

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

REPORT OF THE MONITOR ON RELATED PARTY TRANSACTIONS
ALVAREZ & MARSAL CANADA INC.

JUNE 12, 2026

TABLE OF CONTENTS

1.0 INTRODUCTION2

2.0 PURPOSE OF THIS REPORT.....3

3.0 TERMS OF REFERENCE AND DISCLAIMER4

4.0 REVIEW OF RELATED PARTY TRANSACTIONS5

5.0 SUMMARY OF RELATED PARTY TRANSACTIONS.....10

6.0 MANAGEMENT FEES, LICENSE FEES AND ROYALTY FEES11

7.0 INVENTORY PURCHASES AND CONSIGNMENT PAYMENTS.....16

8.0 LEASE PAYMENTS.....24

9.0 PAYROLL AND EXPENSE REIMBURSEMENTS30

10.0 REAL PROPERTY SALE TRANSACTIONS34

11.0 262 PROMISSORY NOTES AND RELATED SECURITY ARRANGEMENTS.....45

APPENDICES

- Appendix A** – FY26 Unaudited Financial Statements
- Appendix B** – FY25 Audited Financial Statements
- Appendix C** – Listing of Related Parties
- Appendix D** – Summary of Payment Treatment by Merchandise Vendor
- Appendix E** – Summary of Merchandise Payments by Month
- Appendix F** – Review of Related Party Leases
- Appendix G** – Review of Related Party DC Leases

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 referred to herein as the “**CCAA Proceedings**”. The Initial Order appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicant in the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.2 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 Company and 262 have the same primary directors and officers.
- 1.3 On February 13, 2026, the Court granted an Amended and Restated Initial Order (the “**ARIO**”), which, among other things, provided the Monitor with a mandate to conduct a related party transaction review as described further below.
- 1.4 Copies of the Monitor’s reports and Court-filed materials are available on the Monitor’s case website at www.alvarezandmarsal.com/TRUCanada (the “**Case Website**”).
- 1.5 Unless otherwise stated, defined terms used in this Report have the meanings given to them in the ARIO or in the Monitor’s First Report dated February 11, 2026 (the “**First Report**”).

2.0 PURPOSE OF THIS REPORT

- 2.1 Paragraph 30(g) of the ARIO provides that the Monitor shall conduct a review of: (i) all transactions by the Applicant for the past 12 months with persons not dealing at arm's length with the Applicant; and (ii) all real property sale transactions by the Applicant for the past 24 months with persons not dealing at arm's length with the Applicant (collectively, the "**Related Party Transactions**") and, upon completion of that review, the Monitor shall serve its report on the Service List and file it with the Court setting out its findings and conclusions, including whether any Related Party Transactions are contrary to the *Bankruptcy and Insolvency Act (Canada)* (the "**BIA**"), the *Fraudulent Conveyances Act (Ontario)* (the "**FCA**"), or the *Assignments and Preferences Act (Ontario)* (the "**APA**").
- 2.2 This report of the Monitor (the "**Report**") constitutes the Monitor's report on the Related Party Transactions required by paragraph 30(g) of the ARIO.
- 2.3 For the purposes of this Report, the 12-month period referred to in paragraph 30(g) of the ARIO includes the period from February 3, 2025 to February 2, 2026 (the "**12-Month Review Period**"). The 12-Month Review Period substantially corresponds to the Company's fiscal year 2026 ("**FY26**"), comprised of the 12-month period from February 2, 2025 to January 31, 2026, plus February 1 and 2, 2026. The FY26 financial statements were not audited, and are attached to this Report as **Appendix "A"**.
- 2.4 For the purposes of this Report, the 24-month period referred to in paragraph 30(g) of the ARIO includes the period from February 3, 2024 to February 2, 2026 (the "**24-Month Review Period**"). The 24-Month Review Period includes: (i) the 12-Month Review Period;

and (ii) the Company's fiscal year 2025 ("FY25"), comprised of the 12-month period from February 4, 2024 to February 1, 2025, plus February 3, 2024. The FY25 financial statements were audited, and are attached to this Report as **Appendix "B"**.

2.5 This Report provides a summary of the following:

- (i) an overview of the Monitor's review of the Related Party Transactions that occurred during the 12-Month Review Period, and the real property sale transactions that occurred during the 24-Month Review Period;
- (ii) the procedures performed by the Monitor to assess the completeness, accuracy, and commercial reasonableness of the Related Party Transactions; and
- (iii) the Monitor's findings and conclusions, including whether any Related Party Transactions are contrary to the BIA, the FCA, or the APA.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, the Monitor has been provided with, and has relied upon unaudited financial information and the books and records of the Applicant, and has held discussions with management of the Company, management of 262, the Chief Restructuring Officer, and the Company's legal counsel (collectively, the "**Information**").

3.2 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 ("**CAS**") 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 the CAS in respect of the Information.

3.3 The Monitor has been assisted in the preparation of this Report by its legal counsel, Stikeman Elliott LLP (“**Stikeman**”), including with respect to the applicable provisions of the BIA, the FCA and the APA.

3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 REVIEW OF RELATED PARTY TRANSACTIONS

Overview of the Process and Procedures

4.1 The Related Party Transactions described in this Report have been divided into the following sections:

- (i) Management Fees, License Fees and Royalty Fees;
- (ii) inventory purchases and consignment arrangements;
- (iii) lease payments;
- (iv) payroll and expense reimbursements;
- (v) real property sale transactions; and
- (vi) 262 promissory notes and related security arrangements.

4.2 In conducting its review of the Related Party Transactions, the Monitor, with the assistance of Stikeman, among other things:

- (i) reviewed, and, to the extent considered appropriate in the circumstances, verified supporting documentation and information relating to the transactions, including underlying agreements, general ledger detail, bank statements, payment records, invoices and other financial information;
- (ii) traced payments made to Related Parties to supporting bank statements;
- (iii) made inquiries of management of the Company, management of 262 and their respective legal counsel, to clarify aspects of the transactions and to request additional information and supporting documentation;
- (iv) confirmed the mathematical accuracy of calculations of any underlying schedules and analyses used in the preparation of this Report;
- (v) considered the business rationale for and commercial reasonableness of the transactions;
- (vi) engaged an independent real estate consultant to provide an assessment of comparable third-party market rents; and
- (vii) assessed each of the Related Party Transactions against the applicable provisions of the BIA, the FCA, and the APA.

4.3 Given the nature and complexity of certain transactions, along with cost and time considerations, the Monitor exercised its judgment in determining the extent of work required to review each category and to assess whether the Related Party Transactions are contrary to the BIA, the FCA or the APA. When necessary or appropriate, the Monitor

applied materiality thresholds and used sampling or testing to assess the accuracy of underlying transactions and supporting schedules and reports. The Monitor conducted its review based on its interpretation of the requirements set out in paragraph 30(g) of the ARIO. As noted above, the Monitor did not perform an audit or specified audit procedures over the Related Party Transactions. The Monitor did not perform any form of valuation or forensic investigation, nor did it engage any third parties (unless otherwise noted) to provide a market assessment on the Related Party Transactions. The Monitor notes that certain of the schedules and reports relied upon in this report did not reconcile to the underlying books and records provided by the Company, however after reasonable investigation and reconciliation processes, the Monitor did not identify any material differences that would cause the conclusions arrived at in this Report to change.

Applicable Legal Principles and Review Standard

4.4 With the assistance of Stikeman, the Monitor has considered the Related Party Transactions by reference to the following legal principles.

4.5 Section 95 of the BIA provides that:

A transfer of property made, a provision of services made, a charge on property made, a payment made, an obligation incurred or a judicial proceeding taken or suffered by an insolvent person

[...]

(b) in favour of a creditor who is not dealing at arm's length with the insolvent person, or a person in trust for that creditor, that has the effect of giving that creditor a preference over another creditor is void as against — or, in Quebec, may not be set up against — the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is 12 months before the date of the initial bankruptcy event and ending on the date of the bankruptcy.

4.6 The key elements of a preference for a non-arm's length transaction include: (i) whether the debtor was insolvent at the time of the transaction or transfer; (ii) whether the transaction had the effect of giving a creditor preferential treatment; and (iii) whether the transaction occurred within the statutory look-back period of 12 months.

4.7 Section 96 of the BIA provides that:

96 (1) On application by the trustee, a court may declare that a transfer at undervalue is void as against, or, in Quebec, may not be set up against, the trustee — or order that a party to the transfer or any other person who is privy to the transfer, or all of those persons, pay to the estate the difference between the value of the consideration received by the debtor and the value of the consideration given by the debtor — if

[...]

(b) the party was not dealing at arm's length with the debtor and

(i) the transfer occurred during the period that begins on the day that is one year before the date of the initial bankruptcy event and ends on the date of the bankruptcy, or

(ii) the transfer occurred during the period that begins on the day that is five years before the date of the initial bankruptcy event and ends on the day before the day on which the period referred to in subparagraph (i) begins and

(A) the debtor was insolvent at the time of the transfer or was rendered insolvent by it, or

(B) the debtor intended to defraud, defeat or delay a creditor.

4.8 A transfer at undervalue involves a disposition of property or provision of services for no consideration, or for consideration that is conspicuously less than the fair market value of the consideration given by the debtor. For non-arm's length transfers, section 96 reviews transfers within one year of the initial bankruptcy event without requiring proof of insolvency or intent, and transfers within one to five years where the debtor was insolvent

or rendered insolvent by the transfer *or* the debtor intended to defraud, defeat or delay a creditor.

- 4.9 Under the FCA, a conveyance of real or personal property may be reviewed where it was made with intent to defeat, hinder, delay or defraud creditors or others. Courts consider recognized badges of fraud, including secrecy, threatened legal proceedings, false statements as to consideration, grossly inadequate consideration, unusual haste, a close relationship between the parties, missing transactional documentation, the debtor's continued involvement with the transferred property or the transferee, and any retained power to revoke the conveyance.
- 4.10 The APA is similar to the FCA in that it requires a conveyance and an intent to defeat, hinder, delay or defraud creditors, or to give one or more creditors a preference over other creditors. The APA also requires that the debtor knew it was on the eve of insolvency at the time of the transaction. The same badges of fraud considered under the FCA are relevant to the APA analysis, together with evidence of financial distress, liquidity concerns or restructuring discussions at or around the time of the transaction.
- 4.11 A transaction which may be set aside pursuant to the BIA, the FCA or the APA is referred to as a "**Voidable Transaction**" in this Report.
- 4.12 For the purposes of this Report, the Monitor has applied the foregoing principles when considering its findings and conclusions as required by the ARIO. The Monitor notes that the Report is not intended to remove the role of the Court in considering and ultimately making a final determination on whether any transaction is a Voidable Transaction. The findings and conclusions are based on the information available to the Monitor using the

procedures set forth in this Report and subject to the limitations set forth herein. The Monitor has attempted to provide sufficient information to stakeholders, including its own findings and conclusions as required by the ARIO, to determine whether any claims should be advanced on behalf of the Company's estate for determination by the Court.

5.0 SUMMARY OF RELATED PARTY TRANSACTIONS

- 5.1 The Company's supply chain, store network, inventory procurement process, financing arrangements and shared services are reliant on various companies that are either owned by or controlled by Douglas Putman ("**Mr. Putman**") and/or 262.
- 5.2 For the purposes of this Report, "Related Party" refers to any person or entity that does not deal at arm's length with the Company within the meaning of the BIA. Pursuant to section 4(2) of the BIA, persons are deemed not to deal at arm's length where they are "related persons" including: (i) an individual and a corporation where the individual controls the corporation; (ii) two corporations controlled by the same person or group of persons; and (iii) entities that share common directors or officers.
- 5.3 A table setting out each of the Related Parties associated with the Related Party Transactions reviewed by the Monitor in this Report is set out in **Appendix "C"**.
- 5.4 The Monitor notes that its identification of Related Parties is based on the information made available to it and the procedures described herein. The Monitor initially prepared a list of Related Parties based on such information and subsequently received written representation from Mr. Putman confirming the completeness of the listing of Related Parties, Related Party Individuals and that all Related Party Transactions have been included in the review set out in this Report.

5.5 To confirm that all payments to Related Parties were properly captured in the Company's books and records as Related Party Transactions, the Monitor performed a detailed review of all bank transactions that occurred during the 12-Month Review Period to identify all payments made to a Related Party and traced such payments to the Company's general ledger to confirm each was appropriately recorded. In addition, the Monitor selected a representative sample of other bank transactions that occurred during the 12-Month Review Period, prioritizing higher-value transactions, and obtained third-party invoices and other details to verify the legitimacy and business purpose of such transactions, and that such transactions did not occur with a Related Party. No bank transactions or other payments to Related Parties were identified that were not appropriately recorded in the Company's general ledger.

5.6 The following table provides a summary of: (i) the aggregate amount of disbursements made to Related Parties during the 12-Month Review Period (approximately \$37.6 million); and (ii) the aggregate amounts payable to Related Parties, as at the Filing Date (approximately \$41.4 million):

Summary of Related Party Transactions		\$000s
Category	Payments	Balance Outstanding
Management Fees, License Fees and Royalty Fees	--	7,459
Inventory purchases and consignment arrangements	13,939	30,449
Lease payments	21,497	3,532
Payroll and expense reimbursements	2,210	--
Total	37,646	41,440

6.0 MANAGEMENT FEES, LICENSE FEES AND ROYALTY FEES

6.1 During the 12-Month Review Period, the Company recorded approximately \$7.5 million in aggregate expenses related to Management Fees, License Fees and Royalty Fees (each

as defined below) payable to 262. No cash payments were made by the Company to 262 on account of these expenditures.

Management Fees and License Fees				\$000s
	Management Fees	License Fees	Royalty Fees	Total
Recorded Expense	4,959	2,000	500	7,459
Less: Cash Payments	--	--	--	--
Balance as at Feb 2, 2026	4,959	2,000	500	7,459

Management Fees

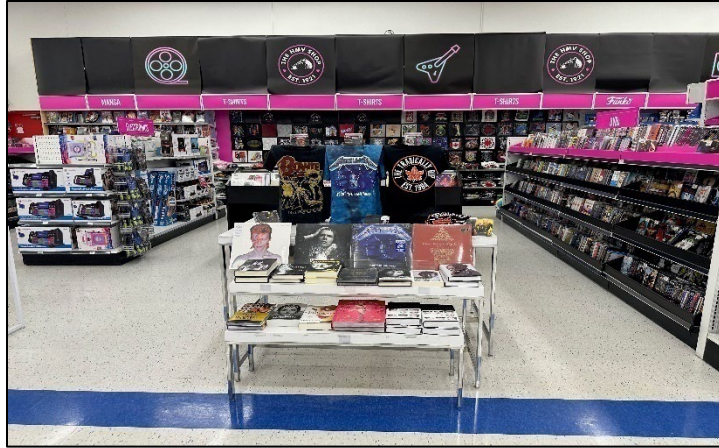
- 6.2 The Company relies on certain critical functions and other support provided by 262 including, among other services, information technology, purchasing and buying, inventory management, distribution and logistics, marketing and finance (collectively, the “**Shared Services**”).
- 6.3 The Shared Services are provided by personnel employed by 262 and certain of the Related Parties (including Sunrise, FYE and 1000039793 Ontario Inc.) and are billed to the Company by 262 on a periodic basis by way of a management fee (the “**Management Fees**”). The Shared Services are comprised of Management Fees only and do not include any allocation for other expenses or operating costs.
- 6.4 Management Fees are calculated and charged using a methodology based on the estimated time spent by the individuals who provide Shared Services to the Company, plus a 35% overhead and administrative burden, and a further 10% mark-up. The following example illustrates the formula used in respect of an individual employed by 262 who allocated 25% of their time to Shared Services provided to the Company:

Illustrative Management Fee Calculation			\$000s
	Cost	Allocation	Management Fee
Employee Salary	100	25%	25.0
Employee Benefits (18%)	18	25%	4.5
Employee Salary & Benefits	118		29.5
Add: Overhead and Administrative (35%)			10.3
Add: Mark-up (10%)			4.0
Cost Allocated via Management Fee			43.8

6.5 The Monitor understands that this Management Fee allocation methodology is a practice used across 262’s portfolio of companies to allocate the cost of the Shared Services to various operating companies, including for tax purposes. The Monitor understands that the Company’s tax accountant, Grant Thornton LLP (“**Grant Thornton**”), assisted in the preparation and review of the methodology, most recently in support of the Company’s tax filings for the fiscal year ended February 1, 2025.

License Fees & Royalty Fees

6.6 Pursuant to a license agreement between the Company and 262 dated January 31, 2023 (the “**License Agreement**”), the Company operates HMV-branded “shop-in-shops” at its retail locations (as pictured below) and historically operated an HMV webstore at www.hmv.ca. Pursuant to the License Agreement, 262 licenses the “HMV” brand name and associated intellectual property to the Company in exchange for: (i) a fixed annual fee of \$2.0 million (the “**License Fee**”); and (ii) a royalty of 10% on all merchandise sold through the HMV shops (the “**Royalty Fees**”).



Monitor's Review

6.7 In its review of the Management Fees, License Fees and Royalty Fees, the Monitor performed the following:

- (i) reviewed the detailed employee time allocations and supporting calculations used to calculate the Management Fees charged during the 12-Month Review Period, noting that the methodology used is consistent with prior years' calculations and working papers prepared by the Company, with the assistance and review of Grant Thornton, in support of tax filings (most recently for the fiscal year ended February 1, 2025);
- (ii) obtained and reviewed the License Agreement and recalculated the License Fees and Royalty Fees in accordance with its terms, and compared those amounts to the expenses recorded in the Company's general ledger. The Monitor notes that during the 12-Month Review Period, the Company did not record the full Royalty Fee obligation (i.e., the 10% fee payable on the sale of HMV-branded products), and

accordingly the amount owing to 262 as of the Filing Date is understated by approximately \$300,000; and

- (iii) reviewed the Company's bank statements and cash sub-ledger accounts, confirming no cash disbursements were made to 262 for any Management Fees, License Fees or Royalty Fees during the 12-Month Review Period.

Monitor's Observations

6.8 The Monitor notes the following in respect of the 12-Month Review Period:

- (i) no cash payments were made in respect of Management Fees, License Fees or Royalty Fees;
- (ii) the Management Fees charged by 262 have been recorded in the Company's books and records in a manner consistent with prior years and consistent with prior year tax filings. Further, in the Monitor's experience, that methodology applied by the Company is comparable to cost allocation methodologies used by other companies that utilize a similar shared cost platform; and
- (iii) the License Fees and Royalty Fees are supported by underlying contractual agreements. In the case of the License Fee, the amount expensed is consistent with the underlying contract, and in the case of the Royalty Fees, the Company has understated the expense by approximately \$300,000 as compared to the Monitor's recalculation of same.

6.9 Based on the procedures performed, and without any cash payments being made to Related Parties, the Monitor is of the view that the Management Fees, License Fees and Royalty Fees did not result in any Voidable Transaction under the BIA, the FCA or the APA within the applicable 12-Month Review Period.

7.0 INVENTORY PURCHASES AND CONSIGNMENT PAYMENTS

7.1 During the 12-Month Review Period, the Company recorded approximately \$35.7 million of inventory purchases and consignment charges from Related Parties and made payments to Related Parties in the aggregate amount of \$13.9 million.

Inventory Purchases and Consignment Payments							\$000s
	Famous	Northern	Rose	OTF	Everest	Sunrise Consign. ¹	Totals
Opening Payable Balance	--	--	597	17	9,157	--	9,771
Add: Purchases/Consignment Charges	4,723	3,907	3,656	5,767	13,071	4,547	35,671
Less: Payments	(2,412)	(109)	(3,462)	(42)	(3,913)	(4,001)	(13,939)
Other Adjustments ²	374	(66)	(331)	(6)	(1,025)	--	(1,054)
Payable Balance as at Feb 2, 2026	2,685	3,732	460	5,736	17,290	546	30,449
<i>Increase / (decrease) in balance</i>	<i>2,685</i>	<i>3,732</i>	<i>(137)</i>	<i>5,719</i>	<i>8,133</i>	<i>546</i>	<i>20,678</i>

7.2 During the 12-Month Review Period, six Related Parties supplied inventory to the Company. The Monitor notes the following with respect to the nature of those arrangements:

¹ The Company historically recorded consignment merchandise received from Sunrise as inventory and recognized a corresponding accounts payable liability. As a result, the opening balance in the Company's subledger represented consignment goods received but not yet sold, rather than the actual obligation owing to Sunrise. The Company could not provide the consignment obligation owing as at February 2, 2025, accordingly the Monitor has assumed a \$nil opening payable balance for the purposes of this Report.

² Other Adjustments include markdowns, returns to vendor, and vendor refunds.

- (i) Famous³, Northern, Rose and OTF each sell merchandise to the Company based on standard purchase-order and invoicing arrangements, subject to payment terms that generally range from cash-on-delivery (COD) to 60 days. These purchases consist of toys, games, baby products, clothing and apparel and related merchandise, including, in the case of Northern, certain exclusive and branded clothing apparel designed specifically for the Company;
- (ii) Everest sold merchandise to the Company based on standard purchase-order and invoicing arrangements. Everest was placed into receivership proceedings pursuant to an Order of the Ontario Superior Court of Justice effective August 27, 2025 (the “**Everest Receivership Date**”). The Everest transactions summarized above all occurred prior to the Everest Receivership Date, and no further transactions or cash payments were made to Everest following the Everest Receivership Date;
- (iii) prior to the Everest Receivership Date, Everest was a key supplier to the Company, importing and distributing toys and related merchandise from a wide range of international and domestic manufacturers. Following the Everest Receivership Date, Famous replaced Everest as the Company’s primary distribution partner for a large portion of its purchases; and
- (iv) Sunrise supplies various music and entertainment merchandise to the Company, including records, CDs, DVDs and branded merchandise, including HMV-related products sold subject to the Royalty Fee described above. All Sunrise merchandise

³ In the First Report, the Monitor noted that Famous supplies on both a consignment and purchase-order basis. Based on the Monitor’s review of transactions and payments during the 12-Month Review Period (and during the CCAA Proceedings), Famous supplied goods only on a purchase-order basis and not on a consignment basis.

is supplied to the Company on a consignment basis pursuant to a consignment agreement dated August 21, 2024. Under the terms of that agreement, title to the goods does not transfer to the Company until the point of sale to the retail customer. The agreement also contained a right of Sunrise to request the return of all unsold inventory and a right for the Company (and Sunrise) to terminate the consignment agreement on 30 days' notice and upon termination, consigned inventory was to be returned to Sunrise. For the purposes of the table above and the analysis included in this Report, the Monitor has included in its review only the consignment sale obligations and the related payments made to Sunrise.

Monitor's Review

- 7.3 In its review of inventory purchases and consignment arrangements, the Monitor has, among other things, performed the following:
- (i) reviewed the general ledgers and individual vendor accounts for each of the Related Parties, and prepared a detailed transaction analysis and monthly continuity schedules for the 12-Month Review Period to analyze the purchase activity, inventory receipts and payments associated with each Related Party;
 - (ii) performed a SKU-level gross margin analysis, comparing margin earned on Related Party merchandise to margin earned on third-party merchandise; and
 - (iii) analyzed and compared the cadence and frequency of payments, and the proportionate arrears paydown for Related Parties in comparison to the Company's third-party merchandise suppliers.

Comparative Treatment

7.4 As summarized in the table below, during the 12-Month Review Period, Related Party inventory suppliers received payments representing approximately 24.3% of their Aggregate Outstanding Balance⁴, whereas payments made to all other third-party merchandise suppliers represented approximately 29.9% of their Aggregate Outstanding Balance, or 43.4% in the case of the Company’s top 20 third-party merchandise suppliers.⁵ A summary of payment treatment by vendor is set out in **Appendix “D”**, and summarized here.

Comparative Payment Treatment (Merchandise Vendors)		\$000s
	Related Parties	Third-Parties
Opening Payable Balance	9,771	66,441
Add: Total Purchases	31,124	75,415
Aggregate Outstanding Balance	40,895	141,856
Payments made by Company	(9,938)	(42,451)
<i>Payments as a % of Aggregate Outstanding</i>	24.3%	29.9%

7.5 Based on the Monitor’s review, it does not appear that inventory from Related Parties was being purchased at non-commercial or inflated prices, as compared to inventory purchased from third-parties. During the 12-Month Review Period: (i) all Related Party SKUs generated a positive margin (i.e., no items were sold at a loss to the Company), save for a

⁴ As detailed in the table, the “Aggregate Outstanding Balance” is defined as each vendor’s opening payable balance (as at February 3, 2025), plus total purchases during the 12-Month Review Period. This balance is intended to be a proxy for each vendor’s exposure to the Company.

⁵ The Monitor notes that Rose was the only Related Party vendor that received payments in excess of its Aggregate Outstanding Balance (i.e., its ending account payable balance of \$461,000 was lower than its opening balance of \$597,000). The paydown for Rose is not materially different from certain other arm’s-length suppliers. The Monitor further notes that Rose is the only Related Party in which 262 holds a 50% ownership interest, as compared to 100% ownership of all other Related Parties.

small number of SKUs designated for mark-downs or liquidation of aged products; and (ii) Related Party SKU margins averaged 31%, as compared to a 35% average margin earned on third-party SKUs.

- 7.6 A summary of payments made by month to each Related Party vendor, and to the Company's top 20 third-party vendors, is set out in **Appendix "E"**.

Repayment of Gordon Brothers Debt

- 7.7 The Monitor notes that during the 12-Month Review Period (primarily during the holiday season of November and December 2025), through its continued operation, the Company repaid in full the ABL and Term Loans provided by Gordon Brothers ULC ("**Gordon Brothers**"), which was previously used to fund the Company's working capital needs.
- 7.8 The Gordon Brothers ABL and Term Loans previously had a first-ranking security interest in the Company's working capital assets (including inventory and accounts receivable) and the approximate outstanding balance as of February 1, 2025 was \$35.5 million according to the FY25 audited financial statements, and the final pay off to Gordon Brothers occurred on December 31, 2025.

January 2026 Payments

- 7.9 The Monitor notes that in January 2026, the month prior to the Filing Date, the Company paid approximately \$2.3 million to Related Parties, as compared to the aggregate amount of approximately \$300,000 paid to all third-party merchandise suppliers. The amounts paid to Related Parties was comprised of the following:

- (i) \$1.0 million to Sunrise to settle outstanding consignment charges;
- (ii) \$800,000 to Rose to settle outstanding payables. The Monitor understands from the Company that Rose agreed to provide \$800,000 in future credit for inventory purchases in exchange for the payment;
- (iii) \$400,000 to Famous on account of deliveries made in January 2026 in the amount of approximately \$600,000; and
- (iv) \$100,000 to Northern as a reimbursement on account of the Company's allocated portion of costs relating to the January 2026 implementation of a new ERP inventory system.

7.10 The Company advised the Monitor that the Company's credit insurance policy with Allied World Speciality Insurance Company expired on December 31, 2025 and was not renewed. As a result of this expiry, the majority of the Company's third-party merchandise vendors were unwilling to continue to supply the Company, even on COD terms.

Monitor's Observations

7.11 The Monitor notes the following in respect of the inventory purchases and consignment arrangements:

- (i) the Company's Related Party inventory arrangements appear commercially reasonable and were important to its operations during the 12-Month Review Period. The Company relied on the Related Party vendors for a significant portion of its inventory requirements, and those goods were sourced at prices that generated

gross margins that were generally consistent with margins earned on inventory purchased from third-party suppliers;

- (ii) on an aggregate basis, Related Party suppliers received payments representing a lower percentage of their respective Aggregate Outstanding Balances;
- (iii) the Company does have certain suppliers, landlords and other creditors with outstanding payables and other obligations that remain unpaid and relate to obligations relating to the period prior to the 12-Month Review Period. Further, a large portion of the amounts outstanding to creditors relate to the Company's closure and exit from approximately 62 store locations, which occurred on a rolling basis in January 2025, April 2025, August 2025 and December 2025. These closures resulted in various breaches to the Company's lease agreements and non-payment of certain other obligations where the related goods and services were no longer required on a go-forward basis;
- (iv) during the 12-Month Review Period, the Company paid down approximately \$35.5 million of secured debt under the Gordon Brothers ABL and Term Loans through continued operations which would have ranked in priority to suppliers and landlords referenced above assuming their security was valid and enforceable; and
- (v) the majority of payments made to merchandise vendors in January 2026 were made to Related Parties (\$2.3 million) in comparison to third-party vendors (\$300,000).

7.12 Based on the procedures performed, and subject to the information limitations noted, the Monitor is of the view that the inventory purchases and consignment payments do not

appear to have resulted in a Voidable Transaction under the BIA, the FCA or the APA within the 12-Month Review Period other than as noted below. Specifically, based on the findings to date:

- (i) generally, the Related Party inventory purchases and consignment payments do not appear to be for “conspicuously less than the fair market value” based on comparable transactions with third parties;
- (ii) the Monitor has not identified “badges of fraud” indicating an intention to defeat, hinder, delay or defraud creditors (other than the close relationship between the Company and the Related Parties); and
- (iii) the Company did not treat Related Parties preferentially as compared to third-party suppliers during the 12-Month Review Period, with the possible exception of the \$800,000 payments made to Rose in January 2026 which unlike the other January 2026 supplier payments, did not result in the receipt of goods and services in that period.

7.13 The Monitor does note that section 95(b) of the BIA only requires that a transaction have “the effect of giving that creditor a preference over another creditor” in order to constitute a Voidable Transaction (in addition to certain other elements).

7.14 In the case of the \$800,000 payments made to Rose in January 2026, the Monitor is of the view that these payments could be considered preferences given the differential treatment between Rose as a Related Party and third-party suppliers in such timeframe.

8.0 LEASE PAYMENTS

8.1 During the 12-Month Review Period, the Company was party to 20 leases (the “**Related Party Leases**”) in which the owner of the property is a numbered company owned by either Mr. Putman or members of the Putman family (the “**Related Party Landlords**”). As at February 2, 2025, the Company was party to 56 leases with third party landlords.

8.2 During the 12-Month Review Period, the Company incurred approximately \$24.6 million in rent obligations owing pursuant to the Related Party Leases, against which cash payments of approximately \$21.5 million were made.

Related Party Lease Payments				\$000s
	Active Store Leases	Exited Store Leases	DC Leases	Total
<i>Store Count</i>	13	5	2	20
Rent Expense ⁶	17,826	4,978	1,797	24,601
Add: Other Charges ⁷	--	743	--	956
Less: Cash Payments	(14,394)	(5,447)	(1,656)	(21,497)
Less: Rent credits	(380)	(147)	--	(528)
Outstanding Arrears, as at Feb 2, 2026	3,052	127	141	3,319
<i>Equivalent Months Rent Outstanding</i> ⁸	2.1	0.3	0.9	1.6

8.3 The 20 Related Party Leases are comprised of:

⁶ Rent expense and cash payments relate only to base rents and applicable sales taxes. The Company’s proportionate share of property taxes and utility costs payable under the leases were paid directly by the Company and are accordingly not included in the amounts set out above (no other rent or “common area maintenance” costs were paid by the Company in connection with the Related Party Leases).

⁷ Other Charges include payments made by the Related Party Landlords on behalf of the Company and reimbursed by the Company during the 12-Month Review Period, including amounts for an emergency water main repair of approximately \$420,000 and 2025 property tax arrears of approximately \$323,000. These costs are required to be paid by the tenant pursuant to the applicable lease agreement.

⁸ Equivalent months rent is calculated as the outstanding arrears as at the Filing Date divided by the average monthly base rent expense.

- (i) 13 store locations that continue to be operated by the Company (the “**Active Leases**”);
- (ii) 5 store locations that were exited during the 12-Month Review Period (the “**Exited Leases**”); and
- (iii) 2 distribution centres (the “**DC Leases**”), one of which continues to be used by the Company.

8.4 Five of the Related Party Leases were entered into on November 15, 2024 in connection with the Property Transaction described in Section 10.0 of this Report.

8.5 The Monitor notes that in connection with two of the Active Leases (Hamilton ON and Kildonan MB), the Company acts as a sub-landlord pursuant to certain additional subtenant agreements under which it collects rent from third-party tenants. The table above, together with the analysis performed by CBRE described below, relates only to the Company’s share of rent expense under each applicable lease.

Monitor’s Review

8.6 In performing its review of the Related Party Leases, the Monitor has carried out the following procedures:

- (i) obtained and reviewed each of the 20 lease agreements to confirm the contractual rent obligations, lease terms and other material provisions, and reconciled rent expenses to the Company’s general ledger for each location;

- (ii) traced and reconciled cash payments from the Company's general ledger to bank statements confirming all recorded disbursements correspond to rent expenses and related costs;
- (iii) engaged CBRE Group Inc. ("CBRE"), an independent commercial real estate advisory firm, to conduct a third-party market rent review of each location, as described further below;
- (iv) compared the rents of the DC Leases to other distribution centre and warehouse leases available to the Monitor; and
- (v) compared payment and arrears treatment of Related Party Lessors to third-party landlords.

Third-Party Review

- 8.7 The Monitor engaged CBRE to provide an opinion on current market rents for comparable retail locations in the direct vicinity of each of the Related Party Leases. CBRE's analysis considered the specific location, size, format and condition of each of the Related Party Leases. With the exception of one location for which only two comparables were available, CBRE utilized a minimum of three comparable leases within a defined proximity of each Related Party Lease location as the basis for its market rent assessment. The Monitor notes that CBRE's analysis estimated current market rent and did not consider market rent at the time the Related Party Leases were entered into.
- 8.8 A summary of CBRE's market rent ranges for each location, together with the base rents payable under each of the Related Party Leases, is attached hereto as **Appendix "F"**.

CBRE's assessment of the Related Party Leases considered whether the rent per square foot is within or above a "plausible" range⁹ as compared to comparable third-party leases.

8.9 CBRE's report on the 18 Related Party Leases can be summarized as follows:

- (i) 1 was below expected market rents;
- (ii) 4 were within the range of direct market comparables;
- (iii) 9 were within CBRE's range of plausible market rates;¹⁰ and
- (iv) 4 were greater than the plausible market range.

8.10 CBRE's opinion reflects an independent market rent opinion based on comparable lease transactions and property-specific factors and expresses ranges of market rent and a plausibility judgment (plausible vs. unlikely) for each location. It is not a legal or accounting determination of fair market value, overpayment, or a transfer at undervalue.

Monitor's Observations

8.11 The Monitor notes the following observations in respect of lease payments made to Related Party Landlords:

⁹ CBRE's range of plausible rents was based on its assessment of prevailing market conditions, including an applied factor of \$10 per square foot above the comparable rent range to account for certain market variables that include among other things, co-tenancy, visibility, accessibility, landlord relationship and tenant inducements.

¹⁰ The Monitor further notes that one Quebec-based location was outside of the +\$10 per square foot range applied by CBRE. However, based on CBRE's review of the location and other market factors, CBRE noted that a higher rent than the comparables was warranted.

- (i) lease payments made under Related Party Leases represent consideration for use and occupation under formal commercial leases, and generally, appear within a reasonable range based on CBRE's analysis;
- (ii) based on CBRE's review, 14 of the Related Party Leases are either below or within plausible market ranges, while 4 have rents above the plausible market range. During the 12-Month Review Period, the aggregate payments made in respect of the 4 locations in excess of the comparable leases identified by CBRE would equal approximately \$1.8 million (based on the high-end range of comparable leases) or approximately \$300,000 if utilizing the high-end of the "plausible" range provided by CBRE;
- (iii) the DC Leases were not within the scope of CBRE's market rent review. The Monitor separately assessed the reasonableness of the rent payable under the DC Leases by comparing those costs to distribution centre and warehouse leases observed by the Monitor in other retail related engagements. The base rent payable under each of the DC Leases is approximately \$15.75 and \$15.00 per square foot, for approximately 27,000 and 90,800 square feet, respectively. Based on the Monitor's comparables, which are set out in **Appendix "G"**, the range of comparable distribution centres and warehouse space is approximately \$5.50 to \$24.00 per square foot, noting that the lower range relates to leases with square footage in excess of 400,000 square feet;
- (iv) as at February 2, 2026, rent arrears owing to the Related Party Landlords totalled approximately \$3.3 million, or the equivalent of approximately 1.6 months of lease

obligations.¹¹ In comparison, third-party landlords were owed, on average, the equivalent of approximately 0.4 months of lease obligations (with respect to active store locations only). Accordingly, third-party landlords with active store locations appear to have been kept comparatively more current than the Related Party Landlords. The Monitor notes that the Company made a catch-up payment to a Related Party Landlord in January 2026 in the amount of approximately \$1.0 million in connection with rent arrears on the DC Leases; and

- (v) during the 12-Month Review Period, the Company surrendered approximately 47 leases to third-party landlords. 3 Related Party Leases were surrendered in the same period. Generally, following the Company exiting a leased premises, the Company ceased making further rent payments to the applicable landlord. Prior to the commencement of the CCAA Proceedings, the Company was subject to in excess of approximately 30 outstanding actions commenced by landlords where the Company had vacated the premises. The litigation was summarized in further detail in Exhibit “B” to the initial affidavit of Neil Taylor dated February 2, 2026 (the “**Taylor Affidavit**”).

8.12 Based on the procedures performed, and subject to the information limitations noted, the Monitor is of the view that the payments under the Related Party Leases do not appear to have resulted in a Voidable Transaction under section 95 of the BIA, the FCA or the APA within the 12-Month Review Period other than as noted below. The Monitor has not identified “badges of fraud” indicating an intention to defeat, hinder, delay or defraud

¹¹ The majority of rent arrears owing to the Related Party Landlords is for the periods of November and December 2025.

creditors (other than the close relationship between the Company and the Related Party Landlords) with respect to the Related Party Leases. The Related Party Landlords do not appear to have been treated preferentially to other similarly situated landlords (i.e. landlords with active store locations), and third party landlords with active stores appear to have had more favourable treatment over the course of the 12-Month Review Period with less arrears owing in comparison to the Related Party Landlords as at February 2, 2026. The only exception noted by the Monitor in the course of its review is the approximately \$1.0 million catch-up payment made to a Related Party Landlord in January 2026 which could be considered a preference given the payment was on account of rent arrears. Further, as noted above, there were other landlords whose premises were vacated who did not receive rent during the 12-Month Review Period.

- 8.13 With respect to section 96 of the BIA, the Monitor notes that as a general matter the rent payable pursuant to Related Party Leases appear to be within a reasonable range of market comparables based on CBRE's comparable analysis. However, as noted, four of the Related Party Leases did have rent amounts above the plausible market ranges in the view of CBRE. These amounts could be considered transfers-at-undervalue if determined by the Court to be "conspicuously" more than fair market value.

9.0 PAYROLL AND EXPENSE REIMBURSEMENTS

- 9.1 During the 12-Month Review Period, Mr. Putman and six individuals related to Mr. Putman were employed by and received a salary from the Company (each a "**Related Party Individual**"). As of the Filing Date, the Company employed approximately 654 employees in aggregate as set out in the Taylor Affidavit dated February 2, 2026.

9.2 The following table sets out the salary compensation and expense reimbursements paid to each Related Party Individual during the 12-Month Review Period:

Payroll and Expense Compensation Paid				\$000s
Related Party Individual	Department	Total Salary	Expense Reimbursements	Total Payments
Doug Putman	President	1,071	581	1,652
<i>Related Party Individual</i>	IT	220	--	220
<i>Related Party Individual</i>	Real Estate	115	--	115
<i>Related Party Individual</i>	Finance	115	--	115
<i>Related Party Individual</i>	Finance	36	--	36
<i>Related Party Individual</i>	Finance	36	--	36
<i>Related Party Individual</i>	Finance	36	--	36
Total		1,629	581	2,210

9.3 Each Related Party Individual was employed by the Company in a defined role pursuant to a formal written employment agreement, and received compensation through the Company's ordinary course payroll system. In addition to salary and benefits compensation, Mr. Putman received reimbursement for expenses incurred and charged back to the Company, consisting primarily of travel-related expenses, including flights, accommodation, meals and entertainment, as well as other operating expenses paid by credit card and submitted for reimbursement.

9.4 Related Party Individuals, including Mr. Putman, were removed from payroll and stopped receiving any salary in December 2025, with the exception of one Related Party Individual in the IT department. No further salary or expense reimbursements were made to the removed Related Party Individuals thereafter.

Monitor's Review

9.5 In performing its review of payroll and expense reimbursements paid to Related Party Individuals, the Monitor has, among other things, carried out the following procedures:

- (i) obtained each of the Company's pay registers covering the 12-Month Review Period and reconciled a representative sample month (November 2025) from the pay register to the corresponding general ledger entries;
- (ii) identified the population of Related Party Individuals by cross-referencing the Company's pay register to the list of known family members of Mr. Putman, supplemented by further inquiry with Company management and with Mr. Putman, and compiled total compensation paid to each identified individual;
- (iii) obtained and reviewed employment agreements in place for each Related Party Individual, confirming roles, responsibilities and compensation; and
- (iv) obtained a summary of expense reimbursements paid to Mr. Putman (no other Related Parties received expense reimbursements), and reconciled a sample of the underlying expense report and supporting invoices to the summary.

9.6 The Monitor did not conduct a market study of compensation payable to executives of comparable companies. The Monitor also did not perform a review of the work completed by the Related Party Individuals for the Company during the 12-Month Review Period.

Monitor's Observations

- 9.7 The Monitor notes the following in respect of the payroll and expense reimbursements paid to Related Party Individuals:
- (i) compensation paid to Related Party Individuals is supported by formal written employment agreements and was processed through ordinary course payroll and expense reimbursement systems; and
 - (ii) the Monitor understands the Putman family has a long track-record of operating various real estate holdings and toy distribution businesses, including Everest which was founded by the Putman family in 1992, and it would not be unreasonable to assume these family members worked in and assisted with the operations of the Company. Further, in the Monitor's experience, it is not uncommon for family members to be employed in the case of privately held companies.
- 9.8 Based on the procedures performed, and subject to the information limitations noted, the Monitor is of the view that the salary payments or expense reimbursements to Related Party Individuals do not appear to have resulted in a Voidable Transaction under section 95 of the BIA, the FCA or the APA within the 12-Month Review Period. The Monitor has not identified "badges of fraud" indicating an intention to defeat, hinder, delay or defraud creditors (other than the close relationship between the Company and the Related Party Individuals) in respect of the salary payments and expense reimbursements. The Related Party Individuals also do not appear to have been treated preferentially to other similarly situated employees.

9.9 With respect to section 96 of the BIA, the Monitor is of the view that to determine whether such payments could constitute transfer at undervalue the market value of comparable roles in similar companies would need to be assessed. The services provided to the Company would also need to be considered. As noted above, the Monitor did not obtain a market study and did not review the services provided to the Company. Based on the Monitor’s experience with other retail companies, the amounts do not appear to be unreasonable based on the titles and positions of the Related Party Individuals.

10.0 REAL PROPERTY SALE TRANSACTIONS

10.1 In the course of its review of the 24-Month Review Period mandated for real property sale transactions, the Monitor identified a real property sale transaction involving the Company and persons not dealing at arm’s length, namely, the sale of five owned properties by the Company to five numbered companies each wholly owned by 1000039793 Ontario Inc., a Putman family-owned related party (each a “**Related Party Purchaser**”), completed on or around November 15, 2024 (the “**Property Transaction**”). The Property Transaction is disclosed in the Company’s FY25 audited financial statements, attached hereto as Appendix “B”.

Property Transaction		\$000s
Store Location	Related Party Purchaser	Purchase Price
Ottawa ON	1001050277 Ontario Inc.	10,040
Kitchener ON	1001050272 Ontario Inc.	8,610
St. Catharines ON	1001050273 Ontario Inc.	8,240
Gatineau QC	1001050280 Ontario Inc.	6,210
Kingston ON	1001050278 Ontario Inc.	5,880
Total Purchase Price		38,980

- 10.2 In connection with the Property Transaction, each of the properties was leased back to the Company pursuant to lease agreements with the applicable Related Party Purchaser. The payments made under each of the lease agreements during the 12-Month Review Period were reviewed and described in Section 8.0 of this Report.
- 10.3 Of the five properties subject to the Property Transaction:
- (i) three remain Active Leases (Ottawa ON, Kitchener ON and Kingston ON); and
 - (ii) two are Exited Leases (Gatineau QC and St. Catharines ON). As described below, the Monitor understands that these two properties have now been sold by the applicable Related Party Purchaser to third-parties.
- 10.4 The aggregate purchase price for the Property Transaction was \$38.98 million (the “**Purchase Price**”). The Purchase Price was satisfied by the Related Party Purchasers using a combination of cash consideration and the assumption of secured debt owing by the Company.
- 10.5 The Monitor notes that an important component of the Property Transaction relates to the settlement of the Odyssey Payment Obligation (as defined below) arising from the agreement between the Company and Odyssey Reinsurance Company (“**Odyssey**”) dated August 19, 2021 (the “**Owned Real Property Agreement**”). The Owned Real Property Agreement was entered into by the Company and Odyssey (an affiliate of Fairfax Financial) as part of the broader Fairfax Transaction Agreement¹², whereby the Company,

¹² As described in the First Report, 262 acquired the Company from Fairfax Financial pursuant to the Share Purchase Agreement dated August 19, 2021 (the “**Fairfax Transaction Agreement**”). The Owned Real Property Agreement

Odyssey and 262 agreed that if the Company subsequently sold the real estate, the Company would be obligated to pay to Odyssey an amount equal to “50% of the difference between (a) the Fair Market Value¹³ of the Property, and (b) the amount of the Mandatory Prepayment required to be made under the Loan Agreement dated May 31, 2018 between Odyssey and the Company in connection with such Property Sale” (the “**Odyssey Payment Obligation**”). In other words, the Odyssey Payment Obligation required the Company to pay Odyssey an amount equal to 50% of the equity value in the real estate at the time it was sold, based on the appraised fair market value at that time.

10.6 The Monitor also notes that effective August 19, 2026, Odyssey held a “put” right under the Owned Real Property Agreement, which allowed Odyssey the right to require the Company to sell any of its real property at a price to be determined by Odyssey, in order to realize upon the Odyssey Payment Obligation. As part of this put right, 262 held a right of first refusal to purchase the real property at the proposed price.

10.7 The Owned Real Property Agreement provides that the Odyssey Payment Obligation is to be secured by a first mortgage and charge. The Monitor, with the assistance of Stikeman, has confirmed that Odyssey (and Fairfax Financial, as Odyssey’s representative) registered

was delivered in connection with the Fairfax Transaction Agreement representing part of the consideration payable to Fairfax Financial.

¹³ “**Fair Market Value**” is defined in the Owned Real Property Agreement as “the sale price of such Property if such sale is to an arm’s length third party to each of the Borrower and [262], or if the sale is to a person that is not an arm’s length third party to each of the Borrower and [262], the fair market value shall be the higher of (i) the sale price of such Property and (ii) the appraised price of such Property (pursuant to a recent valuation report procured by the Borrower, at the Borrower’s sole cost and expense, from an arm’s length real property appraisal satisfactory to Odyssey).”

charges and/or hypothecs against each of the properties that appear to be sufficient to secure the Odyssey Payment Obligation.

Accounting Treatment in the Company's general ledger

10.8 The Monitor obtained and reviewed the Company's general ledger, together with its audited financial statements, to analyze the accounting transactions used to record the Property Transaction, summarized as follows:

Summary of Journal Entries		\$000s
	Debit	Credit
Dr. Cash Proceeds	8,000	
Dr. Release of Mortgage Debt	20,452	
Dr. Note Receivable from 262 (rent credit)	528	
Dr. Loss on Sale	13,047	
Cr. Removal of Land & Buildings		(42,027)

10.9 The Property Transaction resulted in the Company recording for accounting purposes a loss on sale of approximately \$13.05 million. This balance is effectively comprised of two components:

- (i) the actual accounting loss on disposal of approximately \$3.05 million, calculated based on the difference between the Purchase Price of \$38.98 million and the net book value of the properties of approximately \$42.03 million; and

- (ii) the settlement of the Odyssey Payment Obligation recorded in the amount of \$10 million which Odyssey received the proceeds of.¹⁴

Settlement of Purchase Price

10.10 The following table provides a summary of the consideration paid for the Property Transaction by the Related Party Purchasers:

Settlement of Purchase Price	\$000s
Cash Payment	8,000
Note Payable to Company (rent credit)	528
Related Party Purchasers' assumption of Odyssey mortgage debt	20,452
Settlement and assumption of the Odyssey Payment Obligation	10,000
Purchase Price	38,980

- (i) *Cash Payment* – the Related Party Purchasers paid the Company \$8 million in cash. The cash purchase price was initially deferred on closing of the Property Transaction and subsequently paid in January 2025. The Monitor was provided with wire confirmations and bank statements supporting the receipt of the cash proceeds by the Company;
- (ii) *Note Payable* – the Related Party Purchasers provided a note payable to the Company in the amount of approximately \$528,000, which was ultimately credited against rent owing by the Company in October 2025. The application of this note is reflected as a rent credit in the table set out in Section 8.0 above;

¹⁴ The Monitor notes that 50% of the difference between the appraised fair market value (\$41.59 million, see table below) and the remaining Odyssey mortgage debt (\$20.45 million) equals \$10.57 million, and not the \$10 million recorded in the Company's general ledger and audited financial statements. The Monitor views the variance as immaterial to its review of the Property Transaction.

- (iii) *Assumption of Odyssey Mortgage* – the Related Party Purchasers assumed the \$20.45 million of Odyssey secured mortgage debt owing by the Company. The Monitor was provided with the statement of adjustments and other closing documents to confirm the assumed mortgage balance; and
- (iv) *Settlement of the Odyssey Payment Obligation* – the Odyssey Payment Obligation in the amount of \$10 million was satisfied by the Related Party Purchasers by way of: (a) a cash payment of approximately \$2.1 million paid to Odyssey at closing; (b) increasing the secured mortgage debt owing to Odyssey by approximately \$7.8 million on the properties; and (c) an unreconciled adjustment of \$117,000. The Monitor confirmed the additional mortgage through the statement of adjustments and other closing documents and traced the \$2.1 million cash payment to a wire confirmation from 262’s bank account.

Monitor’s Review

10.11 In performing its review of the Property Transaction, the Monitor has, among other things, carried out the following procedures:

- (i) reviewed the agreement of purchase and sale, including the statement of adjustments and other closing documents to confirm the transaction structure, Purchase Price and related consideration;
- (ii) reviewed the general ledger and journal entries recorded by the Company in connection with the Property Transaction, noting that they reconcile to the details provided for the FY25 audited financial statements;

- (iii) as described further below, reviewed the appraisal reports prepared for 262, as required and utilized by Odyssey in connection with the Property Transaction to support the fair market value used to calculate and settle the Odyssey Payment Obligation, as negotiated and agreed to by the Company, Odyssey and 262; and
- (iv) reviewed the Owned Real Property Agreement to confirm the nature of the Odyssey Payment Obligation and the basis for the settlement of the Purchase Price.

Appraisal Reports

10.12 The Monitor obtained and reviewed the appraisal reports for each property in connection with the Property Transaction. Each of the five appraisals were prepared for 262 by a commercial real estate appraisal firm in October 2024.¹⁵ The appraisals estimated value using an income approach and a direct comparison approach for each of the properties, and each included qualifications typical to real estate appraisal reports.

10.13 The estimate of value from each of the appraisal reports, as compared to the Purchase Price, is as follows:

¹⁵ The four appraisals in respect of the Ontario properties were prepared by Ellens & Associates Inc. and the Quebec appraisal was prepared by Juteau Johnson Comba Inc.

Summary of Appraisal Reports					\$000s
Location	Income Approach	Direct Comparison Approach	Estimated Value	Purchase Price	Variance
Ottawa ON	10,040	10,180	10,080	10,040	(40)
Kitchener ON	8,610	8,850	8,700	8,610	(90)
St. Catharines ON	8,240	9,460	8,600	8,240	(360)
Gatineau QC	8,410	8,410	8,410	6,210	(2,200)
Kingston ON	5,880	5,410	5,800	5,880	80
Total	41,180	42,310	41,590	38,980	(2,610)

10.14 The Monitor has not obtained its own appraisals of the properties.

10.15 The appraised estimated value of the five properties of \$41.6 million exceeds the Purchase Price of \$39.0 million by approximately \$2.6 million. The Company has advised the Monitor that this variance is primarily attributable to: (i) a downward adjustment in respect of the Gatineau QC property, which the Company has advised was to reflect substantial repair and remediation costs not reflected in the appraisal; and (ii) that no realty fees were paid by the Company to third-party real estate brokers in connection with the Property Transaction. The Purchase Price for the properties was reasonably consistent with their appraised fair market value (other than the Gatineau QC property, which reflected the adjustments set out above).

10.16 The Monitor understands that subsequent to the Property Transaction, the Related Party Purchasers have sold two of the properties to third parties. The Gatineau QC property was sold approximately 12 months later in November 2025 for a purchase price of \$12.75 million. The Monitor understands from the Related Party Purchaser that the property was not listed for sale and a party interested in land development initiated the negotiations to purchase property. The St. Catharines ON property was sold approximately 15 months

later, in February 2026, for a purchase price of \$16.25 million. The Monitor understands from the Related Party Purchaser that the St. Catharines ON property was sold to a strategic buyer who intends to change the use of the property. The Monitor also understands that the remaining three properties are currently listed for sale and have been on the market since August 2025.

Odyssey Payment Obligation

- 10.17 As described above, the Company recorded a \$10 million loss on the sale attributable to the settlement of the Odyssey Payment Obligation in connection with the Property Transaction (see also Note 15(f) of the FY25 audited financial statements).
- 10.18 The Monitor notes that, on or prior to the date of the Property Transaction, the Odyssey Payment Obligation was an existing secured liability that was not recognized on the balance sheet. As noted above, the Odyssey Payment Obligation was calculated based on fair market value at the time of the Property Transaction, based on the independent appraisal reports, as required and utilized by Odyssey.
- 10.19 For explanatory and illustrative purposes only, if this contingent secured debt owing to Odyssey had been recorded by the Company in its financial statements, a revised version of the journal entry the Company would have recorded on the closing of the Property Transaction would have been as follows:

Revised Illustrative Journal Entry		\$000s
	Debit	Credit
Dr. Cash Proceeds	8,000	
Dr. Release of Mortgage Debt	20,452	
Dr. *Release of Odyssey Payment Obligation*	10,000	
Dr. Note Receivable (rent credit)	528	
Dr. Loss on Sale	3,047	
Cr. Removal of Land & Buildings		(42,027)

Monitor's Observations

10.20 Based on the procedures performed to date, the Monitor notes the following in respect of the Property Transaction:

- (i) the Purchase Price is supported by independent appraisal reports at the time of sale, net of the adjustment for the Gatineau QC property;
- (ii) the Property Transaction was conducted with the knowledge and consent of Odyssey (who had an interest in the equity of the properties);
- (iii) the Property Transaction released the Company of the Odyssey Payment Obligation, which secured obligation was created when 262 and Fairfax entered into the Fairfax Transaction Agreement and the Owned Real Property Agreement (i.e., when 262 acquired the Company, including the five real property assets, from Fairfax); and
- (iv) between approximately 12 and 15 months after the Property Transaction, the Related Party Purchasers have sold two of the properties.

10.21 Based on the procedures performed, and subject to the information limitations noted, the Monitor is of the view that the Property Transaction does not appear to be a Voidable Transaction under the BIA, the FCA or the APA. Specifically, based on the findings to date:

- (i) the Property Transaction did not occur within the 12-month preference look-back period and accordingly, section 95 of the BIA is not applicable;
- (ii) the Monitor has not identified “badges of fraud” sufficient to indicate an intention to defeat, hinder, delay or defraud creditors with respect to the Property Transaction. The Monitor does note that in addition to the close relationship between the Company and the Related Party Purchasers, the Company did continue to be involved in the properties through ongoing leases following the Property Transaction, which caselaw has indicated can be a badge of fraud;
- (iii) the Purchase Price was supported by the third-party appraisal reports. These reports were accepted by Odyssey, an independent party, at the time who had an economic interest in maximizing valuation of the properties as 50% of the appraised value was directly payable to them. The Monitor is not aware of any reason to doubt the independence of the appraisers or the reliability or credibility of the appraisals which valued the properties at the relevant time. However, as noted, two of the subject properties have been subsequently sold by the Related Party Purchasers to third parties at prices higher than their applicable Purchase Prices under the Property Transaction; and

- (iv) based on the above and accepting that the appraisals reflect the fair market value at the time of the Property Transaction, the Monitor is of the view that such transaction would not be a transfer at undervalue. Further, based on the date of the Property Transaction (being November 15, 2024), in order for the Property Transaction to be a transfer at undervalue, the Court would need to find either an intent to defeat, hinder, delay or defraud creditors or that the Company was insolvent at the time of the Property Transaction or rendered insolvent by the transaction. As noted above, the Monitor has not identified evidence indicating such an intention.

11.0 262 PROMISSORY NOTES AND RELATED SECURITY ARRANGEMENTS

11.1 As noted in the First Report, the Company was indebted to 262 in respect of:

- (i) a promissory note in the principal amounts of \$5.0 million dated January 24, 2025, which was subsequently amended on June 6, 2025; and
- (ii) a promissory note in the principal amounts of \$8.0 million dated January 31, 2025, which was subsequently amended on June 6, 2025 (collectively, the “**262 Promissory Notes**”).

11.2 The 262 Promissory Notes are secured by a general security agreement granted by the Company in favour of 262 (the “**262 GSA**”). Pursuant to the 262 GSA, the Company granted 262 a security interest in all of the Company’s present and after-acquired personal property as general and continuing collateral security for liabilities arising from the 262 Promissory Notes.

11.3 The Monitor notes that the 262 Promissory Notes fall outside the scope of the 12-Month Review Period. However, as explained below, certain security registrations and documents fall within such timeframe and based on certain caselaw, could be reviewed based on the timing of such registrations. Accordingly, the Monitor has included its findings and conclusions with respect to the 262 Promissory Notes in this Report.

Monitor's Review

11.4 In its review of the 262 Promissory Notes, the Monitor has, among other things, performed the following:

- (i) reviewed the 262 Promissory Notes, 262 GSA and ancillary documents with the assistance of Stikeman;
- (ii) requested Stikeman provide a security opinion in respect of the 262 GSA;
- (iii) reviewed correspondence between the Company and its counsel regarding the execution of the 262 Promissory Notes and 262 GSA; and
- (iv) reviewed bank statements and wire confirmations to confirm the advances made to the Company pursuant to the 262 Promissory Notes.

11.5 The Company provided the Monitor and Stikeman with three versions of the 262 GSA: (i) an initial version reflecting an execution date of April 22, 2025 with electronic signatures; (ii) a subsequent version reflecting an execution date of January 27, 2025 with electronic signatures; and (iii) a further subsequent version reflecting an execution date of January 27, 2025 with wet-ink signatures.

- 11.6 Based on searches of the provincial personal property security registers, the 262 GSA was registered in Ontario on April 15, 2025 and subsequently registered in Alberta, British Columbia, Manitoba, Nova Scotia, New Brunswick, Newfoundland and Labrador, PEI and Saskatchewan on or about January 23, 2026. Each registration identified 262 as secured party and described the collateral as all of the debtor's present and after-acquired personal property.
- 11.7 The Company also provided the Monitor with two dated versions of a hypothec granting security in Quebec in favour of 262: (i) a hypothec dated April 22, 2025, and (ii) a hypothec dated January 23, 2026. The Company acknowledged and confirmed that the version of the hypothec dated April 22, 2025 was dated incorrectly and the hypothec was prepared, executed and registered in January 2026. The hypothec was registered in Quebec on January 23, 2026. The registration notes that the underlying agreement ("Référence à L'acte Constitutif") is dated April 22, 2025.
- 11.8 Based on information provided by Company counsel, the Monitor understands that discussions regarding the proposed financing from 262 were initiated with Gordon Brothers in early January 2025. 262 subsequently advanced funds at the end of January 2025 based on verbal discussions with Gordon Brothers but without the necessary written consents to avoid a default under the ABL and Term Loans. Based on information provided by Company counsel, the Monitor understands that the security was granted but not registered at that time. The Monitor further understands that, after Gordon Brothers became aware of the advances and security in April 2025, 262 registered its security. The Company has informed the Monitor that the April 2025 version of the 262 GSA was inadvertently re-executed on April 22, 2025 in connection with this registration.

11.9 Gordon Brothers subsequently agreed to waive any default arising from the granting of security pursuant to the 262 GSA in connection with the maturity dates under the 262 Promissory Notes being amended to mature six months after the maturity of the ABL and Term Loans and 262 and Gordon Brothers entering into a subordination and postponement agreement.

Monitor's Observations

11.10 Based on the procedures performed to date, the Monitor, with the assistance of Stikeman, notes the following in respect of 262 Promissory Notes and 262 GSA:

- (i) the bank account statements provided by the Company demonstrate that 262 made advances to the Company in January 2025 as follows: (a) \$5,000,000 on January 24, 2025; (b) \$3,000,000 on January 27, 2025; and (c) \$5,000,000 on January 31, 2025;
- (ii) the correspondence provided between the Company's counsel and Company management appears to indicate that the Company intended to execute the 262 GSA in or around January 2025. The correspondence indicates that the Company's counsel prepared the 262 GSA (and a draft registration) in January 2025 and the documents were electronically executed on January 24, 2025 (two copies of the 262 GSA provided were dated January 27, 2025). The Company has indicated that the original wet-ink 262 GSA was executed and stored at the Company's former premises;

- (iii) putting aside whether the 262 GSA constitutes a Voidable Transaction, Stikeman has provided the Monitor with a written opinion that, subject to the qualifications, assumptions, limitations and discussions therein, such security constitutes valid and enforceable security and creates a valid security interest, and that the necessary registrations have been made in order to perfect or evidence such security; and
- (iv) the Quebec hypothec constitutes a grant of new security in January 2026, shortly prior to the commencement of the CCAA Proceedings.

11.11 For purposes of section 95 of the BIA, a “charge on property” can be reviewed as a potential preference. The Monitor notes that the timing of the grant and registration of security is relevant to that analysis on whether such security constitutes a preference.

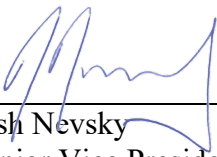
11.12 Based on the information reviewed to date, if the 262 GSA was executed in April 2025, and the Company was insolvent at that time, the security interest granted to 262 would likely constitute a preference under section 95 of the BIA because it secured antecedent indebtedness owing to a non-arm’s length creditor within the applicable one-year review period. As noted above, section 95(b) of the BIA only requires that a transaction have “the effect of giving that creditor a preference over another creditor” in order to constitute a Voidable Transaction, among certain other elements. If, however, the 262 GSA was executed in January 2025 concurrently with the advances under the 262 Promissory Notes, the grant of security would likely not constitute a Voidable Transaction.

11.13 A final determination on whether the 262 GSA constitutes a preference would require further investigation and definitive findings on the matter based on the documentary record and further evidence.

11.14 With respect to the Quebec hypothec, the Monitor believes it is likely that the grant of that security constitutes a Voidable Transaction pursuant to section 95(b) of the BIA as it secured antecedent indebtedness against the Company's Quebec property¹⁶ shortly prior to the Filing Date.

All of which is respectfully submitted to this Court this 12th day of June, 2026.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of Toys "R" Us
(Canada) Ltd. / Toys "R" Us (Canada) Ltee.,
not in its personal or corporate capacity**

Per: 

Josh Nevsky
Senior Vice President

¹⁶ As at the Filing Date, the Company had 1 store in Quebec with approximately \$1.5 million in inventory.

APPENDIX A
FY26 UNAUDITED FINANCIAL STATEMENTS



For the 12-month period from February 2, 2025 to January 31, 2026

INCOME STATEMENT SUMMARY CONSOLIDATED
TOYS R US (CANADA) LTD.
CAD \$000

Consolidated Net Sales	235,560
Sales Return Reserve	453
Customer Shipping Revenue	422
Other Revenue	1,538
Total Revenue	237,974
Gross Margin	93,892
Payroll and Related	27,194
Gross Advertising	1,548
eComm Platform Costs	1,266
Gross Rent	55,334
Store Facilities Costs	8,364
Transaction Fees	2,375
Other Expenses	3,171
Total Direct Expenses	99,251
Store Contribution	-5,359
Payroll - Management	780
Payroll - Hourly	7,202
Payroll and Related Tax/Benefits	603
Payroll and Related	8,585
Outbound Freight	2,545
eComm Fulfillment	325
Other Expenses	5,304
Distribution Centers	16,759
Payroll - Management	8,379
Payroll - Management -eCom	40
Payroll - Hourly	4,964
Payroll - Hourly - eCom	154
Payroll and Related Tax/Benefits	523
Payroll and Related Tax/Benefits -eCom	20
Payroll and Related	14,079
Other Expenses	12,595
Canada Resource Center	26,674
Other Expenses	-1,031
Total SG&A	141,654
EBITDA	-47,762
Depreciation & Amortization	20,754
FMV Amort- Operating Lease	1,705
Net Earnings/(Loss) Before Int/taxes	-70,221
Corporate Other	186,053
Consideration Interest & Revaluation	6,715
Interest Expense / (Income)	17,046
Net Earnings/(Loss) Before taxes	-280,035
Taxes on Income	0
Net Earnings/(Loss) Reported	-280,035



BALANCE SHEET SUMMARY CONSOLIDATED
TOYS R US (CANADA) LTD.
CAD \$000

January 31, 2026

ASSETS

CURRENT ASSETS

Cash	183
Accounts Receivable	2,697
Advanced To Related Party	346
Inventory	16,519
Prepays	7,165
Sales Taxes Receivable	154

TOTAL CURRENT ASSETS **27,064**

Plant, Property & Equipment (Net)	-723
ARO - NET	968
Intangible Assets - TRU/BRU Trademarks	17,100
Intangible Assets - Software	1,013
Intangible Assets - Net Favorable Lease Contracts (FMV)	5,560
Other Assets	3,696

TOTAL ASSETS **54,678**

LIABILITIES & EQUITY

CURRENT LIABILITIES

Accounts Payable - Trade	122,293
Accruals, Taxes and Other Liabilities	307,141
Sales Tax Payable	-145
Consideration Payable - Short Term	285

TOTAL CURRENT LIABILITIES **429,574**

Non-Current Deferred Taxes Payable	6,793
Non-Current Accad Landlord Allow.	1,707
Long Term Lease Obligation	3,688
Contingent Consideration	76,869
Interco Shareholder Loan	15,607

TOTAL LIABILITIES **534,238**

STOCKHOLDERS EQUITY

Retained Earnings Beginning Balance	-199,525
Retained earnings YTD	-280,035

TOTAL STOCKHOLDERS EQUITY **-479,560**

TOTAL LIABILITIES & EQUITY **54,678**

APPENDIX B
FY25 AUDITED FINANCIAL STATEMENTS

Financial Statements

Toys “R” Us (Canada) Ltd.

For the period ended February 1, 2025

Independent auditor's report

Doane Grant Thornton LLP
Suite 800
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509

To the Shareholder of Toys “R” Us (Canada) Ltd.

Opinion

We have audited the financial statements of Toys “R” Us (Canada) Ltd. (“the Company”), which comprise the balance sheet as at February 1, 2025, and the statements of loss and deficit and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 1, 2025, and its results of operations and its cash flows for the period then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss during the year and had a working capital deficiency as at the balance sheet date. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

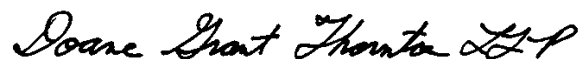
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mississauga, Canada
August 1, 2025

Chartered Professional Accountants
Licensed Public Accountants

Toys “R” Us (Canada) Ltd.
Statements of Loss and Deficit

(Expressed in thousands of Canadian dollars)

	For the period ended February 1, 2025 \$	For the period ended February 3, 2024 \$
Net sales	488,480	627,359
Cost of sales	279,791	377,742
Gross profit	208,689	249,617
Selling, general and administrative expenses	231,125	273,577
Depreciation and amortization	12,918	17,018
	244,043	290,595
Loss before other items and income taxes	(35,354)	(40,978)
Other expense, net (Note 18)	89,869	24,000
Interest income	(266)	(325)
Accretion of consideration payable	8,803	10,527
Interest expense	11,215	11,477
Loss before income taxes	(144,975)	(86,657)
Income taxes (Note 12)		
Current	-	-
Future (recovery)	(766)	(18,717)
	(766)	(18,717)
Net loss	(144,209)	(67,940)
(Deficit) retained earnings, beginning of the period	(55,316)	12,624
Net loss	(144,209)	(67,940)
Deficit, end of the period	(199,525)	(55,316)

Toys “R” Us (Canada) Ltd.

Balance Sheet

(Expressed in thousands of Canadian dollars)

	As at February 1, 2025 \$	As at February 3, 2024 \$
Assets		
Current		
Cash and cash equivalents	5,684	2,432
Accounts and other receivables (Note 4)	9,438	11,480
Merchandise inventories	79,001	144,718
Prepaid expenses (Note 5)	10,585	9,399
Income taxes recoverable (Note 12)	-	130
Total current assets	104,708	168,159
Property and equipment (Note 7)	17,008	75,818
Intangible assets (Note 8)	59,363	74,392
Other assets (Note 6)	3,745	3,546
Total assets	184,824	321,915
Liabilities		
Current		
Accounts payable (Note 9)	114,984	116,265
Accrued expenses and other current liabilities (Note 10)	93,368	32,409
Unredeemed gift card liability (Note 11)	39,034	37,364
Current portion of long-term debt (Note 13)	-	1,480
Current portion of other non-current liabilities (Note 16)	1,013	-
Current portion of consideration payable (Note 14)	286	-
Shareholder loan (Note 15)	13,000	-
Total current liabilities	261,685	187,518
Long-term debt (Note 13)	33,361	81,533
Consideration payable (Note 14)	75,236	93,052
Other non-current liabilities (Note 16)	7,274	7,569
Future income taxes (Note 12)	6,793	7,559
Total liabilities	384,349	377,231
Shareholder's Deficiency		
Common shares (Note 17)	-	-
Deficit	(199,525)	(55,316)
	(199,525)	(55,316)
Total liabilities and shareholder's deficiency	184,824	321,915
Going concern (Note 2)		
Commitments and contingencies (Note 19)		
Subsequent events (Note 21)		

Toys “R” Us (Canada) Ltd.

Statement of cash flows

(Expressed in thousands of Canadian dollars)

	For the period ended February 1, 2025 \$	For the period ended February 3, 2024 \$
Operating activities		
Net loss	(144,209)	(67,940)
Items not affecting cash:		
Straight line rent	(872)	846
Gain on derecognition of straight line rent	(360)	-
Depreciation and amortization	12,918	17,018
Loss on extinguishment of favourable lease contracts	505	15,794
Intangible asset impairment	11,600	20,300
Impairment of property and equipment	13,687	-
Loss on sale of property and equipment	13,047	-
Amortization of debt issuance costs	1,042	727
Asset retirement obligation release on store closures	-	(65)
Future income taxes (Note 12)	(766)	(18,717)
Accretion of consideration payable	8,803	10,527
Store closure reserve	66,826	-
Revaluation of consideration payable (Note 14)	(18,193)	(17,320)
Changes in operating assets and liabilities:		
Accounts and other receivables	2,570	(304)
Merchandise inventories	65,717	(13,131)
Prepaid expenses	(1,186)	(1,079)
Income taxes recoverable	130	(38)
Other assets	(199)	(2,686)
Accounts payable and income tax payable	(1,281)	41,556
Accrued expenses and other current liabilities	(4,995)	5,632
Unredeemed gift card liability	1,670	2,545
<i>Cash provided by (used in) operating activities</i>	26,454	(6,335)
Investing activities		
Purchase of property and equipment	(6,109)	(11,713)
Proceeds from sale of property and equipment	8,000	-
Payment of consideration payable	(8,140)	(8,065)
Repayment from related party	-	14,000
<i>Cash used in investing activities</i>	(6,249)	(5,778)
Financing activities		
(Repayment of) proceeds from revolver	(26,533)	12,814
Payment of deferred financing fees	(2,540)	-
Principal repayments – Odyssey Mortgage	(880)	(1,480)
Proceeds from shareholder loan	13,000	-
<i>Cash (used in) provided by financing activities</i>	(16,953)	11,334
Net increase (decrease) in cash during the period	3,252	(779)
Cash and cash equivalents, beginning of period	2,432	3,211
Cash and cash equivalents, end of period	5,684	2,432
Non-cash investing and financing transactions		
Transfer of Odyssey Mortgage (Note 15)	20,450	-

Toys “R” Us (Canada) Ltd.

Notes to financial statements

(Expressed in thousands of Canadian dollars)

1. Nature of operations

Toys “R” Us (Canada) Ltd. (the “Company”) sells a variety of products in the baby, core toy, entertainment, learning and seasonal categories through omnichannel offerings that leverage the Company’s brick-and-mortar stores and e-commerce websites. The Company operates 74 stores across Canada under the Toys “R” Us, and Babies “R” Us banners. The Company’s omnichannel presence includes Toysrus.ca, Babiesrus.ca and hmv.ca sites.

On August 19, 2021, 2853294 Ontario Inc. (the “Acquirer”) executed a purchase and sale agreement with Fairfax Financial Holdings (the “Seller”) to acquire all of the Seller’s right, title and interest in and to the purchase of 100% of the outstanding shares of Toys “R” Us (Canada) Ltd. Concurrently, the Acquirer was amalgamated with Toys “R” Us (Canada) Ltd. The Acquirer had no operations prior to August 19, 2021. These financial statements present the financial results of the amalgamated entity.

2. Going concern

These financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the period ended February 1, 2025, the Company had a net loss of \$ 144,209 (2024 – \$67,940). The Company had a working capital deficiency as at February 4, 2025 of \$156,977 (2024 – \$19,359), and a shareholder’s deficiency of \$199,525 (2024 – \$55,316). These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is implementing a strategic initiative to focus on cost control, improving margins and improving profitability, which includes the closure of under-performing stores to improve overall profitability. During the year ended February 1, 2025, the Company had closed 14 of its brick-and-mortar locations that were identified as under-performing locations. Additionally, the Company announced the decision to close an additional 36 locations subsequent to year-end, with 17 of these locations closed in April 2025, and the remaining 19 locations to be closed before September 2025. The Company’s aim is to improve overall profitability by focusing on high performing stores and reducing costs through the closure of under-performing stores.

The Company is looking to leverage strategic partnerships with respect to product offerings with other retailers related to the Company through common control or common management. The Company aims to improve product offerings to existing customers through these strategic partnerships. In an effort to improve operational efficiency and reduce administrative costs, the Company has initiated a transition to a shared services model across its group of related entities. This strategic initiative centralizes key support functions such as logistics, merchandising, advertising, and IT, enabling economies of scale. The anticipated cost savings and operational synergies are expected to strengthen the Company’s financial position and support its ongoing efforts to reduce costs. The Company is also looking to raise funds through the strategic sale of certain assets deemed not core to its operations in order to improve liquidity and meet financial commitments.

The Company’s ability to continue as a going concern is dependent on its ability to achieve profitable operations, settle its accounts payable and accrued expenses, and raise additional financing as required. There is no guarantee that the Company will be successful in these initiatives. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the net loss, and the classifications used in the balance sheet. Such adjustments could be material.

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

3. Summary of significant accounting policies

Fiscal year

The Company has adopted the Saturday nearest to January 31st of each calendar year as its fiscal year end.

Basis of presentation

The accompanying financial statements as at and for the fifty-two week period ended February 1, 2025 (February 3, 2024 – fifty-three week period), have been prepared in accordance with Canadian accounting standards for private enterprises (“ASPE”) and include the significant accounting policies described hereafter. All amounts are in Canadian dollars, except as otherwise noted.

Revenue recognition

The Company recognizes sales, net of customer coupons and other sales incentives, at the time the customer takes possession of merchandise, either at the point of sale in the stores or at the time the customer receives shipment of products purchased from online websites.

Customer shipping revenues are recognized at the time the customer takes possession of merchandise.

Reserve for sales returns

The Company establishes reserves for sales returns for estimated product returns by its customers based on historical return experience, changes in customer demand, known returns not yet received, and other assumptions.

Cost of sales and selling, general and administrative (“SG&A”) expenses

The following table illustrates what is reflected in each expense category:

Cost of sales	SG&A
The cost of merchandise acquired from vendors;	Store payroll and related payroll benefits;
Freight in;	Store operating expenses;
Provision for excess and obsolete inventory;	Advertising and promotional expenses;
Shipping costs to customers;	Costs associated with operating the distribution
Provision for inventory shortages; and	network including payroll; and
Credits and allowances from merchandise vendors.	Other corporate-related expenses including payroll

Credits and allowances received from vendors

The Company receives credits and allowances that are related to formal agreements negotiated with its vendors. These credits and allowances are predominantly for product markdowns, cooperative advertising, promotions and volume related purchases. The Company treats credits and allowances as a reduction in the cost of the vendors’ goods and the related inventory. The Company recognizes these amounts when there is reasonable assurance the Company will be entitled to their benefit and the amounts can be reasonably estimated.

Gift card breakage

The Company sells gift cards to customers in its retail stores, through its websites and through third parties and, in certain cases, provide gift cards for returned merchandise and in connection with promotions. The Company recognizes income from gift card sales when the customer redeems the gift card, as well as an estimated amount of unredeemed liabilities (“breakage”). Gift card breakage is recognized proportionately, utilizing management estimates and assumptions based on actual redemptions, the estimated useful life of the gift card and an estimated

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

breakage rate of unredeemed liabilities. The Company’s estimated gift card breakage represents the remaining unused portion of the gift card liability for which the likelihood of redemption is remote and for which the Company has determined that it does not have a legal obligation to remit the value to the relevant jurisdictions. Income related to customer gift card redemption is included in net sales, whereas income related to gift card breakage is recorded in other income. The Company recognizes breakage income and derecognizes the gift card liability for unredeemed gift cards in proportion to actual redemptions of gift cards.

Foreign currency translation

The Company’s unit of measure and reporting currency is the Canadian dollar.

The Company translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect as at the balance sheet date. Non-monetary items are translated at the rate in effect on the date of the transaction. Revenue and expenses denominated in a foreign currency are translated using the average exchange rate during the period, except for cost of sales, depreciation and amortization which are translated at historic rates. Any foreign exchange gain or loss is included in the determination of net income (loss) for the period.

Business combinations

The Company accounts for business acquisitions using the acquisition method of accounting. Goodwill is recognized as the excess of the fair value of consideration given, including any amount of non-controlling interest in the acquired company and contingent consideration, over the acquisition date fair values of the net identifiable assets acquired, subject to certain exceptions. If aggregate consideration is less than the net identifiable assets acquired, a gain is recognized to net income on the date of acquisition.

Certain of the Company’s purchase and sale agreements contain contingent consideration provisions. Contingent consideration in a business combination is initially recorded at fair value on the date of acquisition. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at fair value when the contingency is resolved with any gain or loss recognized in net income (loss).

The Company recognizes acquisition-related costs (except for costs to issue debt and equity securities), in the period incurred, and records these costs to selling, general and administration expense in the statement of loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash balances with banks and short-term investments with a maturity of three months or less from the time of purchase. These investments primarily consist of money market funds, bank deposits, term deposits or certificates of deposit.

Merchandise inventories

The Company values merchandise inventories at the lower of cost or net realizable value, as determined by the weighted average cost method. Merchandise inventories and cost of sales are affected by adjustments to reflect current market conditions, merchandise allowances from vendors, estimated inventory shortages and estimated losses from excess, obsolete and slow-moving inventory. All inventories are finished goods.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The cost of inventories may not be recoverable if those inventories have been damaged, become obsolete or selling prices have declined.

The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense, and included in cost of sales, in the period the write-down or loss occurs.

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a changed economic circumstance, the amount of write-down is reversed in the period of change.

The amount of any reversal of write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories expense in the period in which the reversal occurs. The reversal is limited to the amount of the original write-down.

The amount of inventory expensed in cost of sales was \$272,587 (2024 - \$368,965).

Property and equipment

The Company records property and equipment at cost less, where applicable, any accumulated depreciation and impairment loss. Building and leasehold improvements represent capital improvements made to owned and leased properties. The Company records depreciation using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the respective leases, if applicable. Estimated useful lives are as follows:

Category	Estimated useful life
Land	N/A
Buildings and improvements	Up to 50 years
Leasehold improvements	Shorter of remaining lease term or 25 years
Furniture and equipment	3 - 15 years

The Company assesses property and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Leases

An operating lease is a lease whereby substantially all of the benefits and risks incidental to ownership of the property are not transferred to the Company.

Lease rentals under operating leases are included in the determination of net income over the lease term on a straight-line basis.

When the Company exits a location under an operating lease prior to its contractual maturity, it recognizes a liability equal to the total amount of the contractually obligated payments from the date of exit to the maturity date. This amount is recognized in the determination of net loss in the period that the Company exits the leased location.

Deferred rent

The Company recognizes fixed minimum rent expense on non-cancelable leases on a straight-line basis over the term of each individual lease starting at the date of possession, including the build out period, and records the difference between recognized rental expense and amounts payable under the leases as deferred rent liability or asset. Landlord incentives are recorded in deferred rent liabilities and are amortized over the term of the lease.

Asset retirement obligations

An asset retirement obligation (“ARO”) is a legal obligation associated with the retirement of property and equipment that the Company will be required to settle. The Company recognizes asset retirement obligations in

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

the period incurred if management can make a reasonable estimate of the obligation. When management is unable to make a reasonable estimate, a liability is only recognized once a reasonable estimate can be made.

Asset retirement obligations are initially measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the associated long-lived assets. Subsequently, the asset retirement costs are allocated to expenses. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate.

As a result of certain leasehold improvements, the Company has undertaken in its stores, the Company may be obligated to restore the retail space to its original configuration as per the terms of the lease. The Company recognizes a liability for ARO, capitalizes asset retirement costs and amortizes these costs over the life of the assets.

Intangible assets

Upon recognition of an intangible asset, a determination is made as to whether it has a finite or indefinite useful life, taking into consideration expected use of the asset, expiry of agreements, nature of the asset and whether the asset value decreases over time.

Intangible assets deemed to have indefinite useful lives consist of trademarks and tradenames, most significantly the Toys “R” Us and Babies “R” Us trade names, which are not amortized and are reported at cost less accumulated impairment losses. These intangible assets are assessed for impairment whenever events or changes in circumstances indicate that its carrying amount may exceed its fair value. If the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to the difference in the statement of loss. If the fair value exceeds its carrying amount, the asset is not considered impaired.

Intangible assets with finite lives consist primarily of net favourable leases and software, which are stated at cost less accumulated amortization and any recognized impairment losses. Amortization is computed on a straight-line basis over the estimated useful lives of the intangible assets. Estimated useful lives are as follows:

Category	Estimated useful life
Net favourable lease contracts	Up to 42 years
Software	Up to 5 years

The net favourable lease contracts were recognized as part of a business combination in fiscal 2022. The Company evaluates the remaining useful life of an intangible asset that is being amortized each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset’s remaining useful life is changed, the remaining carrying amount of the intangible asset shall be amortized prospectively over that revised remaining useful life.

Income taxes

The Company has elected to apply the future income taxes method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using enacted or substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

The Company classifies future income tax assets and future income tax liabilities as non-current regardless of the date that the temporary differences are expected to reverse.

Financial instruments

The Company considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Company accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts and other receivables
- Accounts payable
- Other current liabilities
- Unredeemed gift card liability
- Consideration payable
- Long-term debt
- Shareholder loan

A financial asset or liability is recognized when the Company becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value.

The Company subsequently measures all of its financial assets and financial liabilities obtained in arm's length transactions at cost or amortized cost less any reduction for impairment.

Financial assets and financial liabilities obtained in arm's length transactions, which are not subsequently measured at fair value, are initially adjusted for transaction costs and financing fees directly attributable to their origination, acquisition, issuance or assumption. All other transaction costs are recognized in net income in the period incurred. Unamortized financing fees and transaction costs are amortized into net income using the effective interest rate method over the term of the related debt facility.

All the Company's financial assets and liabilities are measured at amortized cost.

At the end of each period, the Company assesses whether there are any indicators of impairment for a financial asset measured at cost or amortized cost. The Company recognizes an impairment loss in net income when there are both indicators of impairment and a significant adverse change in the expected timing or amount of future cash flows from the financial asset. Previously recognized impairment losses are reversed to net income if improvements occur.

Financial instruments in related party transactions

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Company does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net loss when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Company initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

at fair value, of which the Company has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each reporting date to assess the need for revisions. Many items in the preparation of these financial statements require management’s best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically, and adjustments are made to net income, as appropriate, in the year they become known.

Significant items subject to management estimates include:

<u>Financial statement element</u>	<u>Management estimate</u>
Merchandise inventory	Reserves for merchandise inventory
Property and equipment	Asset useful lives, impairment
Intangible assets	Asset useful lives, impairment
Obligation for closed stores	Estimated cash outflow
Consideration payable	Estimated cash outflow
Unredeemed gift card liability	Estimated gift card redemption
Revenue	Estimated sales returns

4. Accounts and other receivables

	As at February 1, 2025	As at February 3, 2024
	\$	\$
Trade receivables	2,819	2,670
Other receivables	6,911	8,967
Allowance for doubtful accounts	(292)	(157)
Total trade and other receivables	9,438	11,480

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

5. Prepaid expenses

	As at February 1, 2025	As at February 3, 2024
	\$	\$
Prepaid rent	5,560	5,412
Advance payments to vendors	5,025	3,987
Total prepaid expenses	10,585	9,399

Toys “R” Us (Canada) Ltd. Notes to financial Statements

(Expressed in thousands of Canadian dollars)

6. Other assets

	As at February 1, 2025 \$	As at February 3, 2024 \$
Long term prepaid rent including security deposits	2,800	2,800
Other	945	746
Total other assets	3,745	3,546

7. Property and equipment

	Cost \$	Accumulated Depreciation \$	As at February 1, 2025 \$	As at February 3, 2024 \$
Land	-	-	-	17,062
Buildings and improvements	-	-	-	25,702
Leasehold improvements	21,442	11,858	9,584	18,706
Furniture and equipment	23,948	16,524	7,424	14,348
Total property and equipment	45,390	28,382	17,008	75,818

Depreciation of property and equipment totaled \$9,577 (2024 - \$10,972).

During the period, the Company recorded an impairment loss of \$13,687 (2024 - \$nil) on its leasehold improvements and furniture and equipment (Note 18). This impairment loss is included in other expense on the statement of loss. The impairment is a result of continued net losses and operating cash flow losses of its brick-and-mortar retail stores.

8. Intangible assets

	Cost \$	Accumulated Amortization \$	As at February 1, 2025 \$	As at February 3, 2024 \$
Trademarks and tradenames	17,100	-	17,100	28,700
Net favorable lease contracts	48,588	8,339	40,249	42,567
Software	8,094	6,080	2,014	3,125
Total intangible assets	73,782	14,419	59,363	74,392

Net favourable lease contracts consist of a net book value of \$41,979 (2024 - \$47,411) in favourable lease contracts and \$1,730 (2024 - \$4,844) in unfavourable lease contracts. Amortization of intangible assets totaled \$3,341 (2024 - \$6,045).

During the period, the Company recorded an impairment loss of \$11,600 (2024 - \$20,300) on trademarks and tradenames (Note 18). The impairment loss is included in other expense on the statement of loss. The impairment is the result of a decline in net sales generated by the Company along with an increase in the discount rate since the recognition of the trademarks and tradenames.

During the period, the Company recognized a loss of \$505 (2024 - \$15,794) on the modification and extinguishment of leases for which they had previously recorded a favourable lease contract asset. The loss on extinguishment of favorable lease asset contracts is included in other expense on the statement of loss (Notes 15(a) and 18).

Toys “R” Us (Canada) Ltd. Notes to financial Statements

(Expressed in thousands of Canadian dollars)

9. Accounts payable

	As at February 1, 2025 \$	As at February 3, 2024 \$
Merchandise accounts payable	91,744	99,901
Non-merchandise accounts payable	23,240	16,364
Total accounts payable	114,984	116,265

10. Accrued expenses and other current liabilities

Included in accrued expenses and other current liabilities are government remittances totaling \$184 (2024 - \$1,791). Also included in accrued expenses is a reserve in the amount of \$66,826 (2024 - \$nil), representing the remaining contractually obligated payments on store leases that the Company had exited prior to the lease maturity date. Refer to note 18(a) for details.

11. Unredeemed gift card liability

The Company recognized \$1,135 (2024 - \$1,298) of gift card breakage income in other expense (income) during the period.

12. Income taxes

The tax effects of temporary timing differences that give rise to significant portions of future income tax assets and liabilities are as follows:

Future income tax asset (liability)	As at February 1, 2025 \$	As at February 3, 2024 \$
Leases and accrued rent	(9,131)	(9,608)
Trademarks	(4,500)	(7,559)
Property and equipment (excluding land)	2,255	(7,325)
Income tax losses carried forward	-	9,286
Reserves	4,583	5,777
Deferred financing cost	-	176
Other	-	1,694
Net future income tax liability	(6,793)	(7,559)

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

These financial statements do not take into account any tax benefit resulting from loss carry forwards or interest and financing expenses (“EIF”) available to the Company to reduce its income for tax purposes in future periods. The tax benefit of \$9,286 previously recognized for the period ended February 3, 2024, has been reversed during the period. Total losses and EIF and their expiry dates are as follows:

	\$
Tax losses - expiry	
2040	11,053
2041	4
2044	46,475
2045	14,782
	<u>72,314</u>
EIF – no expiry	<u>17,675</u>

*The Company is part of a group of corporate entities and trusts that are subject to new Excessive Interest and Financing Expenses Limitation (“EIFEL”) rules under the Canadian Income Tax Act that became effective for tax years starting on or after October 1, 2023. Under these rules, the Company can carry forward any non-deductible interest and finance expenses indefinitely and may deduct it against taxable income in a future period when the entity or group has sufficient EIFEL capacity. Management has determined that it is not more likely than not that the Company will realize the future benefit arising from these income tax deductions. Therefore, no future income tax asset has been recognized.

13. Long-term debt

	Interest rate	Maturity	As at February 1, 2025	As at February 3, 2024
	%	Year	\$	\$
Committed credit facility (a)	CORRA + 9.50%	2027	20,000	20,000
Revolving credit facility (a)	CORRA + 4.5%	2027	15,556	42,089
Odyssey Reinsurance Company mortgage (b)	CDOR + 4%	2025	-	21,332
			<u>35,556</u>	83,421
Less: financing fees			2,195	408
			<u>33,361</u>	83,013
Less: current portion			-	1,480
Long-term portion			<u>33,361</u>	81,533

(a) The Company had a committed credit facility of \$120,000 comprised of a \$100,000 revolver with Wells Fargo, which had a maturity date of August 2024, and a \$20,000 committed loan with Gordon Brothers with a maturity date of December 2024. The Company had pledged merchandise inventories and credit card receivables against the credit facility. The credit facility was subject to certain financial covenants which were monitored by the lenders. As at February 3, 2024, the Company had drawn \$62,089 on the committed credit facility. Interest rates as at February 3, 2024 were 8.45% on the Wells Fargo facility, and 14.84% on the Gordon Brothers facility.

On October 16, 2024, the Company entered into a new credit agreement with 1903P Loan Agent, LLP, as agent, and 1903 Partners, LLC and Wingspire Capital LLC (“Lenders”) to replace the expiring revolver with Wells Fargo and 1903P Partners, LLC to replace the committed loan with Gordon Brothers. The new credit

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

agreement has a maturity date of October 2027 for both facilities. The terms and conditions of the new credit agreement are consistent with the previous agreement described above, including the pledged merchandise inventories and credit card receivables against the credit facility and the financial covenants monitored by the lenders. The new revolver facility is interest bearing at a rate equal to the Canadian Overnight Repo Rate Average (“CORRA”) plus 4.5%, and the new committed facility is interest bearing at CORRA plus 9.5%.

As at February 1, 2025, the Company has drawn \$35,556 on the new credit facility. The applicable interest rates as at February 1, 2025 were 9.3% on the revolver and 14.3% on the committed credit facility. Standby letters of credit issued amounted to \$nil (2024 - \$1,760). Deferred financing fees related to the credit facility were \$2,539 (2024 - \$2,227), of which \$1,042 (2024 - \$727) has been amortized for the period ended February 1, 2025. The Company was in compliance with the financial covenants monitored by the lenders as at February 1, 2025.

- (b) The Company previously had a mortgage commitment on its five owned properties with Odyssey Reinsurance Company (the “Odyssey Mortgage”). On November 15, 2024, the Company sold its five owned properties to a related party and transferred the Odyssey Mortgage obligation as part of this transaction. Refer to Note 15(e).

Scheduled repayment on all long-term debt obligations is as follows:

	\$
2026	-
2027	-
2028	35,556
	<u>35,556</u>
Less: Financing fees	(2,195)
Long-term debt	<u>33,361</u>

14. Consideration payable

As part of the August 19, 2021 business combination (Note 1), the Company is required to make monthly payments in consideration of the purchase of the Company to the Seller based on the achievements of certain thresholds over a period of time. The Company has determined the monthly repayments consist of both consideration payable and contingent consideration.

This first portion of this arrangement consists of the consideration payable liability, which is expected to be settled by the year 2045. The Company has pledged title of the Toys R Us intellectual property with an agent of the Seller as security for the consideration payable. Upon the final payment of the consideration payable, the security held by the agent transfers back to the Company.

The second portion of the arrangement consists of the contingent consideration. Payments on the contingent consideration are equal to a fixed percentage of revenue, commencing and continuing for a period of twenty-eight-years upon the final payment of the consideration payable.

The consideration payable liability was initially recognized at fair value, by discounting the amounts and timing of expected payments to their present value. Subsequently, the consideration payable liability is carried at the present value of unpaid cost, with revisions to the expected amounts or timing of payments being reflected as adjustments in net income. During the prior period ended February 3, 2024, the Company reached an agreement with the Seller for a payment holiday on the monthly payments in the amount of \$6,000. The Company was therefore not required to make monthly payments from November 2023 through March 2024, and payments recommenced in April 2024. The consideration payable was remeasured at February 1, 2025 reflecting an update to expected timing of payments resulting in a gain of \$18,193 recognized in other expense (2023 – gain of \$17,320).

Toys “R” Us (Canada) Ltd. Notes to financial Statements

(Expressed in thousands of Canadian dollars)

The contingent portion of the consideration payable was initially recognized at fair value, by discounting the amounts and timing of expected payments to their present value. Subsequently, the contingent consideration liability will be remeasured when settled in future periods, and any gain or loss recognized into net (loss) income at that time.

15. Related party balances and transactions

Parties are considered to be related if one party has the ability to control, jointly control or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries, joint arrangements, affiliated entities, among other entities and persons.

Unless otherwise identified, the related party transactions identified below are with related parties who are related to the Company by virtue of common management or common control. The Company has determined that all related party transactions are in the normal course of operations. As a result, all related party transactions are recorded at the exchange amount.

Included within the line items in the following table are transactions that have been entered into with related parties and outstanding balances with related parties:

	As at February 1, 2025	As at February 3, 2024
	\$	\$
Related party balances		
Other assets - prepaid rent including security deposits (a)	2,800	2,800
Shareholder loans (c)	13,000	-
Prepaid expenses (d)	2,200	-
Accounts and other receivables	873	5,465
Accounts payable (e)	19,834	7,246
	For the period ended February 1, 2025	For the period ended February 3, 2024
	\$	\$
Related party amounts paid or received during the period		
Sales	819	3,453
Purchases	32,060	16,452
Assignment of lease rights and property and equipment (b)	-	583
Lease payments (a)(b)	19,732	15,193
Proceeds on sale of owned properties (f)	18,528	-
Management fee and royalty expense from the Company's parent	2,983	5,203
Impairment of receivables from companies under common control	1,304	-
Travel expenses	3,000	296

- (a) During the period ended January 28, 2023, the Company advanced \$14,000 to an entity related through common management for purposes of acquiring 12 properties being leased by the Company. This advance was settled by a repayment of \$11,200 to the Company during the period ended February 3, 2024, and with the application of \$2,800 as a deposit for last month's rent and a security deposit on the signing of the amended leasing agreements. The amended leasing agreements resulted in a loss of

Toys “R” Us (Canada) Ltd. Notes to financial Statements

(Expressed in thousands of Canadian dollars)

\$15,126 on the modification and extinguishment of the previously recorded favourable lease asset recognized on these leases (Note 8).

- (b) In addition to the properties noted in (a), on March 29, 2023, the Company advanced \$2,114 to a related party under common control for purposes of acquiring the rights to 29 leases and equipment. Upon acquisition of the lease rights by the related party, the Company commenced leasing the 29 locations on a month-to-month basis from the related party. In May 2023, the Company subsequently entered into leases for 2 additional leases which were acquired by the related party. Between November 2023 and January 2025, the Company terminated 23 of these leases. The remaining 8 leases, together with certain equipment, were assigned to the Company on November 30, 2023 for \$583. The Company continues to lease these properties from arm’s length parties.

At February 1, 2025, the Company has a total of 18 (February 3, 2024 – 13) operating leases remaining with related parties under common control. The minimum rental commitments are as follows:

	\$
2026	20,533
2027	20,533
2028	20,533
2029	20,533
2030	19,462
Thereafter	25,286
Total minimum lease payments	126,880

- (c) During the period ended February 1, 2025, the Company’s shareholder advanced two loans in the form of secured promissory notes totalling \$13,000. The first loan was issued on January 24, 2025, in the amount of \$5,000. The second note was issued on January 31, 2025, in the amount of \$8,000. Both notes are interest-bearing at a rate of 20%, compounded annually. Both notes mature on December 31, 2025, with the principal and interest payable on maturity. Subsequent to year end, the maturity date was extended to April 30, 2028.
- (d) On January 22, 2025, the Company advanced \$2,200 to an entity under common control for inventory design and management services.
- (e) Offset against accounts payable is a prepayment of \$2,800 to a related party for the purchase of materials for ordered inventory.
- (f) On November 15, 2024, the Company completed the sale of five properties to a related party under common management (the “Buyer”) for total proceeds of \$38,980, less the assignment of the remaining principal on the Odyssey Mortgage of \$20,452 as at the date of the sale. The proceeds were determined based on fair market value as appraised and approved by Odyssey Reinsurance, Lenders and the Buyer. Of the net proceeds of \$18,528, the Company was required to make a payment to Odyssey Reinsurance Company in the amount of \$10,000, equal to 50% of the difference between the fair market value of the five properties and the remaining principal on the Odyssey Mortgage, as a result of an agreement entered into at the time at which the Company was acquired from the Seller. The net book value of the land and buildings as at the time of the sale was \$42,027. A loss on sale in the amount of \$13,047 was recognized in other expense as a result of the transaction (Note 18). As at February 1, 2025, the Company had received \$8,000 of the proceeds and has recognized a receivable in the amount of \$528, which represents the remaining proceeds net of the \$10,000 to be paid directly to Odyssey Reinsurance Company by the purchaser.

Toys “R” Us (Canada) Ltd. Notes to financial Statements

(Expressed in thousands of Canadian dollars)

16. Other non-current liabilities

The Company has \$3,548 (2024 - \$3,352) recorded for asset retirement obligations included of which \$1,013 (2024 - \$nil) has been recoded as a current liability, with the remainder classified in other non-current liabilities.

17. Share capital

	As at February 1, 2025 \$	As at February 3, 2024 \$
Issued and outstanding		
100 common shares	-	-

The Company's 100 shares were issued for nominal consideration (ten dollars).

18. Other expense (income)

	For the period ended February 1, 2025 \$	For the period ended February 3, 2024 \$
Impairment of property and equipment (Note 7)	13,687	-
Impairment of trademarks and tradenames (Note 8)	11,600	20,300
Loss on extinguishment of favorable lease contracts (a)	505	15,794
Gift card breakage (Note 11)	(1,135)	(1,298)
Remeasurement of consideration payable (Note 14)	(18,193)	(17,320)
Management fee expense (Note 15)	2,983	4,203
Royalty expense (Note 15)	-	1,000
Loss on sale of property and equipment (Note 15(f))	13,047	-
Store closure reserve ((a) and Note 10)	66,466	-
Other	909	1,321
Total other expense	89,869	24,000

- (a) During the period ended February 1, 2025, the Company closed 11 store locations under operating leases in advance of the contractual maturity date per the lease contracts. The locations had contractual maturity dates ranging between 2025 and 2034. As the Company is no longer operating in these locations, a provision of \$66,826 was recognized equal to the undiscounted amount of contractually obligated payments from the date the store was closed until the contractual maturity date of the leases, consisting of contractual minimum rent and additional rent payments. This provision is required by law to be mitigated and therefore timing and actual amount of future expenditures will differ from these estimates and will be adjusted as further information becomes available or circumstance change. Additionally, favorable lease contract assets totalling \$505 were derecognized, resulting in a loss, and \$360 in straight-line rent liabilities were derecognized, resulting in a gain.

During the period ended February 3, 2024, the Company recorded a loss of \$15,794 on the modification and extinguishment of 13 leases for the previously recorded favourable lease asset recognized on these leases.

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

19. Commitments and contingencies

Commitments

Minimum rental commitments under non-cancelable operating leases are as follows:

	Active leases	Closed stores
2026	\$ 54,464	\$ 8,137
2027	51,724	7,334
2028	44,983	6,929
2029	39,242	5,174
2030	31,775	3,298
Thereafter	55,511	11,234
Total minimum lease payments	<u>277,699</u>	<u>42,106</u>

As noted in Note 18(a) above, the Company closed 11 store locations under operating leases prior to the contractual maturity date during the period. While the Company has accrued a store closure reserve equal to the amount of contractual payments between the closure date and the contractual maturity date as a current liability, the Company has separately presented commitments related to these stores in the table above based on the timing of the contractual cash flows per the lease agreements.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits as well as commitments under contractual and other commercial obligations. The Company recognizes liabilities for contingencies when a loss is probable and estimable.

In the future, the Company may be involved in various other lawsuits, claims and proceedings incident to the ordinary course of business. The results of litigation are inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The Company is not able to reliably estimate or determine the likelihood of the occurrences of these losses primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages, and until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii) many of these proceedings involve matters of which the outcomes are inherently difficult to predict. However, based upon historical experience with similar matters, the Company does not expect that any such additional losses would be material to the financial statements.

20. Financial instruments

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs various risk management strategies with a view of mitigating these risks to the extent possible on a cost-effective basis. The following analysis provides a measure of the Company's risk exposures and concentrations at February 1, 2025:

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate and currency risk.

Toys “R” Us (Canada) Ltd.

Notes to financial Statements

(Expressed in thousands of Canadian dollars)

i) Interest rate risk

The Company’s policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company is exposed to interest rate risk on its fixed interest rate and floating rate financial instruments. Given the current composition of long-term debt, the floating rate instruments subject the Company to a cash flow risk.

ii) Currency risk

For the period ended February 1, 2025, the Company did not enter into any foreign exchange hedging contracts (2024 – none). The Company does not use hedge accounting practices. Exchange losses of \$1,955 (2024 – gains of \$175) are included in selling, general and administrative expenses for the period ended February 1, 2025.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company may experience lower than planned revenue combined with operating losses resulting in a reduction of ongoing operating cash flows. Management has assessed and concluded that there is material uncertainty related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern and has provided disclosure in Note 2. Management applied significant judgment in arriving at this conclusion including:

- The amount of net sales to be generated to provide sufficient cash flows to continue to fund operations and other committed expenditures;
- The timing of generating those new sales and the timing of the related cash flows;
- The timing of contractual lease payments required on the closed store locations, as described in Note 18(a);
- The assessment of potentially discretionary expenditures that could be delayed in order to manage cash flows; and
- The ability that the Company’s vendors can continue to obtain credit insurance in the normal course of business and its potential impact on payment terms.

Given the judgement involved, actual results may lead to a materially different outcome. As at February 1, 2025, in addition to cash on hand of \$5,684 (2024 - \$2,432) the Company had \$5,849 (2024 - \$13,372) available to be drawn on its debt facilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s main credit risks relate to its accounts and other receivables. The Company provides credit to its customers in the normal course of its operations.

21. Subsequent events

Subsequent to February 1, 2025, the Company announced its decision to close 36 locations in various regions across Canada. 17 of those locations were closed in April, 2025 and an additional 19 will be closed before September, 2025. These closures are part of the Company’s strategic initiatives to improve profitability removing under-performing retail stores from the portfolio. Contractually obligated payments of minimum and additional rent associated with the leases for these two groups of store closures amount to \$53,822 and \$55,496, respectively.

**APPENDIX C
LISTING OF RELATED PARTIES**

Entity Name	Relationship to the Applicant
2625229 Ontario Inc. (o/a Putman Investments)	Parent Company
Management Fees	
For Your Entertainment (FYE)	100% owned by Putman
Inventory Suppliers	
2428391 Ontario Inc. (o/a Sunrise)	100% owned by Putman
11572288 Canada Inc. (o/a Famous)	100% owned by Putman
Northern Reflections Ltd. (Northern)	100% owned by Putman
Rose Textiles (Rose)	50% owned by Putman
Out There First Inc. (OTF)	100% owned by Putman
1322297 Ontario Inc. (o/a Everest)	100% owned by Putman
Related Party Landlords / Purchasers	
1000039793 Ontario Inc.	100% owned by Putman family
1000187941 Ontario Inc.	100% owned by Putman family
1000481251 Ontario Inc.	100% owned by Putman family
1000481242 Ontario Inc.	100% owned by Putman family
1000481248 Ontario Inc.	100% owned by Putman family
1000481247 Ontario Inc.	100% owned by Putman family
1000481250 Ontario Inc.	100% owned by Putman family
1000481230 Ontario Inc.	100% owned by Putman family
1000481270 Ontario Inc.	100% owned by Putman family
1000481232 Ontario Inc.	100% owned by Putman family
1000481280 Ontario Inc.	100% owned by Putman family
1001050272 Ontario Inc.	100% owned by Putman family
1001050277 Ontario Inc.	100% owned by Putman family
1001050278 Ontario Inc.	100% owned by Putman family
1000481236 Ontario Inc.	100% owned by Putman family
1000481244 Ontario Inc.	100% owned by Putman family
1000481246 Ontario Inc.	100% owned by Putman family
1001050280 Ontario Inc.	100% owned by Putman family
1001050273 Ontario Inc.	100% owned by Putman family
Secured IP Debtholder	
1001485743 Ontario Inc.	100% owned by Putman

APPENDIX D
SUMMARY OF PAYMENT TREATMENT BY MERCHANDISE VENDOR

	Opening Payable Balance	Total Purchases	Total Payments	\$000s Payments as a % of Aggregate Outstanding
Related Party Vendors¹				
Famous	-	4,723	2,412	51.1%
Northern	-	3,907	109	2.8%
Rose	597	3,656	3,462	81.4%
OTF	17	5,767	42	0.7%
Everest	9,157	13,071	3,913	17.6%
Total Related Party Vendors	9,771	31,124	9,938	24.3%
Top 20 Third-Party Vendors				
Vendor 1	6,206	8,146	9,012	62.8%
Vendor 2	3,480	4,045	5,051	67.1%
Vendor 3	2,401	8,856	2,730	24.3%
Vendor 4	2,150	2,797	2,066	41.8%
Vendor 5	1,681	2,401	1,867	45.7%
Vendor 6	1,195	1,774	1,555	52.4%
Vendor 7	(81)	3,332	1,479	45.5%
Vendor 8	584	1,488	1,408	67.9%
Vendor 9	1,138	1,955	792	25.6%
Vendor 10	543	1,392	738	38.2%
Vendor 11	1,441	435	680	36.2%
Vendor 12	2,020	2,177	672	16.0%
Vendor 13	50	557	589	97.1%
Vendor 14	(10)	1,041	570	55.2%
Vendor 15	(12)	3,633	552	15.2%
Vendor 16	1,161	687	523	28.3%
Vendor 17	592	468	502	47.3%
Vendor 18	191	337	492	93.1%
Vendor 19	1,553	1,071	478	18.2%
Vendor 20	889	418	449	34.3%
Total Top 20 Third-Party Vendors	27,173	47,010	32,203	43.4%
All Other Third-Party Vendors	39,268	28,405	10,248	15.1%
Total Third-Party Vendors	66,441	75,415	42,451	29.9%

¹ The above analysis excludes Sunrise which operates as a consignment vendor.

APPENDIX E
SUMMARY OF MERCHANDISE VENDOR PAYMENTS BY MONTH

Vendor	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	\$000s
													12-Month Review Period Total
Related Party													
Sunrise	208	1,041	498	281	146	53	450	-	-	150	175	1,000	4,001
Famous Toys	-	-	-	-	-	-	-	1,350	-	112	550	400	2,412
Northern	-	-	-	-	-	-	-	-	-	-	-	109	109
Rose	52	202	224	101	75	100	151	550	102	254	851	800	3,462
OTF	-	-	-	-	-	42	-	-	-	-	-	-	42
Everest	61	564	1,572	870	531	314	-	-	-	-	-	-	3,913
Related Party Payments	321	1,807	2,294	1,252	751	510	601	1,900	102	516	1,576	2,309	13,939
Third-Party													
Vendor 1	1,204	1,950	1,576	707	-	-	916	1,007	650	503	500	-	9,012
Vendor 2	1,176	928	946	22	31	210	100	433	202	603	401	-	5,051
Vendor 3	1,539	597	165	-	-	85	25	-	319	-	-	-	2,730
Vendor 4	588	539	757	41	141	-	-	-	-	-	-	-	2,066
Vendor 5	1	901	512	253	200	-	-	-	-	-	-	-	1,867
Vendor 6	489	440	626	-	-	-	0	-	-	-	-	-	1,555
Vendor 7	304	-	427	-	251	-	-	252	246	-	-	-	1,479
Vendor 8	333	441	445	-	76	-	-	-	-	38	74	-	1,408
Vendor 9	2	-	251	183	42	-	-	-	-	313	-	-	792
Vendor 10	-	70	-	557	111	-	-	-	-	-	-	-	738
Vendor 11	10	406	214	50	-	-	-	-	-	-	-	-	680
Vendor 12	2	172	-	152	126	103	118	-	-	-	-	-	672
Vendor 13	1	-	12	-	-	-	-	213	-	163	100	100	589
Vendor 14	111	62	-	70	96	-	-	-	231	-	-	-	570
Vendor 15	-	-	376	-	13	163	-	-	-	-	-	-	552
Vendor 16	51	311	-	95	41	25	-	-	-	-	-	-	523
Vendor 17	-	417	13	-	-	-	-	71	-	-	-	-	502
Vendor 18	-	-	192	-	-	-	-	-	-	-	100	200	492
Vendor 19	52	153	4	146	70	52	-	-	-	-	-	-	478
Vendor 20	63	51	53	50	104	51	25	-	-	51	-	-	449
Top 3rd-Party Vendors	5,926	7,439	6,568	2,326	1,301	690	1,185	1,976	1,647	1,672	1,174	300	32,203
Other 3rd-Party Vendors	2,783	3,752	1,061	595	537	183	336	25	149	526	299	-	10,248
Total Vendor Payments	9,030	12,997	9,923	4,173	2,590	1,382	2,122	3,900	1,899	2,714	3,050	2,609	56,390

**APPENDIX F
REVIEW OF RELATED PARTY LEASES**

Store Name	Province	Sq. Ft.	\$ Per Sq. Ft.	Direct Comparable Rent Range	CBRE Assessment ¹
West Edmonton	AB	47,097	34.04	\$13.00 - \$27.00 PSF	Plausible
South Edmonton	AB	47,275	34.04	\$13.00 - \$31.00 PSF	Plausible
Saint Bruno	QC	42,049	32.10	\$16.00 - \$20.00 PSF	Plausible ²
Kitchener	ON	42,007	28.57	\$17.00 - \$24.00 PSF	Plausible
Barrie	ON	41,835	27.63	\$10.50 - \$22.00 PSF	Plausible
Nepean	ON	42,402	25.94	\$16.00 - \$17.50 PSF	Plausible
Whitby	ON	42,039	25.50	\$19.75 - \$21.00 PSF	Plausible
Regina	SK	30,750	25.48	\$17.00 - \$26.50 PSF	Plausible
Winnipeg (Kildonan)	MB	42,200	23.90	\$13.00 - \$22.00 PSF	Plausible
Kingston	ON	30,059	21.29	\$13.00 - \$18.00 PSF	Plausible
Edmonton	AB	41,043	21.27	\$17.00 - \$32.00 PSF	Plausible
Sunridge	AB	47,069	21.25	\$15.00 - \$22.00 PSF	Plausible
St. Catherines	ON	42,035	19.03	\$7.50 - \$20.00 PSF	Plausible
Gatineau	QC	42,035	12.85	\$15.00 - \$22.00 PSF	Plausible
Macleod Trail	AB	42,070	38.24	\$19.50 - \$24.00 PSF	Unlikely
Hamilton	ON	35,569	33.56	\$17.50 - \$22.50 PSF	Unlikely
Winnipeg (Polo Park)	MB	40,841	32.86	\$19.50 - \$20.50 PSF	Unlikely
Lethbridge	AB	32,301	25.49	\$13.00 - \$16.00 PSF	Unlikely

¹ When assessing whether rent on a particular location is “plausible” or “unlikely”, CBRE considered that a retailer’s decision to locate within a given retail node is influenced by a number of factors beyond base rent, including co-tenancy, visibility, accessibility, landlord relationship, and tenant inducements. In certain unique circumstances, these factors may cause a retailer to pay a premium above prevailing market rents to secure a desired location; for this report, a maximum premium of \$10.00 PSF was used.

² Despite the fact that no comparables support this rent, given the prominence and location, CBRE feels a higher rent is warranted and therefore assessed as “Plausible”.

**APPENDIX G
REVIEW OF RELATED PARTY DC LEASES**

Company	Province	City / Municipality	Sq Ft	Annual Base Rent	Price Per Sq. Ft.
Toys "R" Us Canada (Current DC)¹	ON	Ancaster	26,875	423,300	15.75
Toys "R" Us Canada (Former DC)²	ON	Ancaster	90,785	1,361,775	15.00
<u>Comparable Distribution Centre Rates</u>					
Toys "R" Us Canada (Former DC and Head Office) ³	ON	Vaughan	471,051	3,687,916	7.83
Retail Company A	ON	Toronto	501,000	3,011,010	6.01
Retail Company A	ON	Scarborough	738,102	4,055,993	5.50
Retail Company A	BC	Richmond	404,875	2,889,242	7.14
Retail Company B	ON	Scarborough	95,763	980,613	10.24
Retail Company C	MB	Winnipeg	22,716	272,592	12.00
Retail Company D ⁴	ON	Mississauga	25,000	608,500	24.34
Total Comparable Distribution Centre Rates			2,258,507	15,505,867	6.87

Notes:

1. Leased from a related party to 262.
2. Leased from a related party to 262. Lease expired in January 2026.
3. Formerly leased from a third-party landlord. The Company exited the Vaughan distribution centre during Q4 2025.
4. Based on warehouse space rented from a third-party logistics provider.

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

Court File No. CL-26-00000042-0000

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TOYS "R" US (CANADA) LTD. / TOYS "R" US
(CANADA) LTEE

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

**REPORT OF THE MONITOR ON RELATED
PARTY TRANSACTIONS**

STIKEMAN ELLIOTT LLP

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

Lee Nicholson

Tel: (416) 869-5604

Email: leenicholson@stikeman.com

Chloe Duggal

Tel: (416) 869-5627

Email: cduggal@stikeman.com

Lawyers for the Monitor, Alvarez & Marsal Canada Inc.