

**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**

**FIRST REPORT OF THE MONITOR**  
**ALVAREZ & MARSAL CANADA INC.**

**FEBRUARY 11, 2026**

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## 1.0 INTRODUCTION

- 1.1 On February 3, 2026 (the “**Filing Date**”), Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee (the “**Applicant**” or the “**Company**”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicant under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”. The Initial Order appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicant in the CCAA Proceedings (the “**Monitor**”).
- 1.2 The Applicant operates a network of Toys “R” Us and Babies “R” Us stores across Canada, specializing in toys, clothing, baby and other retail products. 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.
- 1.3 The principal purpose of these CCAA Proceedings is to stabilize and maintain the Company’s business, obtain access to additional liquidity, and use the breathing room afforded by the CCAA to: (i) enter into discussions with certain landlords with a view to achieving consensual amendments to third-party store leases; (ii) commence the liquidation of inventory and furniture, fixtures and equipment (“**FF&E**”) at certain closing locations, including those where consensual lease amendments cannot be obtained; and (iii) in the coming weeks, return to Court to seek approval of a sale process in order to identify and

enter into a value maximizing sale or other strategic transaction in respect of the Company and its assets, in whole or in part (the “SISP”).

1.4 Additional details regarding the Applicant and their business and financial circumstances are set out in the Pre-Filing Report of the Proposed Monitor dated February 2, 2026 (the “**Pre-Filing Report**”) filed by A&M prior to the commencement of the CCAA Proceedings. The Pre-Filing Report and other public documents filed with the Court in the CCAA Proceedings are available on the Monitor’s case website at: [www.alvarezandmarsal.com/TRUCanada](http://www.alvarezandmarsal.com/TRUCanada) (the “**Case Website**”). A copy of the Pre-Filing Report is attached hereto (without appendices) as **Appendix “A”**.

1.5 The Initial Order, among other things:

- (i) granted a stay of proceedings up to and including February 13, 2026 (the “**Stay**”);
- (ii) approved the interim debtor-in-possession financing facility (the “**DIP Facility**”) and the DIP Facility Loan Agreement among the Applicant and 262 as lender (in such capacity, the “**DIP Lender**”), and authorized the Applicant to borrow up to \$4.5 million under the DIP Facility; and
- (iii) granted the Administration Charge of \$600,000, the Directors’ Charge of \$3.2 million, and the DIP Lender’s Charge to secure the obligations of the Applicant under the DIP Facility.

1.6 This first report of the Monitor (the “**First Report**”) should be read in conjunction with the Pre-Filing Report, the affidavit of Neil Taylor, Chief Restructuring Officer (the “**CRO**”) of the Company, sworn February 2, 2026 (the “**Initial Taylor Affidavit**”), and

the affidavit of Neil Taylor sworn February 10, 2026 (the “**Second Taylor Affidavit**” and together with the Initial Taylor Affidavit, the “**Affidavits**”). Capitalized terms used and not defined in this First Report have the meaning given to them in the Pre-Filing Report or the Affidavits, as applicable.

## **2.0 PURPOSE OF THE FIRST REPORT**

2.1 The purpose of this First Report is to provide the Court with information regarding, and where applicable, the Monitor’s views on:

- (i) certain updates on the Applicant’s business and restructuring efforts since the granting of the Initial Order, together with the Applicant’s intended next steps in these CCAA Proceedings;
- (ii) the relief sought by the Applicant pursuant to the proposed amended and restated Initial Order (the “**ARIO**”), which, among other things:
  - (a) extends the Stay to and including May 1, 2026;
  - (b) authorizes the payment of certain pre-filing obligations in the maximum aggregate amount of \$800,000, in each case with the approval of the Monitor;
  - (c) increases the authorized borrowings under the DIP Facility to \$13.0 million;
  - (d) increases the quantum of the Administration Charge to \$1.0 million and increases the quantum of the Directors’ Charge to \$4.0 million; and

- (e) approves sale guidelines attached as Schedule “A” to the ARIO (the “**Sale Guidelines**”), and authorizes the Applicant to conduct a liquidation sale of its inventory and FF&E at select closing store locations in accordance therewith;
- (iii) the Applicant’s updated cash flow forecast for the 13-week period to May 1, 2026 (the “**Updated Cash Flow Forecast**”);
- (iv) the activities of the Monitor since the Filing Date; and
- (v) the Monitor’s conclusions and recommendations in connection with the foregoing.

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

3.1 In preparing this First Report, the 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 (collectively, the “**Information**”). Except as otherwise described in this First Report in respect of the Applicant’s cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 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 First 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 First 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 UPDATES SINCE INITIAL ORDER**

##### Employees

4.1 Prior to the commencement of the CCAA Proceedings, the Company had approximately 562 active employees, comprised of 452 store-level employees and 110 corporate and head office employees.

4.2 In addition to these active employees, the Company also had approximately 180 previously-terminated employees who remained on salary continuance. This group of former employees had been terminated in connection with store closures and corporate headcount reductions initiated by the Applicant during the approximately 12-month period prior to the commencement of the CCAA Proceedings in an effort to reduce costs and

streamline its operations. Upon the commencement of the CCAA Proceedings, this group of terminated employees were notified that their salary continuance payments would cease.

- 4.3 Following commencement of the CCAA Proceedings, the Company implemented further workforce reductions by terminating an additional 52 employees, comprised of 39 head office staff and 13 store-level staff. This reduction was undertaken to right-size overhead costs and re-align store-level staffing requirements. The Monitor understands that these former employees will be paid their outstanding wages and all accrued vacation pay.
- 4.4 As of the date of this First Report, the Applicant's headcount totals approximately 510, comprised of 439 store-level employees and 71 corporate and head office employees.

#### Stores & Leases

- 4.5 As outlined in the Pre-Filing Report, the Company currently operates 22 stores, comprised of: (i) 9 subject to third-party leases (the "**Third-Party Leases**"); and (ii) 13 leased from entities owned by Putman (the "**Related Party Leases**").
- 4.6 Following the granting of the Initial Order, the Applicant paid its post-filing occupancy costs for the period of February 3 to February 15, 2026 for the 22 active stores and its distribution centre (also owned by Putman) in the aggregate amount of approximately \$1.0 million. These costs were comprised of \$180,000 in respect of the Third-Party Leases and \$840,000 in respect of the Related Party Leases and the distribution centre.

- 4.7 As further described in the Pre-Filing Report, the Monitor noted that the Company has an additional 8 leased locations<sup>1</sup> which it previously closed and vacated, and in respect of which the Company stopped making rent payments following the exit date. This group of 8 vacant stores is comprised of: (i) 2 locations exited in December 2025; (ii) 4 locations exited between April and August 2025; and (iii) 2 locations exited in December 2024 (collectively, the “**Vacated Stores**”). The Monitor understands that the Applicant is not aware whether or not the applicable landlord has re-entered the Vacated Stores following the cessation of rent payments, which would effectively terminate the lease agreement.
- 4.8 The Monitor understands that the landlord and/or property manager for each of the Vacated Stores was served with the Applicant’s materials for the Comeback Hearing.
- 4.9 The Monitor understands that the amount of rent payable for the Vacated Stores for a 30-day period is approximately \$685,000, which includes \$200,000 relating to the 2 locations that were exited in December 2025.

Rent Restructuring & Store Closure Plan

- 4.10 During the CCAA Proceedings, the Monitor understands that the Applicant intends to:
- (i) issue 30-day disclaimer notices for a sub-set of underperforming locations and self-liquidate the inventory and FF&E located at those locations; and
  - (ii) commence discussions with the remaining group of third-party landlords with a view to achieving consensual amendments to store leases. If such consensual

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<sup>1</sup> In the Pre-Filing Report, the Monitor referenced 9 vacated locations. On January 28, 2026, the landlord for one of these locations issued a notice of termination in respect of the underlying lease, reducing the count to 8 Vacated Stores.

amendments cannot be obtained, the Applicant may issue a 30-day disclaimer notice and commence a liquidation sale at some or all of these locations.

*Liquidating Stores*

- 4.11 Two locations are currently scheduled for closure, including: (i) one location (Niagara Pen Centre, St. Catharines) for which the Applicant intends to issue a 30-day disclaimer notice following the granting of the ARIO, if granted; and (ii) one location (Upper Canada Mall, Newmarket) for which, prior to the commencement of the CCAA Proceedings, the Company and the applicable landlord entered into a consensual lease termination agreement whereby the Company agreed to exit the store location by March 31, 2026.

*Rent Restructuring*

- 4.12 Of the remaining seven Third-Party Leases, the Applicant intends to commence negotiations with the respective landlords. As it relates to this group, the Monitor notes the following:
- (i) as described in the Pre-Filing Report, in the days leading up to the CCAA Proceedings, one landlord took steps to lock out the Company and terminate an existing lease agreement. After the Filing Date, the Company and the landlord, in consultation with the Monitor, entered into a short-term agreement allowing the Company to re-open and operate the store on a month-to-month basis while the Company considers its longer term plans for the location;
  - (ii) in the months leading up to the Filing Date, the Company was in discussions regarding the potential assignment of one of its leases in return for cash

consideration. At this time, the Company is assessing its longer term plans with respect to this location. The Monitor notes that if the contemplated transaction is pursued, the Applicant will return to Court to seek approval of same; and

- (iii) the Company is hopeful that consensual arrangements can be obtained in connection with the remaining five Third-Party Leases.

*Related Party Leases*

- 4.13 The Monitor understands that, of the 13 stores subject to a Related Party Lease (with the subject property owned by Putman), 11 of the properties are currently being marketed for sale by Putman.
- 4.14 While the sale of these properties is not part of these CCAA Proceedings, depending on whether a sale occurs, the Company's continued operation at the respective location may be impacted.

Liquidation Sales at Closing Stores

- 4.15 As described above, the Applicant intends to deliver notices to disclaim certain leases and commence a store closure and liquidation process at those locations. Due to the relatively small number of anticipated store closures, the Company intends to self-perform the liquidations.
- 4.16 The Applicant, in consultation with the Monitor, has developed the Sale Guidelines to establish the process by which the Applicant will liquidate the inventory and FF&E at the stores for which the Applicant has delivered a disclaimer notice. The Sale Guidelines

provide that each liquidation sale shall be conducted in accordance with the applicable lease and other occupancy agreement for the applicable store, except as expressly set out in the Sale Guidelines or any Court Order or as may be agreed to by the Applicant and the applicable landlord.

- 4.17 The Sale Guidelines set out a protocol for such matters as the advertising of liquidation sales, the form of signage that can be used by the Applicant, the process for sale of any FF&E, access rights of the Applicant and the landlord, and the manner in which any disputes are to be addressed. The Monitor understands that the Sale Guidelines are in substance consistent with guidelines established in connection with self-liquidation processes in other recent CCAA proceedings involving retailers.

## **5.0 DIP FACILITY**

- 5.1 As described in the Pre-Filing Report, the Applicant entered into the DIP Facility with 262, as DIP Lender. Pursuant to the Initial Order, the Applicant received authorization to borrow up to \$4.5 million as an Initial Advance under the DIP Facility.
- 5.2 The Applicant is now seeking an increase in the authorized borrowings under the DIP Facility from the Initial Advance to an aggregate amount up to \$13.0 million. As set out in the Updated Cash Flow Forecast below, this increase is required to fund the Applicant's ongoing operations and the professional costs of these CCAA Proceedings through to the end of the proposed Stay.
- 5.3 The Monitor supports the increase to the authorized borrowings under the DIP Facility for the following reasons:

- (i) the Applicant has no other financing alternative that would provide it the funding necessary to maintain its operations during the CCAA Proceedings;
- (ii) as outlined in its Pre-Filing Report, the terms of the DIP Facility are fair and reasonable and within market parameters; and
- (iii) as set out in the Updated Cash Flow Forecast, the maximum availability of \$13.0 million under the DIP Facility is sufficient and necessary to fund the CCAA Proceedings through to the end of the proposed Stay.

## **6.0 UPDATED CASH FLOW FORECAST**

6.1 The Applicant, with the assistance of the Monitor, prepared the Updated Cash Flow Forecast for the 13-week period to May 1, 2026 (the “**Cash Flow Period**”). A copy of the Updated 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 “B” and “C”**, respectively.

6.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

<b>Updated Cash Flow Forecast</b>		<b>\$000's</b>
		<b><u>13-Week Period</u></b>
<b>Receipts</b>		<b>19,796</b>
<b>Disbursements</b>		
Payroll & Benefits		(5,215)
Occupancy – Third Party (9 Leases)		(1,540)
Occupancy – Related Party (13 Leases)		(6,560)
Occupancy – Related Party (DC)		(237)
Inventory Purchases – Third Party		(6,046)
Inventory Purchases – Related Party		(1,130)
Consignment – Related Party		(1,859)
Operating Expenses		(6,168)
Sales Tax Remittances		(750)
Professional Fees		(2,527)
<b>Total Disbursements</b>		<b>(32,032)</b>
<b>Net Cash Flow</b>		<b>(12,236)</b>
Opening Cash Balance		529
Net Cash Flow		(12,236)
DIP Facility Advance		12,500
<b>Closing Cash Balance</b>		<b>793</b>

6.3 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (i) receipts include forecast sales from the Company's 22 active stores, including certain stores that are projected to be liquidated during the Cash Flow Period;
- (ii) payroll and benefits include normal-course wages, benefits and taxes, as well as accrued vacation pay for terminated employees;
- (iii) occupancy includes rent for each of the Applicant's 22 leased locations and the distribution centre. Additional information relating to the 13 Related Party Leases and distribution centre is included in Section 7.0 below;

- (iv) inventory purchases include post-filing amounts only, and include approximately \$1.1 million to be purchased from related party suppliers. Additional information relating to related-party inventory purchases and consignment arrangements are included in Section 7.0 below;
  - (v) consignment payments are paid to related parties as described in Section 7.0 below, and include inventory that was delivered, but not sold, prior to the Filing Date;
  - (vi) professional fees include amounts to the Applicant's counsel, the Monitor and its counsel, the DIP Lender's counsel and the CRO; and
  - (vii) sales tax remittances include payments in the normal course for the post-filing period, including sales taxes collected in January, due to be paid in February. Sales tax arrears relating to November and December 2025 in the aggregate amount of approximately \$2.0 million are not contemplated to be paid in the Cash Flow Period.
- 6.4 During the Cash Flow Period, net cash flows are projected to be negative \$12.2 million, which is projected to be funded by additional draws under the DIP Facility. As at May 1, 2026, the cumulative draw on the DIP Facility is projected to be approximately \$12.5 million, plus interest, fees and costs.

### Monitor's Review

6.5 Based on the Monitor's review<sup>2</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 Updated Cash Flow Forecast; (ii) as at the date of this First Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

6.6 The Cash Flow Forecast has been prepared solely for the purpose described above and readers are cautioned that it may not be appropriate for other purposes.

### **7.0 RELATED PARTY TRANSACTIONS DURING THE CCAA PROCEEDINGS**

7.1 As described in the Pre-Filing Report, the Company's supply chain, store network and inventory procurement are heavily reliant on various companies that are either owned by or controlled by Putman.

7.2 These related-party arrangements are integral to the Company's business and operations, and as set out in the Updated Cash Flow Forecast above, are projected to continue during the CCAA Proceedings on the same basis as they existed prior to the Filing Date.

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<sup>2</sup> The Monitor has reviewed the Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) 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 Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Company's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast.

7.3 The Monitor is in the process of obtaining and reviewing additional documentation supporting certain of these arrangements, including written lease agreements, supply agreements and historical invoices, where applicable. The Monitor notes that certain arrangements, such as the Shared Services (as defined below) are not governed by formal written agreements.

7.4 A summary of the disbursements in respect of related-party transactions included in the Updated Cash Flow Forecast is set out below, together with a preliminary summary of additional detail, based on information available to the Monitor as of the date of this First Report.

<b>Forecast Payments in the Updated Cash Flow Forecast</b>	<b>\$000s</b>
Related Party Leases	6,560
Distribution Centre	237
Consignment Payments	1,859
Inventory Purchases	1,130
<b>Total Forecast Payments to Related Parties</b>	<b>\$9,786</b>

#### Related Party Leases

7.5 As noted above, the Applicant has 13 Related Party Leases with Putman. Pursuant to the applicable lease agreements, as amended from time to time, aggregate monthly rent is approximately \$1.9 million, inclusive of base rent, common area maintenance, property taxes and HST. On a per-square-foot basis, the Applicant pays base rents at an average of \$31.25 PSF per annum (ranging from \$21.29 to \$67.47 PSF).

7.6 The Monitor notes that pursuant to the underlying lease agreements: (i) commencing December 2026, 9 of the Related Party Leases continue thereafter on a month-to-month basis; (ii) 3 expire in 2029; and (iii) 1 expires in 2041.

7.7 The Monitor intends to continue its review of the Related Party Leases, including obtaining comparable rent information and additional market data to better assess the reasonableness of the rents included in the Updated Cash Flow Forecast and the potential marketability of the leases to third-parties.

Inventory Supply

7.8 A large portion of the Company’s inventory is either purchased from or provided on consignment by companies related to Putman. As of January 31, 2026, the Applicant had inventory on hand of approximately \$26.1 million (including consignment inventory), of which \$12.9 million (or 49%) was consigned or purchased from a related party, in the amounts of \$8.4 million and \$4.5 million, respectively.

7.9 The following table provides a summary of the related parties who supply the Applicant:

<b>Related Party Supplier</b>	
<b>Consignor</b>	<b>Consignment Arrangements</b>
2428391 Ontario Inc. d.b.a. Sunrise Records	<ul style="list-style-type: none"> <li>• Consignment inventory provided pursuant to an Agreement dated August 21, 2024.</li> <li>• Title transfers when inventory is sold to the retail customer.</li> <li>• Cost of inventory is based on original cost paid by Sunrise, plus a percentage fee for processing and handling.</li> <li>• Sales are reported weekly, and payments are due within 7 days, net of returns.</li> <li>• On hand inventory includes approximately \$5.2 million of consignment goods, a portion of which are projected to be paid for during the CCAA Proceedings.</li> </ul>
11572288 Canada Inc. d.b.a. Famous Toys Famous Toys (Consignment)	<ul style="list-style-type: none"> <li>• Consignment inventory provided pursuant to an Agreement dated August 21, 2024.</li> <li>• Title transfers when inventory is sold to the retail customer.</li> <li>• Cost of inventory is based on original cost paid by Famous, plus a percentage fee for processing and handling.</li> <li>• Sales are reported weekly, and payments are due within 7 days, net of returns.</li> </ul>

Supplier	Purchase Arrangements	AP Balance at Filing Date
Northern Reflections Ltd. (“Northern”)	<ul style="list-style-type: none"> <li>• Inventory is purchased pursuant to individual purchase orders.</li> <li>• Company pays Northern on trade terms.</li> </ul>	\$3,366
11572288 Canada Inc. d.b.a. Famous Toys	<ul style="list-style-type: none"> <li>• Inventory is purchased pursuant to individual purchase orders.</li> <li>• Company pays Famous Toys on a cash-in-advance basis.</li> </ul>	\$nil
Rose Textiles	<ul style="list-style-type: none"> <li>• Inventory is purchased pursuant to individual purchase orders.</li> <li>• Company pays Rose on trade terms.</li> </ul>	\$338
Out There First Inc. (“OTF”)	<ul style="list-style-type: none"> <li>• Inventory is purchased pursuant to individual purchase orders.</li> <li>• Company pays OTF on trade terms.</li> </ul>	\$5,653
Everest Wholesale Inc. (“Everest”)	<ul style="list-style-type: none"> <li>• Inventory was historically purchased pursuant to individual purchase orders.</li> <li>• On August 27, 2025, Everest was placed into receivership proceedings. Since this date, the Company has not ordered from or paid any amounts to Everest.</li> </ul>	\$17,519

7.10 The Company intends to continue its consignment arrangements during the CCAA Proceedings. As reflected in the Updated Cash Flow Forecast, approximately \$1.9 million is forecast for consignment payments, relating only to the sale of consignment inventory made after the Filing Date. The Monitor understands that shortly after the Filing Date, the Applicant implemented a policy to limit the usage of gift cards as a form of payment for consignment inventory during the 14-day period following the Filing Date that gift cards redemptions were accepted.

7.11 The Monitor notes that of the related party suppliers noted above (non-consignment), approximately \$1.1 million of post-filing purchases are projected during the Cash Flow Period. This inventory will be delivered to replenish inventory at continuing stores only and is forecast to be sold with a positive gross margin, and is not intended to be included in liquidation sales at closing stores.

7.12 Other than certain normal-course consignment payments, no pre-filing amounts owing for inventory delivered from the above related-party suppliers will be paid during the CCAA

Proceedings. The Monitor will review all payments to related-party suppliers to ensure they are made in accordance with approved purchase orders or underlying agreements, are for post-filing inventory, and are on commercially reasonable terms.

### Shared Services

- 7.13 The Applicant benefits from certain shared services (the “**Shared Services**”) provided by personnel, who are employed by 262 or other affiliated entities (including for example Sunrise and Northern Reflections), but dedicate a portion of their time to the Applicant’s business. These Shared Services include information technology services, purchasing/buying functions, distribution and logistics, and other administrative services.
- 7.14 Shared Services costs are allocated and billed by 262 based on the proportionate time spent by shared employees on the Applicant’s business, plus a 35% overhead and administrative burden, and a further 10% mark-up (in aggregate, the “**262 Management Fees**”). The Monitor understands that this allocation formula is reviewed by the Company’s tax accountant on an annual basis in support of tax filings of the Company and related entities.
- 7.15 262 Management Fees are recorded as a payable on the books and records of the Applicant. However, the Monitor has been advised by the Applicant that no cash payments or other settlements were made in connection with the 262 Management Fees during the fiscal 2026 (i.e., the 12 months ended January 31, 2026) or year-to-date fiscal 2027. Accordingly, as at January 31, 2026, the Company’s books and records reflect a payable to 262 for the 262 Management Fees of approximately \$4.9 million (exclusive of HST).

- 7.16 During the CCAA Proceedings, 262 has agreed to continue to provide the Shared Services for the benefit of the Applicant, and the 262 Management Fees will continue to be accrued but not cash settled. Accordingly, no cash amounts are included in the Updated Cash Flow Forecast for the Shared Services or for payment of any 262 Management Fees.
- 7.17 The Monitor notes that the continuation of the Shared Services is critical to the Applicant's operations, as the Applicant does not have dedicated in-house resources to fulfill these functions and would be unable to replace these services with third-party providers on a cost-effective basis in the near term.

#### License Fees

- 7.18 Pursuant to a license agreement between the Company and 262, dated January 31, 2023, the Company operates HVM-branded "shop-in-shops" at its retail locations (the "**License**"). The License allows the Company to use the "HVM" brand name and associated intellectual property.
- 7.19 The Monitor understands that under the License, 262 invoices the Applicant an annual license fee of \$2.0 million, plus charges a 10% royalty fee on all merchandise sold through the HVM shop-in-shop.
- 7.20 The fees associated with the License are invoiced and recorded as a payable to 262 on the books and records of the Applicant. The Monitor has been advised by the Applicant that no cash payments were made in connection with the License in fiscal 2026 (i.e., the 12 months ended January 31, 2026) or year-to-date fiscal 2027. Accordingly, as at January 31, 2026, the Company's books and records reflect a payable to 262 for License fees of

approximately \$2.5 million (exclusive of HST). The Monitor understands that during fiscal 2026, 262 stopped recording the 10% royalty fee.

7.21 During the CCAA Proceedings, 262 has agreed to continue to provide the License to the Company, and the related fees will continue to be accrued but not cash settled. Accordingly, no cash amounts are included in the Updated Cash Flow Forecast for the License.

## **8.0 AMENDED AND RESTATED INITIAL ORDER**

8.1 The Applicant is seeking approval of the ARIO. The following provides a summary of certain material changes from the Initial Order.

### Administration Charge

8.2 The Initial Order granted a priority charge over the Property in an amount not to exceed \$600,000 in favour of the Monitor, counsel to the Monitor, counsel to the Company and the CRO (the “Administration Charge”). The Applicant is seeking an increase in the amount of the Administration Charge to \$1.0 million.

8.3 The Monitor assisted the Applicant in the calculation of the Administration Charge and is of the view that the amount of the charge is reasonable and appropriate in the circumstances having regard to: (i) the nature of the proceedings; (ii) the need for the continued participation of the proposed beneficiaries of the Administration Charge during the CCAA Proceedings to complete a successful restructuring; (iii) the distinct roles of the proposed beneficiaries; and (iv) the quantum of administration charges approved in similar CCAA proceedings.

DIP Lender's Charge

- 8.4 As described in the Pre-Filing Report, it is a condition precedent of the DIP Facility that the Court grant the DIP Lender's Charge to secure the obligations under the DIP Facility.
- 8.5 As set out in the Updated Cash Flow Forecast above, the Applicant now requires access to a total of \$13.0 million under the DIP Facility to fund its operations and the costs of these CCAA Proceedings. Accordingly, the Applicant is seeking to borrow up to \$13.0 million under the DIP Facility.
- 8.6 For the reasons set out above, the Monitor is of the view that the proposed increase in the authorized borrowings under the DIP Facility is reasonable in the circumstances.

Directors' Charge

- 8.7 The 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 the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct.
- 8.8 The Initial Order provides for a priority 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 such indemnity (the "**Directors' Charge**"). For the purposes of the Initial Order, the Directors' Charge was limited to the amount reasonably necessary during the initial Stay period. The Applicant is seeking an increase in the amount of the Directors' Charge to \$4.0 million in the ARIO.

8.9 The Monitor assisted the Applicant in the calculation of the Directors' Charge, taking into consideration the quantum of the Applicant's payroll, vacation pay and federal and provincial sales tax liabilities. The components that comprise the Directors' Charge are as follows:

<b>Proposed Directors' Charge</b>	<b>\$000s</b>
Provision for sales taxes (HST, GST, PST)	1,300
Provision for employee wages and source deductions	1,000
Provision for accrued vacation outstanding as of the Filing Date	940
Provision for employee benefits, EHT and other similar amounts	590
Provision for employee termination pay (Saskatchewan only)	170
<b>Total</b>	<b>\$4,000</b>

8.10 The Monitor is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances having regard to the nature of the Applicant's business including the significant number of employees and significant sales tax collections as a retailer.

Priority of Charges in ARIO

8.11 The proposed ARIO contemplates that the Charges will rank in priority to all other Encumbrances (as defined in the Initial Order) in favour of any person, provided that the Charges will have the following priority in relation to each other:

- (i) First – Administration Charge (to the maximum amount of \$1.0 million);
- (ii) Second – DIP Lender's Charge; and
- (iii) Third – Directors' Charge (to the maximum amount of \$4.0 million).

Critical Suppliers

- 8.12 The Applicant is requesting the authorization, but not the requirement, to pay pre-filing amounts, with the consent of the Monitor, to certain suppliers, including: (i) providers of credit, debit and gift card processing related services; (ii) logistics, warehouse or supply chain providers, such as transportation providers, customs brokers and freight forwarders; (iii) providers of information, internet and other critical technology services; and (iv) other suppliers or service providers if, in the opinion of the Applicant such payment is necessary to maintain the uninterrupted operations of the Applicant's business. The aggregate authorized payments of pre-filing amounts is contemplated to be \$800,000. The ARIO further contemplates that none of the above authorized payments will be made to related parties of the Applicant.
- 8.13 The Monitor is of the view that the above relief is reasonable and appropriate in the circumstances taking into account the Applicant's goal of implementing a successful restructuring.
- 8.14 The Monitor intends to work closely with the Applicant to identify certain critical suppliers that will be paid for these pre-filing amounts. In considering whether a pre-filing debt shall be paid to a supplier, the Monitor will consider among other factors, whether: (i) the merchandise supplier or service provider is essential to the business and ongoing operations, and the payment is required to ensure ongoing supply; (ii) making such payment will preserve, protect or enhance the value of the Property or the business; and (iii) the supplier or service provider is required to continue to provide goods or services to the Applicant after the Filing Date.

Extension of the Stay Period

8.15 The Stay under the Initial Order expires on February 13, 2026. Pursuant to the proposed ARIO, the Applicant is seeking an extension of the Stay to and including May 1, 2026.

8.16 The Monitor supports the Applicant's request to extend the Stay for the following reasons:

- (i) the proposed Stay extension will provide the Applicant with the time and stability necessary to operate the majority of its stores in the normal course, commence liquidation sales at closing locations, and provide the Applicant with additional time to design and implement the contemplated SISP;
- (ii) as reflected in the Updated Cash Flow Forecast, the Applicant is expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the extended Stay period, provided that the proposed ARIO is granted;
- (iii) the Applicant has acted, and continues to act in good faith and with due diligence to advance their restructuring efforts and the CCAA Proceedings; and
- (iv) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay extension.

**9.0 ACTIVITIES OF THE MONITOR SINCE FILING DATE**

9.1 Since the Filing Date, the primary activities of the Monitor have included the following:

- (i) in consultation with the Applicant, engaging with certain suppliers, employees, landlords, and other stakeholders with respect to the CCAA Proceedings;

- (ii) activating the Case Website and coordinating the posting of Court-filed documents thereon;
- (iii) monitoring the Applicant's cash receipts and disbursements and assisting in preparing the Updated Cash Flow Forecast;
- (iv) engaging with certain parties who have contacted the Monitor and the Applicant to express an interest in pursuing a potential going concern transaction and/or acquiring certain assets of the Company;
- (v) completing or coordinating the notice requirements pursuant to the Initial Order, including, among other things:
  - (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail* (National Edition) on February 9, 2026 and February 16, 2026;
  - (b) arranging for notice of the CCAA Proceedings, in the prescribed manner, to be emailed or mailed, on February 9, 2026 to each known creditor having a claim against the Applicant of more than \$1,000; and
  - (c) activating the Monitor's toll-free number and email account for the CCAA Proceedings, and responding to stakeholder inquiries received through those and other contact points; and
- (vi) with the assistance of Stikeman Elliott LLP, counsel to the Monitor, preparing this First Report.

**10.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS**

10.1 The Monitor understands that a primary objective of these CCAA Proceedings is to conduct the SISP in order to implement a going-concern solution and maximize value for their stakeholders. In the coming weeks, the Monitor and its legal counsel intend to assist the Applicant and its legal counsel in developing the SISP.

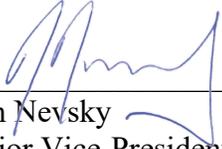
10.2 The Monitor understands that the Applicant anticipates seeking Court approval of the SISP, in the near future, with appropriate notice to the Applicant's stakeholders.

**11.0 CONCLUSIONS AND RECOMMENDATIONS**

11.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the ARIO in the form sought by the Applicant.

All of which is respectfully submitted to the Court this 11<sup>th</sup> day of February, 2026.

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

Per:   
\_\_\_\_\_  
Josh Nevsky  
Senior Vice-President

**APPENDIX A**  
**PRE-FILING REPORT OF MONITOR**

See attached.

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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## APPENDICES

Appendix A – Cash Flow Forecast for the Two-Week Period Ending February 13, 2026

Appendix B – Management’s Representation Letter Regarding the Cash Flow Forecast

Appendix C – Summary of Recent Comparable DIP Facilities

## 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:

<b>Stores by Province</b>							
	<b>ON</b>	<b>MB</b>	<b>SK</b>	<b>NL</b>	<b>AB</b>	<b>QC</b>	<b>Total</b>
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> <i>(capitalized terms have the meaning ascribed thereto in this Report or in the DIP Agreement)</i>	
	(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:

<b>Proposed Charges &amp; Priorities</b>		
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.

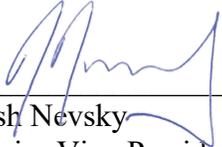
13.3 The Proposed Monitor understands that the Applicant intends to seek Court approval to commence a sale process to be conducted by the Proposed Monitor (if appointed). At this time, it is contemplated that the Applicant will seek Court approval for the contemplated sale process at a date following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

**APPENDIX B  
CASH FLOW FORECAST**

See attached.

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

Updated Cash Flow Forecast

\$CAD 000's

Cash Flow Week: Week Ending:	Note	Week 1 06-Feb-26	Week 2 13-Feb-26	Week 3 20-Feb-26	Week 4 27-Feb-26	Week 5 06-Mar-26	Week 6 13-Mar-26	Week 7 20-Mar-26	Week 8 27-Mar-26	Week 9 03-Apr-26	Week 10 10-Apr-26	Week 11 17-Apr-26	Week 12 24-Apr-26	Week 13 01-May-26	13-Week Total
<b>Receipts</b>	1	543	1,063	1,212	1,481	1,549	1,829	1,773	1,788	1,718	1,698	1,926	1,512	1,704	19,796
<b>Disbursements</b>															
Payroll & Benefits	2	(1,122)	(221)	(695)	(164)	(513)	(158)	(493)	(149)	(473)	(140)	(490)	(125)	(471)	(5,215)
Occupancy – Third Party (9 Leases)	3	(207)	(235)	-	(235)	(5)	(235)	-	-	(208)	-	(207)	-	(207)	(1,540)
Occupancy – Related Party (13 Leases)	3	(937)	(937)	-	(937)	-	(937)	-	-	(937)	-	(937)	-	(937)	(6,560)
Occupancy – Related Party (DC)	3	(34)	(34)	-	(34)	-	(34)	-	-	(34)	-	(34)	-	(34)	(237)
Inventory Purchases – Third Party	4	-	(848)	(3,390)	-	(565)	(283)	(283)	(113)	(113)	(113)	(113)	(113)	(113)	(6,046)
Inventory Purchases – Related Party	4	-	-	-	(565)	(565)	-	-	-	-	-	-	-	-	(1,130)
Consignment – Related Party	5	-	(109)	(81)	(141)	(148)	(155)	(183)	(177)	(179)	(172)	(170)	(193)	(151)	(1,859)
Operating Expenses	6	(197)	(326)	(950)	(970)	(719)	(515)	(489)	(372)	(363)	(445)	(250)	(234)	(338)	(6,168)
Sales Tax Remittances		-	-	-	(250)	-	-	-	(250)	-	-	-	-	(250)	(750)
Professional Fees	7	-	(462)	-	(517)	-	(441)	-	(418)	-	(356)	-	(333)	-	(2,527)
<b>Total Disbursements</b>		<b>(2,497)</b>	<b>(3,173)</b>	<b>(5,117)</b>	<b>(3,814)</b>	<b>(2,516)</b>	<b>(2,758)</b>	<b>(1,447)</b>	<b>(1,480)</b>	<b>(2,308)</b>	<b>(1,226)</b>	<b>(2,200)</b>	<b>(997)</b>	<b>(2,501)</b>	<b>(32,032)</b>
<b>Net Cash Flow</b>		<b>(1,954)</b>	<b>(2,110)</b>	<b>(3,905)</b>	<b>(2,333)</b>	<b>(967)</b>	<b>(929)</b>	<b>326</b>	<b>308</b>	<b>(589)</b>	<b>472</b>	<b>(274)</b>	<b>515</b>	<b>(797)</b>	<b>(12,236)</b>
<b>Cash</b>															
Opening Cash Balance		529	2,925	815	810	827	811	832	1,158	1,466	877	1,349	1,075	1,590	529
Net Cash Flow		(1,954)	(2,110)	(3,905)	(2,333)	(967)	(929)	326	308	(589)	472	(274)	515	(797)	(12,236)
DIP Facility Advance		4,350	-	3,900	2,350	950	950	-	-	-	-	-	-	-	12,500
<b>Ending Cash Balance</b>		<b>2,925</b>	<b>815</b>	<b>810</b>	<b>827</b>	<b>811</b>	<b>832</b>	<b>1,158</b>	<b>1,466</b>	<b>877</b>	<b>1,349</b>	<b>1,075</b>	<b>1,590</b>	<b>793</b>	<b>793</b>
<b>DIP Facility</b>															
Opening DIP Facility		-	4,350	4,491	8,520	10,961	11,967	12,975	13,008	13,040	13,073	13,105	13,138	13,171	-
DIP Facility Advance		4,350	-	3,900	2,350	950	950	-	-	-	-	-	-	-	12,500
Advance Fees		-	131	117	71	29	29	-	-	-	-	-	-	-	375
Accrued Interest		-	11	11	21	27	30	32	32	33	33	33	33	33	329
<b>Ending DIP Facility Balance</b>		<b>4,350</b>	<b>4,491</b>	<b>8,520</b>	<b>10,961</b>	<b>11,967</b>	<b>12,975</b>	<b>13,008</b>	<b>13,040</b>	<b>13,073</b>	<b>13,105</b>	<b>13,138</b>	<b>13,171</b>	<b>13,204</b>	<b>13,204</b>

**Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee.  
Updated 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 and net of estimated gift card redemptions through February 17, 2026. Store closure and liquidation sales for a sub-set of stores anticipated to be disclaimed during the CCAA Proceedings has been included in the Forecast.

**2) Payroll & Benefits**

Includes: (a) normal course wages, salaries, benefits and taxes for continuing employees; and (b) payments in respect of accrued vacation for planned employee reductions.

**3) Occupancy Costs**

Includes base rent, property taxes and CAM for: (a) 9 Third Party Leases (including certain percentage rent arrangements), (b) 13 Related Party Leases, and (c) the Putman distribution centre.

**4) Inventory Purchases**

Includes post-filing payments only, comprised of purchases from: (a) third party vendors, generally on a cash-on-delivery (“COD”) or prepayment basis; and (b) related party vendors.

**5) Consignment – Related Party**

Represents payments to related party vendors for the sale of goods pursuant to existing consignment agreements based on projected sales volumes. Consignment payments are projected to continue in the ordinary course, including payments related to inventory on-hand as at the Filing Date.

**6) Operating Expenses**

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

**7) Professional Fees**

Includes estimated fees and disbursements for the Applicants' legal counsel, the Monitor, Monitor’s legal counsel, DIP Lender’s counsel and the CRO.

**APPENDIX C**  
**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 10, 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 Updated Cash Flow Forecast**

In connection with the Applicant’s proceedings under the *Companies’ Creditors Arrangement Act*, the management of the Applicant have prepared the attached cash flow statement for the period February 3, 2026 to May 1, 2026 (the “**Updated Cash Flow Forecast**”) and the list of assumptions on which the Updated Cash Flow Forecast is based. The purpose of the Updated Cash Flow Forecast is to determine the liquidity requirements of the Applicants during the CCAA proceedings.

The Applicant confirms that the hypothetical assumptions on which the Updated 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 Updated 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 Updated Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,

  
Per: Name: Jesse Gardner  
Title: Chief Financial Officer

