

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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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 (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 ARIO

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.

Summary of the SISP <i>(Certain capitalized terms below have the meanings ascribed in the SISP)</i>		
Phase / Event	Timeline	Description of Activities
Approval and Commencement of the SISP	April 1, 2026	<ul style="list-style-type: none"> • Scheduled hearing of the SISP Order on April 1, 2026. • Commencement of the SISP as soon as reasonably practicable but no later than April 2, 2026 (the “Commencement Date”). • 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 (“VDR”). • Upon execution of the NDA, Participants will be granted access to the VDR and provided an opportunity to perform due diligence.
Phase 1 Bid Deadline	May 1, 2026 <i>(29 days)</i>	<ul style="list-style-type: none"> • Participants wishing to bid are required to submit an LOI to the Monitor prior to the Phase 1 Bid Deadline. • To be considered a Phase 1 Qualified Bid, the LOI must comply with the requirements set out in the SISP. • 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. • 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.
Phase 2 Bid Deadline	May 29, 2026 <i>(28 days)</i>	<ul style="list-style-type: none"> • 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. • Binding Offers must comply with the requirements set out in the SISP including, among other things: <ul style="list-style-type: none"> – may not be subject to any financing condition; – 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; – must be accompanied by a cash deposit of not less than 10% of the cash purchase price payable on closing; and – must contemplate closing on or before the Outside Date.

Summary of the SISP <i>(Certain capitalized terms below have the meanings ascribed in the SISP)</i>		
Selection of Successful Bid(s)	June 5, 2026	<ul style="list-style-type: none"> • 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"> – select one or more Phase 2 Qualified Bids as the Successful Bid(s); – continue negotiations with Phase 2 Qualified Bidders with a view to finalizing an agreement and declaring such bids the Successful Bid(s); or – 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. • 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.
Approval and Vesting Order Motion	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"> • The Applicant will bring a motion for an Order approving the Successful Bid(s).
Outside Date	July 13, 2026	<ul style="list-style-type: none"> • 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).

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.¹
- 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.

¹ 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:

Cash Flow Variance Report			
<i>(CAD \$000s)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts			
Retail Receipts	6,992	9,450	(2,458)
Other Receipts	441	--	441
Total Receipts	7,433	9,450	(2,017)
Disbursements			
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
Total Disbursements	(12,003)	(21,321)	9,318
Net Cash Flow	(4,570)	(11,871)	7,301
Beginning Cash	529	529	--
Net Cash Flow	(4,570)	(11,871)	7,301
DIP Facility Advance	4,350	12,500	(8,150)
Ending Cash	309	1,158	(849)

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:

Toys “R” Us Canada Second Updated Cash Flow Forecast	17-Week Period \$000’s
Receipts	18,161
Disbursements	
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)
Total Disbursements	(28,621)
Net Cash Flow	(10,459)
Opening Cash Balance	309
Net Cash Flow	(10,459)
DIP Facility Advance	10,500
Closing Cash Balance	350

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,² 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.

² 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;

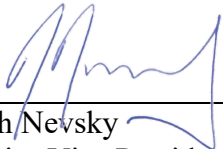
- (ii) reviewing and approving notices of disclaimer in connection with certain real property lease agreements;
- (iii) assisting the Applicant in negotiations with inventory and other critical suppliers in developing post-filing arrangements for supply of goods and services;
- (iv) engaging with certain 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 27th 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: 

Josh Nevsky
Senior Vice President

APPENDIX A
FIRST 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

FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.

FEBRUARY 11, 2026

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APPENDICES

Appendix A – Pre-Filing Report of the Proposed Monitor (without appendices)

Appendix B – Updated Cash Flow Forecast for the 13-Week Period Ending May 1, 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 The Applicant operates a network of Toys “R” Us and Babies “R” Us stores across Canada, specializing in toys, clothing, baby and other retail products. The Company is 100% owned by 2625229 Ontario Inc. (“**262**”), which operates as Putman Investments (“**Putman**”), a private equity investor holding a number of investments in retail, real estate and other companies. The Applicant and 262 have the same primary directors and officers.
- 1.3 The principal purpose of these CCAA Proceedings is to stabilize and maintain the Company’s business, obtain access to additional liquidity, and use the breathing room afforded by the CCAA to: (i) enter into discussions with certain landlords with a view to achieving consensual amendments to third-party store leases; (ii) commence the liquidation of inventory and furniture, fixtures and equipment (“**FF&E**”) at certain closing locations, including those where consensual lease amendments cannot be obtained; and (iii) in the coming weeks, return to Court to seek approval of a sale process in order to identify and

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

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

1.5 The Initial Order, among other things:

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

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

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

2.0 PURPOSE OF THE FIRST REPORT

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

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

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

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicant, and has held discussions with management of the Applicant and its legal counsel, the CRO, and management of 262 (collectively, the “**Information**”). Except as otherwise described in this First Report in respect of the Applicant’s cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor

expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

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

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

4.0 UPDATES SINCE INITIAL ORDER

Employees

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

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

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

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

Stores & Leases

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

- 4.7 As further described in the Pre-Filing Report, the Monitor noted that the Company has an additional 8 leased locations¹ which it previously closed and vacated, and in respect of which the Company stopped making rent payments following the exit date. This group of 8 vacant stores is comprised of: (i) 2 locations exited in December 2025; (ii) 4 locations exited between April and August 2025; and (iii) 2 locations exited in December 2024 (collectively, the “**Vacated Stores**”). The Monitor understands that the Applicant is not aware whether or not the applicable landlord has re-entered the Vacated Stores following the cessation of rent payments, which would effectively terminate the lease agreement.
- 4.8 The Monitor understands that the landlord and/or property manager for each of the Vacated Stores was served with the Applicant’s materials for the Comeback Hearing.
- 4.9 The Monitor understands that the amount of rent payable for the Vacated Stores for a 30-day period is approximately \$685,000, which includes \$200,000 relating to the 2 locations that were exited in December 2025.

Rent Restructuring & Store Closure Plan

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

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

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

Liquidating Stores

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

Rent Restructuring

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

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

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

Related Party Leases

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

Liquidation Sales at Closing Stores

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

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

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

5.0 DIP FACILITY

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

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

6.0 UPDATED CASH FLOW FORECAST

6.1 The Applicant, with the assistance of the Monitor, prepared the Updated Cash Flow Forecast for the 13-week period to May 1, 2026 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “B” and “C”**, respectively.

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

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

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

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

- (iv) inventory purchases include post-filing amounts only, and include approximately \$1.1 million to be purchased from related party suppliers. Additional information relating to related-party inventory purchases and consignment arrangements are included in Section 7.0 below;
- (v) consignment payments are paid to related parties as described in Section 7.0 below, and include inventory that was delivered, but not sold, prior to the Filing Date;
- (vi) professional fees include amounts to the Applicant's counsel, the Monitor and its counsel, the DIP Lender's counsel and the CRO; and
- (vii) sales tax remittances include payments in the normal course for the post-filing period, including sales taxes collected in January, due to be paid in February. Sales tax arrears relating to November and December 2025 in the aggregate amount of approximately \$2.0 million are not contemplated to be paid in the Cash Flow Period.

6.4 During the Cash Flow Period, net cash flows are projected to be negative \$12.2 million, which is projected to be funded by additional draws under the DIP Facility. As at May 1, 2026, the cumulative draw on the DIP Facility is projected to be approximately \$12.5 million, plus interest, fees and costs.

Monitor's Review

6.5 Based on the Monitor's review², nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (ii) as at the date of this First Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

7.0 RELATED PARTY TRANSACTIONS DURING THE CCAA PROCEEDINGS

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

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

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

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

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

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

Related Party Leases

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

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

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

Inventory Supply

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

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

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

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

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

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

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

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

Shared Services

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

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

License Fees

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

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

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

8.0 AMENDED AND RESTATED INITIAL ORDER

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

Administration Charge

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

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

DIP Lender's Charge

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

Directors' Charge

- 8.7 The Initial Order provides that the Applicant shall indemnify its director and officers against obligations and liabilities that they may incur as director and officers of the Applicant after the commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct.
- 8.8 The Initial Order provides for a priority charge over the Applicant's Property in the amount of \$3.2 million in favour of the Applicant's director and officers as security for such indemnity (the "**Directors' Charge**"). For the purposes of the Initial Order, the Directors' Charge was limited to the amount reasonably necessary during the initial Stay period. The Applicant is seeking an increase in the amount of the Directors' Charge to \$4.0 million in the ARIO.

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

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

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

Priority of Charges in ARIO

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

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

Critical Suppliers

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

Extension of the Stay Period

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

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

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

9.0 ACTIVITIES OF THE MONITOR SINCE FILING DATE

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

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

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

10.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

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

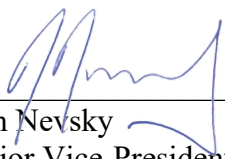
10.2 The Monitor understands that the Applicant anticipates seeking Court approval of the SISP, in the near future, with appropriate notice to the Applicant's stakeholders.

11.0 CONCLUSIONS AND RECOMMENDATIONS

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

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

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

Per: 

Josh Nevsky
Senior Vice-President

APPENDIX B
SECOND UPDATED CASH FLOW FORECAST

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

Second Updated Cash Flow Forecast

\$CAD 000's

Cash Flow Week:		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	17-Week
Week Ending:	Note	27-Mar-26	03-Apr-26	10-Apr-26	17-Apr-26	24-Apr-26	01-May-26	08-May-26	15-May-26	22-May-26	29-May-26	05-Jun-26	12-Jun-26	19-Jun-26	26-Jun-26	03-Jul-26	10-Jul-26	17-Jul-26	Total
Receipts	1	1,009	1,011	943	1,215	947	983	959	961	1,010	1,086	1,154	1,043	1,095	1,150	1,135	1,239	1,223	18,161
Disbursements																			
Payroll & Benefits	2	(105)	(475)	(129)	(453)	(102)	(438)	(103)	(434)	(102)	(436)	(120)	(432)	(107)	(428)	(109)	(431)	(114)	(4,518)
Occupancy – Third Party (Stores)	3	-	(223)	-	(169)	-	(330)	-	(91)	-	(91)	-	(91)	-	-	(91)	-	(91)	(1,178)
Occupancy – Related Party (Stores)	3	(562)	(736)	-	(956)	-	(736)	-	(956)	-	(736)	-	(956)	-	-	(736)	-	(956)	(7,330)
Occupancy – Related Party (DC)	3	-	(34)	-	(34)	-	(34)	-	(34)	-	(34)	-	(34)	-	-	(34)	-	(34)	(271)
Inventory Purchases – Third Party	4	(418)	(434)	(458)	(422)	(588)	(453)	(512)	(499)	(501)	(527)	-	(601)	-	(570)	-	(591)	-	(6,573)
Inventory Purchases – Related Party	4	(46)	(48)	(51)	(47)	(65)	(50)	(57)	(55)	(56)	(59)	-	(67)	-	(63)	-	(66)	-	(730)
Consignment – Related Party	5	(27)	(325)	(25)	(24)	(30)	(24)	(25)	(24)	(24)	(25)	(27)	(29)	(26)	(27)	(29)	(28)	(31)	(751)
Operating Expenses	6	(237)	(252)	(240)	(241)	(204)	(197)	(196)	(195)	(196)	(208)	(143)	(208)	(142)	(214)	(98)	(165)	(99)	(3,235)
Sales Tax Remittances		(200)	-	-	-	-	(200)	-	-	-	(200)	-	-	-	-	(200)	-	-	(800)
Professional Fees	7	(986)	(45)	(305)	-	(305)	-	(260)	-	(283)	-	(260)	-	(283)	-	(260)	-	(249)	(3,235)
Total Disbursements		(2,581)	(2,573)	(1,208)	(2,346)	(1,295)	(2,461)	(1,151)	(2,289)	(1,162)	(2,316)	(550)	(2,418)	(557)	(1,302)	(1,556)	(1,281)	(1,574)	(28,621)
Net Cash Flow		(1,572)	(1,562)	(265)	(1,132)	(347)	(1,479)	(193)	(1,327)	(152)	(1,230)	604	(1,375)	538	(152)	(422)	(42)	(352)	(10,459)
Cash																			
Opening Cash Balance		309	736	674	910	778	931	952	760	933	781	551	1,155	779	1,317	1,165	743	701	309
Net Cash Flow		(1,572)	(1,562)	(265)	(1,132)	(347)	(1,479)	(193)	(1,327)	(152)	(1,230)	604	(1,375)	538	(152)	(422)	(42)	(352)	(10,459)
DIP Facility Advance		2,000	1,500	500	1,000	500	1,500	-	1,500	-	1,000	-	1,000	-	-	-	-	-	10,500
Ending Cash Balance		736	674	910	778	931	952	760	933	781	551	1,155	779	1,317	1,165	743	701	350	350
DIP Facility																			
Opening DIP Facility		4,548	6,619	8,180	8,716	9,768	10,307	11,878	11,907	13,482	13,516	14,579	14,616	15,682	15,721	15,760	15,800	15,839	4,548
DIP Facility Advance		2,000	1,500	500	1,000	500	1,500	-	1,500	-	1,000	-	1,000	-	-	-	-	-	10,500
Advance Fees		60	45	15	30	15	45	-	45	-	30	-	30	-	-	-	-	-	315
Accrued Interest		11	17	20	22	24	26	30	30	34	34	36	36	39	39	39	39	39	516
Ending DIP Facility Balance		6,619	8,180	8,716	9,768	10,307	11,878	11,907	13,482	13,516	14,579	14,616	15,682	15,721	15,760	15,800	15,839	15,878	15,878

**Toys “R” Us (Canada) Ltd. / Toys “R” Us (Canada) Ltee.
Second 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 continuing store locations, inclusive of applicable sales taxes. Also included are store closure and liquidation sales at store locations that are subject to, or are anticipated to be 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 that remain in effect during the Forecast Period. 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.

4) Inventory Purchases

Includes post-filing payments only for inventory purchased to replenish merchandise at active store locations during the Forecast Period from both third party and related party vendors. No inventory purchases have been projected for store locations subject to disclaimer or planned exit.

5) Consignment – Related Party

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

6) Operating Expenses

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

7) Professional Fees

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

APPENDIX C
MANAGEMENT'S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST

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

Court File No. CL-26-00000042-0000

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

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

PROCEEDING COMMENCED AT TORONTO

SECOND REPORT OF THE MONITOR

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