

**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**

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

**JUNE 12, 2026**

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## 1.0 INTRODUCTION

1.1 On February 3, 2026 (the “**Filing Date**”), Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee (the “**Applicant**” or the “**Company**”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicant under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”. The Initial Order appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicant in the CCAA Proceedings (the “**Monitor**”).

1.2 On February 13, 2026, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things:

- (i) extended the stay of proceedings (the “**Stay**”) to and including May 1, 2026;
- (ii) increased the authorized borrowings under the DIP Facility to \$13 million;
- (iii) increased the Administration Charge and Directors’ Charge up to a maximum of \$1 million and \$4 million, respectively; and
- (iv) approved the sale guidelines attached as Schedule “A” to the ARIO (the “**Sale Guidelines**”) and authorized the Applicant to conduct a liquidation sale of its inventory and furniture, fixtures and equipment (“**FF&E**”) at select closing store locations in accordance therewith.

- 1.3 On April 1, 2026, the Court granted an Order (the “**SISP Order**”), which among other things:
- (i) approved the sale and investment solicitation process (the “**SISP**”) and authorized and directed the Monitor to implement the SISP;
  - (ii) increased the permitted borrowings under the DIP Facility to a maximum principal amount of \$15 million, and increased the maximum amount of the DIP Lender’s Charge accordingly; and
  - (iii) extended the Stay to and including July 13, 2026.
- 1.4 The Applicant operates a network of Toys “R” Us and Babies “R” Us stores across Canada, specializing in toys, clothing, baby and other retail products. The Company is 100% owned by 2625229 Ontario Inc. (“**262**”), which operates as Putman Investments (“**Putman**”), a private equity investor holding a number of investments in retail, real estate and other companies. The Applicant and 262 have the same primary directors and officers.
- 1.5 In connection with the CCAA Proceedings, A&M, then in its capacity as proposed monitor, filed the Pre-Filing Report of the Proposed Monitor dated February 2, 2026 (the “**Pre-Filing Report**”). The Monitor has also filed with this Court three prior reports, including the Related Party Transaction Report (as defined below), (collectively and together with the Pre-Filing Report, the “**Prior Reports**”). The Prior Reports and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: [www.alvarezandmarsal.com/TRUCanada](http://www.alvarezandmarsal.com/TRUCanada) (the “**Case Website**”). A copy of the Second

Report of the Monitor dated March 27, 2026 (the “**Second Report**”) is attached hereto (without appendices) as **Appendix “A”**.

1.6 This third report of the Monitor (the “**Third Report**”) should be read in conjunction with the Prior Reports. Capitalized terms used and not defined in this Third Report have the meanings given to them in the Prior Reports, as applicable.

## **2.0 PURPOSE OF THIS REPORT**

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

- (i) certain updates on the Applicant’s restructuring efforts since the granting of the SISP Order;
- (ii) an overview of the SISP and its results, including the three proposed transactions contemplated by the Successful Bids (the “**Transactions**”);
- (iii) the Applicant’s motion for:
  - (a) an Approval and Vesting Order (the “**AP AVO**”) approving the asset purchase agreement dated June 4, 2026 between Ad Populum, LLC (“**Ad Populum**”) and the Applicant (the “**AP Agreement**”) and the transaction contemplated therein, vesting in Ad Populum the IP Purchased Assets (as defined below) on a “free and clear” basis;
  - (b) an Approval and Vesting Order (the “**Fox Jumbo AVO**”) approving the assignment and assumption of lease agreement dated June 10, 2026 between

Fox Group Jumbo Canada Inc. (“**Fox Jumbo**”) and the Applicant (the “**Fox Jumbo Agreement**”), consenting to the assignment of the Vaughan Mills Lease (as defined below);

- (c) an Approval and Vesting Order (the “**262 AVO**”) approving the asset purchase agreement dated June 11, 2026 between 262 and the Applicant (the “**262 Agreement**”) and the transaction contemplated therein, and vesting in 262 the relevant purchased assets and assumed liabilities on a “free and clear” basis;
- (d) an Order (the “**Stay and Distribution Order**”), to, among other things:
  - (A) extend the Stay to and including August 31, 2026;
  - (B) approve the proposed distribution of the cash proceeds from the transaction contemplated pursuant to the Fox Jumbo Agreement against obligations outstanding under the DIP Facility;
  - (C) approve the proposed distribution of the transaction proceeds from the transaction contemplated pursuant to the AP Agreement against the obligations outstanding under Secured IP Claim (as defined below); and
  - (D) seal the Confidential Appendices filed with the Court and referred to in this Third Report.

- (iv) the Applicant’s cash flow results for the 11-week period ended June 5, 2026;

- (v) the Applicant's updated cash flow forecast for the 13-week period ending September 4, 2026;
- (vi) the activities of the Monitor since the date of the Second Report; and
- (vii) the Monitor's conclusions and recommendations in connection with the foregoing.

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

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

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

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

3.2 Future oriented financial information referred to in this Third Report was prepared based on the estimates and assumptions of the Company. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

#### **4.0 UPDATES ON THE CCAA PROCEEDINGS**

##### Stores and Leases

4.1 At the commencement of the CCAA Proceedings, the Company was operating 22 store locations, comprised of: (i) 9 subject to third-party leases (the “**Third-Party Leases**”); and (ii) 13 leased from entities owned by 262 (the “**Related Party Leases**”).

4.2 As described in the Second Report, the Applicant had either closed or commenced the store closure process in respect of four locations subject to Third-Party Leases, being: (i) Niagara Pen Centre, St. Catharines; (ii) Upper Canada Mall, Newmarket; (iii) St. John’s, Newfoundland; and (iv) St. Laurent Shopping Centre, Ottawa. Each of these locations has since been disclaimed and vacated in accordance with the Sale Guidelines.

4.3 Since the date of the Second Report, the Applicant has commenced a store closure process at three additional store locations:

- (i) *Midtown Plaza Saskatoon, Saskatchewan (Third-Party Lease)* – the Applicant issued a 30-day lease disclaimer notice on May 4, 2026, effective June 3, 2026 and conducted a liquidation sale at this location;
- (ii) *St. Bruno, Quebec (Related Party Lease)* – the Applicant issued a 30-day lease disclaimer notice on May 4, 2026, effective June 3, 2026 and conducted a liquidation sale at this location; and
- (iii) *Kingston, Ontario (Related Party Lease)* – the Applicant and the related party landlord entered into a consensual lease termination agreement with an exit date of July 13, 2026. The Applicant is currently conducting a liquidation sale at this location.

4.4 Following the closure of the above noted stores, the Applicant continues to operate in the normal course at 15 store locations, comprised of 4 Third-Party Leases and 11 Related Party Leases.

#### Employees

4.5 Prior to the commencement of the CCAA Proceedings, the Applicant had approximately 562 employees, including 452 store-level and 110 corporate and head office employees.

4.6 Since that time, the Applicant has implemented workforce reductions in connection with the store closures noted above and cost reduction initiatives by terminating approximately 302 employees, comprised of 231 store-level employees and 71 corporate and head office employees. The Monitor understands that all outstanding wages and accrued vacation pay owing to these former employees has been paid.

4.7 As of the date of this Third Report, the Applicant’s headcount totals approximately 260, comprised of 221 store-level employees and 39 corporate and head office employees.

## **5.0 SISP OVERVIEW AND RESULTS**

5.1 The SISP was approved by the Court pursuant to the SISP Order dated April 1, 2026, and an overview of the SISP was provided in the Second Report. Capitalized terms used and not defined in this section have the meanings given to them in the SISP.

5.2 The SISP was a two-phased solicitation process administered by the Monitor, with the assistance of the Applicant, in accordance with the terms of the SISP Order. The SISP was designed to solicit one or more offers for a sale, recapitalization, restructuring or other strategic transactions in respect of, all or part of the Company, its assets, shares and business operations. Interested parties were provided the opportunity to bid on the Company’s intellectual property (the “**Intellectual Property**”) and/or other assets.

### Phase 1

5.3 An overview of the steps taken in respect of Phase 1 of the SISP is as follows:

- (i) the Monitor commenced the SISP on April 1, 2026 and distributed a teaser document, including a summary of the Company’s business, the SISP process and an invitation to participate in the SISP (the “**Teaser**”) and a non-disclosure agreement (“**NDA**”) to 90 parties, including 63 financial sponsors and 27 strategic buyers. The Teaser, SISP Order and SISP procedures were also posted to the Case Website and marketed via Insolvency Insider;

- (ii) 19 parties executed an NDA (each a “**Participant**”) and were sent the Confidential Information Memorandum, and were granted access to an electronic data room containing additional detailed due diligence information regarding the Applicant and its business;
- (iii) the Monitor, with the assistance of the Applicant’s management, responded to questions and requests for additional information from Participants, including due diligence requests for information relating to various financial, legal and operational aspects of the Applicant’s business and the Intellectual Property; and
- (iv) on or about April 21, 2026, the Monitor distributed a Phase 1 process letter to each Participant, outlining the requirements for submitting a Phase 1 Qualified Bid and confirming the Phase 1 Bid Deadline of May 1, 2026.

5.4 On or prior to the Phase 1 Bid Deadline, 11 Participants submitted a Phase 1 bid in the form of a non-binding letter of intent (each, a “**Phase 1 Bidder**”), including 262 in its capacity as DIP Lender. The Phase 1 bids comprised a variety of transaction types, including going-concern type bids, Intellectual Property bids, inventory liquidation bids, real estate lease assumption bids and certain bids for a combination of assets.

5.5 The Monitor reviewed and evaluated each of the Phase 1 bids in accordance with the terms of the SISP. The Monitor did not consult the Applicant in considering the Phase 1 bids. In accordance with the SISP, the Monitor shared a no-names summary of material terms of the Phase 1 bids with Allied World Specialty Insurance Company (“**Allied**”).

5.6 On May 5, 2026, the Monitor notified 5 of the 11 Phase 1 Bidders that they had been selected as a Phase 2 Qualified Bidder and were invited to participate in Phase 2 of the SISP. The bids of the other Phase 1 Bidders were determined by the Monitor to be either non-competitive or inactionable.

5.7 The Phase 2 Qualified Bidders were comprised of:

- (i) 2 parties (including 262) that submitted a bid for substantially all of the Company's assets;
- (ii) 2 parties that submitted a bid for the Intellectual Property, only; and
- (iii) 1 party that submitted a bid to acquire the Applicant's interest in a single lease.

#### Phase 2

5.8 During Phase 2, the Monitor, with the assistance of the Applicant's management, responded to additional questions and requests for further due diligence information from the Phase 2 Qualified Bidders, and continued to update the Phase 2 data room with sales results, on-hand inventory reports and other relevant diligence information.

5.9 On or around May 20, 2026, the Monitor distributed a Phase 2 process letter to the Phase 2 Qualified Bidders. The Phase 2 process letter outlined the requirements for submitting a Binding Offer and confirmed the Phase 2 Bid Deadline of May 29, 2026. The Monitor also provided a form of asset purchase agreement (the "IP APA") to the 2 parties who submitted a bid for the Intellectual Property, and requested that each submit their Binding Offer by marking up the IP APA.

5.10 On May 26, 2026, the Monitor was made aware that an interested party that had not participated in the SISP contacted 262 and indicated an interest in purchasing the Intellectual Property. 262 referred the party to the Monitor who provided the interested party with an NDA. Following discussion with the interested party and its legal counsel, the Monitor determined that the party should be accepted as a Phase 2 Qualified Bidder based on their potential transaction value, and accordingly provided the party with a copy of the Phase 2 process letter and form of IP APA.

5.11 Of the 6 Phase 2 Qualified Bidders, 4 submitted a Binding Offer by the Phase 2 Bid Deadline:

- (i) 262 submitted a Binding Offer for all of the Company's business and assets, with a provision to exclude certain assets that may be sold to third-party bidders, including specifically the Intellectual Property;
- (ii) 2 parties submitted a Binding Offer for the Intellectual Property only, in the form of a marked-up IP APA; and
- (iii) 1 party submitted a Binding Offer to acquire the Applicant's interest in a single lease.

5.12 Following the Phase 2 Bid Deadline, the Monitor reviewed and evaluated each of the four Binding Offers received in accordance with the evaluation criteria and procedures set out in the SISP. The Monitor notes that the Binding Offers (either independently or in combination) did not provide sufficient cash consideration to: (i) repay all amounts outstanding to the DIP Lender; and (ii) repay the secured obligations owing to 1001 Ontario

(the “**Secured IP Claim**”). Further, a bid in respect of the Intellectual Property contemplated a potential assumption of the secured obligations owing to 1001 Ontario.

5.13 Accordingly, pursuant to Section 25(b) and Section 25(c) of the SISP, the Monitor was required to consult with the DIP Lender and 1001 Ontario, respectively, regarding the Binding Offers received and the selection of the Successful Bidders. The Monitor also shared a no-names summary of the Binding Offers with Allied as required by paragraph 41(b) of the SISP.

5.14 Following consideration of the Binding Offers and consultation with the Applicant, the DIP Lender and 1001 Ontario, it was determined that a combination of the Binding Offers would realize the highest value and best recovery to the Applicant and its stakeholders.

5.15 Following this determination, the Applicant and the Monitor engaged in further discussions with each of the Phase 2 Qualified Bidders in an attempt to enhance certain aspects of each of their bids and finalize definitive documentation. Following this process, the Monitor, in consultation with the Applicant, selected the following three Binding Offers as the Successful Bids:

- (i) the Binding Offer submitted by Ad Populum for the acquisition of the Intellectual Property;
- (ii) the Binding Offer submitted by Fox Jumbo for the assignment of the Vaughan Mills Lease (as defined below); and
- (iii) the Binding Offer submitted by 262 for the acquisition of the majority of the Applicant’s remaining assets, excluding the Intellectual Property and the Vaughan

Mills Lease, by way of a credit bid for 100% of the remaining outstanding obligations under the DIP Facility (after applying the proceeds from the Lease Transaction).

- 5.16 A summary of each of the Phase 1 bids and Binding Offers received is set out in **Confidential Appendix “B”** to this Third Report, in respect of which a sealing order is being sought on the basis that it contains commercially sensitive information that could negatively impact realization efforts in the event that the proposed transactions do not close. The Monitor is of the view that no party will suffer prejudice if the Confidential Appendix is filed under seal. The Monitor will provide the Confidential Appendix “B” to significant creditors of the Applicant subject to receipt of an acceptable confidentiality undertaking to minimize any prejudice.

## **6.0 PROPOSED TRANSACTIONS**

- 6.1 The proposed transactions contemplated by the Successful Bids are:

- (i) an asset acquisition of all of the Intellectual Property by Ad Populum, to be implemented by way of an approval and vesting order (the “**AP Transaction**”);
- (ii) the assignment of the Vaughan Mills Lease to Fox Jumbo, to be implemented by way of an assignment order (the “**Fox Jumbo Transaction**”); and
- (iii) the acquisition of the majority of the Applicant’s remaining business and assets, excluding the Purchased IP and the Vaughan Mills Lease, by 262, to be implemented by way of an approval and vesting order (the “**262 Transaction**”).

## AP Transaction

6.2 An unredacted copy of the AP Agreement is attached hereto as **Confidential Appendix**

“C”. Key terms of the AP Transaction are summarized in the following table:

<b>Key Terms of the AP Transaction and the AP Agreement<sup>1</sup></b>	
<b>Parties</b>	<ul style="list-style-type: none"><li>• Ad Populum LLC (“<b>Ad Populum</b>”), or its nominee, as Purchaser</li><li>• Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee., as Vendor</li></ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"><li>• See Confidential Appendix “B”</li></ul>
<b>Purchased IP Assets</b>	<ul style="list-style-type: none"><li>• Purchased IP, being the intellectual property assets set forth in Schedule “B” to the AP Agreement, together with all goodwill associated therewith, including all registrations, applications and reservations related thereto; anti-spam consents and data; customer data; non-express consents and statutory consent exceptions relating to Personal Information of customers; and proprietary databases, software, technology, tools and other intellectual property used in connection with the E-Commerce Business</li><li>• Acquired Rights, being all claims and causes of action solely with respect to the Purchased IP; including rights to damages for past, present, and future infringement, dilution, or misappropriation</li><li>• E-Commerce Business, including the Internet Properties, Website and IP Access Deliverables</li></ul>
<b>Assumed Liabilities</b>	<ul style="list-style-type: none"><li>• All liabilities arising from the Purchaser’s ownership of the Purchased Assets occurring after Closing</li><li>• All fees, costs and expenses associated with the renewal of Purchased IP after Closing</li><li>• All applicable transfer taxes</li></ul>
<b>Excluded Liabilities</b>	<ul style="list-style-type: none"><li>• All liabilities of the Vendor other than the Assumed Liabilities, including all pre-Closing liabilities relating to the Purchased Assets, all tax liabilities of the Vendor, all liabilities relating to the 1001 Indebtedness and the Fairfax IP Security Agreements, and all other claims against the Vendor in connection with the CCAA Proceedings, all of which shall be discharged and released pursuant to the AP AVO</li></ul>
<b>Post-Closing License</b>	<ul style="list-style-type: none"><li>• At Closing, the Purchaser grants the Vendor and the going-concern Successful Bidder a personal, irrevocable, non-exclusive, non-transferable, royalty-free license to use the Purchased IP in Canada solely in connection with winding down the existing retail store footprint of the Vendor, until January 15, 2027</li></ul>
<b>Approval and Vesting Order</b>	<ul style="list-style-type: none"><li>• An approval and vesting order approving the AP Transaction (the “<b>AP AVO</b>”) shall have been issued and entered by the Court</li></ul>
<b>Outside Date</b>	<ul style="list-style-type: none"><li>• July 13, 2026</li></ul>

<sup>1</sup> Capitalized terms used in this table and not otherwise defined have the meanings given to them in the AP Agreement. The following constitutes a summary only and is qualified entirely by the terms of the AP Agreement. Reference should be made directly to the AP Agreement for a complete understanding of its terms.

## Fox Jumbo Transaction

6.3 An unredacted copy of the Fox Jumbo Agreement is attached hereto as **Confidential Appendix “D”**. Key terms of the Fox Jumbo Transaction are summarized in the following table:

<b>Key Terms of the Fox Jumbo Transaction and the Fox Jumbo Agreement<sup>2</sup></b>	
<b>Parties</b>	<ul style="list-style-type: none"> <li>• Fox Group Jumbo Canada Inc. (the “<b>Assignee</b>”)</li> <li>• Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee., (the “<b>Assignor</b>”)</li> <li>• Ivanhoe Cambridge II Inc. and Tre2 Non-US-Bigfoot Corp. (collectively, the “<b>Landlord</b>”)</li> </ul>
<b>Lease</b>	<ul style="list-style-type: none"> <li>• Lease dated February 15, 2007 for Unit C2 located at the Vaughan Mills shopping centre (the “<b>Vaughan Mills Lease</b>”)</li> </ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>• See Confidential Appendix “B”</li> </ul>
<b>Assigned Assets</b>	<ul style="list-style-type: none"> <li>• All of the Assignor’s right, title, and interest in and to the Lease and the Premises, and all related rights, benefits and advantages, including: (a) the residue of the term of the Lease, (b) any rights or renewal and/or extension, (c) any rights of first refusal or first offer, and (d) any rights to purchase, if contained in the Lease (collectively, the “<b>Assigned Interest</b>”)</li> </ul>
<b>Excluded Assets</b>	<ul style="list-style-type: none"> <li>• FF&amp;E, trade fixtures, leasehold improvements, personal property, and Assignor’s signage, branding and intellectual property (except to the extent not removed from the premises)</li> </ul>
<b>Assumed Liabilities</b>	<ul style="list-style-type: none"> <li>• Assumes all of the Assignor’s obligations under the Lease arising from or with respect to the period of time from and after the Closing Date</li> </ul>
<b>Cure Obligations</b>	<ul style="list-style-type: none"> <li>• Assignor is responsible for curing monetary defaults under the Lease existing as of the Closing Date relating solely to the period prior to Closing (the “<b>Cure Costs</b>”)</li> <li>• Assignee assumes responsibility for all non-monetary defaults except those arising from the CCAA Proceedings or Assignor’s insolvency. If non-monetary cure costs exceed \$100,000, Assignee may terminate the Agreement; Assignor must assume cure costs within 3 business days or Agreement terminates</li> </ul>
<b>Conditions Precedent</b>	<ul style="list-style-type: none"> <li>• Approval and vesting order granted and not stayed</li> <li>• Landlord waiver obtained and delivered to assignee within 15 days from the Effective Date</li> <li>• Closing occurs by Outside Date of July 31, 2026</li> </ul>

<sup>2</sup> Capitalized terms used in this table and not otherwise defined have the meanings given to them in the Fox Jumbo Agreement. The following constitutes a summary only and is qualified entirely by the terms of the Fox Jumbo Agreement. Reference should be made directly to the Fox Jumbo Agreement for a complete understanding of its terms.

### Key Terms of the Fox Jumbo Transaction and the Fox Jumbo Agreement<sup>2</sup>

<b>Closing Date</b>	<ul style="list-style-type: none"> <li>• Seven (7) days after all conditions satisfied or other date mutually agreed</li> </ul>
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6.4 The Monitor notes that the Assignee is an affiliate of the Fox Group, an international retailer with significant presence in Canada. This past year, the Assignee announced the introduction of the “Jumbo” retail concept with plans to expand its footprint in Canada. Jumbo sells an assortment of toys, seasonal décor, home goods, party supplies, stationery and everyday household items. The Monitor understands the Assignee has engaged in direct discussions with the Landlord regarding its intended use for the premises.

#### 262 Transaction

6.5 An unredacted copy of the 262 Agreement is attached hereto as **Confidential Appendix “E”**. Key terms of the 262 Transaction are summarized in the following table:

### Key Terms of the 262 Transaction and the 262 Agreement<sup>3</sup>

<b>Parties</b>	<ul style="list-style-type: none"> <li>• 2625229 Ontario Inc. (“<b>262</b>”), as Purchaser</li> <li>• Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee., as Vendor.</li> </ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>• Aggregate consideration is comprised of:               <ul style="list-style-type: none"> <li>(a) All remaining outstanding obligations payable by the Vendor as of the Closing Date pursuant to the DIP Loan Agreement including the principal amount of such obligations and interest accrued as of the Closing Date, plus all accrued and unpaid interest through to and including the Closing Date, plus any unpaid fees and expenses associated therewith (the “<b>DIP Obligations</b>”), after applying the proceeds from the Fox Jumbo Transaction</li> <li>(b) the Cure Costs, CCAA Charge Amount and the Administrative Expense Amount (the “<b>Cash Consideration</b>”); and</li> <li>(c) an amount equivalent to the Assumed Liabilities, accrued as of the Closing Date.</li> </ul> </li> </ul>

<sup>3</sup> Capitalized terms used in this table and not otherwise defined have the meanings given to them in the 262 Agreement. The following constitutes a summary only and is qualified entirely by the terms of the 262 Agreement. Reference should be made directly to the 262 Agreement for a complete understanding of its terms.

### Key Terms of the 262 Transaction and the 262 Agreement<sup>3</sup>

<b>Purchased Assets</b>	<ul style="list-style-type: none"> <li>• All cash and cash equivalents, bank balances, moneys in the possession of banks, the Monitor and other depositories, term or time deposits and similar cash items, owned by held by or for the account of the Vendor</li> <li>• All accounts receivable, prepaid charges and expenses, inventory, equipment and other tangible assets, the Purchased Contracts, the Restructured Leases (if any); all books and records; all bank accounts; any claims, interests, damages, remedies, causes of action, demands, rights, actions, suits, obligations, liabilities, accounts, defenses, offsets, powers, privileges, licenses, liens, indemnities, guaranties, and franchises of any kind or character whatsoever of the Vendor, where known or unknown</li> <li>• All other additional assets, properties, privileges, rights and interests of the Vendor relating to its business, the Purchased Assets or the assets of the Vendor</li> <li>• Ten of the Vendor’s remaining leases (with potential to add Restructured Leases subject to satisfactory lease amendments with landlords)</li> </ul>
<b>Assumed Liabilities</b>	<ul style="list-style-type: none"> <li>• All obligations and liabilities related to the operation of the Purchased Assets on or after the Closing Date</li> <li>• Post-Filing Trade Payables</li> <li>• All Employee Liabilities related to any Transferred Employee</li> <li>• All obligations and liabilities under any Purchased Contracts</li> </ul>
<b>Excluded Liabilities</b>	<ul style="list-style-type: none"> <li>• All liabilities and obligations related to the Excluded Assets</li> <li>• All Employee Liabilities that arise out of or result from the employment or engagement by the Vendor of any of the Employees (other than Transferred Employees) and/or the termination or severance of such engagement or employment</li> <li>• All liabilities and obligations for (a) all Taxes of the Vendor for any tax period; all taxes relating to the Purchased Assets for periods ending on or prior to the Closing Date, (b) any taxes in respect of any payments to persons employed or retained in connection with the business in respect of any period prior, and any related obligation to withhold or remit taxes, even though a claim may be made after the Closing Date; and (c) any taxes relating to the Excluded Assets</li> <li>• All liabilities and obligations relating to the employment or the termination of the employment of any Employees (other than relating to Transferred Employees)</li> <li>• All liabilities of the Vendor to its debtholders and other creditors</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Purchaser anticipates offering employment to (a) approximately 80% of head office staff currently employed by the Vendor; and (b) approximately 90% of the retail staff employed by the Vendor immediately prior to Closing in connection with the retail locations operated at the premises leased under the Assumed Leases or Restructured Leases</li> </ul>
<b>Key Conditions Precedent</b>	<ul style="list-style-type: none"> <li>• Court approval of the AP Agreement and the transaction contemplated therein</li> <li>• Vendor, the Purchaser and the Monitor shall have agreed upon the Administrative Expense Amount</li> </ul>
<b>Approval and Vesting Order</b>	<ul style="list-style-type: none"> <li>• Approval and Vesting Order shall have been issued and entered approving the 262 Agreement and 262 Transaction and shall be a final non-appealable order</li> </ul>

### Key Terms of the 262 Transaction and the 262 Agreement<sup>3</sup>

<b>Outside Date</b>	<ul style="list-style-type: none"><li>• Later of: (a) the date when the Conditions contained in section 9.1 through 9.3 have been completed or satisfied, and (b) eleven (11) days after the Approval and Vesting Order is granted by the CCAA Court, or such other date as may be agreed upon by the Vendor and the Purchaser.</li></ul>
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6.6 The Monitor notes that the AP Transaction contemplates a Post-Closing License that allows the Applicant (followed by the Purchaser under the 262 Transaction) to use the Purchased IP Assets through January 15, 2027 to wind down the existing retail store footprint. Accordingly, the 262 Transaction is not a traditional “going-concern” transaction as the Company will not be able to continue to operate under the Toys “R” Us and Babies “R” Us banners after January 15, 2027. The Monitor understands that, at this time, 262 is exploring various post-closing operating scenarios that may include, among other things, entering into a license agreement with Ad Populum, re-branding the store locations under a different toy brand (or alternative retail strategy), or winding down all remaining retail operations entirely.

6.7 The 262 Transaction is structured as a “credit bid”, whereby 262 applies its outstanding obligation under the DIP Facility to satisfy the purchase price for the Purchased Assets. As at the date of this Third Report, the DIP Facility balance is approximately \$10.4 million (including accrued fees and interest). Between the date of this Third Report and the anticipated closing date of the 262 Transaction (on or around July 17, 2026), the outstanding balance is anticipated to increase as a result of future DIP draws to fund accrued and ongoing operating costs and the payment of accrued and ongoing professional fees, together with ongoing accrued interest costs. Based on the Third Updated Cash Flow Forecast, the DIP Facility is projected to be approximately \$14.2 million at the anticipated

time of closing, prior to the application of the cash proceeds anticipated from the Fox Jumbo Transaction.

6.8 The assets being acquired by 262 pursuant to the 262 Transaction can be summarized as follows:

- (i) all cash, cash equivalents, accounts receivable and prepaids held by the Vendor, including the proceeds from the Fox Jumbo Transaction;
- (ii) all remaining inventory and FF&E at each of the store locations, including the Purchased Leases, Restructured Leases (if any) and any excluded locations. As at the date of this Third Report, total inventory on hand is approximately \$12.8 million (excluding consignment inventory);
- (iii) the Purchased Leases, comprised of 9 Related Party Leases and 1 Third-Party Lease, and contemplation of additional Restructured Leases, subject to the Purchaser and the applicable landlord having agreed to acceptable lease amendment;
- (iv) continuation of employment for approximately 200 employees, comprised of store-level and head office staff employees engaged in connection with the Purchased Leases and Restructured Leases; and
- (v) all claims, interests, damages and actions of any kind or character whatsoever of the Vendor.

6.9 The 262 Agreement further contemplates an “Administrative Expense Amount” to cover the costs of administering the CCAA Proceedings, including the fees of the Monitor, legal counsel, advisors, and other professional expenses. This amount is to be agreed upon by the Monitor, Vendor, and Purchaser as a condition precedent to Closing.

Impact on Creditors

6.10 Certain pre-filing amounts owing to vendors of the Applicant and other amounts that may become owing to creditors are excluded from the Transactions and will not be assumed by any of the respective purchasers (the “**Affected Creditor Group**”).

6.11 As of the date of this Third Report, based on the information available to the Monitor, the claims of the Affected Creditor Group are anticipated to be comprised of the following:

- (i) amounts owing to third party vendors and service providers of approximately \$150 million;
- (ii) amounts owing to various landlords for pre-filing rents of approximately \$4.7 million (relating to the 22 active store locations as of the Filing Date), plus additional claims and damages, which are anticipated to be material, asserted by various landlords in connection with the Applicant’s exit of store locations and cessation of rent payments, including in excess of 30 litigation actions as summarized in Exhibit “B” to the affidavit of Neil Taylor dated February 2, 2026 (the “**Taylor Affidavit**”); and
- (iii) additional claims related to future lease terminations, existing and potential employee termination and severance claims, and other potential unsecured claims.

- 6.12 The proposed Transactions are not anticipated to provide any recovery to the Affected Creditor Group.
- 6.13 To evaluate the proposed Transactions and compare the expected impact on the Affected Creditor Group under the proposed Transactions relative to a bankruptcy, the Monitor prepared an illustrative liquidation and wind-down analysis (the “**Wind-Down Liquidation Analysis**”) using available information. A copy of this Wind-Down Liquidation Analysis is set out in **Confidential Appendix “F”** attached hereto, in respect of which a sealing order is being sought on the basis that it contains commercially sensitive information. The Monitor is of the view that no party will suffer prejudice if the Confidential Appendix is filed under seal.

Monitor’s Observations and Views

- 6.14 The Monitor makes the following observations and expresses the following views in respect of the SISP and the proposed Transactions:
- (i) the SISP was reasonable in the circumstances and conducted in accordance with the terms as approved by the Court pursuant to the SISP Order. The Monitor is of the view that the SISP canvassed the market broadly and effectively, and that further time and expense marketing the Applicant’s business and assets would not result in superior transactions being identified;
  - (ii) the Transactions, in combination, will result in a value maximizing transaction for the Applicant, including the preservation of at least 10 retail stores for a period of

time (which remains to be determined) which will result in the continued employment for approximately 200 employees during that period;

- (iii) the Monitor is of the view that the proposed Transactions are the best alternatives available to the Applicant, and are superior to a wind-down and/or liquidation of the Applicant's business, as (a) the Transactions are estimated to provide a similar or higher economic recovery to the Affected Creditor Group than they would receive in bankruptcy or liquidation, as outlined in Confidential Appendix "F"; and (b) the Transactions also provide incremental going concern benefits to certain employees and stakeholders who will continue to transact with the Applicant through at least 10 preserved retail store locations;
- (iv) the Monitor understands that Fox Jumbo and the landlord in respect of the Vaughan Mills Lease are in advanced discussions regarding a consensual assignment of the Vaughan Mills Lease as contemplated under the Fox Jumbo Transaction; and
- (v) the DIP Lender and 1001 Ontario are supportive of the Transactions.

6.15 Accordingly, the Monitor supports the approval of the Transactions.

#### Sealing of Confidential Appendix

6.16 The Applicant is requesting a sealing order for the Confidential Appendices attached to this Third Report, which include sensitive confidential information.

6.17 The Monitor believes it is appropriate to seal the Confidential Appendices. The sealing of this type of sensitive confidential information is consistent with the approach taken in other

CCAA proceedings for sensitive confidential information of this nature, protects the privacy of the SISP participants and prevents the public disclosure of commercially sensitive information that could negatively impact realization efforts in the event that the Transactions do not close. The information will only be sealed until the closing of the Transactions, which will minimize any potential prejudice to stakeholders.

## **7.0 PROPOSED DISTRIBUTION OF PROCEEDS**

7.1 Pursuant to the proposed Stay and Distribution Order, the Applicant is seeking to distribute the proceeds from each of the relevant Transactions as follows:

- (i) in respect of the Fox Jumbo Transaction, (a) first, to satisfy any and all amounts payable under the Administration Charge, and (b) second, to repay a portion of the obligations owing under the DIP Facility; and
- (ii) in respect of the AP Transaction, (a) first, to satisfy any and all amounts payable under the Administration Charge, and (b) second, to partially repay the Secured IP Claim owing to 1001 Ontario. The proceeds from the AP Transaction consist of cash and a promissory note.

7.2 The approximate amount expected to be outstanding under the DIP Facility as of closing of the Transactions is \$14.2 million. The DIP Facility is secured by the DIP Lender's Charge which has a first-ranking interest in respect of all of the Property, including all proceeds from the Transactions.

7.3 As explained in the Second Report, 1001 Ontario holds the Secured IP Claim, which is secured against the outstanding obligations in respect of deferred royalty payments due

under the SPA (the “**IP Royalty Payments**”). The IP Royalty Payments are calculated with reference to future revenues of the Applicant (or the owner of the Intellectual Property) and currently, the IP Royalty Payments are calculated as 2% of all revenues (based on the formula included in the Share Purchase Agreement dated August 19, 2021 (the “**SPA**”)).

7.4 The Monitor estimated the Secured IP Claim by calculating the present value of the future cash flows associated with the IP Royalty Payments under the SPA. Based on a range of pro forma revenue scenarios and various discount rates, the Monitor estimated the value of the Secured IP Claim to be between \$20 million and \$40 million. The estimated range consists of the current IP Royalties arrears which are due and owing of approximately \$2.8 million and an estimated present value of the future IP Royalty Payments. A summary of the Monitor’s estimated value range in respect of the Secured IP Claim is attached hereto as **Confidential Appendix “G”**.

7.5 The Monitor also obtained a written opinion from Stikeman that, subject to the qualifications, assumptions, limitations and discussions therein, the IP Security Agreement (as defined in the Pre-Filing Report), which secures the IP Royalty Payments, constitutes valid and enforceable security and creates a valid security interest, and that the necessary registrations have been made under the *Personal Property Security Act* (Ontario) in order to perfect or evidence such security.

7.6 To assist the Court in considering the contemplated distributions, the Monitor has prepared: (i) an illustrative analysis setting out the proposed distributions of the proceeds of the Transactions (the “**Waterfall Analysis**”); and (ii) as described above, the illustrative Wind-

Down Liquidation Analysis, each as set out in **Confidential Appendix “F”** to this Third Report.

- 7.7 The Waterfall Analysis estimates the proceeds available from each of the AP Transaction and the Fox Jumbo Transaction, and analyzes how those proceeds will impact the recoveries of the DIP Lender and the holder of the Secured IP Claim. The Monitor has allocated a portion of the estimated professional fees secured by the Administration Charge to each Transaction and in the case of the AP Transaction, calculated the present value of the deferred consideration payable by Ad Populum.
- 7.8 The Wind-Down Liquidation Analysis estimates the recovery of the DIP Lender if the Property (other than the Intellectual Property) was sold through an orderly liquidation process.
- 7.9 The Monitor notes that under both the Waterfall Analysis and the Wind-Down Liquidation Analysis, the Affected Creditor Group (i.e., holders of pre-filing unsecured creditor claims) is not projected to receive any recovery on their claims.

#### Monitor’s Observations and Views

- 7.10 Based on the analysis performed by the Monitor and set out in Confidential Appendix “F”, the Monitor has the following observations:
- (i) in a liquidation scenario, the DIP Facility is projected to be in a shortfall position after applying proceeds from the liquidation of inventory and other assets (other than the Lease and Intellectual Property) and accordingly, in such scenario would then receive all of the proceeds from the Fox Jumbo Transaction and all or a portion

of the proceeds available from the AP Transaction to settle any remaining obligations under the DIP Facility;

- (ii) based on the anticipated shortfall on the DIP Facility that would occur in the liquidation scenario, the Monitor believes it is appropriate that the proceeds of the Fox Jumbo Transaction are applied towards repayment of the DIP Facility. 262 agreed to carve-out the Lease from the 262 Transaction on the basis of such application of proceeds;
- (iii) after accounting for a distribution to the DIP Facility from the AP Transaction proceeds on account of the shortfall (which would then provide the DIP Facility with a full recovery), the remaining proceeds from the AP Transaction would then be paid towards the Secured IP Claim, with such remaining proceeds estimated to be between \$17.2 million and \$22.1 million;
- (iv) in comparison to the liquidation scenario, by treating the DIP Facility as receiving a full recovery from the proceeds of the Fox Jumbo Transaction and the credit-bid under the 262 Transaction (as seen in the Waterfall Analysis), the proceeds available to the Secured IP Claim would be approximately \$24.8 million; and
- (v) in any scenario, the Secured IP Claim is estimated to either suffer a shortfall or recover at the low range of the Monitor's estimated valuation of the Secured IP Claim.

7.11 Based on the above, the Monitor believes it is appropriate to distribute the proceeds from the Transactions in the manner requested by the Applicant.

## 8.0 CASH FLOW RESULTS RELATIVE TO FORECAST

8.1 Actual receipts and disbursements for the 11-week period from March 21, 2026 to June 5, 2026 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “B” to the Second Report, are summarized in the following table:

<b>Cash Flow Variance Summary</b>			
<i>(CAD \$000s)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
<b>Total Receipts</b>	<b>7,326</b>	<b>11,277</b>	<b>(3,951)</b>
<b>Disbursements</b>			
Payroll & Benefits	(2,467)	(2,897)	430
Occupancy – Third Party (Stores)	(867)	(904)	38
Occupancy – Related Party (Stores)	(3,126)	(4,682)	1,556
Occupancy – Related Party (DC)	(170)	(170)	--
Inventory Purchases – Third Party	(1,140)	(4,811)	3,671
Inventory Purchases – Related Party	(96)	(535)	439
Consignment – Related Party	(78)	(580)	502
Operating Expenses	(1,298)	(2,309)	1,012
Sales Tax Remittances	(652)	(600)	(52)
Professional Fees	(877)	(2,444)	1,567
<b>Total Disbursements</b>	<b>(10,770)</b>	<b>(19,932)</b>	<b>9,161</b>
<b>Net Cash Flow</b>	<b>(3,444)</b>	<b>(8,654)</b>	<b>5,210</b>
Beginning Cash	309	309	--
Net Cash Flow	(3,444)	(8,654)	5,210
DIP Facility Advance	4,000	9,500	(5,500)
<b>Ending Cash</b>	<b>864</b>	<b>1,155</b>	<b>(290)</b>
Beginning DIP Facility Principal Balance	4,350	4,350	--
DIP Facility Advance	4,000	9,500	(5,500)
<b>Ending DIP Facility Principal Balance</b>	<b>8,350</b>	<b>13,850</b>	<b>(5,500)</b>

8.2 As at June 5, 2026, the Company’s cash balance was approximately \$864,000, and aggregate advances under the DIP Facility were approximately \$8.4 million. The Monitor notes that at the date of this Third Report, the aggregate amount outstanding under the DIP

Facility was \$10.4 million, including accrued fees and interest, and a DIP Facility advance made on June 8, 2026.

8.3 During the Reporting Period:

- (i) retail sales were approximately \$3.9 million lower than forecast, primarily attributable to low inventory levels and a sub-optimal assortment available for sale, resulting from a reduction in inventory purchases due to the operational uncertainty associated with the ongoing SISP;
- (ii) payroll and benefits were approximately \$430,000 lower than forecast, primarily due to the workforce reductions associated with the store closures and head office staffing reductions that were not contemplated in the forecast;
- (iii) payments in respect of related party occupancy costs were approximately \$1.6 million lower than forecast, attributable to timing variances in connection with the Applicant's and DIP Lender's deferral of rents associated with certain Related Party Leases, which are expected to be cash-settled in future periods;
- (iv) third-party and related-party inventory purchases were approximately \$3.7 million and \$439,000 lower than forecast, respectively, primarily due to the store closures and the reduction in inventory replenishment described above;
- (v) related party consignment fees were approximately \$502,000 lower than forecast, primarily attributable to a positive timing variance that is expected to reverse in future weeks as accrued consignment fees are invoiced, reconciled and paid;

- (vi) operating expenses were approximately \$1.0 million lower than forecast. The positive variance is comprised of: (i) a timing variance of approximately \$450,000 that is expected to reverse in future weeks as accrued expenses are invoiced and paid; and (ii) a permanent variance of approximately \$550,000 as a result of lower operating expenses than forecast; and
- (vii) professional fees were approximately \$1.6 million lower than forecast, a timing variance that will reverse in future weeks as accrued fees are invoiced and paid.

#### Other Accrued Obligations

8.4 Section 7.0 of the First Report provides an overview of the related-party arrangements between the Applicant and 262. As described therein, 262 has agreed to continue providing certain services to the Applicant during the CCAA Proceedings, with related fees continuing to be accrued but not cash settled. The following provides an update on those estimated post-filing fees:

- (i) *Shared Services* include the provision of information technology services, purchasing/buying functions, distribution and logistics, and other administrative services provided by 262, and charged by way of the 262 Management Fee (as defined in the First Report). As at June 5, 2026, post-filing 262 Management Fees are estimated to be approximately \$1.7 million; and
- (ii) *License Fees* are charged pursuant to a license agreement that allows the Company to operate HMV-branded “shop-in-shops” with an annual license fee of \$2 million, plus a 10% royalty fee on all merchandise sold through the HMV shops. As at June

5, 2026, post-filing License Fees are estimated to be approximately \$674,000, plus amounts owing in respect of the 10% royalty fee.

8.5 As described above, as part of the SPA, the Applicant owes the IP Royalty Payments with such amounts being a secured obligation as against the Intellectual Property. Following the execution of the CACR, IP Royalty Payments are now payable to 1001 Ontario, and similar to the above, are being accrued and not cash settled on a post-filing basis. As at June 5, 2026, post-filing IP Royalty Payments are estimated to be approximately \$315,000.

## **9.0 THIRD UPDATED CASH FLOW FORECAST**

9.1 The Applicant, with the assistance of the Monitor, has prepared an updated cash flow (the “**Third Updated Cash Flow Forecast**”) for the 13-week period ending September 4, 2026 (the “**Cash Flow Period**”). A copy of the Third Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) is attached hereto as **Appendix “H”**.

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

<b>Toys “R” Us Canada Third Updated Cash Flow Forecast</b>	<b>13-Week Period \$000’s</b>
<b>Receipts</b>	<b>3,739</b>
<b>Disbursements</b>	
Payroll & Benefits	(1,932)
Occupancy – Third Party (Stores)	(541)
Occupancy – Related Party (Stores)	(2,973)
Occupancy – Related Party (DC)	(68)
Consignment – Related Party	(255)
Operating Expenses	(1,210)
Sales Tax Remittances	(400)
Professional Fees	(2,224)
<b>Total Disbursements</b>	<b>(9,603)</b>
<b>Net Cash Flow</b>	<b>(5,864)</b>
Opening Cash Balance	864
Net Cash Flow	(5,864)
DIP Facility Advance	5,000
<b>Closing Cash Balance</b>	<b>--</b>
Opening DIP Facility Balance	8,866
DIP Facility Advance	5,000
Accrued Fees & Interest	329
262 Transaction	(14,195)
<b>Closing DIP Facility Balance</b>	<b>--</b>

9.3 The Monitor notes the following:

- (i) receipts include forecast sales from the Company’s active stores, including certain stores projected to be liquidated during the Cash Flow Period;
- (ii) disbursements include payments for normal course payroll & benefits and occupancy costs (while the applicable leases remain in effect), consignment fees related to the sale of consignment goods, and other store-level and corporate operating costs;

- (iii) catch-up payments relating to the accrued amounts for related party occupancy costs and professional fees of approximately \$1.6 million and \$1.6 million, respectively, as described in Section 8.0 above, are included in the Third Updated Cash Flow Forecast; and
- (iv) as noted in the summary table above, the Applicant transacts with various parties related to 262. A summary of these related party transactions is provided in the First Report.

9.4 During the Cash Flow Period, net cash flows are projected to be negative \$5.9 million, which is projected to be funded by cash on hand, and anticipated draws under the DIP Facility.

9.5 For confidentiality purposes, the anticipated proceeds from the AP Transaction and the Fox Jumbo Transaction are not included in the Third Updated Cash Flow Forecast, however do not impact the Company's net cash flow or anticipated DIP Facility draws.

9.6 The DIP Facility principal balance is forecast to peak during the Cash Flow Period at approximately \$14.2 million during the week ending July 17, 2026, prior to the application of the cash proceeds anticipated from the Fox Jumbo Transaction. As referenced in Section 6.6, the 262 Transaction is anticipated to close on or around July 17, 2026, at which time, 100% of the remaining obligations under the DIP Facility will be credit bid and the Company will be relieved of those obligations.

## Monitor's Review

- 9.7 Based on the Monitor's review,<sup>4</sup> nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Third Updated Cash Flow Forecast; (ii) as at the date of this Third Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Third Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Third Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.
- 9.8 The Third Updated Cash Flow Forecast has been prepared solely for the purpose described above and readers are cautioned that it may not be appropriate for other purposes.

## **10.0 EXTENSION OF STAY OF PROCEEDINGS**

- 10.1 The Stay under the SISP Order expires on July 13, 2026. Pursuant to the proposed Stay and Distribution Order, the Applicant is seeking an extension of the Stay to and including August 31, 2026.
- 10.2 The Monitor supports the Applicant's request to extend the Stay for the following reasons:

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<sup>4</sup> The Monitor has reviewed the Third Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Third Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Applicant's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Third Updated Cash Flow Forecast.

- (i) it will provide the stability and certainty necessary to complete each of the Transactions, if approved by the Court;
- (ii) as reflected in the Third Updated Cash Flow Forecast, the Applicant is expected to have sufficient liquidity to fund its operations and the costs of the CCAA Proceedings during the proposed stay period, including from the funding of the Administrative Expense Amount as contemplated in the 262 Transaction;
- (iii) the Applicant has acted and continues to act in good faith and with due diligence in advancing its restructuring efforts and the CCAA Proceedings; and
- (iv) the Monitor is not aware of any creditor or other party that would be materially prejudiced by the proposed Stay extension.

## **11.0 ACTIVITIES OF THE MONITOR**

11.1 Since the date of the Second Report, the primary activities of the Monitor have included the following:

- (i) implementing the SISP as described in this Third Report, which culminated in the three proposed Transactions being declared the Successful Bids;
- (ii) reviewing and approving notices of disclaimer in connection with certain real property lease agreements;
- (iii) assisting the Applicant in negotiations with inventory and other critical suppliers in developing post-filing arrangements for supply of goods and services;
- (iv) engaging with certain stakeholders who have reached out to the Monitor;


- (v) monitoring the Applicant’s cash receipts and disbursements, assisting in preparing weekly cash flow variance reporting and the Third Updated Cash Flow Forecast;
- (vi) coordinating and uploading of Court-filed documents to the Case Website;
- (vii) responding to creditor and other inquiries received via the Monitor’s toll-free number and email account for the CCAA Proceedings;
- (viii) together with Stikeman, preparing a report on the Monitor’s review of related party transactions as required pursuant to paragraph 30(g) of the ARIO, dated June 12, 2026 (the “**Related Party Transaction Report**”) and serving it on the Service List and filing it with the Court; and
- (ix) preparing this Third Report.

**12.0 MONITOR’S RECOMMENDATION**

12.1 For the reasons set out in this Third Report, the Monitor respectfully recommends that the Court grant the relief sought by the Applicant in each of the AP AVO, the 262 AVO, the Fox Jumbo AVO and the Stay and Distribution Order.

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

**ALVAREZ & MARSAL CANADA INC.,  
solely in its capacity as Monitor of Toys “R” Us  
(Canada) Ltd. / Toys “R” Us (Canada) Ltee.**

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

**APPENDIX A**  
**SECOND REPORT OF THE MONITOR**

**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**

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

**MARCH 27, 2026**

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## APPENDICES

**Appendix A** – First Report of the Monitor (without Appendices)

**Appendix B** – Second Updated Cash Flow Forecast for the Period Ending July 17, 2026

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

## 1.0 INTRODUCTION

1.1 On February 3, 2026 (the “**Filing Date**”), Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee (the “**Applicant**” or the “**Company**”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicant under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”. The Initial Order appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicant in the CCAA Proceedings (the “**Monitor**”).

1.2 On February 13, 2026, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things:

- (i) extended the stay of proceedings (the “**Stay**”) to and including May 1, 2026;
- (ii) increased the authorized borrowings under the DIP Facility to \$13 million;
- (iii) increased the Administration Charge and Directors’ Charge up to a maximum of \$1 million and \$4 million, respectively; and
- (iv) approved the sale guidelines attached as Schedule “A” to the ARIO (the “**Sale Guidelines**”) and authorized the Applicant to conduct a liquidation sale of its inventory and furniture, fixtures and equipment (“**FF&E**”) at select closing store locations in accordance therewith.

- 1.3 The Applicant operates a network of Toys “R” Us and Babies “R” Us stores across Canada, specializing in toys, clothing, baby and other retail products. The Company is 100% owned by 2625229 Ontario Inc. (“**262**”), which operates as Putman Investments (“**Putman**”), a private equity investor holding a number of investments in retail, real estate and other companies. The Applicant and 262 have the same primary directors and officers.
- 1.4 Additional details regarding the Applicant as well as their business and financial circumstances are set out in the Pre-Filing Report of the Proposed Monitor dated February 2, 2026 (the “**Pre-Filing Report**”) and the First Report of the Monitor dated February 11, 2026 (the “**First Report**” and together with the Pre-Filing Report, the “**Prior Reports**”). The Prior Reports and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: [www.alvarezandmarsal.com/TRUCanada](http://www.alvarezandmarsal.com/TRUCanada) (the “**Case Website**”). A copy of the First Report is attached hereto (without appendices) as **Appendix “A”**.
- 1.5 This second report of the Monitor (the “**Second Report**”) should be read in conjunction with the affidavit of Neil Taylor, Chief Restructuring Officer (“**CRO**”) of the Company, sworn March 23, 2026 (the “**Third Taylor Affidavit**”). Capitalized terms used and not defined in this Second Report have the meanings given to them in the First Report or the Third Taylor Affidavit, as applicable.

## **2.0 PURPOSE OF THIS REPORT**

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

- (i) certain updates on the Applicant’s restructuring efforts since the granting of the ARIO;
- (ii) the proposed sale and investment solicitation process (the “**SISP**”);
- (iii) the Applicant’s motion for an order (the “**SISP Order**”), which among other things:
  - (a) approves the SISP in a form substantially similar to the form attached as Schedule “A” to the SISP Order;
  - (b) authorizes and directs the Monitor and the Applicant to implement the SISP, and to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order;
  - (c) increases the permitted borrowings under the DIP Facility to the maximum principal amount of \$15 million, and increases the maximum amount of the DIP Lender’s Charge in accordance with the increased permitted borrowings under the DIP Facility; and
  - (d) extends the Stay in favour of the Applicant to and including July 13, 2026;
- (iv) the opinion of Monitor’s counsel regarding the security granted in connection with the IP Security Agreement (the “**IP Security Opinion**”);
- (v) the Applicant’s cash flow results for the seven-week period ended March 20, 2026;
- (vi) the Applicant’s updated cash flow forecast for the 17-week period ending July 17, 2026;

- (vii) the activities of the Monitor since the date of the First Report (February 11, 2026);  
and
- (viii) the Monitor's conclusions and recommendations in connection with the foregoing.

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

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

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Second Report was prepared based on the estimates and assumptions of the Company. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

#### 4.0 UPDATES SINCE THE ARIIO

4.1 At the commencement of the CCAA Proceedings, the Company was operating 22 store locations, comprised of: (i) 9 subject to third-party leases (the “**Third-Party Leases**”); and (ii) 13 leased from entities owned by Putman (the “**Related Party Leases**”).

4.2 As of the date of this Second Report, the Applicant has either closed, or commenced the store closure process, for four store locations, each of which is subject to a Third-Party Lease. As part of the store closure process, the Applicant commenced a liquidation sale at each location in accordance with the Sale Guidelines. The four locations include:

- (i) *Niagara Pen Centre, St. Catharines* – the Applicant issued a 30-day lease disclaimer notice on February 13, 2026, effective March 15, 2026. The Applicant arranged an early exit of the store on February 22, 2026;
- (ii) *Upper Canada Mall, Newmarket* – prior to the Filing Date, the Applicant and the landlord entered into a consensual lease termination agreement with an exit date of March 31, 2026. The Applicant is currently conducting a liquidation sale at this location;

- (iii) *St. John's, Newfoundland* – prior to the Filing Date, the Applicant was locked out of this location. On February 9, 2026, the Applicant and the landlord entered into a month-to-month agreement permitting the Company to re-open the store. On March 9, 2026, the Applicant provided the landlord the required 30-day termination notice (by issuing a 30-day lease disclaimer notice, effective April 8, 2026) and is currently conducting a liquidation sale at this location; and
- (iv) *St. Laurent Shopping Centre, Ottawa* – the Applicant issued a 30-day lease disclaimer notice on March 17, 2026, effective April 16, 2026, and is currently conducting a liquidation sale at this location.

4.3 As described in the First Report, prior to the Filing Date, the Applicant closed and vacated a group of 8 leased locations and ceased paying rent following the applicable exit dates. Following the commencement of the CCAA Proceedings, the landlord of one such location contacted the Applicant and the Monitor stating their position that the Applicant never surrendered the premises. Following these discussions, the Applicant arranged for the keys to the premises to be provided to the landlord and issued a 30-day lease disclaimer notice on March 17, 2026, effective April 16, 2026, and agreed to pay post-filing rent to the landlord.

## **5.0 SISP APPROVAL ORDER**

5.1 Pursuant to the SISP Order, the Applicant is seeking, among other things, the Court's approval of the SISP. The purpose of the SISP is to identify the highest or otherwise best offer for a sale or other strategic transaction in respect of the Company and/or its assets.

Capitalized terms used in this section and not otherwise defined herein have the meaning given to them in the SISP.

- 5.2 The SISP has been designed to solicit one or more offers for a sale, recapitalization, restructuring or other strategic transaction in respect of, all or part of the Company, its assets, shares and business operations (the “**Opportunity**”). Interested parties will have the opportunity to bid on the Company’s intellectual property (the “**Intellectual Property**”) and/or other assets (the “**Other Assets**”), and where both are included, are required to provide an allocation between them.
- 5.3 The SISP has been designed as a two-phase process to be administered by the Monitor. Phase 1 contemplates the submission of non-binding letters of interest (“**LOI**”) by the Phase 1 Bid Deadline, being 30 days from the date of the SISP Order. Phase 2 contemplates the submission of Binding Bids by the Phase 2 Bid Deadline, being approximately 28 days after the Phase 1 Bid Deadline, for a total of 58 days.
- 5.4 A summary table of certain key terms and provisions of the SISP are set out below; however, interested parties are strongly encouraged to review the full terms of the SISP attached as Schedule “A” to the SISP Order.

<b>Summary of the SISP</b> <i>(Certain capitalized terms below have the meanings ascribed in the SISP)</i>		
<b>Phase / Event</b>	<b>Timeline</b>	<b>Description of Activities</b>
<b>Approval and Commencement of the SISP</b>	April 1, 2026	<ul style="list-style-type: none"> <li>• Scheduled hearing of the SISP Order on April 1, 2026.</li> <li>• Commencement of the SISP as soon as reasonably practicable but no later than April 2, 2026 (the “<b>Commencement Date</b>”).</li> <li>• The Monitor will prepare a list of Known Potential Bidders, publish a notice of the SISP on the Case Website, prepare the Teaser Letter, NDA and CIM, and will prepare and maintain a virtual data room (“<b>VDR</b>”).</li> <li>• Upon execution of the NDA, Participants will be granted access to the VDR and provided an opportunity to perform due diligence.</li> </ul>
<b>Phase 1 Bid Deadline</b>	May 1, 2026 <i>(29 days)</i>	<ul style="list-style-type: none"> <li>• Participants wishing to bid are required to submit an LOI to the Monitor prior to the Phase 1 Bid Deadline.</li> <li>• To be considered a Phase 1 Qualified Bid, the LOI must comply with the requirements set out in the SISP.</li> <li>• Following the Phase 1 Bid Deadline, the Monitor, in consultation with the Applicant shall assess the LOIs. Those qualified to advance to Phase 2 (a Phase 2 Qualified Bidder) will be notified following the Phase 1 Bid Deadline.</li> <li>• If no Phase 1 Qualified Bid is received, or the Monitor has determined in its reasonable business judgement that it would not be appropriate to select any Phase 2 Qualified Bidders, the Monitor will declare the SISP concluded or take such other steps as the Monitor considers appropriate in consultation with the Applicant and the DIP Lender, which may include pursuing a transaction with the DIP Lender or seeking further directions from the Court.</li> </ul>
<b>Phase 2 Bid Deadline</b>	May 29, 2026 <i>(28 days)</i>	<ul style="list-style-type: none"> <li>• Phase 2 Qualified Bidders will be provided the opportunity to perform further due diligence and submit a Binding Offer prior to the Phase 2 Bid Deadline.</li> <li>• Binding Offers must comply with the requirements set out in the SISP including, among other things: <ul style="list-style-type: none"> <li>– may not be subject to any financing condition;</li> <li>– must be unconditional, other than upon receipt of the applicable Approval Order(s) and satisfaction of any other conditions expressly set forth in the Binding Offer;</li> <li>– must be accompanied by a cash deposit of not less than 10% of the cash purchase price payable on closing; and</li> <li>– must contemplate closing on or before the Outside Date.</li> </ul> </li> </ul>

<b>Summary of the SISP</b> <i>(Certain capitalized terms below have the meanings ascribed in the SISP)</i>		
<b>Selection of Successful Bid(s)</b>	June 5, 2026	<ul style="list-style-type: none"> <li>• If more than one Binding Offer is received, which the Monitor determines constitutes Phase 2 Qualified Bids, the Monitor may, in its sole discretion: <ul style="list-style-type: none"> <li>– select one or more Phase 2 Qualified Bids as the Successful Bid(s);</li> <li>– continue negotiations with Phase 2 Qualified Bidders with a view to finalizing an agreement and declaring such bids the Successful Bid(s); or</li> <li>– conduct an Auction in respect of some or all of the Property or Business which Auction shall be governed by an Auction Procedures Letter to be prepared by the Monitor setting out, among other things, (a) the date, time and location of the Auction (including whether in person or by videoconference); (b) the amount of the starting bid; and (c) the initial minimum overbid.</li> </ul> </li> <li>• Binding Offers will be evaluated based on numerous factors including the purchase price, net value of the bid, identity and ability of the Phase 2 Qualified Bidder to complete the transaction, proposed transaction documents, effects on stakeholders, speed and certainty of closing, assets and/or liabilities included or excluded, related restructuring costs and the likelihood of Court approval, each as determined by the Monitor, in consultation with the Applicant.</li> </ul>
<b>Approval and Vesting Order Motion</b>	As soon as reasonably practicable following the selection of the Successful Bid, but no later than June 26, 2026	<ul style="list-style-type: none"> <li>• The Applicant will bring a motion for an Order approving the Successful Bid(s).</li> </ul>
<b>Outside Date</b>	July 13, 2026	<ul style="list-style-type: none"> <li>• The SISP has an outside date of July 13, 2026, by which the parties are to close the transaction(s) contemplated in the Successful Bid(s).</li> </ul>

### Insider Bids

5.5 The SISP contains specific provisions governing the participation of any direct or indirect shareholder, affiliate, director, officer or senior management of the Applicant, including the CRO, the DIP Lender and 1001 Ontario (as defined below) (each an “**Insider**”), including among other things, that:

- (i) any and all communications between any Insider and any other Participant shall be subject to the Monitor’s direct supervision;

- (ii) until such Insider irrevocably confirms in writing to the Monitor that it will not submit a bid in the SISP, the Monitor shall not share any information with respect to the SISP with such Insider, including any LOI, Binding Offer or other bid, subject to certain provisions described below; and
- (iii) the Monitor may implement information and/or consultation restrictions with the Applicant and/or the DIP Lender that the Monitor determines are appropriate to protect the integrity of the SISP.

#### Credit Bidding by Secured Parties

- 5.6 The SISP contains specific provisions permitting the DIP Lender and 1001 Ontario (including any successor or assign) to credit bid any amount up to their respective secured claims, including principal, interest and any other obligations owing to such secured lender. Any credit bid is subject to compliance with the SISP, including requirements that the credit bidding party: (i) pay in full in cash, or assume (with the consent of the holder of the priority claim), any obligations of the Applicant in priority to its secured debt; and (ii) pay appropriate consideration for any assets of the Applicant which are contemplated to be acquired and that are not subject to such secured lender's security.<sup>1</sup>
- 5.7 The Intellectual Property is pledged as security pursuant to the IP Security Agreement (as defined in the Pre-Filing Report). On February 2, 2026, the deferred payment obligations secured by the IP Security Agreement, originally arising pursuant to the Share Purchase Agreement dated August 19, 2021 (the "SPA"), were assigned to 1001485743 Ontario Inc.

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<sup>1</sup> As discussed below, 262 will not be credit bidding any portion of the obligations owing under the 262 Promissory Notes.

(“**1001 Ontario**”), an affiliate of 262, pursuant to the Contingent Additional Consideration Right and IP Security Purchase Agreement dated February 2, 2026 (the “**CACR**”). As a result, 1001 Ontario holds security over the Intellectual Property, and any transaction under the SISP that includes the Intellectual Property would need to address 1001 Ontario’s security interest (the “**Secured IP Claim**”).

- 5.8 The Monitor notes that pursuant to section 16 of the SISP, the DIP Lender is deemed to be a Phase 2 Qualified Bidder even if it does not submit an LOI or Phase 1 Qualified Bid.
- 5.9 Pursuant to sections 24(b) and 24(c) of the SISP, if the consideration payable under the Binding Offers received is not sufficient to fully repay the DIP Lender’s indebtedness in cash, the Monitor will consult with the DIP Lender regarding the shortfall. Similarly, consultation with 1001 Ontario is required if the Binding Offers in respect of the Intellectual Property do not contemplate sufficient consideration to fully repay the Secured IP Claim (whether in cash or by way of full or partial assumption). In such circumstances, each of the DIP Lender and 1001 Ontario may elect to designate their respective Binding Offer as a back-up bid (the “**Back Stop Credit Bid**”) prior to the filing of the Approval Motion, for the purpose of enabling the acceptance and approval of another Binding Offer as the Successful Bid, even if the designating party’s Binding Offer is superior.
- 5.10 The Monitor is of the view that the inclusion of the Back Stop Credit Bid enhances the competitiveness of the SISP by providing flexibility for the acceptance of third-party bids that may not generate proceeds sufficient to fully repay the respective secured obligations, while ensuring that a viable transaction remains available through the credit bid of the secured lenders.

- 5.11 The obligations secured by the IP Security Agreement arise under the SPA, whereby a portion of the purchase price was structured to be paid over an extended period of time through monthly payments (the “**IP Royalty Payments**”). The IP Royalty Payments are calculated with reference to revenue of the Applicant. Currently, the IP Royalty Payments are calculated as 2% of all sales (based on the formula included in the SPA). A redacted copy of the SPA will be made available to Participants in the SISP to outline the IP Royalty Payment obligations. If a Participant seeks to disclaim the IP Royalty Payment obligations under the SPA and/or exclude the obligations owing thereunder pursuant to a Binding Offer, 1001 Ontario will have a claim secured by the IP Security Agreement against the Intellectual Property and proceeds therefrom.
- 5.12 The Monitor has reviewed the SPA in order to assess the potential value of the Secured IP Claim, which may be relevant when evaluating a credit bid from 1001 Ontario against a third-party Binding Offer for the Intellectual Property.
- 5.13 In the Monitor’s view, the Secured IP Claim can be estimated by calculating the present value of the future cash flows associated with the IP Royalty Payments under the SPA. Based on a range of pro forma revenue scenarios and various discount rates, the Monitor estimates the value of the Secured IP Claim to be between \$20 million and \$40 million (inclusive of approximately \$2.8 million of pre-filing IP Royalty Payment obligations).

#### Security Review

- 5.14 Following the issuance of the Initial Order, the Monitor instructed its legal counsel, Stikeman Elliott LLP (“**Stikeman**”), to review the security interest granted by the Applicant pursuant to: (i) the IP Security Agreement; (ii) the CACR; and (iii) the general

security agreement (the “**262 GSA**”) in respect of the promissory notes issued by the Applicant in favour of 262, in the approximate principal amount of \$15.2 million, plus interest and fees (the “**262 Promissory Notes**”), and to provide an opinion on the validity, enforceability and perfection of such security interests with respect to the personal property of the Applicant.

5.15 Stikeman conducted a review of the security granted pursuant to the IP Security Agreement as supplemented by the CACR, and has provided the Monitor with a written opinion (the “**IP Security 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 under the *Personal Property Security Act* (Ontario) in order to perfect or evidence such security.

5.16 Any interested party in these CCAA proceedings that wishes to review the IP Security Opinion should contact the Monitor to request copies thereof. The IP Security Opinion will only be provided on a confidential and non-reliance basis.

5.17 Stikeman’s review of the 262 GSA and 262 Promissory Notes is ongoing. Pursuant to Section 30(g) of the ARIO, the Monitor was directed to 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 (such review, the “**Related Party Transaction Review**”). The review of the 262 GSA and 262 Promissory Notes will be subject to the Related Party Transaction Review given, among other things, certain documents and registrations fall within the applicable review period.

5.18 262 has confirmed to the Monitor in writing that it will not credit bid any portion of the obligations owing under the 262 Promissory Notes in connection with the SISP. 262 has indicated that despite not credit bidding such obligations, it reserves its right to assert its secured claim in respect of amounts owing under the 262 Promissory Notes, in the event the SISP results in proceeds that would be subject to such secured claim.

General Comments Regarding the SISP

5.19 The SISP (including the timeline thereof) was developed by the Applicant in consultation with the Monitor and the DIP Lender and is designed to balance the time required to administer a commercially reasonable marketing process with the available financial resources of the Applicant.

5.20 The SISP provides the Monitor with the flexibility to modify, amend, vary or supplement the Bidding Procedures, including by extending the milestones and deadlines set out therein by up to two weeks, in consultation with the Applicant, without the need to obtain an order of the Court. The Monitor notes that any extension of the milestone with respect to the closing of the Successful Bid(s) requires the prior written consent of the DIP Lender.

5.21 The Monitor will manage the day-to-day execution of the SISP. The Applicant is required to assist and support the efforts of the Monitor as provided for in the SISP. In the event that clarification is required with respect to the interpretation or application of the SISP, the Monitor has the ability to seek the advice and direction of the Court.

5.22 No SISP information will be shared with Insiders until after they have provided written confirmation declaring their intention not to participate in the SISP, nor will such party

have any consultation or consent rights under the SISP, subject to the requirements that Qualified Bids are able to fully satisfy certain secured debt thresholds. Importantly, the SISP also provides that the Monitor may impose additional information and/or consultation restrictions at any time to address any “real time” issues that develop where the Monitor believes the integrity of the SISP must be protected.

5.23 The Monitor supports the approval of the SISP for the following reasons:

- (i) the Monitor is of the view that the SISP is commercially reasonable and has been designed to maximize value through a competitive bidding process;
- (ii) the Monitor is of the view that 58 days will provide sufficient time for Participants to perform diligence and submit a Binding Bid. Of note, by April 1, 2026, the Monitor will have fully prepared the Teaser Letter, the NDA and the list of Known Potential Bidders, and will have populated the VDR. Additionally, if necessary, the Monitor has the ability to extend the Bid Deadline in accordance with the terms of the SISP. As of the date of this Second Report, the Monitor has begun disseminating the Teaser Letter and NDA to the list of Known Potential Bidders to provide additional time for interested parties to consider the Opportunity;
- (iii) the provisions of the SISP governing Insider participation, including the restriction on the Monitor sharing SISP information with any Insider until such Insider irrevocably confirms it will not submit a bid, and the Monitor’s direct supervision of all communications between Insiders and other Participants, are fair and reasonable and appropriately balance the interests of the DIP Lender and 1001

Ontario as secured creditors and potential bidders with the need to preserve the integrity and competitiveness of the SISP for the benefit of all stakeholders; and

- (iv) the Monitor does not believe any creditor would be materially prejudiced by the SISP or the Bidding Procedures.

5.24 The Monitor notes that counsel for Allied World Specialty Insurance (“**Allied World**”) has written to the Applicant and the Monitor indicating certain concerns with the SISP. Allied World has also since provided a markup of the proposed SISP, which the Applicant is considering in consultation with the Monitor. If necessary, the Monitor will report to the Court with a supplement to this Second Report.

## **6.0 CASH FLOW RESULTS RELATIVE TO FORECAST**

6.1 Actual receipts and disbursements for the seven-week period from February 3, 2026 to March 20, 2026 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “C” to the First Report, are summarized in the following table:

<b>Cash Flow Variance Report</b>			
<i>(CAD \$000s)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
<b>Receipts</b>			
Retail Receipts	6,992	9,450	(2,458)
Other Receipts	441	--	441
<b>Total Receipts</b>	<b>7,433</b>	<b>9,450</b>	<b>(2,017)</b>
<b>Disbursements</b>			
Payroll & Benefits	(3,355)	(3,367)	13
Occupancy – Third Party (Stores)	(769)	(918)	149
Occupancy – Related Party (Stores)	(2,928)	(3,749)	821
Occupancy – Related Party (DC)	(131)	(136)	5
Inventory Purchases – Third Party	(3,042)	(5,368)	2,325
Inventory Purchases – Related Party	(225)	(1,130)	905
Consignment – Related Party	--	(818)	818
Operating Expenses	(1,050)	(4,167)	3,117
Sales Tax Remittances	(64)	(250)	186
Professional Fees	(439)	(1,420)	980
<b>Total Disbursements</b>	<b>(12,003)</b>	<b>(21,321)</b>	<b>9,318</b>
<b>Net Cash Flow</b>	<b>(4,570)</b>	<b>(11,871)</b>	<b>7,301</b>
Beginning Cash	529	529	--
Net Cash Flow	(4,570)	(11,871)	7,301
DIP Facility Advance	4,350	12,500	(8,150)
<b>Ending Cash</b>	<b>309</b>	<b>1,158</b>	<b>(849)</b>

6.2 As at March 20, 2026, the Company's cash balance was approximately \$309,000, and borrowings under the DIP Facility were approximately \$4.4 million.

6.3 During the Reporting Period:

- (i) retail receipts were approximately \$2.5 million lower than forecast, primarily due to: (a) the Company honouring its previously issued gift cards for 14 days following the Filing Date, during which redemptions materially exceeded expectations (approximately \$4 million in total redemptions), resulting in a higher proportion of non-cash sales, and further depletion of already constrained inventory levels; and

- (b) a slower than anticipated re-establishment of purchasing arrangements with merchandise suppliers, leading to reduced inventory levels and a less optimal inventory assortment;
- (ii) other receipts of approximately \$441,000 are comprised of the return of an expired letter of credit, insurance refunds and other miscellaneous receipts not included in the forecast;
- (iii) occupancy costs were approximately \$974,000 lower than forecast, primarily due to: (a) a positive timing variance of approximately \$562,000 in connection with certain Related Party Leases that will reverse when rent is paid during the week ending March 27, 2026; and (b) a permanent positive variance of approximately \$259,000 related to the receipt of sub-tenant rental income at two store locations subject to Related Party Leases (included above as a set-off to occupancy costs) that had not been included in the forecast;
- (iv) third-party inventory purchases were approximately \$2.3 million lower than forecast due primarily to delays in re-establishing post-filing vendor arrangements, resulting in shipment delays relative to forecast. This is considered a timing variance and is expected to reverse in future periods as vendor arrangements are finalized;
- (v) related-party inventory purchases were approximately \$905,000 lower than forecast due to a combination of longer than anticipated delivery times and favourable payment terms. This variance is considered timing and anticipated to reverse in future periods;

- (vi) there were no related party consignment fees paid during the Reporting Period. As at March 20, 2026, the Applicant had incurred approximately \$300,000 in consignment fees that are forecast to be paid in future periods;
- (vii) operating expenses were approximately \$3.1 million lower than forecast due primarily to cost reduction initiatives implemented by the Company prior to the CCAA Proceedings. Go-forward operating expenses in the Second Updated Cash Flow Forecast (as defined below) have been reduced accordingly; and
- (viii) the remaining positive cumulative variance of approximately \$1.2 million is primarily considered a timing variance and is expected to reverse in future periods.

#### Other Accrued Obligations

6.4 Section 7.0 of the First Report provides an overview of the related-party arrangements between the Applicant and 262. As described therein, 262 has agreed to continue providing certain services to the Applicant during the CCAA Proceedings, with related fees continuing to be accrued but not cash settled. The following provides an update on those estimated post-filing fees:

- (i) *Shared Services* include the provision of information technology services, purchasing/buying functions, distribution and logistics, and other administrative services provided by 262, and charged by way of the 262 Management Fee (as defined in the First Report). As at March 20, 2026, post-filing 262 Management Fees are estimated to be approximately \$618,000; and

(ii) *License Fees* are charged pursuant to a license agreement that allows the Company to operate HMV-branded “shop-in-shops” with an annual license fee of \$2 million, plus a 10% royalty fee on all merchandise sold through the HMV shops. As at March 20, 2026, post-filing License Fees are estimated to be approximately \$252,000, plus amounts owing in respect of the 10% royalty fee.

6.5 As described above, as part of the SPA, the Applicant owes the IP Royalty Payments with such amounts being a secured obligation as against the Intellectual Property. Following the execution of the CACR, IP Royalty Payments are now payable to 1001 Ontario, and similar to the above, are being accrued and not cash settled on a post-filing basis. As at March 20, 2026, post-filing IP Royalty Payments are estimated to be approximately \$196,000.

## **7.0 SECOND UPDATED CASH FLOW FORECAST**

7.1 The Applicant, with the assistance of the Monitor, has prepared an updated cash flow (the “**Second Updated Cash Flow Forecast**”) for the 17-week period ending July 17, 2026 (the “**Cash Flow Period**”). A copy of the Second Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “B”** and **“C”**, respectively.

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

<b>Toys “R” Us Canada Second Updated Cash Flow Forecast</b>	<b>17-Week Period \$000’s</b>
<b>Receipts</b>	<b>18,161</b>
<b>Disbursements</b>	
Payroll & Benefits	(4,518)
Occupancy – Third Party (Stores)	(1,178)
Occupancy – Related Party (Stores)	(7,330)
Occupancy – Related Party (DC)	(271)
Inventory Purchases – Third Party	(6,573)
Inventory Purchases – Related Party	(730)
Consignment – Related Party	(751)
Operating Expenses	(3,235)
Sales Tax Remittances	(800)
Professional Fees	(3,235)
<b>Total Disbursements</b>	<b>(28,621)</b>
<b>Net Cash Flow</b>	<b>(10,459)</b>
Opening Cash Balance	309
Net Cash Flow	(10,459)
DIP Facility Advance	10,500
<b>Closing Cash Balance</b>	<b>350</b>

7.3 The Monitor notes the following:

- (i) receipts include forecast sales from the Company’s active stores, including certain stores projected to be liquidated during the Cash Flow Period;
- (ii) disbursements include payments for normal course payroll & benefits and occupancy costs (while the applicable leases remain in effect), inventory purchases to replenish merchandise at active stores from third-party and related-party vendors, consignment fees related to the sale of consignment goods, and other store-level and corporate operating costs; and

(iii) as noted in the summary table above, the Applicant transacts with various parties related to 262. A summary of these related party transactions is provided in the First Report.

7.4 During the Cash Flow Period, net cash flows are projected to be negative \$10.5 million, which is projected to be funded by cash on hand, and anticipated draws under the DIP Facility. The DIP Facility principal balance is forecast to peak during the Cash Flow Period at approximately \$14.9 million during the week ending June 12, 2026.

#### Monitor's Review

7.5 Based on the Monitor's review,<sup>2</sup> nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Second Updated Cash Flow Forecast; (ii) as at the date of this Second Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Second Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Second Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

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<sup>2</sup> The Monitor has reviewed the Second Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Second Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Applicant's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Second Updated Cash Flow Forecast.

## **8.0 EXTENSION OF STAY OF PROCEEDINGS**

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

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

- (i) the proposed Stay extension will permit the Monitor, with the assistance of the Applicant, to conduct the SISP with a view to maximizing the value for the benefit of all stakeholders;
- (ii) as reflected in the Second Updated Cash Flow Forecast, the Applicant is expected to have sufficient liquidity to fund its operations through the requested Stay extension period, subject to Court approving the proposed increase to the permitted borrowings under the DIP Facility;
- (iii) the Applicant has acted and continues to act in good faith and with due diligence in advancing its restructuring efforts and the CCAA Proceedings; and
- (iv) the Monitor is not aware of any creditor or other party that would be materially prejudiced by the proposed Stay extension.

## **9.0 ACTIVITIES OF THE MONITOR**

9.1 Since the date of the First Report, the primary activities of the Monitor have included the following:

- (i) together with Stikeman, assisting the Applicant and their legal counsel in developing the SISP;

- (ii) reviewing and approving notices of disclaimer in connection with certain real property lease agreements;
- (iii) assisting the Applicant in negotiations with inventory and other critical suppliers in developing post-filing arrangements for supply of goods and services;
- (iv) engaging with certain stakeholders who have reached out to the Monitor;
- (v) monitoring the Applicant's cash receipts and disbursements, assisting in preparing weekly cash flow variance reporting and the Second Updated Cash Flow Forecast;
- (vi) coordinating and uploading of Court-filed documents to the Case Website;
- (vii) engaging with various parties who have expressed an interest in participating in the SISP and pursuing a potential transaction in connection with certain assets and businesses of the Applicant;
- (viii) together with the Applicant's management, preparing the Teaser Letter and CIM, populating the VDR, and developing a list of Known Potential Bidders;
- (ix) responding to creditor and other inquiries received via the Monitor's toll-free number and email account for the CCAA Proceedings;
- (x) together with Stikeman, continuing the Related Party Review, including the collection, review and analysis of the Applicant's financial records and supporting documentation, in preparation for filing the report required pursuant to paragraph 30(g) of the ARIO; and
- (xi) preparing this Second Report.

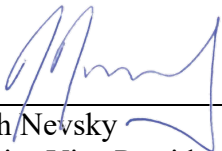
**10.0 MONITOR'S RECOMMENDATION**

10.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the SISP in the form sought by the Applicant.

All of which is respectfully submitted to this Court this 27<sup>th</sup> day of March, 2026.

**ALVAREZ & MARSAL CANADA INC.,  
solely in its capacity as Monitor of Toys "R" Us  
(Canada) Ltd. / Toys "R" Us (Canada) Ltee.**

Per:

  
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Josh Nevsky  
Senior Vice President

**CONFIDENTIAL APPENDIX B**  
**SUMMARY OF PHASE 1 AND PHASE 2 BIDS**

**CONFIDENTIAL APPENDIX C  
AP AGREEMENT**

**CONFIDENTIAL APPENDIX D**  
**FOX JUMBO AGREEMENT**

**CONFIDENTIAL APPENDIX E**  
**262 AGREEMENT**

**CONFIDENTIAL APPENDIX F**  
**ILLUSTRATIVE COMPARISON TO LIQUIDATION**

**CONFIDENTIAL APPENDIX G**  
**SECURED IP CLAIM VALUE RANGE SUMMARY**

**APPENDIX H**  
**THIRD UPDATED CASH FLOW FORECAST**



**Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee.  
Third Updated Cash Flow Forecast  
Notes and Summary of Assumptions**

**Disclaimer**

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

The Forecast is presented in thousands of Canadian dollars.

The Applicant transacts with various parties related to 262. A summary of these related party transactions is provided in the First Report.

**1) Receipts**

Includes projected sales at the Company’s active stores, inclusive of applicable sales taxes. Also included are store closure and liquidation sales at store locations that are subject to a planned exit during the CCAA Proceedings.

**2) Payroll & Benefits**

Includes normal course wages, salaries, benefits and taxes for continuing employees.

**3) Occupancy Costs**

Includes base rent, property taxes and CAM for continuing store locations, as well as the Company’s distribution centre, pursuant to third party and related party leases while the applicable leases remain in effect. For store locations subject to a notice of disclaimer or where a planned exit date has been established, occupancy costs are reflected through the effective date of the applicable disclaimer notice period. Also includes payment of accrued related party occupancy costs.

**4) Consignment – Related Party**

Represents payments to related party vendors for the sale of goods pursuant to existing consignment agreements based on actual and projected sales volumes.

**5) Operating Expenses**

Includes payments related to IT services, utilities and other general operating costs.

**6) Professional Fees**

Includes payment of accrued professional fee invoices and ongoing estimated fees and disbursements for the Applicants’ legal counsel, the Monitor, Monitor’s legal counsel, DIP Lender’s counsel and the CRO.

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

Attention: Mr. Josh Nevsky

**June 12, 2026**

Dear Sir:

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

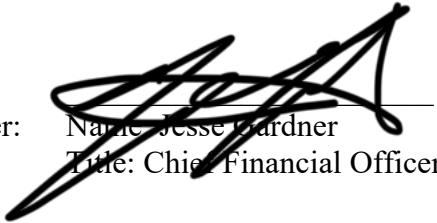
In connection with the Applicant’s proceedings under the *Companies’ Creditors Arrangement Act*, the management of the Applicant have prepared the attached cash flow statement for the period June 6, 2026 to September 4, 2026 (the “**Third Updated Cash Flow Forecast**”) and the list of assumptions on which the Third Updated Cash Flow Forecast is based. The purpose of the Third Updated Cash Flow Forecast is to determine the liquidity requirements of the Applicants during the CCAA proceedings.

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

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

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

Yours truly,

Per:   
Name: Jesse Gardner  
Title: Chief Financial Officer



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

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

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**THIRD REPORT OF THE MONITOR**

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Lawyers for the Monitor, Alvarez & Marsal Canada Inc.