "**Participant**") and were provided with a Confidential Information Memorandum, as well as access to an electronic data room containing additional due diligence information regarding the Applicant and its business. On April 12, 2026, the Monitor distributed a Phase 1 process letter to each Participant, describing the requirements for submitting a qualified bid and confirming the bid deadline of May 1, 2026. By that date, 11 Participants submitted a bid in the form of a non-binding letter of intent, including the DIP Lender.

[14] The Monitor reviewed and evaluated the bids in accordance with the SISP, and, in accordance with the SISP procedures, did not consult with the Applicant in conducting its assessment. On May 5, 2026, the Monitor notified five of the bidders that they had been selected as a "Phase 2 Qualified Bidder". The Phase 2 Qualified Bidders were invited to participate in Phase 2 of the SISP. On or around May 20, 2026, the Monitor distributed a Phase 2 process letter to the Phase 2 Qualified Bidders, which outlined the requirements for submitting a binding offer and confirmed the Phase 2 Bid Deadline of May 29, 2026.

[15] On May 26, 2026, the Monitor was advised that an interested party that had not participated in the SISP had contacted the DIP Lender and expressed interest in purchasing the Intellectual Property. The Monitor provided the interested party with an NDA and, following discussions with the interested party and its legal counsel, the Monitor determined that the party should be accepted as a Phase 2 Qualified Bidder.

[16] Four of the Phase 2 Qualified Bidders submitted a binding offer by the Phase 2 Bid Deadline, including, (i) a binding offer from the DIP Lender for all of the Applicant's business and assets, excluding certain assets that may be sold to third-party bidders, particularly the Intellectual Property; (ii) binding offers from two parties for the Intellectual Property; and (iii) a binding offer to acquire the Applicant's interest in a single lease (collectively, the "**Binding Offers**").

[17] Following the Monitor's review of the Binding Offers, the Monitor determined that none provided sufficient cash consideration to indefeasibly repay: (i) the amounts outstanding to the DIP Lender; and (ii) the secured intellectual property claim of 1001 Ontario (the "**Secured IP Claim**"). Accordingly, pursuant to the terms of the SISP, the Monitor consulted with the DIP Lender and 1001 Ontario and determined that a combination of the Binding Offers would result in the greatest recovery for the Applicant and its stakeholders.

[18] The Applicant and the Monitor then engaged in further discussions with the Phase 2 Qualified Bidders to enhance the terms of their respective bids and finalize definitive documentation, following which the Monitor, in consultation with the Applicant, selected the following three Binding Offers as the Successful Bids:

(a) the Binding Offer of the AP Purchaser for the acquisition of the Intellectual Property;

(b) the Binding Offer of the Fox Jumbo Purchaser for the assignment of the Vaughan Mills Lease; and

(c) the Binding Offer of the DIP Lender for the acquisition of the majority of the Applicant's remaining assets, excluding the Intellectual Property and the Vaughan Mills Lease, by way of a credit bid for 100% of the remaining outstanding obligations under the DIP Facility.

[19] The AP Transaction contemplates a Post-Closing License permitting the Applicant and, subsequently, the 262 Purchaser, to use the Purchased IP until January 15, 2027 to wind down the existing retail footprint. As a result, the 262 Transaction is not a traditional going-concern transaction, as the business will not be able to continue operating under the Toys "R" Us and Babies "R" Us banners beyond that date.

[20] When determining whether to approve a sale transaction, the Court must consider the six factors set out in s. 36(3) of the CCAA, which have considerable overlap with the principles laid down *in Royal Bank v. Soundair Corp.* 1991 CarswellOnt 205, at para. 16, 1991 CanLII 2722 (CA). They are as follows:

(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.

[21] I am satisfied that the considerations under s. 36(3) of the CCAA and the *Soundair* factors support the approval of the Transactions. The SISP was reasonable in the circumstances and conducted in accordance with the terms as approved by the Court pursuant to the SISP Order. The Monitor is of the view that the SISP canvassed the market broadly and effectively, and that further time and expense marketing the Applicant's business and assets would not result in superior transactions being identified.

The Monitor notes that the Transactions, in combination, will result in a value maximizing transaction for the Applicant, including the preservation of at least 10 retail stores for a period of time, which will result in the continued employment of approximately 200 employees during that period. The Monitor is of the view that the proposed Transactions are the best alternatives available to the Applicant, and are superior to a wind-down and/or liquidation of the Applicant's business.

[22] Under s. 36(7) of the CCAA, the Court is only able to approve a sale of assets if the Court is satisfied that the Applicant can and will make the relevant employee priority payments (under s. 6(5)(a) of the CCAA). Counsel advises that such amounts are priority amounts to be paid under the 262 Transaction. I also note that no order forcing the assignment of contract which requires consent to assignment from a counter-party is being sought (or granted) at this time.

[23] The AP Transaction and the Fox Jumbo Transaction are therefore approved.

[24] The 262 Transaction is a sale to a related party. Under s. 36(4) of the CCAA, a sale to a related party may only be approved if the Court is also satisfied that good faith efforts to sell the assets to persons not-related to the Applicant were made and the consideration to be received by the related party sale is superior to that which would be received by a sale to a non-related person. Given the SISP that was run and the results thereof, I am satisfied that these additional factors are met.

[25] The only substantive objection to the approval of any of the Transactions is from the Everest Trustee. Mr. Chaiton, on behalf of the Everest Trustee submits that there is not enough information regarding the value of potential claims that are a purchased asset under the 262 Transaction. Specifically, given related party dealings at issue, including those described in the Related Party Transactions Report, Mr. Chaiton submits that there are very likely claims by the Applicant against related parties including its directors / officers that may have value. I note, however, that there were no offers for any such claims that came forward in the SISP, nor has any specific claim been identified.

[26] The Everest Trustee also notes that the Ontario Court of Appeal has recently granted leave to appeal a similar issue see *Avida 2015 Inc., (Re),* 2026 ONCA 426 [***Avida***] at paras 8-9. As described by the Ontario Court of Appeal in that decision, the question to be decided was whether a credit bid may be used to acquire an asset where its security does not attach to that asset. I am not persuaded that the issue before this Court and the Court of Appeal in *Avida* are the same. It is not clear what the terms of the general security agreement at issue in *Avida* were. Here, the security for which a credit bid is sought is a Court ordered charge in the form of the DIP Lender's Charge created by the Initial Order.

[27] Further, as noted by the Monitor, reviewable transaction claims are specifically not included as purchased assets in the 262 Transaction. Nor are direct claims by creditors or by a trustee in bankruptcy for oppression. In that context, the Monitor's view is that, when considering the limited nature of the claims being purchased the value of any such purchased claims is minimal. Further, no party has advanced any specific claim. It is also significant that the liquidation analysis compiled by the Monitor shows a significant shortfall owing to the DIP Lender in a liquidation.

[28] Accordingly, when considering the required factors in this context, I also approve the 262 Transaction.

[29] With respect to the request for approval of certain distributions, it is well established that s. 11 of the CCAA permits courts to approve interim distributions to creditors absent a plan of compromise or arrangement and this court regularly approves distributions to creditors during CCAA proceedings

following Court-approved transactions: see for example, *Re Nortel Networks Corporation et al,* 2014 ONSC 4777, at paras 54-58.

[30] AWAC objected to the distributions proposed to both the DIP Lender and 1001 Ontario. The basis for the objection is that the Monitor just recently delivered the Related Party Transactions Report, and there there is not enough information at this time to determine if the DIP Lender and 1001 Ontario as related parties will be subject to transfer at undervalue and/or preference litigation ("**TUV Litigation**").

[31] I am satisfied that the proposed distributions to the DIP Lender from the Fox Jumbo Transaction are fair and commercially reasonable, and reflect the intended operation of the DIP structure approved by this Court. The approximate amount expected to be outstanding under the DIP Facility as of closing of the Transactions is $14.2 million. The DIP Facility is secured by the DIP Lender's Charge, which has a first-ranking interest in respect of all of the Property, including all proceeds from the Transactions. The remaining amount of the DIP Facility will then be the subject of the credit bid in the 262 Transaction. I see no reason to hold up a distribution to the DIP Lender under a DIP Lender's Charge at this time. The DIP advances and DIP Lender's Charge are all post-filing and subject to prior court approval and priority court charges.

[32] With respect to the distributions to the Applicant's related party secured creditor 1001 Ontario, AWAC also objects to the distributions at this time. The Applicants have provided evidence that 1001 Ontario holds the Secured IP Claim, which secures the IP Royalty Payments. This claim was purchased by 1001 Ontario from a third party prior to the CCAA Proceeding.

[33] The Monitor estimated the Secured IP Claim to be between $20 million and $40 million. The estimated range consists of the current IP Royalties arrears which are due and owing of approximately $2.8 million and an estimated present value of the future IP Royalty Payments. The Monitor's independent counsel has reviewed and provided an independent opinion to the Monitor confirming the validity of 1001 Ontario's security, subject to typical assumptions and qualifications.

[34] However, the Monitor's Related Party Transactions Report was just delivered on June 12, 2026. AWAC has, through its financial advisor delivered a number of follow up questions on that information. Based on the information currently available, AWAC argues that it is prejudicial to the Applicant's creditors, including AWAC, for the Court to allow related parties who may be subject to transfer at undervalue and/or preference litigation ("**TUV Litigation**") to receive and have access to such funds prior to a determination on its merits. I am sympathetic to 1001 Ontario's arguments that what AWAC is essentially seeking is security for costs or execution before judgment by way of holding back the proper secured creditor distribution (no concern with respect to 1001 Ontario's security has been raised). However, without fully understanding the potential for the TUV Litigation, it is difficult to understand the effect of the proposed distribution on creditors. It may be that 1001 Ontario, is not involved in that litigation at all. However, I am not persuaded that today is the day to make that determination. Nor am I persuaded that any material prejudice would take place by not approving the distribution today.

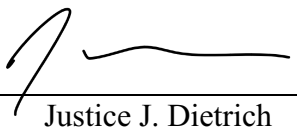
[35] Rather than determine this issue today, counsel should book a further 45-minute case conference before me the week of July 6, 2026. The Monitor can work with the Commercial List Office to book a time that works for counsel. By that time, it is expected that the involvement of 1001 Ontario in the TUV Litigation, if any, will be clear and I will revisit the issue of the distribution at that time. In this respect, *aide memoirs* of no more than 5 pages are to be uploaded to case center outlining the parties positions no later than 3 days prior to the scheduled case conference.

[36] The Applicants also seek approval of the Reports filed in these CCAA Proceedings, and the activities set out therein. The request to approve the Reports is not unusual and there are good policy and practical reasons for doing so: see *Target Canada Co. (Re),* 2015 ONSC 7574 at paras. 2, 12, 22. No opposition to the approval of the Reports has been raised and the approval of the Reports is appropriate in the circumstances as the Monitor has acted reasonably and in good faith. The draft order provided contains the typical language that only the Monitor is entitled to rely on the approval. Further, as noted in the Related Party Transactions Report, the approval of that report is without prejudice to any issue that may be taken in litigation involving matters referred to therein.

[37] The Stay Period currently expires on July 13, 2026 and the Applicants seek to extend the Stay Period to August 31, 2026. Pursuant to s. 11.02(2) of the CCAA, this Court is empowered to extend the stay of proceedings granted to a debtor company. In doing so, the Court must consider whether: (a) the order sought is appropriate in the circumstances; and (b) the applicant has been acting in good faith and with due diligence. Extending the Stay Period is necessary and appropriate to permit the Applicant, the CRO and the Monitor to, among other things, close the Transactions. The requested extension is supported by the Monitor who is of the view that the Applicants are acting with good faith and due diligence and will have sufficient liquidity to fund operations during the requested extension period. There is no evidence to suggest otherwise. Accordingly, the requested stay extension is approved.

[38] The limited sealing order being sought is necessary to preserve the Applicant's ability to maximize the value of its assets in the event of the Transactions do not close. I am satisfied that the requested sealing order, as amended at the hearing today, for the confidential appendices to the Third Report (being a summary of the Phase 1 and Phase 2 Bids, unredacted copies of the sale agreements, an illustrative comparison to a liquidation analysis and a summary of the secured IP claim value) meets the test in *Sherman Estate v. Donovan* 2021 SCC 25 at para 38 and that disclosure of this information would pose a risk to the public interest in enabling stakeholders of a company in an insolvency to maximize the realization of assets. The Monitor is directed to follow the applicable guidelines for the filing of sealed material with the court, and to eventually apply, at the appropriate time, for an unsealing order, if necessary.

[39] Orders to go in the forms signed by me this day with immediate effect.



Date: June 22, 2026 Justice J. Dietrich