

Edward O. Sassower, P.C.
 Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
 601 Lexington Avenue
 New York, New York 10022
 Telephone: (212) 446-4800
 Facsimile: (212) 446-4900

James H.M. Sprayregen, P.C.
 Anup Sathy, P.C.
 Chad J. Husnick, P.C. (admitted *pro hac vice*)
 Emily E. Geier (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
 300 North LaSalle
 Chicago, Illinois 60654
 Telephone: (312) 862-2000
 Facsimile: (312) 862-2200

-and-

Michael A. Condyles (VA 27807)
 Peter J. Barrett (VA 46179)
 Jeremy S. Williams (VA 77469)
KUTAK ROCK LLP
 901 East Byrd Street, Suite 1000
 Richmond, Virginia 23219-4071
 Telephone: (804) 644-1700
 Facsimile: (804) 783-6192

Co-Counsel to the Debtors and Debtors in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE EASTERN DISTRICT OF VIRGINIA
 RICHMOND DIVISION**

In re:)	Chapter 11
TOYS "R" US, INC., <i>et al.</i> , ¹)	Case No. 17-34665 (KLP)
Debtors.)	(Jointly Administered)
)	

**NOTICE OF FILING OF DISCLOSURE STATEMENT
 FOR THE AMENDED JOINT CHAPTER 11 PLAN OF TOYS "R" US
 PROPERTY COMPANY II, LLC AND GIRAFFE JUNIOR HOLDINGS, LLC**

PLEASE TAKE NOTICE that on June 11, 2018, Toys "R" Us Property Company II, LLC and Giraffe Junior Holdings, LLC (collectively, the "Propco II Debtors") filed the *Disclosure Statement for the Joint Chapter 11 Plan of Toys "R" Us Property Company II, LLC and Giraffe Junior Holdings, LLC* [Docket No. 3383] (the "Disclosure Statement") with the United States Bankruptcy Court for the Eastern District of Virginia (the "Court").

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are set forth in the *Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* [Docket 78]. The location of the Debtors' service address is One Geoffrey Way, Wayne, New Jersey 07470.

PLEASE TAKE FURTHER NOTICE that on June 11, 2018, the Propco II Debtors filed the *Propco II Plan Debtors' Motion for Entry of an Order (I) Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation and Notice Procedures with Respect to Confirmation of the Propco II Plan Debtors' Proposed Joint Chapter 11 Plan, (III) Shortening the Period to File Plan Objections and the Notice Requirements Related Thereto, (IV) Approving the Forms of Ballots and Notices in Connection Therewith, and (V) Granting Related Relief* [Docket No. 3384] (the "Motion") with the Court.

PLEASE TAKE FURTHER NOTICE that on June 28, 2018, the Court entered the *Amended Order (I) Establishing Bidding Procedures for the Sale of the Propco II Assets, (II) Scheduling an Auction and Hearing to Consider the Sale, (III) Approving the Form and Manner of Notice Thereof, (IV) Authorizing Certain Expense Reimbursement Provisions, (V) Establishing an Intercompany Administrative Claims Bar Date, (VI) Scheduling Hearings and Deadlines with Respect to the Propco II Debtors' Disclosure Statement and Plan Confirmation, (VII) Shortening the Objections Periods and Notice Requirements Related Thereto, and (VIII) Granting Related Relief* [Docket No. 3598] (the "Order"), which among other things, set **July 2, 2018, at 10:00 a.m. (prevailing Eastern Time)** as the hearing date to conditionally approve the Disclosure Statement.

PLEASE TAKE FURTHER NOTICE that the Debtors hereby file the *Disclosure Statement for the Amended Joint Chapter 11 Plan of Toys "R" Us Property Company II, LLC and Giraffe Junior Holdings, LLC* (the "Amended Disclosure Statement"), attached hereto as **Exhibit A**.

PLEASE TAKE FURTHER NOTICE that attached hereto as **Exhibit B** is a redline of the Amended Disclosure Statement reflecting cumulative changes as between the Disclosure Statement and the Amended Disclosure Statement.

PLEASE TAKE FURTHER NOTICE that the Debtors will appear in connection with the Amended Disclosure Statement and Order on **July 2, 2018, at 10:00 a.m. (prevailing Eastern Time)** or as soon thereafter as counsel may be heard, before the Honorable Keith L. Phillips or any other judge who may be sitting in his place and stead, in Room 5100 in the United States Bankruptcy Court, 701 East Broad Street, Richmond, Virginia 23219.

PLEASE TAKE FURTHER NOTICE that Motion, Order, the Disclosure Statement, the Amended Disclosure Statement, and all other documents filed in these chapter 11 cases are available free of charge by: (a) visiting the Debtors' restructuring website at <https://cases.primeclerk.com/toysrus> or (b) by calling (844) 794-3476 (U.S. toll free) or +001 (917) 962-8499 (international). You may also obtain copies of any pleadings filed in these chapter 11 cases for a fee via PACER at: <http://www.vaeb.uscourts.gov> in accordance with the procedures and fees set forth therein.

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Richmond, Virginia
Dated: July 2, 2018

/s/ Jeremy S. Williams

KUTAK ROCK LLP

Michael A. Condyles (VA 27807)
Peter J. Barrett (VA 46179)
Jeremy S. Williams (VA 77469)
901 East Byrd Street, Suite 1000
Richmond, Virginia 23219-4071
Telephone: (804) 644-1700
Facsimile: (804) 783-6192
Email: Michael.Condyles@KutakRock.com
Peter.Barrett@KutakRock.com
Jeremy.Williams@KutakRock.com

*Co-Counsel to the Debtors
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KIRKLAND & ELLIS LLP

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Edward O. Sassower, P.C.
Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Email: edward.sassower@kirkland.com
joshua.sussberg@kirkland.com

-and-

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Chad J. Husnick, P.C. (admitted *pro hac vice*)
Emily E. Geier (admitted *pro hac vice*)
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200
Email: james.sprayregen@kirkland.com
anup.sathy@kirkland.com
chad.husnick@kirkland.com
emily.geier@kirkland.com

*Co-Counsel to the Debtors
and Debtors in Possession*

Exhibit A

Amended Disclosure Statement

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:)	
)	Chapter 11
)	
TOYS "R" US, INC., <i>et al.</i> , ¹)	Case No. 17-34665 (KLP)
)	
Debtors.)	(Jointly Administered)
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**DISCLOSURE STATEMENT FOR THE AMENDED JOINT CHAPTER 11 PLAN OF
TOYS "R" US PROPERTY COMPANY II, LLC AND GIRAFFE JUNIOR HOLDINGS, LLC**

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 Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
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THE PROPCO II PLAN DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE CHAPTER 11 PLAN OF TOYS "R" US PROPERTY COMPANY II, LLC AND GIRAFFE JUNIOR HOLDINGS, LLC. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE RELEVANT PROVISIONS OF THE PLAN WILL GOVERN.

THE PROPCO II PLAN DEBTORS URGE HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN. THE PROPCO II PLAN DEBTORS URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE PROPCO II PLAN DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE PROPCO II PLAN DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE PROPCO II PLAN DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE PROPCO II PLAN DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

IN PREPARING THIS DISCLOSURE STATEMENT, THE PROPCO II PLAN DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE PROPCO II PLAN DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE PROPCO II PLAN DEBTORS' BUSINESS. WHILE THE PROPCO II PLAN DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE PROPCO II PLAN DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE PROPCO II PLAN DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE PROPCO II PLAN DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE PROPCO II PLAN DEBTORS OR ANY OTHER AUTHORIZED PARTY IN INTEREST MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE PROPCO II PLAN DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE PROPCO II PLAN DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE PROPCO II PLAN DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS OR INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE PROPCO II PLAN DEBTORS

RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME.

THE PROPCO II PLAN DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE PROPCO II PLAN DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE PROPCO II PLAN DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED HEREIN AND SET FORTH IN ARTICLE IX OF THE PLAN. THERE IS NO ASSURANCE THAT THE PLAN WILL BE CONFIRMED, OR IF CONFIRMED, THAT THE CONDITIONS REQUIRED TO BE SATISFIED FOR THE PLAN TO GO EFFECTIVE WILL BE SATISFIED (OR WAIVED).

YOU ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE SECTION ENTITLED “RISK FACTORS,” BEFORE SUBMITTING YOUR BALLOT TO VOTE ON THE PLAN.

THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTEE BY THE BANKRUPTCY COURT OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN.

THE PROPCO II PLAN DEBTORS HAVE SOUGHT TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT; HOWEVER, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR INCORPORATED HEREIN BY REFERENCE HAS NOT BEEN, AND WILL NOT BE, AUDITED OR REVIEWED BY THE PROPCO II PLAN DEBTORS’ INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY SIMILAR FEDERAL, STATE, LOCAL, OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE MERITS OF THE PLAN.

THE PROPCO II PLAN DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER FEDERAL SECURITIES LAWS. THE PROPCO II PLAN DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, TO BE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS MAY INCLUDE STATEMENTS ABOUT THE PROPCO II PLAN DEBTORS’:

- **BUSINESS STRATEGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, AND OPERATING RESULTS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**

- COUNTERPARTY CREDIT RISK;
- THE OUTCOME OF PENDING AND FUTURE LITIGATION;
- GOVERNMENTAL REGULATION AND TAXATION OF THE INDUSTRY;
- UNCERTAINTY REGRADING THE PROPCO II PLAN DEBTORS' FUTURE OPERATING RESULTS; AND
- PLANS, OBJECTIVES, AND EXPECTATIONS.

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE PROPCO II PLAN DEBTORS' FUTURE PERFORMANCE, IF ANY. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD IMPACT THE PROPCO II PLAN DEBTORS' ACTUAL FUTURE PERFORMANCE, IF ANY. THESE RISKS, UNCERTAINTIES, AND FACTORS MAY INCLUDE: THE PROPCO II PLAN DEBTORS' ABILITY TO CONFIRM AND CONSUMMATE THE PLAN; THE POTENTIAL THAT THE PROPCO II PLAN DEBTORS MAY NEED TO PURSUE AN ALTERNATIVE TRANSACTION IF THE PLAN IS NOT CONFIRMED; GENERAL ECONOMIC, BUSINESS AND MARKET CONDITIONS; THE PROPCO II PLAN DEBTORS' INABILITY TO DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES; EXPOSURE TO LITIGATION; THE PROPCO II PLAN DEBTORS' ABILITY TO DIVEST EXISTING BUSINESSES; ADVERSE TAX CHANGES; AND LIMITED ACCESS TO CAPITAL RESOURCES.

THIS DISCLOSURE STATEMENT IS SUBJECT TO FURTHER REVISION AND WILL BE AMENDED PRIOR TO THE HEARING TO CONSIDER ADEQUACY OF THIS DISCLOSURE STATEMENT AND THE RELATED SOLICITATION PROCEDURES TO, AMONG OTHER THINGS, TAKE INTO ACCOUNT THE RESULTS OF THE SALE AND MARKETING PROCESS, IF ANY, FURTHER SPECIFICS OF ANY RESTRUCTURING TRANSACTION TO BE CONSUMMATED PURSUANT TO THE PLAN, AND TO ACCOMMODATE ADDITIONAL REQUESTS FOR DISCLOSURE.

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EXHIBITS

EXHIBIT A Chapter 11 Plan

I. INTRODUCTION

Toys “R” Us Property Company II, LLC (“Propco II” or the “Propco II Debtor”) and Giraffe Junior Holdings, LLC (“Giraffe Junior” or the “Giraffe Junior Debtor,” and together with the Propco II Debtor, the “Propco II Plan Debtors”) submit this disclosure statement (this “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Interests in the Propco II Plan Debtors in connection with the solicitation of acceptances with respect to the *Joint Chapter 11 Plan of Toys “R” Us Property Company II, LLC and Giraffe Junior Holdings, LLC* (the “Plan”), dated June 11, 2018.² A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan, if consummated, will facilitate a wind-down and liquidation of the Propco II Plan Debtors’ remaining operations and assets.

THE PROPCO II PLAN DEBTORS BELIEVE THAT THE COMPROMISE CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE PROPCO II PLAN DEBTORS’ ESTATES AND PROVIDES THE BEST RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS IN THE PROPCO II PLAN DEBTORS. AT THIS TIME, THE PROPCO II PLAN DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES OF THE PROPCO II PLAN DEBTORS. THE PROPCO II PLAN DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT

Giraffe Junior, an indirect wholly-owned subsidiary of Toys “R” Us, Inc. (together with its subsidiaries, the “Company”), is the direct owner of all of Propco II’s limited liability company interests. Propco II is a separate entity from the rest of the Company. Propco II is a special purpose entity organized solely to acquire, own, hold, sell, assign, transfer, lease and otherwise deal with real estate properties, and to exercise all powers enumerated in the Delaware Limited Liability Company Act relating thereto. Propco II does not have its own employees or systems. The assets and credit of Propco II and Giraffe Junior are not available to satisfy the debts or other obligations of Toys “R” Us, Inc. or any of its other affiliates.

Propco II owns fee and ground leasehold interests in properties in various retail markets throughout the United States (collectively, the “Properties” and each, a “Property”). All of Propco II’s assets, including the Properties, are collateral securing Propco II’s prepetition obligations under the Mortgage Loan Documents (as defined below) and Propco II’s obligations under the Initial Adequate Protection Order (as defined below)³, and thus are subject to liens in favor of the Trust (as defined below).

The Properties were leased on a triple-net basis pursuant to that certain Second Amended and Restated Master Lease Agreement, dated as of November 3, 2016, by and between Propco II, as landlord, and Toys “R” Us - Delaware, Inc. (“Toys Delaware”), as tenant, (the “Master Lease”). As the operating entity for all of Toys “R” Us, Inc.’s North American businesses, Toys Delaware operated the Properties as Toys “R” Us stores, Babies “R” Us stores, or side-by-side stores, or subleased them to alternative retailers. Substantially all of Propco II’s revenues and cash flows have been derived from the master rent payments from Toys Delaware paid in accordance with the Master Lease.

² Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern.

³ The Debtors have filed a motion seeking approval of an order amending the Initial Adequate Protection Order, which is pending approval of the Bankruptcy Court.

Following worse than expected 2017 fiscal year earnings, a series of reactions and covenant defaults frustrated prospects for reorganizing the domestic enterprise as a going-concern. In March 2018, the Debtors filed a motion seeking authority to begin an orderly liquidation of their U.S. business and to commence store closing sales across the country. On March 22, 2018, the Court entered an order authorizing the wind down and the store closings, which are expected to conclude no later than June 30, 2018. Once the U.S. wind down and store closing process is complete, the Properties will effectively “go dark.”

Toys Delaware rejected the Master Lease as of June 30, 2018, which severely constrained the Propco II Debtor’s liquidity. Specifically, the rental payments made by Toys Delaware to the Propco II Debtor under the Master Lease were the sole source of revenue for the Propco II Debtor. With limited cash on hand, as of June 30, 2018, the Propco II Debtor no longer had any revenues. With knowledge that the Master Lease would be rejected or deemed rejected, on June 11, 2018, the Propco II Plan Debtors filed a motion seeking the approval of bid procedures to commence an expeditious sale and marketing process for all or substantially all of the Propco II Debtor’s assets. The Propco II Plan Debtors and their advisors worked diligently with their stakeholders, including the Special Servicer (as defined below) to negotiate acceptable bidding procedures, and a sale timeline, that would result in an expeditious and cost-effective path forward toward confirmation of a chapter 11 plan. In connection with the sale and marketing process, the Propco II Debtor reached an agreement with the Special Servicer under the Mortgage Loan Documents, documented in the Amended Adequate Protection Order (as defined below), for the Trust to fund the necessary carry costs to maintain and preserve the Properties up to a certain amount through the end of July 2018, including taxes, ground rents, utilities, insurance premiums, common charges and assessments, among other expenses as set forth in the Amended Adequate Protection Order. The estimated carry costs associated with the Properties is approximately \$2.8 million for the month of July 2018, plus the cost to insure the Properties.

The Propco II Debtor intends to complete a sale of its assets pursuant to the Plan, but may also complete the sale pursuant to a Sale Order under section 363 and 365 of the Bankruptcy Code in lieu of completion pursuant to a Plan if Administrative Claims exceed the amount set forth in Schedule 1 of the Plan and the Purchaser (as defined below), after good faith negotiations with the Propco II Debtor, is the successful bidder and elects to consummate the sale pursuant to section 363 and 365 of the Bankruptcy Code.

As set forth in the bidding procedures motion, the Propco II Debtor will enter into a stalking horse agreement with a designee of the Trust (the “Purchaser”) and the Purchaser’s credit bid for the assets will act as the stalking horse bid at the auction, if an auction is held, setting a base-line bid for the Propco II Debtor’s assets. Additionally, the court approved bidding procedures (the “Propco II Bidding Procedures”) contemplating a two-phase marketing and sale process. In the initial phase, the Propco II Debtors and their advisors will solicit non-binding indications of interest which shall be submitted no later than July 16, 2018. If the non-binding indications of interest total in the aggregate at least \$375 million, the Propco II Debtor will initiate a second phase of the bid process.

As part of its stalking horse bid, the Special Servicer agreed to (a) a credit bid of \$480 million of the obligations of Propco II under the Propco II Mortgage Loan less a dollar for dollar reduction for certain assumed claims, subject to credit bids of additional incremental amounts of the obligations of Propco II under the Propco II Mortgage Loan and Servicing Agreement in accordance with bidding procedures sought pursuant to the Bid Procedures Motion; and (b) the Purchaser’s assumption of certain assumed liabilities (the “Credit Bid”).

If the Propco II Debtor initiates a second phase of the bid process, (i) the auction shall occur no later than August 16, 2018, (ii) if the stalking horse bidder is the successful bidder at the auction, the closing of the sale of the assets shall occur no later than August 23, 2018, and (iii) if the stalking horse bidder is

not the successful bidder at the auction, all closings, or the effective date of such closings, of the sales of individual properties shall occur on August 23, 2018, unless otherwise consented to by the Trust (such consent not to be unreasonably withheld, conditioned, or delayed), or such earlier date as determined by the Bankruptcy Court. If a second phase of the bid process is necessary, the Debtors and certain other parties in interest, including the Special Servicer shall negotiate in good faith to determine the date of the final bid deadline and the sale hearing; subject to the date of the auction and the closing set forth above.

If the non-binding indications of interest do not total at least \$375 million in the aggregate, the Propco II Debtor will not enter into the second phase of the bid process and the Purchaser will be the successful bidder. As set forth in the Propco II Bidding Procedures, if the Propco II Debtor does not initiate a second phase of the bid process, the confirmation hearing or sale hearing shall be held no later than July 30, 2018 and the Sale Transaction shall close no later than July 31, 2018.

The two-phase marketing process was structured to determine whether there was sufficient interest in the Properties within the range of the Purchaser's credit bid.

The Propco II Plan Debtors believe that the Plan maximizes stakeholder recoveries in these Chapter 11 Cases. The Propco II Plan Debtors seek the Bankruptcy Court's approval of the Plan and urge all Holders of Claims and Interests entitled to vote to accept the Plan by returning their Ballots so that Prime Clerk LLC, the Propco II Plan Debtors' solicitation agent (the "Solicitation Agent"), actually receives such Ballots by the Voting Deadline, i.e., July 25, 2018, at 4:00 p.m. prevailing Eastern Time. Assuming the Plan receives the requisite acceptances the Propco II Plan Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment of creditors and similarly situated equity interest holders, subject to the priority distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the Propco II Plan Debtors as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the Propco II Plan Debtors may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Propco II Plan Debtors sending me this Disclosure Statement?

The Propco II Plan Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Propco II Plan Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and to share such disclosure statement with all Holders of Claims or Interests whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution (if any) under, the Plan depends on what type of Claim against or Interest in the Propco II Plan Debtors you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a “Class.” Each Class’s respective voting status is set forth below:

Class	Claim/Interest	Status	Voting Rights
Class A1	Other Secured Claims against Propco II	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class A2	Other Priority Claims against Propco II	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class A3	Mortgage Loan Secured Claims against Propco II	Impaired	Entitled to Vote
Class A4	General Unsecured Claims against Propco II	Impaired	Entitled to Vote
Class A5	Propco II Interests	Impaired	Entitled to Vote
Class B1	Other Secured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B2	Other Priority Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B3	Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B4	General Unsecured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B5	Giraffe Junior Interests	Impaired	Entitled to Vote

D. What will I receive from the Propco II Plan Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to Holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Propco II Plan Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

Each Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive under the Plan the treatment described below in full and final satisfaction, compromise, settlement, and release of, and in exchange for, such Holder’s Allowed Claim or Allowed Interest, except to the extent different treatment is agreed to by the Propco II Plan Debtors and the Holder of such Allowed Claim or Allowed Interest, as applicable. Unless otherwise indicated, the Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the later of the Effective Date and the date such Holder’s Claim or Interest becomes an Allowed Claim or Allowed Interest or as soon as reasonably practicable thereafter.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY BASED ON THE CREDIT BID AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE PROPCO II PLAN DEBTORS’

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.⁴

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims⁵	Projected Recovery Under the Plan⁶
Class A1	Other Secured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim against the Propco II Debtor, each Holder thereof shall receive, at the option of the Propco II Debtor: (i) payment in full in Cash; (ii) delivery of the collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code; (iii) Reinstatement of such Other Secured Claim; or (iv) such other treatment as shall render such claim Unimpaired.	\$0 – \$25,000	100%
Class A2	Other Priority Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Priority Claim against the Propco II Debtor, each Holder thereof shall receive payment in full in Cash or such other treatment as shall render such claim Unimpaired.	\$0 – \$100,000	100%

⁴ The recoveries set forth below may change based upon changes in the amount of Claims that are “Allowed” as well as other factors related to the Propco II Plan Debtors’ business operations and general economic conditions. “Allowed” means with respect to any Claim: (a) a Claim that is scheduled by the Propco II Plan Debtors as neither disputed, contingent, nor unliquidated and for which no contrary proof of claim has been filed; (b) a Claim that is not a Disputed Claim or has been allowed by a Final Order; (c) a Claim that is allowed (i) pursuant to the terms of the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court or (iii) pursuant to any contract, instrument, indenture, or other agreement entered into or assumed in connection herewith; or (d) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed as of the Claims Objection Deadline. Except for any Claim that is expressly Allowed pursuant to the Plan, any Claim that has been, or is hereafter, listed in the Schedules as contingent, unliquidated, or disputed and for which no Proof of Claim has been Filed is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

⁵ The claim amounts set forth in this table are based on scheduled or filed, but not reconciled, claims against the Propco II Debtors pursuant to the general bar date of April 6, 2018, with the exception of the low estimate of the Mortgage Loan Secured Claims which is the unpaid principal balance of the Propco II Mortgage Loan.

⁶ Projected recoveries are based on the Credit Bid being the successful bid. The percentage recovery could be higher if the Auction takes place and yields a higher successful bid.

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims⁵	Projected Recovery Under the Plan⁶
Class A3	Mortgage Loan Secured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Mortgage Loan Secured Claim, the Trust shall receive either: (i) the Sale Proceeds (as defined in the Plan), if any, up to payment in full of the Trust's Allowed Mortgage Loan Secured Claim or, (ii) if the Purchaser is the Successful Bidder, the Propco II Debtor's assets in accordance with the Purchase Agreement.	\$490.3 million – \$507.1 million ⁷	94.7–97.9%
Class A4	General Unsecured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed General Unsecured Claim against the Propco II Debtor, including any Mortgage Loan Deficiency Claim, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Propco II Debtor.	\$0 – \$6.0 million	0%
Class A5	Propco II Interests	On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of a Propco II Interest shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against the Propco II Debtor.	N/A	0%
Class B1	Other Secured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim against the Giraffe Junior Debtor, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against and Interests in the Propco II Debtor, up to payment in full of such Holder's Allowed Other Secured Claim.	\$0	0%

⁷ The Special Servicer reserves all rights with respect to the estimated amount of Mortgage Loan Secured Claims against Propco II.

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims⁵	Projected Recovery Under the Plan⁶
Class B2	Other Priority Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Priority Claim against the Giraffe Junior Debtor, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Giraffe Junior Debtor, up to payment in full of such Holder's Allowed Other Priority Claim.	\$0 – \$100,000	0%
Class B3	Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims, up to payment in full of such Holder's Allowed Giraffe Junior Mezzanine Loan Claim.	\$70.2 million in principal amount ⁸	0%
Class B4	General Unsecured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed General Unsecured Claim against the Giraffe Junior Debtor, including any Giraffe Junior Mezzanine Loan Deficiency Claim, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Giraffe Junior Debtor.	\$0 – \$325,000	0%
Class B5	Giraffe Junior Interests	On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of a Giraffe Junior Interest shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against the Giraffe Junior Debtor.	N/A	0%

E. What will I receive from the Propco II Plan Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims, and Priority Tax Claims have not been classified and, thus, are excluded from the

⁸ The Giraffe Junior Mezzanine Loan Lenders reserve all rights with respect to the estimated amount of Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior.

Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.A of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan.

F. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Propco II Plan Debtors will be able to effectuate the Restructuring Transactions (as defined in the Plan). It is possible that any alternative, including a potential sale of the Propco II Debtor's assets under section 363 of the Bankruptcy Code may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* Article X.A.2 of this Disclosure Statement, entitled "Confirmation of the Plan - Best Interests of Creditors—Liquidation Analysis."

G. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan becomes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to Holders of Allowed Claims or Interests will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. See Article X of this Disclosure Statement, entitled "Statutory Requirements for Confirmation of the Plan," for a discussion of the conditions precedent to consummation of the Plan. "Consummation" refers to "substantial consummation" of the Plan, as defined in section 1101(2) of the Bankruptcy Code, and means (1) the transfer of all or substantially all of the property proposed by the Plan to be transferred; (2) assumption by the Propco II Plan Debtors or by the successors to the Propco II Plan Debtors under the Plan of the business or of the management of all or substantially all of the property dealt with by the Plan; and (3) commencement of distributions under the Plan.

H. What are the sources of Cash and other consideration required to fund the Plan?

In the event the Purchaser is the Successful Bidder, (i) the Purchaser shall, subject to the Sale Order Election (as defined in the Plan) fund the distributions to Holders of Allowed Administrative Claims, Professional Fee Claims, Secured Claims, Priority Claims, and Priority Tax Claims against the Propco II Debtor in accordance with the treatment of such Claims in Article III of the Plan and (ii) Holders of General Unsecured Claims against Propco II and Propco II Interests and all classes of Claims against or Interests in the Giraffe Junior Debtor shall receive no distribution. In the event the Purchaser is not the Successful Bidder, Propco II's Cash on hand (if any), the Sale Proceeds (if any), including Insurance Refund Claims (as defined in the Plan), and any other Cash received or generated by the Propco II Plan Debtors shall be used to fund the distributions to Holders of Allowed Claims and Interests against the Propco II Plan Debtors in accordance with the treatment of such Claims and Interests as set forth in Article III.B of the Plan.

As set forth in the Plan, the Sale Order Election allows the Purchaser (after good faith negotiations with the Propco II Debtor) to consummate the Sale Transaction pursuant to a Sale Order under sections 363 and 365 of the Bankruptcy Code in lieu of the Plan if Administrative Claims asserted against the Propco II Debtor exceed the aggregate amounts of Administrative Claims listed on Schedule 1 to the Plan, which includes amounts for Administrative Claims on account of accrued real estate taxes, accrued other professional fees, common area maintenance charges, potential landlord claims, and prepetition real estate taxes. In addition, the Administrative Claims listed on Schedule 1 to the Plan include the unpaid fees and

expenses of Kirkland & Ellis LLP, as legal counsel to the Propco II Plan Debtors, A&G Realty Partners, LLC, as real estate advisor to the Propco II Plan Debtors, Lazard Frères & Co. LLC, as investment banker to the Propco II Plan Debtors, Alvarez & Marsal North America, LLC, as restructuring advisor to the Propco II Plan Debtors, Goldberg Kohn Ltd., as counsel to the CT Corporation independent directors, Kramer Levin Naftalis & Frankel LLP, as counsel to the statutory committee of unsecured creditors (the “Committee”), FTI Consulting, as financial advisor to the Committee, Moelis & Company, as investment banker to the Committee, Fox Rothschild LLP, as counsel to the Propco II Plan Debtors’ on conflicts matters, and Prime Clerk LLC, as notice and solicitation agent, related to the Propco II Bidding Procedures, the Purchase Agreement, the Disclosure Statement, the Plan, the Confirmation Order, the Initial Adequate Protection Order, the Amended Adequate Protection Order, the Sale Order, or any other work for the sole, or allocable, benefit of the Propco II Plan Debtors, as applicable, and lender negotiations in connection with any of the foregoing.

If the Purchaser is the successful bidder, the Professional Fee Claims of the Propco II Plan Debtors will be limited to the amounts set forth in Schedule 1 to the Plan. These amounts are referred to as the “Professional Fee Claims Cap” in the Plan. If the Purchaser is not the successful bidder, the Professional Fee Claims Cap will only continue to apply if the Sale Proceeds are less than the aggregate amount of (i) the Allowed Mortgage Loan Claims, (ii) the Allowed Carrying Cost Claims, (iii) the aggregate amount of unpaid Professional Fee Claims through the effective date of the Plan as estimated in accordance with Article II.B of the Plan (the “Professional Claim Fee Estimate”), and (iv) the Professional Fee Claims Cap less the Professional Fee Claim Estimate, the difference of which shall not exceed \$250,000. This sum is defined in the Plan as the Payoff Amount. Accordingly, if the Purchaser is not the successful bidder and the Sale Proceeds are less than the Payoff Amount, the Professional Fee Claims shall be funded (a) with the Sale Proceeds in an amount by which such Sale Proceeds exceed the sum of the Allowed Mortgage Loan Claims and the Allowed Carrying Cost Claims and (b) by the Purchaser in an amount equal to the Payoff Amount less the amount of the Sale Proceeds.

In the event the Purchaser is not the Successful Bidder and the Sale Proceeds equal or exceed the Payoff Amount, the Professional Fee Claims shall be funded with Cash from the Sale Proceeds in an amount equal to the Professional Fee Escrow Amount.

The Giraffe Junior Mezzanine Loan Lenders believe that the amount of the Professional Fee Claims shall be limited to the Professional Fee Claims Cap in all circumstances, including in situations where the Purchaser is not the successful bidder and the Sale Proceeds exceed the Payoff Amount. The Propco II Plan Debtors disagree with this position and all parties’ rights are reserved.

I. Is there potential litigation related to the Plan?

Parties in interest may object to the approval of this Disclosure Statement and may object to Confirmation of the Plan as well, which objections potentially could give rise to litigation. In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Propco II Plan Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code.

J. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Propco II Plan Debtors estimate the aggregate amount of Allowed General Unsecured Claims against the Propco II Debtor to be approximately \$0 – \$6.0 million and against Giraffe Junior to be

approximately \$0 – \$325,000. Each Holder of an Allowed Unsecured Claim against the Propco II Debtor will receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Propco II Debtor. Each Holder of an Allowed Unsecured Claim against Giraffe Junior will receive its Pro Rata share of Sale Proceeds, if any, after payment of all Claims against the Propco II Debtor and all senior Claims against Giraffe Junior. Although the Propco II Plan Debtors' estimate of Allowed General Unsecured Claims is the result of the Propco II Plan Debtors' and their advisors' careful analysis of available information, General Unsecured Claims actually asserted against the Propco II Plan Debtors may be higher or lower than the Propco II Plan Debtors' estimate provided herein, which difference could be material. In the event the Purchaser's credit bid for the assets of the Propco II Debtor is the successful bid, there will be no distribution to Class A4 General Unsecured Claims against Propco II, Class A5 Propco II Interests, or any class of Claims against or Interests in the Giraffe Junior Debtor.

The projected amount of General Unsecured Claims set forth herein is subject to change and reflects the Propco II Plan Debtors' current view on potential rejection damages. Any change in the number, identity, or timing of actual rejected Executory Contracts and Unexpired Leases could have a material impact on the amount of General Unsecured Claims. To the extent that the actual amount of rejection damages Claims changes, the value of recoveries to Holders of General Unsecured Claims could change as well, and such changes could be material.

Further, as of the Petition Date, the Propco II Debtor was party to certain litigation matters that arose in the ordinary course of operating their businesses and could become party to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. Although the Propco Debtor has disputed, is disputing, or will dispute in the future the amounts asserted by such litigation counterparties, to the extent these parties are ultimately entitled to a higher amount than is reflected in the amounts estimated by the Propco II Debtor herein, the value of recoveries to Holders of General Unsecured Claims could change as well, and such changes could be material.

Finally, the Propco II Plan Debtors, the Committee, or other parties in interest may object to certain proofs of claim, and any such objections ultimately could cause the total amount of Allowed General Unsecured Claims to change. These changes could affect recoveries to Holders of General Unsecured Claims, and such changes could be material.

K. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, the Plan contains certain releases (as described more fully in Article IV.F of this Disclosure Statement, entitled "Releases"), including mutual releases between (a) the Propco II Debtor; (b) the Giraffe Junior Debtor; (c) Giraffe Holdings, LLC; (d) the Committee and its members; (e) the Special Servicer; (f) the Trust; (g) the Sponsors; (h) the Giraffe Junior Mezzanine Loan Lenders (if the Giraffe Junior Mezzanine Loan Lenders vote to accept the Plan and do not object to the Plan); (i) the Purchaser; and (j) with respect to each of the foregoing entities in clauses (a) through (i), such entity's current and former affiliates, and each of such entity's, and such entity's current and former affiliates', current and former equity holders (regardless of whether such interests are held directly or indirectly), subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals; provided that any party that opts out of the releases contained in the Plan shall not be a "Released Party."

The Plan, however, does not operate to release (i) subject to the Intercompany Bar Date, claims held by the estates of other Debtors that may be asserted against the Propco II Debtor, the Giraffe Junior Debtor or Giraffe Holdings, LLC, including potential claims that may be pursued by the Committee on behalf of such other Debtors' estates, or (ii) claims or causes of action against any of the Released Parties that may be held by the estates of Debtors other than the Propco II Debtor, the Giraffe Junior Debtor or

Giraffe Holdings, LLC. Additionally, the Plan does not release any claims or defenses under the Intercreditor Agreement, dated as of November 3, 2016, by and between Goldman Sachs Mortgage Company and Bank of America N.A., collectively as Mortgage Lender and the Giraffe Junior Mezzanine Loan Lenders (the “Intercreditor Agreement”). The Giraffe Junior Mezzanine Loan Lenders believe any claims or defenses under the Intercreditor Agreement should be released under the Plan. The Propco II Plan Debtors disagree with this position and all parties’ rights are reserved.

The Propco II Plan Debtors believe that the Propco II Plan Debtors’ releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Restructuring Transactions contemplated by the Plan and the Propco II Plan Debtors’ overall restructuring efforts. Further, the Propco II Plan Debtors assert that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Propco II Plan Debtors’ restructuring through efforts to negotiate and implement the Plan, which will maximize the value of the Propco II Plan Debtors for the benefit of all parties in interest. Accordingly, for all of these reasons the Propco II Plan Debtors believe that each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

Based on the foregoing, the Propco II Plan Debtors believe that the releases and exculpations in the plan are necessary and appropriate and meet the applicable legal standard. Moreover, the Propco II Plan Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for the propriety of the release and exculpation provisions.

The Plan also provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties; *provided* that any Holder of a Claim or Interest that votes to reject the plan (and thereby opts out of the releases) shall not be a “Releasing Party” or a “Released Party” under the Plan. All voting creditors will have an opportunity to opt-out of the third party releases set forth in Article VIII.C of the Plan. Additionally, Holders of Other Secured Claims against Propco II and Other Priority Claims against Propco II will receive an opt-out form in connection with solicitation of the Plan. Voting creditors that vote to reject the Plan will be deemed to have opted out of the third party release. If a Holder of a Claim or Interest opts out or otherwise rejects the Plan, such party shall not be a “Released Party” or a “Releasing Party,” under the Plan

L. What is the effect of the Plan on the Propco II Plan Debtors’ ongoing business?

The Propco II Debtor intends to sell all or substantially all of its assets under chapter 11 of the Bankruptcy Code. Therefore, if the sale is conducted pursuant to the Plan, Confirmation will mean that all or substantially all of the Propco II Debtor’s assets will be sold. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Propco II Debtor that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

M. Could subsequent events potentially affect recoveries under the Plan?

Potentially, yes. As described in greater detail below, the Propco II Plan Debtors will conduct a marketing process seeking purchasers for all or substantially all of the Propco II Debtor’s assets, and may hold an Auction related to this marketing process, in accordance with the Propco II Bidding Procedures. Further details regarding the Auction are described in Article VIII.G of this Disclosure Statement, entitled

“Marketing Process and Sale Transaction.” Failure to close any component of the Sale Transaction could have a material negative effect on the estimated recoveries set forth herein.

N. Do the Propco II Plan Debtors recommend voting in favor of the Plan?

Yes. The Propco II Plan Debtors believe the Plan provides for a larger distribution to the Propco II Plan Debtors’ creditors than would otherwise result from any other available alternative. The Propco II Plan Debtors believe that the Plan is in the best interest of all Holders of Claims or Interests, and that any other alternatives (to the extent they exist) fail to realize or recognize the value inherent under the Plan.

IV. OVERVIEW OF THE PLAN

A sale of all or substantially all of the Propco II Debtor’s assets may be accomplished either through a chapter 11 plan or a sale pursuant to section 363 and 365 of the Bankruptcy Code. The Propco II Debtor prefers that the sale be accomplished through the Plan. The key terms of the Plan are as follows:

A. General Settlement of Claims and Interests.

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests, Causes of Action, and controversies released, settled, compromised, or otherwise resolved pursuant to the Plan. The Plan shall be deemed a motion to approve such good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Bankruptcy Court’s approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interest of the Propco II Plan Debtors and their Estates. Distributions made to Holders of Allowed Claims in any Class are intended to be final.

B. Restructuring Transactions.

On the Effective Date, or as soon as reasonably practicable thereafter, the Propco II Plan Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan (the “Restructuring Transactions”), including: (1) the execution and delivery of any appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan, and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) rejection or assumption, or assumption and assignment, as applicable, of Executory Contracts and Unexpired Leases; (4) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; and (5) subject to the occurrence of the Effective Date, the consummation of the transactions contemplated by the Sale Transaction.

C. Sale Transactions.

The Propco II Plan Debtors will conduct a marketing and sale process and may hold an Auction of all or substantially all of the Propco II Debtor’s assets in accordance with the Propco II Bidding Procedures to determine the Successful Bidder. The Propco II Bidding Procedures will set forth the terms of any initial

Minimum Overbid Amount. The Debtors will seek to elicit a higher or better Sale Transaction offer, if any, pursuant to the process set forth in the Propco II Bidding Procedures.

Pursuant to the Propco II Bidding Procedures, July 16, 2018 at 5:00 p.m., prevailing Eastern Time is the initial bid deadline whereby non-binding indications of interest must be submitted. If a second phase of the bidding process is determined to be necessary, the Special Servicer and the Debtors have agreed to negotiate in good faith to determine the date of the Final Bid Deadline (as defined in the Propco II Bidding Procedures). If no entity submits an initial non-binding indication of interest of \$375 million (or if no group of entities submit non-binding indications of interest aggregating to at least \$375 million), the Propco II Debtor will not initiate a second phase of the bid process, and the Purchaser will be deemed the Successful Bidder for purposes of the Sale Transaction. If the Propco II Debtor initiates a second phase of the bid process in accordance with the court approved bid procedures and the individual bids of the parties do not exceed the Trust's credit bid, the Purchaser will be deemed the Successful Bidder for purposes of the Sale Transaction.

If the Propco II Plan Debtors are able to secure such a higher or better Sale Transaction offer in accordance with the Propco II Bidding Procedures, and the Successful Bidder is an Entity other than the Purchaser, the Trust will be paid the Sale Proceeds up to the allowed amount of its Mortgage Loan Claims as set forth in Article III of the Plan and the Sale Transaction will be consummated pursuant to the terms of the Plan, or in accordance with sections 363 and 365 of the Bankruptcy Code. If the Propco II Plan Debtors are unable to secure such higher or better Sale Transaction offer at the conclusion of the marketing and Auction process contemplated by the Propco II Bidding Procedures, the Purchaser will be deemed to be the Successful Bidder and the Debtors will proceed to consummate the Sale Transaction by and between the Propco II Debtor and the Purchaser, as the Successful Bidder, pursuant to the terms of the Plan, or in accordance with sections 363 and 365 of the Bankruptcy Code if the Purchaser exercises the Sale Order Election.

If a credit bid of the Purchaser is the Successful Bid, (i) there will be no distribution to Class A4 General Unsecured Claims against Propco II, Class A5 Propco II Interests, or any class of Claims against or Interests in the Giraffe Junior Debtor and (ii) the Assumed Liabilities of the Purchaser shall include Administrative Claims, Professional Fee Claims, Other Secured Claims, Priority Claims, and Priority Tax Claims, in each case against Propco II, not to exceed the aggregate amounts of such claims listed on Schedule 1 of the Plan. Pursuant to the Purchase Agreement, if the aggregate amount of all Administrative Claims asserted against Propco II as of the latest deadline set by the Court for the filing of proofs of Administrative Claims exceeds the aggregate amount of Administrative Claims listed on Schedule 1 of the Plan, the Purchaser may elect to consummate the Sale Transaction pursuant to a Sale Order rather than the Plan, in which case certain Administrative Claims against Propco II may not be paid; *provided* that the Propco II Debtor and the Purchaser shall engage in good faith discussions regarding the amount of the Administrative Claims asserted and whether such claims are reasonably likely to be Allowed before the Purchaser elects to consummate the Sale Transaction pursuant to a sale order.

The Purchaser shall have the right, in its sole discretion, to remove any of the Propco II Debtor's assets from the Purchaser Bid (as defined in the Plan). If the Propco II Plan Debtors do not initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Purchaser shall identify the Excluded Assets (as defined in the Plan) on or before July 16, 2018. If the Propco II Plan Debtors initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Purchaser shall identify the Excluded Assets no later than ten (10) days before the closing of the Sale Transaction. To the extent there are Excluded Assets and the Propco II Plan Debtors do not initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Propco II Plan Debtors shall include in the Plan Supplement the method for disposition of such Excluded Assets. Additionally, in the event there are Excluded Assets, the Credit Bid shall be reduced by the Allocated Loan Amount (as defined in the Mortgage Loan Agreement) for each Excluded Asset.

D. Corporate Action.

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, the Propco II Plan Debtors, or any other Entity or Person. All matters provided for in the Plan involving the corporate structure of the Propco II Plan Debtors, and any corporate action required by the Propco II Plan Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Propco II Plan Debtors or their Estates.

Upon the Effective Date or as soon as reasonably practicable thereafter, after making all distributions provided for under the Plan, the Propco II Plan Debtors shall be deemed to have been dissolved and terminated.

Upon the Effective Date or as soon as reasonably practicable thereafter, the existing board of directors and managers, as applicable, of the Propco II Plan Debtors shall be dissolved without any further action required on the part of the Propco II Plan Debtors or the Propco II Plan Debtors' officers, directors, shareholders, and members and any remaining officer or directors of the Propco II Plan Debtors shall be dismissed without any further action required on the part of the Propco II Plan Debtors, the shareholders of the Propco II Plan Debtors, or the officers and directors of the Propco II Plan Debtors. The directors, managers, and officers of the Propco II Plan Debtors shall be authorized to execute, deliver, and File, or record such contracts, instruments, and other agreements or documents and take such other actions as they may deem necessary or appropriate in their sole discretion to implement the provisions of Article IV.H of the Plan.

The authorizations and approvals contemplated by Article IV.H of the Plan shall be effective notwithstanding any requirements under applicable nonbankruptcy law.

E. Recoveries to Certain Holders of Claims and Interests.

The recoveries to Holders of Claims and Interests are described in Article III.D of this Disclosure Statement, entitled "What will I receive from the Propco II Plan Debtors if the Plan is consummated?"

F. Releases.

The Plan contains certain releases, as described in Article III.K of this Disclosure Statement entitled "Will there be releases and exculpation granted to parties in interest as part of the Plan?"

The Plan provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties; provided that any Holder of a Claim or Interest that votes to reject the Plan (and thereby opts out of the releases) shall not be a "Released Party" or a "Releasing Party" under the Plan.

The release, exculpation, and injunction provisions that are contained in the Article VIII of the Plan are copied in pertinent part below.

1. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable

distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Propco II Plan Debtors' Estates shall be fully released, settled, and compromised, and the holder of such mortgages, deeds of trust, Liens, pledges, or other security interest against any property of the Propco II Plan Debtors' Estates shall be authorized to take such actions as may be reasonably requested by the Propco II Plan Debtors to evidence such releases.

Without limiting the foregoing, and except as otherwise provided in the Purchase Agreement, all assets shall be transferred to the Purchaser free and clear of all Claims, Liens, encumbrances or Interests, including transfer taxes, pursuant to sections 363, 365, or 1123 of the Bankruptcy Code, as applicable.

2. Debtor Release.

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Propco II Plan Debtors and the Propco II Plan Debtors' Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives, and any and all other entities who may purport to assert any Cause of Action, directly or derivatively, by, through, for, or because of the foregoing entities, from any and all Causes of Action, including any derivative claims, asserted on behalf of the Propco II Plan Debtors, that the Propco II Plan Debtors or the Propco II Plan Debtors' Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim against, or Interest in, the Propco II Plan Debtors or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Propco II Plan Debtors, the Propco II Plan Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Sale Transaction, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the Sale Transaction, the Plan, or the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, any claims or defenses under the Intercreditor Agreement, or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including, the Purchase Agreement.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Article VIII.B of the Plan by the Propco II Plan Debtors, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in Article VIII.B of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (2) in the best interest of the Propco II Plan Debtors and all Holders of Interests and Claims; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to the Propco II Plan Debtors asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

3. Third Party Release.

As of the Effective Date, each Releasing Party is deemed to have released and discharged the Propco II Plan Debtors and each Released Party from any and all Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Propco II Plan Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Propco II Plan Debtors, the Propco II Plan Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Sale Transaction, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the Sale Transaction, the Plan, or the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, any claims or defenses under the Intercreditor Agreement, or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including the Purchase Agreement.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Article VIII.C of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in Article VIII.C of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (2) in the best interests of the Debtors and all Holders of Interests and Claims; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to any of the Releasing Parties asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

4. Exculpation.

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur any liability with respect to, and each Exculpated Party is released and exculpated from any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Plan, the Sale Transaction, or any Restructuring Transaction, contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, except for claims related to any act or omission that is determined in a Final Order to have constituted actual fraud or gross negligence, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and,

therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

Notwithstanding anything contained herein to the contrary, the foregoing exculpation does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, any claims or defenses under the Intercreditor Agreement, or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including the Purchase Agreement.

5. Injunction.

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan, the Purchase Agreement, or the Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been compromised, settled, or released, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Propco II Plan Debtors, the Exculpated Parties, or the Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

Upon entry of the Confirmation Order, all Holders of Claims and Interests and their respective current and former employees, agents, officers, directors, principals, and direct and indirect affiliates shall be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan. Each Holder of an Allowed Claim or Allowed Interest, as applicable, by accepting, or being eligible to accept, distributions under or Reinstatement of such Claim or Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Article VIII.E of the Plan.

V. VOTING AND CONFIRMATION

A. Class Entitled to Vote on the Plan.

As described more fully above, Class A3 (Mortgage Loan Secured Claims against Propco II), Class A4 (General Unsecured Claims against Propco II), Class A5 (Propco II Interests), Class B1 (Other Secured Claims against Giraffe Junior), Class B2 (Other Priority Claims against Giraffe Junior), Class B3 (Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior), Class B4 (General Unsecured Claims against Giraffe Junior), and Class B5 (Giraffe Junior Interests) are the only classes entitled to vote to accept or reject the Plan (the "Voting Classes").

If your Claim or Interest is not included in the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package or a Ballot. If your Claim is included in the Voting Classes, you should read your Ballot and carefully follow the instructions set forth therein. Please use only the Ballot that accompanies this Disclosure Statement or the Ballot that the Propco II Plan Debtors, or the Solicitation Agent on behalf of the Propco II Plan Debtors, otherwise provide to you.

B. Votes Required for Acceptance by a Class.

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims or interests is determined by calculating the amount and, if a class of claims, the number, of claims and interests voting to accept, as a percentage of the allowed claims or interests, as applicable, that have voted. Each Class of Claims or Interests entitled to vote on the Plan will have accepted the Plan if: (a) the Holders of at least two-thirds in dollar amount of the Claims or Interests actually voting in each Class vote to accept the Plan; and (b) the Holders of more than one-half in number of the Claims actually voting in each Class vote to accept the Plan.

C. Certain Factors to Be Considered Prior to Voting.

There are a variety of factors that all Holders of Claims and Interests entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan, including that:

- the financial information contained in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement;
- although the Propco II Plan Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Propco II Plan Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;
- the Propco II Plan Debtors may request Confirmation without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code; and
- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims or Professional Fee Claims.

While these factors could affect distributions available to Holders of Allowed Claims and Interests under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of Holders within the Voting Classes or necessarily require a re-solicitation of the votes of Holders of Claims and Interests in such Voting Classes.

For a further discussion of risk factors, please refer to Article IX hereof, entitled “Risk Factors.”

D. Solicitation Procedures.

1. Solicitation Agent.

The Propco II Plan Debtors retained Prime Clerk LLC (“Prime Clerk”) to act, among other things, as the solicitation agent (the “Solicitation Agent”) in connection with the solicitation of votes to accept or reject the Plan.

2. Solicitation Package.

Holders of Claims and Interests who are entitled to vote to accept or reject the Plan as of July 2, 2018 (the “Voting Record Date”), will receive appropriate solicitation materials (the “Solicitation Package”), which will include, in part, the following:

- the appropriate Ballot(s) and applicable voting instructions, together with a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement, including the Plan as an exhibit thereto.

3. Distribution of the Solicitation Package and Plan Supplement.

The Propco II Plan Debtors will use their reasonable best efforts to cause Prime Clerk to distribute solicitation packages, including ballots, to Holders of Claims and Interests entitled to vote to accept or reject the Plan as soon as practicable following the conclusion of the hearing on the Disclosure Statement, and no later than the solicitation deadline of **July 6, 2018**.

The Solicitation Package (except for the Ballots) may also be obtained: (a) from Prime Clerk by (i) visiting <https://cases.primeclerk.com/toysrus>, (ii) writing to Prime Clerk at Toys “R” Us Property Company II, LLC, Ballot Processing Center, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusballots@PrimeClerk.com; or (b) for a fee via PACER at <http://www.vaeb.uscourts.gov>.

At least seven (7) days prior to the Voting Deadline, the Propco II Plan Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be filed with the Bankruptcy Court and made available at <https://cases.primeclerk.com/toysrus>. The Propco II Plan Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement: (a) from Prime Clerk by (i) visiting <https://cases.primeclerk.com/toysrus>, (ii) writing to Prime Clerk at Toys “R” Us Property Company II, LLC, Ballot Processing Center, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusballots@PrimeClerk.com; or (b) for a fee via PACER at <http://www.vaeb.uscourts.gov>.

As described above, certain Holders of Claims may not be entitled to vote because they are Unimpaired or are otherwise presumed to accept the Plan under section 1126(f) of the Bankruptcy Code. In addition, certain Holders of Claims and Interests may be Impaired but are receiving no distribution under the Plan, and are therefore deemed to reject the Plan and are not entitled to vote. Such Holders will receive only the Confirmation Hearing Notice and a non-voting status notice. The Propco II Plan Debtors are only distributing a Solicitation Package, including this Disclosure Statement and a Ballot to be used for voting to accept or reject the Plan, to the Holders of Claims or Interests entitled to vote to accept or reject the Plan as of the Voting Record Date.

E. Voting Procedures.

If, as of the Voting Record Date, you are a Holder of a Class A3, Class A4, Class A5, Class B1, Class B2, Class B3, Class B4, or Class B5 Claim or Interest, you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by completing the Ballot and returning it in the envelope provided. If your Claim or Interest is not included in the Voting Classes, then you are not entitled to vote and you will not receive a Solicitation Package. Except as otherwise set forth herein, the Voting Record Date and all of the Propco II Plan Debtors’ solicitation and voting procedures shall apply to all of the Propco II Plan Debtors’ creditors and other parties in interest.

1. Voting Deadline.

The deadline to vote on the Plan is **July 25, 2018, at 4:00 p.m., prevailing Eastern Time** (the “Voting Deadline”). To be counted as a vote to accept or reject the Plan, a Ballot must be properly executed, completed, and delivered, whether by first class mail, overnight delivery, personal delivery, or electronic online submission so that the Ballot is **actually received** by Prime Clerk no later than the Voting Deadline.

2. Voting Instructions.

As described above, the Propco II Plan Debtors have retained Prime Clerk to serve as the Solicitation Agent for purposes of the Plan. Prime Clerk is available to answer questions, provide additional copies of all materials, oversee the voting process, and process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS
To be counted, all Ballots must be <u>actually received</u> by Prime Clerk by the Voting Deadline, which is July 25, 2018, at 4:00 p.m., prevailing Eastern Time , at the following address:
Toys “R” Us Property Company II, LLC Ballot Processing Center c/o Prime Clerk LLC 830 Third Avenue, 3rd Floor New York, New York 10022
If you have any questions on the procedure for voting on the Plan, please call the Propco II Plan Debtors’ restructuring hotline maintained by Prime Clerk at:
(844) 794-3476 (toll free) (917) 962-8499 (International)

More detailed instructions regarding the procedures for voting on the Plan are contained in the Ballots distributed to Holders of Claims and Interests that are entitled to vote to accept or reject the Plan. All votes to accept or reject the Plan must be cast by using the appropriate Ballot. All Ballots must be properly executed, completed, and delivered according to their applicable voting instructions by: (i) first class mail, in the return envelope provided with each Ballot; (ii) overnight courier; (iii) hand-delivery; (iv) electronic online submission at <https://cases.primeclerk.com/toysrus>, so that the Ballots are **actually received** by Prime Clerk no later than the Voting Deadline in accordance with the procedures set forth in the applicable Ballot. Any Ballot that is properly executed by the Holder of a Claim or Interest entitled to vote that does not clearly indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted.

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan may cast only one Ballot for each Claim or Interest in a Voting Class held by such Holder. By signing and returning a Ballot, each Holder of a Claim or Interest entitled to vote will certify to the Bankruptcy Court and the Propco II Plan Debtors that no other Ballots with respect to such Claim or Interest have been cast or, if any other Ballots have been cast with respect to such Claim or Interest, such earlier Ballots are superseded and revoked.

All Ballots will be accompanied by postage prepaid return envelopes. It is important to follow the specific instructions provided on each Ballot, as failing to do so may result in your Ballot not being counted.

The Plan provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in voting classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties; provided that any Holder of a Claim or Interest that votes to reject the Plan (and thereby opts out of the releases) shall not be a “Released Party” or a “Releasing Party” under the Plan.

3. Ballots Not Counted.

No Ballot will be counted toward Confirmation if, among other things: (i) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim or Interest; (ii) it was transmitted by means other than as specifically set forth in the Ballots; (iii) it was cast by an entity that is not entitled to vote on the Plan; (iv) it was cast for a Claim listed in the Propco II Plan Debtors’ schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no proof of claim was timely filed; (v) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (vi) it was sent to any party other than the Solicitation Agent; (vii) it is unsigned; or (viii) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

F. Disclosure Statement Objection Deadline

Parties must object to approval of the Disclosure Statement on a final basis by **July 9, 2018, at 4:00 p.m., prevailing Eastern Time**. All objections to the approval of the Disclosure Statement on a final basis must be filed with the Bankruptcy Court and served on the Propco II Plan Debtors, counsel to the Committee, and certain other parties in interest so that they are **actually received** on or before the objection deadline.

G. Plan Objection Deadline.

Parties must object to Confirmation of the Plan by **July 25, 2018, at 4:00 p.m., prevailing Eastern Time** (the “**Plan Objection Deadline**”). All objections to the Plan must be filed with the Bankruptcy Court and served on the Propco II Plan Debtors, counsel to the Committee, and certain other parties in interest so that they are **actually received** on or before the Plan Objection Deadline.

H. Confirmation Hearing.

Assuming the requisite acceptances are obtained for the Plan, the Propco II Plan Debtors intend to seek final approval of this Disclosure Statement and Confirmation of the Plan at the Confirmation Hearing. The Confirmation Hearing is scheduled to commence on **July 30, 2018, at 9:00 a.m., prevailing Eastern Time**, before the Honorable Keith L. Phillips, in the United States Bankruptcy Court for the Eastern District of Virginia, located at 701 East Broad Street, Suite 4000, Richmond, Virginia 23219. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the entities who have filed objections to the Plan, without further notice to other parties in interest. The Bankruptcy Court, in its discretion and before the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

VI. THE PROPCO II PLAN DEBTORS' HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. History of Toys "R" Us, Inc. (Propco II's Parent).

Seeking to capitalize on the post-World War II baby boom, Charles Lazarus, the founder of Toys "R" Us, Inc., first opened Children's Bargain Town, a baby furniture store, in Washington D.C. in 1948. After the success of adding toys and baby products to Children's Bargain Town, Lazarus shifted focus and opened his first store dedicated exclusively to toys in 1957 and called it Toys "R" Us Inc. The Company went on to open big-box stores across the United States, dominating toy sales with deep discounts and a huge selection, squeezing out smaller mom-and-pop toy shops.

Toys "R" Us, Inc. completed an initial public offering in 1978. Over time, the Company grew into a toy conglomerate with a broad, loyal customer base. The Company expanded internationally in 1984 with its first wholly-owned store in Canada and a licensed operation in Singapore. The Company launched Toysrus.com in 1998. In addition, the company launched its first Babies "R" Us location in 1996. Babies "R" Us stores focus solely on baby products and furniture, aiming to provide shopping expertise and specialized products for new families.

Toys "R" Us was acquired and taken private in 2005. Following a highly competitive process, an investment group led by entities advised by or affiliated with Bain Capital Private Equity, LP, Kohlberg Kravis Roberts & Co. L.P., and Vornado Realty Trust bought Toys "R" Us for approximately \$6.6 billion, including \$5.3 billion of debt secured in large part by company assets. After going private, Toys "R" Us further expanded its international presence, primarily in China and Southeast Asia.

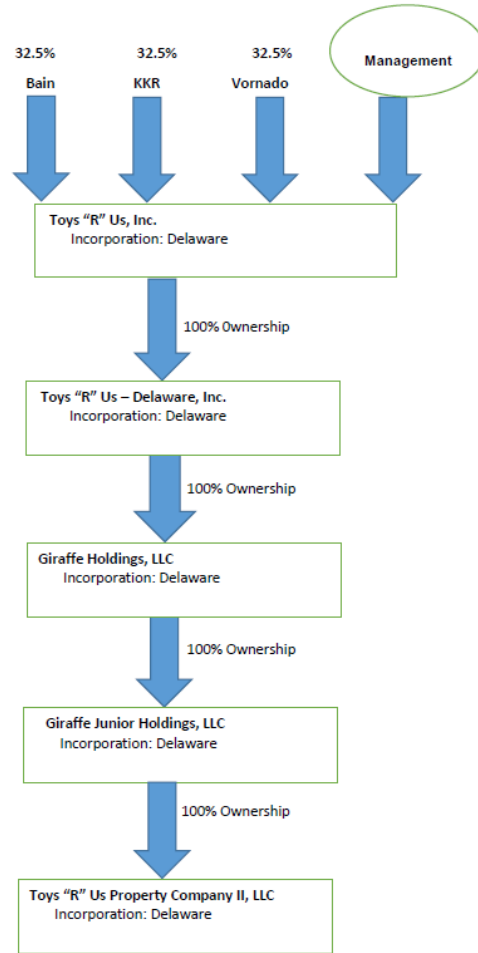
B. History of Propco II and Giraffe Junior.

Propco II and Giraffe Junior were both incorporated in 2005 as Delaware limited liability companies as part of a legal reorganization of the businesses of the Company. As part of the reorganization, Propco II received, as contributions from Toys-Delaware and other affiliates, certain of the Company's real property assets, which Propco II leased to Toys-Delaware in accordance with the Master Lease up until the Master Lease was rejected on June 30, 2018. Therefore, Propco II has historically operated as a property holding company for Toys Delaware.

Prior to the chapter 11 filing of Propco II and Giraffe Junior, independent managers were appointed at Propco II and Giraffe Junior. The LLC agreement for each entity requires that two independent managers consent to taking any "Material Action"⁹ so long as (a) the Giraffe Junior Mezzanine Loan is outstanding (in the case of Material Actions of Giraffe Junior), or (b) the Giraffe Junior Mezzanine Loan or Propco II Mortgage Loan are outstanding (in the case of Material Actions of Propco II).

A simplified corporate structure chart showing Propco II in relation to Giraffe Junior, Toys Delaware, and Toys "R" Us, Inc. is set forth below.

⁹ "Material Action" means (i) the filing, or consent to the filing, of a bankruptcy or insolvency petition, (ii) any general assignment for the benefit of creditors or the institution of any other insolvency proceeding, (iii) the seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official in respect of the Company, (iv) admitting in writing in a legal proceeding the Company's inability to pay its debts generally as they become due (unless failure to do so is a violation of law), or (v) to the fullest extent permitted by law, the dissolution, liquidation, consolidation, merger or sale of all or substantially all of its assets.



C. Propco II Plan Debtors’ Current Assets and Operations

The Propco II Debtor is a direct subsidiary of the Giraffe Junior Debtor, and both are indirect wholly owned subsidiaries of Debtor Toys “R” Us, Inc. The Giraffe Junior Debtor’s primary asset is its 100% ownership interest in Propco II.

The Propco II Debtor owns fee simple and leasehold interests in, collectively, 123 real properties located in 29 states, which include 112 owned real estate stores and eleven (11) ground leasehold interests. Pursuant to the Master Lease, Propco II leased the Properties to Toys Delaware on a triple-net basis, which means that under the Master Lease, Toys Delaware paid all real estate taxes, building insurance, and maintenance on the Properties up until the Master Lease was rejected on June 30, 2018. As a result, substantially all of Propco II’s revenues and cash flows derive from payments from Toys Delaware under the Master Lease.

D. Propco II Plan Debtors’ Capital Structure.

1. Propco II Mortgage Loan.

On November 3, 2016, Propco II entered into a floating-rate loan as borrower with Goldman Sachs Mortgage Company and Bank of America N.A., as lenders in the initial amount of \$512 million (the “Propco II Mortgage Loan”) pursuant to that certain Loan Agreement (as amended, novated, supplemented,

extended or restated from time to time, the “Mortgage Loan Agreement”). The Mortgage Loan is evidenced by two promissory notes, each in the original principal amount of \$256 million, made by Propco II on the same date: (a) Promissory Note A-1 in favor of Goldman Sachs Mortgage Company and (b) Promissory Note A-2 in favor of Bank of America N.A. The Mortgage Loan has a maturity date of November 9, 2019.

Several additional transactions were executed on November 3, 2016, to securitize the Propco II Mortgage Loan into commercial mortgage-backed securities. First, the TRU Trust 2016-TOYS, Commercial Mortgage Pass-Through Certificates, Series 2016-TOYS (the “Trust”) was established by TRU 2016-1 Depositor, LLC, as depositor (the “Depositor”) pursuant to that certain Trust and Servicing Agreement, dated as of November 3, 2016 (the “Servicing Agreement,” and together with the Mortgage Loan Agreement, the “Mortgage Loan Documents”), by and among the Depositor and Wells Fargo Bank, National Association, in its capacity as servicer, special servicer, and certificate administrator. Following the creation of the Trust, the Propco II Mortgage Loan was transferred to the Trust pursuant to, among other things, (i) that certain Mortgage Loan Purchase and Sale Agreement, dated as of November 3, 2016, among the Original Lenders and TRU 2016-1 Depositor, LLC, as depositor, (ii) that certain Allonge to Promissory Note A-1, dated November 3, 2016, from Goldman Sachs to Wilmington Trust, National Association, solely in its capacity as Trustee for the Certificate Holders (as defined below), and (iii) that certain Allonge to Promissory Note A-2, dated November 3, 2016, from Bank of America N.A. to Wilmington Trust, National Association, solely in its capacity as Trustee for the Certificate Holders. Next, in exchange for the Propco II Mortgage Loan, the Trust issued to the Depositor certificates evidencing the entire beneficial interest in the Trust. These certificates were sold and transferred through certain placement agents to investors (collectively, the “Certificate Holders”). Pursuant to the Servicing Agreement, Wells Fargo Bank, National Association was appointed as the special servicer (the “Special Servicer”) of the Propco II Mortgage Loan.

The Propco II Mortgage Loan is secured by, among other things, a first lien mortgage on the Properties. Toys “R” Us, Inc. guaranteed the payment and performance of liabilities of Propco II under the Mortgage Loan Agreement for damages resulting from certain breaches or actions, including certain intentional abuses or destruction of the Properties, fraud, intentional misrepresentation, willful misconduct, misappropriation or intentional misapplication of funds, the failure of Propco II to remain a single purpose entity and certain other violations of the Mortgage Loan Agreement and related loan documents. The Debtors believe such guarantee was triggered by the filing of the chapter 11 cases.

As of the Petition Date, approximately \$507 million in aggregate principal amount remained outstanding under the Propco II Mortgage Loan. The Propco II Mortgage Loan is Propco II’s only funded debt.

2. Mezzanine Loan Agreement

On November 3, 2016, Giraffe Junior entered into a mezzanine loan agreement (the “Mezzanine Loan Agreement”) with certain funds managed by Brigade Capital Management, LP, providing for a fixed-rate loan (the “Giraffe Junior Mezzanine Loan”) in the initial principal amount of \$88 million. The Giraffe Junior Mezzanine Loan accrues interest at a non-default fixed rate of 12.50% per annum.

The Giraffe Junior Mezzanine Loan is secured by a first priority pledge of all of Giraffe Junior’s ownership interests in Propco II, together with certain accounts and other related collateral of Giraffe Junior, pursuant to a pledge and security agreement. Toys “R” Us, Inc. guaranteed the payment and performance of Giraffe Junior under the Mezzanine Loan Agreement. The Propco II Plan Debtors’ believe Toys “R” Us, Inc. guaranteed the payment and performance of liabilities of Propco II under the Giraffe Junior Mezzanine Loan for damages resulting from certain breaches or actions, including certain intentional abuses or destruction of the Properties, fraud, intentional misrepresentation, willful misconduct, misappropriation or intentional misapplication of funds, the failure of Propco II to remain a single purpose entity and certain other violations of the Giraffe Junior Mezzanine Loan and related loan documents. The

lender for the Giraffe Junior Mezzanine Loan believes it is an unqualified guarantee for payment under the Giraffe Junior Mezzanine Loan. The Propco II Plan Debtors disagree with this position and all parties' rights are reserved. The Debtors believe such guarantee was triggered by the filing of the chapter 11 cases. Under that certain Intercreditor Agreement, dated November 3, 2016, all rights to payment under the Mezzanine Loan Agreement are subordinated to rights to payment under the Mortgage Loan Agreement, which must be paid in full in cash prior to any distributions under the Mezzanine Loan Agreement.

3. Propco II Plan Debtors' Interests.

Giraffe Junior, an indirect, wholly-owned subsidiary of Toys "R" Us., Inc., owns 100% of the equity interests in Propco II.

Giraffe Holdings, LLC, an indirect, wholly-owned subsidiary of Toys "R" Us., Inc., owns 100% of the equity interests in Giraffe Junior.

VII. EVENTS LEADING TO THE CHAPTER 11 FILING OF PROPCO II AND ITS AFFILIATES

A confluence of factors contributed to the need for Toys "R" Us, Inc. and its debtor affiliates, including Propco II to commence chapter 11 cases, including market trends and a highly-leveraged capital structure. In light of shifting consumer demand toward online marketplaces and competition from one-stop retailers such as Walmart® and Target®, the Company's revenue has trended downwards over the past five years, decreasing profits and increasing leverage. Although the Company has managed its complex, highly-leveraged capital structure by refinancing its debt obligations before they come due, the Company's cash debt service burden of approximately \$400 million per year was unsustainable. As a result, the Company concluded that a comprehensive deleveraging would be required to allow the Company to right-size its balance sheet, make necessary investments, and maximize the long-term value of the business.

The Company also faced certain liquidity challenges that reduced the Company's strategic flexibility in executing a deleveraging strategy. In the face of these liquidity concerns, the Company worked with its advisors to investigate the possibility of raising approximately \$200 million of incremental liquidity. The Company and its advisors engaged with potential lenders and their advisors regarding alternative structures to raise the necessary incremental funds, including considering a sale-leaseback transaction with certain existing lenders. Ultimately, no such liquidity-enhancing transaction proved to be viable.

With the goal of implementing a comprehensive deleveraging, but without a solution to near-term liquidity pressures, the Company asked its advisors to focus on contingency planning, including securing debtor-in-possession financing and preparing for an orderly chapter 11 filing. When news broke that the Company was considering restructuring options, including a chapter 11 filing, trade and credit insurers immediately began to pull terms and cease shipping product. As a result, the Company accelerated its preparations for chapter 11 cases, finalized negotiations, and documented debtor-in-possession financing arrangements.

A. Refinancing Efforts.

The Company as a whole has a large and complex organizational and capital structure. Historically, when faced with pending debt maturities, the Company has sought and obtained refinancing of such pending debt, generally extending the maturities to avoid making large cash payments. This substantial debt-service burden hampered the Company's operational investment.

The capital structure of the Propco II Plan Debtors is made up of solely the Propco II Mortgage Loan and the Giraffe Junior Mezzanine Loan. On November 3, 2016, Propco II completed \$512 million of Commercial Mortgage-Backed Securities financing and \$88 million of mezzanine financing. The proceeds and a \$51 million rent prepayment from Toys Delaware to Propco II in conjunction with an amendment to the Master Lease agreement, along with cash on hand were used to redeem the aggregate principal amount of \$725 million of 8.500% senior secured notes due 2017 of Propco II. Propco II entered into the Mortgage Loan Agreement, providing for a floating-rate loan in the initial principal amount of \$512 million.

B. Operational and Market Considerations.

The Company faced challenges to its liquidity resulting from operational struggles, outdated technology, and a failure to adapt to market changes.

Following the close of the 2013 fiscal year, the Company recognized the need to implement broad organizational changes to confront market headwinds and drive increased revenue. Over the next several years, the Company's Board of Directors conducted executive searches and hired several new executives. The Board of Directors and management began making short-term and long-term strategic changes to, among other things, the Company's inventory and supply chain process, website and IT platform, and store formats. Additionally, the Company invested in and expanded to strategic geographic markets to stabilize and grow topline sales. Yet, despite the Company's best efforts, the overall revenue trend in the United States was declining as the Company struggled to maintain market share and compete in the changing retail environment.

The Company, like many other apparel and retail companies, faces a challenging environment as a result of pressure from competitive big box retailers and the general market shift towards online shopping. These factors left the Company with a relatively high cost structure coupled with decreasing revenues, resulting in diminishing cash flow. Certain trends, along with deep discounting to drive in-store sales, contributed to a 3.4 percent decrease in revenue during the 2016 holiday season as compared to the 2015 season, and negative or declining same-store sales trends. This trend continued into 2017.

On September 6, 2017, a news article stating that the Company was considering all strategic options, including a potential restructuring, was published. This news story was picked up by media outlets around the world and appeared on national television shows within hours. Within 72 hours, a significant percentage of the Company's vendors called the Company to inform them that they would not ship product without cash on delivery. In addition, as discussed above, the Company's international credit insurers withdrew their coverage. The impact on the Company's supply chain was fast and furious. Within a week, 40 percent of the supply chain refused to ship product and 10 days later, practically all of the Company's vendors had refused to ship without cash on delivery. The Company lost its access to product during the critical shipping period to build inventory for the holiday season.

The Company and its advisors worked feverishly during this period to finalize the terms of a debtor-in-possession financing facility to ensure that the Company would have sufficient liquidity to reactivate their supply chain, build inventory, and fund chapter 11 cases. Neither of the Propco II Plan Debtors, however, are obligors of the debtor in possession financing. The Company then initiated chapter 11 proceedings on September 19, 2017.

VIII. EVENTS OF THE CHAPTER 11 CASES

A. First and Second Day Relief.

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), the Propco II Plan Debtors and their co-debtors (the "Debtors") filed

several motions (the “First Day Motions”) designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors’ operations, by, among other things, easing the strain on the Debtors’ relationships with employees and vendors following the commencement of the Chapter 11 Cases. A brief description of the Debtors and their business and each of the First Day Motions and the evidence in support thereof is set forth in (i) the *Declaration of David A. Brandon, Chief Executive Officer of Toys “R” Us, Inc., in Support of Chapter 11 Petitions and First Day Motions* (the “Brandon Declaration”) and (ii) the *Declaration of Michael J. Short, Chief Financial Officer of Toys “R” Us, Inc., in Support of First Day Motions* (the “Short Declaration”) and together with the Brandon Declaration, the “First Day Declarations”), filed contemporaneously with the Debtors’ voluntary petitions for relief filed under chapter 11 of the Bankruptcy Code.

On October 10, 2017, the Debtors held their second day hearing before the Bankruptcy Court. At the second day hearing, the Bankruptcy Court granted certain of the first day relief on a final basis, including authority to continue to pay employee wages and benefits [Docket No. 703], insurance premiums [Docket No. 712], and taxes in the ordinary course of business [Docket No. 727]. In addition, the Bankruptcy Court entered a final order with regard to the Debtors’ cash management motion [Docket No. 704], and debtor-in-possession financing for certain North American Debtors [Docket No. 711]. The Bankruptcy Court also granted orders establishing procedures for interim compensation and reimbursement of expenses for retained professionals [Docket No. 746] and procedures regarding the transfer of Toys “R” Us, Inc.’s common stock [Docket No. 728].

The First Day Motions, the First Day Declarations, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at <https://cases.primeclerk.com/toysrus>.

B. Other Procedural and Administrative Motions.

The Propco II Plan Debtors also filed several other motions after the Petition Date to facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith, including motions and applications to retain professionals pursuant to sections 327 and 328 of the Bankruptcy Code, including Kirkland [Docket No. 219] and Kutak Rock LLP [Docket No. 215] as the Debtors’ legal counsel, Lazard Frères & Co. LLC as the Debtors’ investment banker [Docket No. 213], and Alvarez & Marsal North America, LLC as the Debtors’ restructuring advisor [Docket No. 212], which applications were all approved by the Bankruptcy Court. The Debtors filed a number of additional retention applications, including an application to retain A&G Realty Partners, LLC as real estate consultant and advisor to the Debtors’ [Docket No. 214], KPMG LLP as tax consultants and internal audit advisor to the Debtors [Docket No. 788], Ernst & Young LLP as the Debtors’ auditor [Docket No. 789], Shaw Fishman Glantz & Towbin LLC as conflicts counsel to Giraffe Holdings, LLC, Giraffe Junior, and Propco II [Docket No. 783], and Munger, Tolles & Olson LLP as counsel to Toys “R” Us, Inc. [Docket No. 770], which applications were all approved by the Bankruptcy Court. Toys Delaware also filed an application to employ Katten Muchin Rosenman LLP as its counsel [Docket No. 2908], which was approved by the Bankruptcy Court. The foregoing professionals are, in part, responsible for the administration of the Chapter 11 Cases. The postpetition compensation of all of the Debtors’ professionals retained pursuant to sections 327 and 328 of the Bankruptcy Code is subject to the approval of the Bankruptcy Court.

C. Litigation Matters.

In the ordinary course of business, the Propco II Plan Debtors are party to certain legal proceedings. With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Propco II Plan Debtors that were or could have been commenced before the commencement of the Chapter 11 Case. In addition, the Propco II Plan Debtors’ liability with respect to litigation stayed by the commencement of the chapter 11 cases generally

is settled and released upon confirmation of a plan under chapter 11, with certain exceptions. Therefore certain litigation Claims against the Propco II Plan Debtors may be subject to discharge in connection with the Chapter 11 Case.

D. Adequate Protection Orders.

On November 2, 2017, the Debtors filed a motion seeking approval from the Court for Propco II to provide adequate protection to the Trust in order to protect against any diminution in value of the collateral securing the Propco II Mortgage Loan. The Court entered an order [Docket No. 1003] (the “Initial Adequate Protection Order”) granting the Trust the following, as adequate protection: (i) adequate protection liens on all Propco II’s present and after-acquired property and assets; (ii) superpriority administrative expense claims against Propco II; (iii) payment of current interest at the non-default rate; (iv) amortization payments; (v) payment of late fees to the extent interest and amortization payments are not paid by the agreed upon payment date; (vi) Propco II’s continued compliance under the Master Lease Agreement; (vii) reimbursement of costs and expenses incurred by the Special Servicer in connection with the Mortgage Loan Documents; (viii) payment of securitization fees; (ix) all Revenues (as defined in the Mortgage Loan Agreement), after payment of certain adequate protection obligations of Propco II, would be released to the Special Servicer and applied to pay down the balance of the Mortgage Loan, and (x) Propco II would comply with all cash management provisions in the Mortgage Loan Agreement. Under the Initial Adequate Protection Order, the Propco II Debtor and the Committee reserved the right to seek recharacterization of certain adequate protection payments under the Initial Adequate Protection Order as payments of principal or on account of the Trust’s secured claim, subject to the claims and defenses of the Trust and the Special Servicer.

As part of the Initial Adequate Protection Order, all of the Debtors, on behalf of themselves and all parties in interest, waived all claims and challenges with respect to the indebtedness and liens of the Trust and the ability to bring actions for preferences, fraudulent transfers or conveyances. The Initial Adequate Protection Order did, however, grant the Committee time to investigate and bring certain claims on behalf of the Debtors’ estates, subject to an initial deadline of February 21, 2018. That deadline has been extended a number of times: to March 30, 2018 [Docket No. 1773]; then to April 30, 2018 [Docket No. 2461]; then to May 21, 2018 [Docket No. 2922]; then to June 6, 2018 [Docket No. 3134]; then to June 20, 2018 [Docket No. 3334]; then to June 27, 2018 [Docket No. 3460]; and finally to July 18, 2018 [Docket No. 3579], the current deadline to file a motion for standing to pursue solely the potential claims and causes of action that constitute a “Challenge” (meaning (i) objecting to or challenging the amount, validity, perfection, enforceability, priority, or extent of any of the Prepetition Secured Obligations or the Prepetition Encumbrances (both as defined in the Initial Adequate Protection Order), or (ii) otherwise asserting or prosecuting any action for preferences, fraudulent transfers or conveyances, other avoidance power claims or any other claims, counterclaims, or causes of action, objections, contests, or defenses) that were identified in the written report that was delivered to the Special Servicer on May 18, 2018; subject to all rights, claims, and defenses of the Trust and its Representatives (as defined in the Initial Adequate Protection Order). In accordance with the Initial Adequate Protection Order, the Committee continues to reserve the right to pursue such Challenges on behalf of the Debtors’ estates.

Certain additional claims or causes of action against the Propco II Debtor, Giraffe Junior Debtor or Giraffe Holdings, LLC may exist, and are not subject to the challenge deadline set forth in the Initial Adequate Protection Order. Such claims include, but are not limited to, recharacterization of the Master Lease and claims to recover overpayments by Toys Delaware under the Master Lease. In addition, nothing in the Plan impacts claims or causes of action against the Special Servicer or any other party held by any Debtor other than the Propco II Debtor, the Giraffe Junior Debtor or Giraffe Holdings, LLC.

On June 21, 2018, the Debtors filed a motion seeking approval of an order amending the Initial Adequate Protection Order (the “Amended Adequate Protection Order”), whereby (i) the Special Servicer would agree to carve out from its collateral certain fees and expenses of the Propco II Plan Debtors’ and the Committees’ professionals, subject to the Professional Fee Claims Cap, and (ii) the Trust would agree to fund certain costs, as set forth therein, necessary to maintain and preserve the Properties through the end of July 2018. Since the Master Lease was rejected or deemed rejected as of June 30, 2018 and the Propco II Plan Debtors have limited cash on hand, this amended order is necessary to maintain and preserve the Properties. Specifically, under the Amended Adequate Protection Order, costs necessary to maintain and preserve the Properties including taxes, rents, utilities, insurance premiums, common charges and other assessments, property management services, and the amount of corporate overhead owed to Toys Delaware shall be paid first from any cash on hand at Propco II and then by the Special Servicer in an amount not to exceed \$1.8 million, plus the cost of insurance. The amount of corporate overhead owed to Toys Delaware for the month of July 2018 shall be funded in an amount of no less than \$190,000, which includes a ten percent (10%) mark up for services provided by Toys Delaware for the month of July 2018. As set forth in the Amended Adequate Protection Order, all parties’ rights are expressly reserved with respect to the mark up, if any, for any services provided by Toys Delaware for any time after July 31, 2018.

Under the Amended Adequate Protection Order, Toys Delaware shall have no obligation to (i) pay or incur any costs unless sufficient funds have been deposited with Toys Delaware by Propco II or the Trust, (ii) pay or incur any costs to any third party in excess of amounts funded to Toys Delaware by Propco II for such purposes at any given time; and (iii) provide the services described in the Amended Adequate Protection Order on behalf of Propco II unless Propco II or the Trust has paid for such services in accordance with the terms of the Amended Adequate Protection Order.

On July [2], 2018, the Bankruptcy Court approved the Amended Adequate Protection Order.

E. Schedules and Statements

On November 16, 2017, the Propco II Debtor filed its Schedules of Assets and Liabilities [Docket No. 6] and Statements of Financial Affairs [Docket No. 8]. On the same day, the Giraffe Junior Debtor filed its Schedules of Assets and Liabilities [Docket No. 5] and Statements of Financial Affairs [Docket No. 6].

F. Appointment of Official Committee

On September 26, 2017, the U.S. Trustee filed the *Appointment of Unsecured Creditors Committee* [Docket No. 206], notifying parties in interest that the U.S. Trustee had appointed the Committee in the Chapter 11 Cases. The Committee is composed of the following members: Mattel, Inc., Huff Corporation, Evenflo Company Inc., KIMCO Realty, Simon Property Group, Inc., The Bank of New York Mellon, Euler Hermes North America Insurance Co., LEGO Systems, Inc., and Veritiv Operating Company. The Committee has retained Kramer Levin Naftalis & Frankel LLP and Wolcott Rivers Gates as its legal counsel, FTI Consulting, Inc. as its financial advisor, and Moelis & Company, LLC as its investment banker.

G. Wind Down

After filing the Chapter 11 Cases, the Debtors obtained debtor-in-possession financing to reopen their global supply chain and best position the company for a successful holiday season—a season that historically contributed approximately 40% of the Company’s annual revenue. However, the many obstacles facing the company proved insurmountable, and 2017 U.S. holiday sales came in well below projections. A combination of factors contributed to the Debtors’ performance, including: (i) delays and disruption associated with reopening the supply chain in chapter 11 and during the holiday season, (ii)

diversified competitors including Target, Walmart, and Amazon pricing toys at low-margins or as loss-leaders; prices at which the Debtors could not compete because they rely exclusively on toys for profit, (iii) a greater than expected decline in toy and gift card sales following the chapter 11 filing, and (iv) the Debtors' inability to offer online prices or shipping on more attractive terms than their competitors.

Notwithstanding the Debtors' thorough process (conducted in coordination with all stakeholders) to find a potential investor or financial or strategic buyer for all or any subset of the Debtors' U.S. operations, the Debtors' efforts did not result in a viable transaction.

The 2017 fiscal year earnings shortfall also triggered a series of reactions that frustrated prospects for reorganizing the U.S. business as a going-concern, which ultimately caused the Debtors to file a motion seeking authority to begin an orderly liquidation of their U.S. business.

On March 22, 2018, the Court entered an order [Docket No. 2344] authorizing the wind down and orderly liquidation of the Debtors' U.S. business. In connection therewith, the Court authorized the Debtors to conduct store closings at the Debtors' 735 remaining stores, pursuant to an agreement with certain store closing sale consultants. In connection with the agreement, the store closing sales were scheduled to end no later than June 30, 2018. As a result, the Company will no longer need the Properties after June 30, 2018 for continued operations and the Properties will "go dark."

H. Marketing Process and Sale Transaction

The Propco II Debtor and its advisors have engaged and will continue to engage in arm's-length, good faith negotiations with interested parties regarding a potential sale of all or substantially all of the assets of the Propco II Debtor's Estate.

On June 11, 2018, the Debtors filed a motion seeking approval of the Propco II Bidding Procedures and an expedited confirmation schedule, which, among other things, requested that the court establish certain dates and deadlines for the bidding procedures hearing, initial bid deadline, final bid deadline (if necessary), auction (if necessary), disclosure statement hearing, and sale hearing, which shall be the confirmation hearing if the sale of all or substantially all of the Propco II Debtor's assets are sold pursuant to the Plan, among other dates. The Propco II Plan Debtors and their advisors worked diligently with their stakeholders (including the Special Servicer) and their advisors to negotiate mutually acceptable modifications to the Propco II Bidding Procedures and sale timeline. On June 25, 2018, the Bankruptcy Court entered an order approving the Propco II Bidding Procedures.

Under the order approving the Propco II Bidding Procedures, the court approved the Purchaser as the stalking horse bidder for the Propco II Debtor's assets. As a stalking horse bidder, the Purchaser agrees to "credit bid" for Propco II's assets, meaning that the Purchaser will bid the amount of the Trust's Claim under the Propco II Mortgage Loan Documents. Under the stalking horse agreement, the Purchaser will acquire all of the real, personal, tangible, intangible and other property that is Collateral (as defined in the Propco II Mortgage Loan), including the Properties (as defined in the Propco II Mortgage Loan), certain designated contracts, prepaid assets (including prepaid taxes), certain purchased claims (including rejection claims against Toys Delaware resulting from the rejection of the Master Lease and any and all claims against the Special Servicer or the Trust) and cash (including the proceeds of the sale of any furniture, fixtures, and equipment owned by Propco II), but excluding the certain excluded assets, if any, free and clear of all claims, interests, liens and encumbrances, in accordance with procedures acceptable to the Special Servicer, in exchange for the Credit Bid, which is a combination of: (a) a credit bid of \$480 million of the obligations of Propco II under the Propco II Mortgage Loan less a dollar for dollar reduction for certain assumed claims, subject to credit bids of additional incremental amounts of the obligations of Propco II under the Propco II Mortgage Loan and Servicing Agreement in accordance with bidding procedures

sought pursuant to the Bid Procedures Motion; and (b) the Purchaser's assumption of certain assumed liabilities.

As set forth in the Propco II Bidding Procedures, parties will have until July 16, 2018 to submit non-binding indications of interest for the Propco II Debtor's assets. If the non-binding indications of interest for the Propco II Debtor's assets total, in the aggregate, more than \$375 million, a second phase of the bid process will be initiated. If a second phase is entered into, the sale hearing and plan objection deadline will be moved to a later date, and the Propco II Debtor and the Purchaser shall negotiate in good faith regarding the time period for such second phase of the bid process, including the date of the final bid deadline, provided that (i) the Auction shall occur no later than August 16, 2018, (ii) if the Stalking Horse Bidder is the successful bidder at the Auction, the closing of the sale shall occur no later than August 23, 2018, and (iii) if the Stalking Horse Bidder is not the successful bidder at the Auction, all closings, or the effective date of such closings, of the sales of individual properties shall occur on August 23, 2018, unless otherwise consented to by the Trust (such consent not to be unreasonably withheld, conditioned, or delayed), or such earlier date as determined by the Bankruptcy Court. The Propco II Debtor may consider any qualified bids for any portion of the Propco II Debtor's assets (the requirements for such qualified bids are described in the Propco II Bidding Procedures), provided that for such individual bids to be selected as the successful bidders at the Auction, the sum of such individual bids must collectively exceed the credit bid or the credit overbid of the Purchaser, as applicable, or, in each case, if otherwise consented to by the Special Servicer. If a bidder other than the Purchaser is the successful bidder, such bidder will be responsible for the Carry Costs on the Properties from the Auction through the closing of the Sale Transaction.

Please refer to the Propco II Bidding Procedures Order and the Propco II Bidding Procedures for additional information about the bidding requirements and the sale and marketing process.

IX. RISK FACTORS

Holders of Claims and Interests should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Propco II Plan Debtors' business or the Plan and its implementation.

A. Bankruptcy Law Considerations.

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to Holders of Allowed Claims and Interests under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims and Interests in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Propco II Plan Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Propco II Plan Debtors created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

3. The Propco II Plan Debtors May Fail to Satisfy Vote Requirements.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Propco II Plan Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Propco II Plan Debtors may seek to confirm an alternative chapter 11 plan or transaction. There can be no assurance that the terms of any such alternative chapter 11 plan or other transaction would be similar or as favorable to the Holders of Interests and Allowed Claims as those proposed in the Plan and the Propco II Plan Debtors do not believe that any such transaction exists or is likely to exist that would be more beneficial to the Estates than the Plan.

4. The Propco II Plan Debtors May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan “does not unfairly discriminate” and is “fair and equitable” with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Propco II Plan Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim or Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan is not confirmed by the Bankruptcy Court, it is unclear what, if anything, Holders of Interests and Allowed Claims against them would ultimately receive.

The Propco II Plan Debtors reserve the right to modify the terms and conditions of the Plan as necessary before Confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class of Claims or Interests, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property with a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

5. Nonconsensual Confirmation.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents’ request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any “insider” in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan “does not discriminate unfairly”

and is “fair and equitable” with respect to the dissenting impaired class(es). The Propco II Plan Debtors believe that the Plan satisfies these requirements, and the Propco II Plan Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

6. Exclusivity Period.

At the outset of the Chapter 11 Cases, the Bankruptcy Code gave the Propco II Plan Debtors the exclusive right to propose a chapter 11 plan and prohibited creditors and others from proposing a plan. The Propco II Plan Debtors will have retained the exclusive right to propose and solicit votes on the Plan upon filing their Petitions. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Propco II Plan Debtors’ ability to achieve confirmation of the Plan in order to achieve the Propco II Plan Debtors’ stated goals.

7. The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor’s assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Propco II Plan Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

8. The Propco II Plan Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan, the Propco II Plan Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

9. Risk of Non-Occurrence of the Effective Date.

Although the Propco II Plan Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

10. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to Holders of Allowed Claims and Interests under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders

certain Allowed Claims to be subordinated to other Allowed Claims. Other Debtors estates may hold Claims, including Claims for recharacterization of the Master Lease and overpayment of rent by Toys Delaware, against Propco II or Giraffe Junior that may impact recoveries at Propco II and Giraffe Junior. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Interests under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and Interests and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims and Interests may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims and Interests may vary from the estimated Claims and Interests contained in this Disclosure Statement. Moreover, the Propco II Plan Debtors cannot determine with any certainty at this time, the number or amount of Claims and Interests that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to Holders of Allowed Claims and Interests under the Plan.

11. Releases, Injunctions, and Exculpations Provisions May Not Be Approved.

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Propco II Plan Debtors or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan, and the Propco II Plan Debtors may not be able to obtain Confirmation of the Plan.

12. The Total Amount of Allowed General Unsecured Claims May Be Higher than Anticipated by the Propco II Plan Debtors.

With respect to Holders of Allowed General Unsecured Claims, the claims filed against the Propco II Plan Debtors' estates may be materially higher than the Propco II Plan Debtors estimated. As Holders of Allowed General Unsecured Claims receive a Pro Rata distribution, additional Claims could reduce the recovery.

13. Certain Tax Implications of the Plan.

Holders of Allowed Claims and Interests should carefully review Article XI of this Disclosure Statement entitled "Certain United States Federal Income Tax Consequences of the Plan," to determine how tax implications of the Plan and the Chapter 11 Cases may adversely affect the Holders of Claims and Interests.

B. Risks Related to the Propco II Plan Debtors' Businesses.

1. The Propco II Plan Debtors' Only Assets Are the Properties.

The Giraffe Junior Debtor's primary asset is its ownership interest in Propco II. The Propco II Debtor's only assets are the Properties and cash on hand. The Propco II Debtor has no operations or employees. Previously, the Propco II Debtor generated all of its revenues from rental payments made by Toys Delaware pursuant to the Master Lease. Because the Master Lease was rejected as of June 30, 2018, Toys Delaware will no longer make such payments and the Propco II Debtor will rely solely on its limited cash on hand to cover costs necessary to maintain and preserve the Properties, including taxes, ground rents, utilities, insurance premiums, common charges and other assessments, property management services, and corporate overhead owed to Toys Delaware (the "Carry Costs"). In accordance with the Amended

Adequate Protection Order, the Carry Costs shall first be paid by cash on hand at Propco II and then by the Trust, in an amount not to exceed \$1.8 million, plus the cost to insure the Properties, through the end of July 2018.

The Master Lease is a triple-net lease whereby Toys Delaware, as tenant, was obligated (prior to rejection) to pay most operating costs with respect to the Properties. Now that the Master Lease has been rejected, Toys Delaware is no longer paying the operating costs for the Properties, including the obligations to pay real estate taxes on the Properties and the rent owed under any underlying ground leases, insuring the Properties, maintaining the Properties in good repair and condition and in compliance with laws, remediating any environmental problems at the Properties, and restoring any Property following a casualty or condemnation. Thus, the Debtors have negotiated with the Special Servicer and sought approval of the Amended Adequate Protection Order to cover the Propco II Plan Debtors' Carry Costs through the end of July 2018.

The Properties include eleven (11) ground leases to which the Propco II Debtor is also a party, as tenant. As part of the Chapter 11 Cases, the Propco II Debtor must determine whether to assume, reject, or assume and assign its unexpired non-residential real property leases. By an order of the Bankruptcy Court [Docket No. 1329], unless a landlord consented to an extension, all unexpired non-residential real property leases of the Propco II Debtor were deemed rejected on April 16, 2018. Of Propco II's eleven (11) ground leases, nine (9) of the landlord counterparties agreed to an open-ended extension to assume, reject, or assume and assign their unexpired non-residential real property leases until not earlier than the confirmation of the Propco II Debtor's chapter 11 plan. Of the two remaining landlord counterparties, one landlord counterparty agreed to an extension until June 30, 2018 for the unexpired non-residential real property lease for store #7534 located at 492 State Road, Dartmouth Towne Center, N. Dartmouth, Massachusetts (the "N. Dartmouth Lease"), while the other remaining landlord counterparty agreed to an extension until August 31, 2018 for the unexpired non-residential real property lease for store #3518 located at 2003 Cheryl Drive, Pittsburgh, Pennsylvania (the "Cheryl Drive Lease"). The landlord counterparty to the Dartmouth Lease did not agree to a further extension. As a result, on June 29, 2018 the Debtors filed a notice to assume the Dartmouth Lease [Docket No. 3641]. The Purchaser has agreed that the Dartmouth Lease will not be an Excluded Asset.

If the Sale Transaction does not close on or before August 31, 2018, or the landlord counterparty to the Cheryl Drive Lease does not agree to a further extension, the Propco II Debtor will need to decide whether to assume or reject the unexpired non-residential real property lease. If the Propco II Plan Debtors does not assume, reject, or assume and assign the one unexpired non-residential real property lease on or before August 31, 2018, such lease will be deemed rejected.

2. If the Sale Order Election is Made, or the Administrative Claims Are Not Paid Or Otherwise Agreed, the Plan Cannot Be Confirmed.

To confirm a chapter 11 plan, section 1129(a)(9) of the Bankruptcy Code requires, among other things, that "except to the extent that the holder of a particular claim has agreed to a different treatment of such claim," claims entitled to administrative priority under 507(a)(2) or 507(a)(3) must be paid in full in order for a debtor to confirm a chapter 11 plan. To the extent that the Propco II Plan Debtors are unable to pay such claims in full or otherwise agree to treatment with the applicable holder, the Propco II Plan Debtors may be unable to confirm a chapter 11 plan.

As part of its stalking horse agreement with the Purchaser, if the Purchaser is the Successful Bidder, the Purchaser has the right to make the Sale Order Election (as defined in the Plan) if administrative claims, including those subject to the Professional Fee Claims Cap (as defined in the Plan) exceed \$10.365 million, the detail of which is set forth in Schedule 1 to the Plan and more fully discussed in Article III.H. herein. In this circumstance, the Propco II Debtor and the Purchaser shall engage in good faith discussions regarding

the amount of the Administrative Claims asserted and whether such claims are reasonably likely to be Allowed before the Purchaser elects to consummate the Sale Transaction pursuant to a sale order. If the Purchaser makes the election, the Plan will be withdrawn and the sale will proceed under section 363 of the Bankruptcy Code.

While the amounts set forth in Schedule 1 to the Plan represent an estimate of the administrative claims that the Propco II Plan Debtors expect to be asserted, such claims have not been finalized and additional amounts could be asserted that could increase the likelihood of the Sale Order Election (and subsequent withdrawal of the Plan). The bar date to file intercompany Administrative Claims against the Propco II Debtor is July 9, 2018; *provided, however* that July 23, 2018 shall be the deadline for any (x) intercompany Administrative Claims brought by the Committee on behalf of any other Debtor's estate against the Propco II Plan Debtors or their estates or (y) intercompany Administrative Claims on account of shared services provided by Toys Delaware. The bar date to file all other administrative claims against the Propco II Debtors is (a) July 16, 2018 for all Administrative Claims against the Propco II Plan Debtors arising on or prior to June 30, 2018, (b) for all claims arising after June 30, 2018, the 15th day of the month following the month in which the claim arose, and (c) 14 days following any hearing on a plan of liquidation, structured settlement, or other proposed resolution of the Propco II Chapter 11 Cases. In the case that the Purchaser is the Successful Bidder, the Propco II Plan Debtors and Committee professionals have agreed to the Professional Fee Claims Cap that would result in the administrative claims on account of professional fees being satisfied. In the case that the sale process moves into the second phase, the carrying costs will be funded by the Purchaser (which may ultimately be charged to a different successful bidder, if it is not the Purchaser), in an amount to be agreed at that time. If the Purchaser is not the successful bidder and the administrative claims, including Professional Fee Claims, cannot be satisfied in full on account of the successful bid, then the holder of the allowed administrative claim will need to agree to alternate treatment in order for the Plan to be confirmed.

3. A Termination Event Under the Amended Adequate Protection Order May Occur.

As a result of the Master Lease rejection, the Propco II Debtor lost its primary source of revenue. The Propco II Plan Debtors negotiated with the Special Servicer and sought approval of the Amended Adequate Protection Order to, in part, provide Propco II with additional funding to pay the carrying costs of the Properties through the end of July 2018. However, if a Termination Event (as defined in the Amended Adequate Protection Order) occurs, the Propco II Plan Debtors will likely not have the cash necessary to cover the carrying costs for the Properties. The Termination Events are set out in Schedule 1 of the Amended Adequate Protection Order.

4. Real Estate Investments Are Subject to Various Risks and Fluctuations and Cycles in Value and Demand, Many of Which Are Beyond Propco II's Control.

Certain events may decrease available cash, as well as the value of the Properties. These events include, but are not limited to:

- adverse changes in national or local economic and demographic conditions;
- inability to find new tenants after the Master Lease was deemed rejected on June 30, 2018;
- reductions in the level of demand for commercial space and changes in the relative popularity of properties;

- increases in the supply of or demand for commercial space in a particular area;
- fluctuations in interest rates, which could adversely affect the Propco II Plan Debtors' ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990;
- property and casualty losses, some of which may be uninsured;
- liens, encumbrances, zoning matters or other matters affecting title to or use of real estate;
- asbestos/lead related liabilities and costs of containment or removal and other environmental hazards at the Properties for which the Propco II Debtor may be liable, including those created by prior owners or occupants, existing tenants, adjacent land or other parties; and
- terrorist attacks which, among other things, could lead to damage to one or more of the Properties, result in higher costs for insurance premiums or diminished availability of insurance coverage for losses related to terrorist attacks.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in market rents or property values.

5. The Propco II Plan Debtors Will Not Be Able to Generate or Obtain Sufficient Cash to Service All of Their Indebtedness.

The Propco II Plan Debtors' ability to make scheduled payments on, or refinance their debt obligations depends on the Propco II Plan Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Propco II Plan Debtors' control. Since the Master Lease was rejected, the Propco II Plan Debtors will likely be unable to generate sufficient cash flow from operations or to obtain alternative sources of financing in an amount sufficient to fund the Propco II Plan Debtors' liquidity needs. As of the date hereof, the Propco II Plan Debtors only have access to additional funds through the end of July 2018 in accordance with the terms and conditions of the Amended Adequate Protection Order.

6. The Propco II Plan Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Propco II Plan Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include: (a) ability to develop, confirm, and consummate the Sale Transaction specified in the Plan; (b) ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with third parties; (d) ability to maintain contracts that are critical to the Propco II Plan Debtors' operations, including the ground leases; (e) ability of third parties to seek and obtain Bankruptcy Court approval to terminate contracts and other agreements with the Propco II Plan Debtors; (f) ability of third parties to seek and obtain Bankruptcy Court approval to terminate or shorten the exclusivity period for the Propco II Plan Debtors to

propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Propco II Plan Debtors' creditors and other third parties who have interest in the Chapter 11 Cases that may be inconsistent with the Propco II Plan Debtors' plans.

These risks and uncertainties could affect the Propco II Plan Debtors in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Propco II Plan Debtors' relationships with third parties, which in turn could adversely affect the Propco II Plan Debtors' financial condition. Also, the Propco II Plan Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Propco II Plan Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Propco II Plan Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Propco II Plan Debtors' plans.

7. Operating in Bankruptcy for a Long Period of Time May Harm the Propco II Plan Debtors.

A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Propco II Plan Debtors' businesses, financial condition, and liquidity. In addition, the longer the proceedings related the Chapter 11 Cases continue, the more likely potential purchasers will lose confidence in the Propco II Debtor's ability to sell its business and may seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Propco II Plan Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases.

Notably, the Master Lease was rejected as of June 30, 2018. Because the Master Lease was rejected, the Propco II Debtor lost its primary source of revenue, and it will be unable to service its debt obligations or pay carrying costs associated with the Properties. The Propco II Debtor has limited cash on hand, and the Trust has only agreed to pay an additional \$1.8 million, plus the cost of insurance, which is only enough to cover the Propco II Debtors' carrying costs through the end of July 2018.

X. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan.

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of Holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Propco II Plan Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11 for plan confirmation; (2) the Propco II Plan Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

1. Feasibility.

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan.

The Plan provides for the sale of the Propco II Debtor's assets and a liquidation of the Propco II Plan Debtors. A sale of all or substantially all of the Propco II Debtor's assets may be accomplished either through the Plan or a sale pursuant to section 363 and 365 of the Bankruptcy Code. The Propco II Plan Debtors prefer that the sale be accomplished through the Plan, but in either case, the proceeds of the sale will be used to fund Plan distributions.

2. Best Interests of Creditors—Liquidation Analysis.

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each Holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such Holder with a recovery that has a value at least equal to the value of the recovery that each such Holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code beginning on what would have been the Effective Date. Accordingly, if an Impaired Class does not unanimously vote to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Propco II Plan Debtors were liquidated under chapter 7 beginning on the Effective Date.

The Propco II Plan Debtors believe that the Plan will satisfy the best interests test because, among other things, the recoveries expected to be available to Holders of Allowed Claims and Interests under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation, as discussed more fully below.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. After accounting for administrative expenses, unsecured creditors (including any secured creditor deficiency claims) are paid from the sale proceeds of any unencumbered assets and any remaining sale proceeds of encumbered assets in excess of any secured claims, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

All or substantially all of the assets of the Propco II Debtor's business will be liquidated through the Sale Transaction and the Plan effects a liquidation of the Propco II Plan Debtors' remaining assets. Although a chapter 7 liquidation would achieve the same goal, the Propco II Plan Debtors believe that the Plan provides a greater recovery to Holders of Allowed Mortgage Loan Secured Claims than would a chapter 7 liquidation. Liquidating the Propco II Plan Debtors' Estates under the Plan likely provides Holders of Mortgage Loan Secured Claims with a larger, more timely recovery, primarily due to expected materially lower realized sale proceeds in chapter 7.

A chapter 7 liquidation beginning on what would have been the Effective Date would provide less recovery for creditors than the Plan. The delay of the chapter 7 trustee becoming familiar with the assets could easily cause bids already obtained to be lost, and the chapter 7 trustee will not have the technical expertise and knowledge of the Propco II Debtor's business that the Propco II Debtor had when it proposed to sell its assets. Moreover, the distributable proceeds under a chapter 7 liquidation will be lower because of the chapter 7 trustee's fees and expenses.

Sale proceeds in chapter 7 would likely be significantly lower particularly in light of the time delay associated with the chapter 7 trustee's learning curve for these assets. In addition to the expected material reduction in sale proceeds, recoveries would be further reduced (in comparison with the Plan) due to the expenses that would be incurred in a chapter 7 liquidation, including added expenses for wind down costs and costs incurred by the chapter 7 trustee and any retained professionals in familiarizing themselves with the Propco II Debtor's assets, and these specific Chapter 11 Cases, in order to complete the administration of the Estate. *See, e.g.*, 11 U.S.C. § 326(a) (providing for compensation of a chapter 7 trustee up to three percent of the value of the assets); 11 U.S.C. 503(b)(2) (providing administrative expense status for compensation and expenses of a chapter 7 trustee and such trustee's professionals).

The Propco II Plan Debtors' Estates would continue to be obligated to pay all unpaid expenses incurred by the Propco II Plan Debtors during the Chapter 11 Cases (such as compensation for Professionals), which may constitute Allowed Claims in any chapter 11 case. Moreover, the conversion to chapter 7 would also require entry of a new bar date for filing claims that would be more than 90 days following conversion of the case to chapter 7. *See* Fed. R. Bankr. P. 1019(2); 3002(c). Thus, the amount of Claims ultimately filed and Allowed against the Propco II Debtor could materially increase, thereby further reducing creditor recoveries versus those available under the Plan.

In light of the foregoing, the Propco II Plan Debtors submit that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, delayed distributions, and the prospect of additional claims that were not asserted in the Chapter 11 Cases. Accordingly, the Propco II Plan Debtors believe that the Plan provides an opportunity to bring the highest return for creditors.

B. Alternative Plans.

Based upon guidance from its advisors, the Propco II Plan Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Propco II Debtor's Estate. The Propco II Plan Debtors believes that the Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

C. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to Confirmation that, except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (2) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question; or (3) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Votes that have been “designated” under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of claims. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance, subject to Article III of the Plan.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds in dollar amount of those interests who actually vote to accept or reject a plan. Votes that have been “designated” under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of interests. Thus, a Class of Interests will have voted to accept the Plan only if two-thirds in amount actually voting cast their Ballots in favor of acceptance, not counting designated votes, subject to Article III of the Plan. Only Holders of Claims and Interests in the Voting Classes will be entitled to vote on the Plan.

D. Confirmation Without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if Impaired Classes entitled to vote on the plan have not accepted it or if an Impaired Class is deemed to reject the Plan; provided that the plan is accepted by at least one Impaired Class of Claims. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class’s rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent’s request, in a procedure commonly known as “cram down,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

1. No Unfair Discrimination.

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of Classes of Claims of equal rank (e.g., classes of the same legal character). The Propco II Plan Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Propco II Plan Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for nonconsensual Confirmation.

2. Fair and Equitable Test.

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Propco II Plan Debtors believe that the Plan satisfies the “fair and equitable” requirement because, for each applicable Class, there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

i. Secured Claims.

The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class

receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

ii. Unsecured Claims.

The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims requires that either: (i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

iii. Equity Interests.

The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either: (i) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (A) the allowed amount of any fixed liquidation preference to which such holder is entitled; (B) any fixed redemption price to which such holder is entitled; or (C) the value of such interest; or (ii) if the class does not receive the amount as required under (i) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction.

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Propco II Plan Debtors and to certain U.S. Holders (each a "Holder," and as defined below) of Claims. The following summary does not address the U.S. federal income tax consequences to Holders of Claims who are Unimpaired or otherwise entitled to payment in full in Cash under the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), the U.S. Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the U.S. Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect and affect the accuracy of this discussion. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Propco II Plan Debtors do not intend to seek a ruling from the IRS as to any of the tax consequences of the Plan discussed below. The discussion below is not binding upon the IRS or the courts. No ruling has been or will be obtained from the IRS regarding any matter discussed herein, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

Except as specifically set forth below, this summary does not address non-U.S., state, local or non-income tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to the Propco II Plan Debtors within the meaning of the IRC, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, governmental authorities or agencies, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, employees or persons who received their Claims pursuant to the exercise of an employee

stock option or otherwise as compensation, persons who hold Claims, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy), unless otherwise specifically stated herein. Furthermore, this summary assumes that a Holder holds only Claims in a single Class and holds a Claim only as a “capital asset” (within the meaning of Section 1221 of the IRC). This summary also assumes that the various debt and other arrangements to which any of the Propco II Plan Debtors are a party will be respected for U.S. federal income tax purposes as debt, as applicable, in accordance with their form. This summary does not discuss differences in tax consequences to a Holder that acts or receives consideration in a capacity other than as a Holder of a Claim of the same Class, and the tax consequences for such Holders may differ materially from that described below.

For purposes of this discussion, a “U.S. Holder” is a Holder of a Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust’s administration and one or more “United States persons” (within the meaning of Section 7701(a)(30) of the IRC) have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a “Non-U.S. Holder” is any Holder of a Claim that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a Holder, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are Holders should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY, ONLY ADDRESSES CERTAIN CONSIDERATIONS WITH RESPECT TO THE U.S. TAX TREATMENT OF THE PROPCO II PLAN DEBTORS AND U.S. HOLDERS, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, NON-U.S., AND NON-INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain United States Federal Income Tax Consequences to the Propco II Plan Debtors

For U.S. federal income tax purposes, the Propco II Plan Debtors are disregarded entities of Toys Delaware, which is a member of an affiliated group of corporations (or entities disregarded for U.S. federal income tax purposes that are wholly owned by members of such group), of which Toys “R” Us Inc. is the common parent (the “Toys Group”). The Propco II Plan Debtors anticipate that the Sale Transactions may give rise to significant taxable income or loss if they are structured as a sale of the Propco II Plan Debtors’ assets; however, any such taxable income or loss will not be recognized by the Propco II Plan Debtors for U.S. federal income tax purposes because they are disregarded entities for U.S. federal income tax purposes. Therefore, any such taxable income or loss will be recognized by Toys Delaware. In light of certain recent authorities released by the IRS, this gain or loss may be based on the total outstanding amount of debt (determined under U.S. federal income tax principles) rather than the amount of consideration received in exchange for such assets. Additionally, under those same authorities, it is unclear whether the cancellation

of Claims under these circumstances will give rise to cancellation of indebtedness income (“CODI”) that is subject to exclusion from the Toys Group’s taxable income under Section 108 of the IRC.

C. Certain United States Federal Income Tax Consequences to U.S. Holders of Allowed Claims.

1. Consequences to U.S. Holders of, Mortgage Loan Secured Claims, Allowed Other Priority Claims Against Giraffe Junior, Allowed Other Secured Claims Against Giraffe Junior, Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, and Allowed General Unsecured Claims.¹⁰

Pursuant to the Plan, in full satisfaction of their claims, Holders of Allowed Mortgage Loan Secured Claims will exchange such Claims for either (a) their Pro Rata share of Cash from the Sale Proceeds (if any) available to satisfy such Claims in accordance with their relative priority, or (b) their interest in the Propco II Debtor’s assets (if applicable); and Holders of Allowed Other Priority Claims against Giraffe Junior, Allowed Other Secured Claims against Giraffe Junior, Holders of Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, and Allowed General Unsecured Claims against the Propco II Plan Debtors will exchange such Claims for their Pro Rata share of Cash from the Sale Proceeds (if any) available to satisfy such Claims in accordance with their relative priority.

A U.S. Holder of such Claim that receives Cash or an interest in the Propco II Debtor’s assets (as applicable) will be treated as receiving its distributions under the Plan in a taxable exchange under Section 1001 of the IRC. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or original issue discount, if any), each U.S. Holder of such Claims should recognize gain or loss equal to the difference between (a) either (i) the sum of the Cash received (if any) in exchange for the Claim or (ii) the fair market value of Propco II Debtor’s assets received (as applicable), and (b) such U.S. Holder’s adjusted basis, if any, in such Claim. A U.S. Holder’s ability to deduct any loss recognized on the exchange of its Claims will depend on such U.S. Holder’s own circumstances and may be restricted under the IRC. Subject to the rules regarding market discount and accrued interest discussed below, any gain or loss recognized will generally be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder has held the Claim for more than one year. Long-term capital gains of any individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

To the extent applicable, a U.S. Holder that receives an interest in the Propco II Debtor’s assets should obtain a tax basis in the Propco II Debtor’s assets received, other than any such amounts treated as received in satisfaction of accrued but untaxed interest (or original issue discount, if any), equal to such property’s fair market value as of the date such property is distributed to the U.S. Holder. The holding period for any such Propco II Debtor’s assets should begin on the day following the Effective Date.

The tax basis of any Propco II Debtor’s assets determined to be received in satisfaction of accrued but untaxed interest (or original issue discount, if any) should equal the amount of such accrued but untaxed interest (or original issue discount, if any), but in no event should such basis exceed the fair market value of the Propco II Debtor’s assets received in satisfaction of accrued but untaxed interest (or original issue

¹⁰ The discussion in the tax discussion of the Disclosure Statement assumes that Holders of Mortgage Loan Secured Claims are treated as owning an undivided interest in the Mortgage Loan Secured Claims through their participation in the applicable lending arrangement and, in the event that the Credit Bid is successful, the discussion further assumes that Holders of the Mortgage Loan Secured Claims should consult with their tax advisors regarding these assumptions, because there is a meaningful possibility that “up the chain” structuring could occur without the Debtors’ participation that would alter these assumptions.

discount, if any). The tax basis of any Propco II Debtor's assets should begin on the day following the Effective Date.

2. Consequences to Holders of Propco II Interests and Giraffe Junior Interests.

The U.S. federal income tax consequences of Sale Proceeds, if any, received on account of the Propco II Interests and the Giraffe Junior Interests in accordance with their relative priority will be disregarded because the entities are disregarded for U.S. federal income tax purposes.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR U.S. FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

3. Accrued Interest and OID.

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest or original issue discount ("OID") on such Claims. Such amount should be taxable to that U.S. Holder as interest income if such accrued interest or OID has not been previously included in the Holder's gross income for U.S. federal income tax purposes. Conversely, U.S. Holders of Claims may be able to recognize a deductible loss to the extent any accrued interest or OID on the Claims was previously included in the U.S. Holder's gross income but was not paid in full by the Propco II Plan Debtors. Such a loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest or OID on Allowed Claims, the extent to which such consideration will be attributable to accrued interest or OID is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest or OID that accrued on such Claims, if any. Certain legislative history and case law indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for U.S. federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest or OID and then as a payment of principal. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE U.S. FEDERAL INCOME TAX TREATMENT OF ACCRUED INTEREST.

4. Market Discount.

Under the "market discount" provisions of Sections 1276 through 1278 of the IRC, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued).

5. Consequences to Holders of Mortgage Loan Secured Claims of Owning the Propco II Debtor's Assets.

In the event that the Trust is the Successful Bidder, the Trust will thereafter own all of the Propco II Debtor's assets. Because the Trust is treated as a grantor trust for U.S. federal income tax purposes, Holders of Mortgage Loan Secured Claims should be treated as the deemed owners thereof.

No entity-level tax should be imposed on the Trust with respect to earnings generated by the assets held by it. Each Certificate Holder of the Trust must report on its U.S. federal income tax return its allocable share of income, gain, loss, deduction, and credit, if any, recognized or incurred by the Trust, even if no distributions are made, with such allocations being consistent with the allocation provisions of the Trust. In particular, allocations of taxable income with respect to the Trust shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed, if, immediately before such deemed distribution, the Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the Certificate Holders, taking into account all prior and concurrent distributions from the Trust. Similarly, taxable losses of the Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidation distribution of the remaining assets. The tax book value of the assets for this purpose shall equal their respective fair market values on the Effective Date or, if later, the date such assets were acquired, adjusted in either case in accordance with the tax accounting principles prescribed by the applicable provisions of the IRC, Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

The character of items of income, gain, loss, deduction, and credit to such Certificate Holder in the Trust, and the ability of such Certificate Holder to benefit from any deductions or losses, may depend on the particular circumstances or status of the Certificate Holder. Taxable income or loss allocated to a Certificate Holder should be treated as income or loss with respect to the interest of such Certificate Holder in the Trust and not as income or loss with respect to such Certificate Holder's Claim.

In the event any tax is imposed on the Trust, the Trustee thereof shall be responsible for the payment, solely out of the assets of the Trust of any taxes imposed on the Trust. The Trustee shall be liable to prepare and provide to, or file with, the appropriate taxing authorities and other required parties such notices, tax returns, and other filings, including all federal, state and local tax returns as may be required under the Bankruptcy Code, the Plan, or by other applicable law. As soon as reasonably practicable after the close of each calendar year, the Trustee shall send each affected Certificate holder a statement setting forth such Certificate Holder's respective share of income, gain, loss, deduction, and credit for the taxable year, and shall instruct each Certificate Holder to report all such items on its tax return for such year and to pay and tax due with respect thereto.

U.S. Holders of Mortgage Loan Secured Claims should consult their tax advisors regarding the potential U.S. federal income tax consequences arising from the Trust's ownership of the Propco II Debtor's assets (as applicable).

D. Certain United States Federal Income Tax Consequences to Non-U.S. Holders of Claims.

The following discussion includes only certain U.S. federal income tax consequences of the Restructuring Transactions to Non-U.S. Holders. The discussion does not include any non-U.S. tax

considerations. The rules governing the U.S. federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local, and the foreign tax consequences of the consummation of the Plan to such Non-U.S. Holder.

Whether a Non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is generally determined in the same manner as set forth above in connection with U.S. Holders.

1. Consequences to Non-U.S. Holders of Mortgage Loan Secured Claims, Allowed Other Priority Claims Against Giraffe Junior, Allowed Other Secured Claims Against Giraffe Junior, Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, and Allowed General Unsecured Claims.¹¹

i. Gain Recognition.

Any gain realized on receipt of the Sale Proceeds by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the Non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the Restructuring Transactions occur and certain other conditions are met, (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (“ECI”) (and if an applicable income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), or (iii) any gain is subject to taxation under FIRPTA (as defined and discussed below).

If the first condition applies, to the extent that any gain is taxable, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder’s capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second condition applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States in the same manner as a U.S. Holder.

ii. Accrued Interest.

Payments to a Non-U.S. Holder that are attributable to accrued but untaxed interest generally will not be subject to U.S. federal income or withholding tax, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the Non-U.S. Holder is not a U.S. person, unless:

- (a) the Non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of all classes of the Propco II Plan Debtors’ stock entitled to vote;
- (b) the Non-U.S. Holder is a “controlled foreign corporation” that is a “related person” with respect to the Propco II Plan Debtors (each, within the meaning of the IRC);

¹¹ The discussion in the tax discussion of the Disclosure Statement assumes that Holders of the Mortgage Loan Secured Claims are treated as owning an undivided interest in the Mortgage Loan Secured Claims through their participation in the applicable lending arrangement and, in the event that the Credit Bid is successful, the discussion further assumes that Holders of the Mortgage Loan Secured Claims will be treated as owning an undivided interest in the assets received by the Trust. Holders of the Mortgage Loan Secured Claims should consult with their tax advisors regarding these assumptions, because there is a meaningful possibility that “up the chain” structuring could occur without the Debtors’ participation that would alter these assumptions.

- (c) the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the IRC; or
- (d) such interest is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (in which case, provided the Non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the Non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

A Non-U.S. Holder that does not qualify for exemption from withholding tax with respect to accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on payments that are attributable to accrued but untaxed interest. For purposes of providing a properly executed IRS Form W-8BEN or W-BEN-E, special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business.

2. Consequences to Holders of Mortgage Loan Secured Claims of Owning the Propco II Debtor's Assets.

To the extent that the Trust is the Successful Bidder and Holders of Mortgage Loan Secured Claims are treated as owning an undivided interest in the Propco II Debtor's assets (but only to the extent such Non-U.S. Holders are Certificate Holders in the Trust), any income arising from such assets may give rise to ECI to Non-U.S. Holders--the extent to which any ECI arises will depend on whether the Trust's ownership and operation of the Propco II Debtor's assets rises to the level of a "trade or business" for U.S. federal income tax purposes. In the event such ownership and operations do constitute a "trade or business," the Non-U.S. Holders will be subject to U.S. federal taxes on its share of such income. A Non-U.S. Holder's share of ECI would be subject to tax at normal graduated U.S. federal income tax rates and, if the Non-U.S. Holder is a corporation for U.S. federal income tax purposes, may also be subject to U.S. branch profits tax equal to 30 percent (or such lower rate provided by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year, subject to certain adjustments. Additionally, some or all of the gain on a disposition of a Non-U.S. Holder's undivided interest in the Propco II Debtor's assets could be treated as ECI to the extent that such gain is attributable to assets that generate ECI. A Non-U.S. Holder generally will be required to file a U.S. federal income tax return if it is deemed to be engaged in a U.S. trade or business.

In addition to the rules relating to ECI discussed above, the Debtors expect that all or substantially all of the Propco II Debtor's assets will constitute U.S. real property interests ("USRPIs") for purposes of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"). As such, the Trust's disposition of such assets will be subject to taxation as if the ECI rules discussed immediately above applied, and the Non-U.S. Holders would also be subject to withholding of 21 percent of the gain realized, if any, on the disposition that is allocable to such Non-U.S. Holder. Further, to the extent the Trust distributes such assets to the Non-U.S. Holders, such Non-U.S. Holders will also be subject to withholding on 15 percent of the fair market value (as of the time of the taxable distribution) of such assets.

The consummation of the Plan is expected to result in the Trust holding significant U.S. real property interests. Each Non-U.S. Holder is strongly encouraged to consult with its own tax advisors regarding the potential impact of these issues on its investment in interests in the Trust.

E. FATCA.

Under the Foreign Account Tax Compliance Act (“**FATCA**”), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account Holders and investors or be subject to withholding at a rate of 30 percent on the receipt of “withholdable payments.” For this purpose, “withholdable payments” are generally U.S. source payments of fixed or determinable, annual or periodical income, and beginning January 1, 2019, gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax

F. Information Reporting and Back-Up Withholding.

In general, information reporting requirements may apply to payments of interest (including accruals of OID) and any other reportable payments, possible including amounts received pursuant to the Plan and payments of proceeds from the Sale Transactions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 24 percent) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding (generally in the form of a properly executed IRS Form W-9 for a U.S. Holder). Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided* that the required information is timely provided to the IRS. Any amounts deducted and withheld generally should be allowed as a credit against that recipient’s U.S. federal income tax, provided that appropriate proof is timely provided under the rules established by the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments who is required to supply information but who does not do so in the proper manner. U.S. Treasury Regulations generally require the disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer’s claiming a loss in excess of certain thresholds. All Holders are urged to consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

The Propco II Plan Debtors, or the applicable agent, shall withhold all amounts required by law to be withheld from payments of interest and comply with all applicable information reporting requirements. All Holders are urged to consult their tax advisor regarding these U.S. Treasury Regulations and whether the contemplated transactions under the Plan would be subject to these U.S. Treasury Regulations and require disclosure on your tax return.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER’S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE PROPCO II PLAN DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, NON-U.S., OR NON-INCOME TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XII. RECOMMENDATION

In the opinion of the Propco II Plan Debtors, based on the advice of the Propco II Plan Debtors’ advisors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Propco II Plan Debtors’ creditors than would otherwise result in any other scenario. Accordingly, the Propco II Plan Debtors recommend that Holders of Claims and Interests entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Respectfully submitted,

Dated: July 2, 2018

Giraffe Junior Holdings, LLC
By: Giraffe Holdings, LLC, its Managing Member

/s/ Matthew Finigan
Name: Matthew Finigan
Title: Executive Vice President—Chief Financial Offer and Treasurer

Dated: July 2, 2018

Toys “R” Us, Property Company II, LLC
By: Giraffe Junior Holdings, LLC, its Economic Member
By: Giraffe Holdings, LLC, its Managing Member

/s/ Matthew Finigan
Name: Matthew Finigan
Title: Executive Vice President—Chief Financial Offer and Treasurer

Prepared by:

Edward O. Sassower, P.C.
Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

James H.M. Sprayregen, P.C.
Anup Sathy, P.C.
Chad J. Husnick, P.C. (admitted *pro hac vice*)
Emily E. Geier (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

-and-

Michael A. Condyles (VA 27807)
Peter J. Barrett (VA 46179)
Jeremy S. Williams (VA 77469)
KUTAK ROCK LLP
901 East Byrd Street, Suite 1000
Richmond, Virginia 23219-4071
Telephone: (804) 644-1700
Facsimile: (804) 783-6192

Co-Counsel to the Debtors and Debtors in Possession

Exhibit A

Chapter 11 Plan

Exhibit B

Redline

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:)	
)	Chapter 11
)	
TOYS "R" US, INC., <i>et al.</i> , ¹)	Case No. 17-34665 (KLP)
)	
Debtors.)	(Jointly Administered)
)	

**DISCLOSURE STATEMENT FOR THE AMENDED JOINT CHAPTER 11 PLAN OF
TOYS "R" US PROPERTY COMPANY II, LLC AND GIRAFFE JUNIOR HOLDINGS, LLC**

Edward O. Sassower, P.C.
 Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
 601 Lexington Avenue
 New York, New York 10022
 Telephone: (212) 446-4800
 Facsimile: (212) 446-4900

James H.M. Sprayregen, P.C.
 Anup Sathy, P.C.
 Chad J. Husnick, P.C. (admitted *pro hac vice*)
 Emily E. Geier (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
 300 North LaSalle
 Chicago, Illinois 60654
 Telephone: (312) 862-2000
 Facsimile: (312) 862-2200

-and-

Michael A. Condyles (VA 27807)
 Peter J. Barrett (VA 46179)
 Jeremy S. Williams (VA 77469)
KUTAK ROCK LLP
 901 East Byrd Street, Suite 1000
 Richmond, Virginia 23219-4071
 Telephone: (804) 644-1700
 Facsimile: (804) 783-6192

Co-Counsel to the Debtors and Debtors in Possession

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are set forth in the *Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* [Docket No. 78]. The location of the Debtors' service address is One Geoffrey Way, Wayne, New Jersey 07470.

THE PROPCO II PLAN DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE CHAPTER 11 PLAN OF TOYS "R" US PROPERTY COMPANY II, LLC AND GIRAFFE JUNIOR HOLDINGS, LLC. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE RELEVANT PROVISIONS OF THE PLAN WILL GOVERN.

THE PROPCO II PLAN DEBTORS URGE HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN. THE PROPCO II PLAN DEBTORS URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE PROPCO II PLAN DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE PROPCO II PLAN DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE PROPCO II PLAN DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE PROPCO II PLAN DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

IN PREPARING THIS DISCLOSURE STATEMENT, THE PROPCO II PLAN DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE PROPCO II PLAN DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE PROPCO II PLAN DEBTORS' BUSINESS. WHILE THE PROPCO II PLAN DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE PROPCO II PLAN DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE PROPCO II PLAN DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE PROPCO II PLAN DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE PROPCO II PLAN DEBTORS OR ANY OTHER AUTHORIZED PARTY IN INTEREST MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE PROPCO II PLAN DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE PROPCO II PLAN DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE PROPCO II PLAN DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS OR INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE PROPCO II PLAN DEBTORS

RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME.

THE PROPCO II PLAN DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE PROPCO II PLAN DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE PROPCO II PLAN DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED HEREIN AND SET FORTH IN ARTICLE IX OF THE PLAN. THERE IS NO ASSURANCE THAT THE PLAN WILL BE CONFIRMED, OR IF CONFIRMED, THAT THE CONDITIONS REQUIRED TO BE SATISFIED FOR THE PLAN TO GO EFFECTIVE WILL BE SATISFIED (OR WAIVED).

YOU ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE SECTION ENTITLED "RISK FACTORS," BEFORE SUBMITTING YOUR BALLOT TO VOTE ON THE PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTEE BY THE BANKRUPTCY COURT OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN.

THE PROPCO II PLAN DEBTORS HAVE SOUGHT TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT; HOWEVER, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR INCORPORATED HEREIN BY REFERENCE HAS NOT BEEN, AND WILL NOT BE, AUDITED OR REVIEWED BY THE PROPCO II PLAN DEBTORS' INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SIMILAR FEDERAL, STATE, LOCAL, OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE MERITS OF THE PLAN.

THE PROPCO II PLAN DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER FEDERAL SECURITIES LAWS. THE PROPCO II PLAN DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, TO BE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS MAY INCLUDE STATEMENTS ABOUT THE PROPCO II PLAN DEBTORS':

- **BUSINESS STRATEGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, AND OPERATING RESULTS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**

- COUNTERPARTY CREDIT RISK;
- THE OUTCOME OF PENDING AND FUTURE LITIGATION;
- GOVERNMENTAL REGULATION AND TAXATION OF THE INDUSTRY;
- UNCERTAINTY REGRADING THE PROPCO II PLAN DEBTORS' FUTURE OPERATING RESULTS; AND
- PLANS, OBJECTIVES, AND EXPECTATIONS.

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE PROPCO II PLAN DEBTORS' FUTURE PERFORMANCE, IF ANY. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD IMPACT THE PROPCO II PLAN DEBTORS' ACTUAL FUTURE PERFORMANCE, IF ANY. THESE RISKS, UNCERTAINTIES, AND FACTORS MAY INCLUDE: THE PROPCO II PLAN DEBTORS' ABILITY TO CONFIRM AND CONSUMMATE THE PLAN; THE POTENTIAL THAT THE PROPCO II PLAN DEBTORS MAY NEED TO PURSUE AN ALTERNATIVE TRANSACTION IF THE PLAN IS NOT CONFIRMED; GENERAL ECONOMIC, BUSINESS AND MARKET CONDITIONS; THE PROPCO II PLAN DEBTORS' INABILITY TO DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES; EXPOSURE TO LITIGATION; THE PROPCO II PLAN DEBTORS' ABILITY TO DIVEST EXISTING BUSINESSES; ADVERSE TAX CHANGES; AND LIMITED ACCESS TO CAPITAL RESOURCES.

THIS DISCLOSURE STATEMENT IS SUBJECT TO FURTHER REVISION AND WILL BE AMENDED PRIOR TO THE HEARING TO CONSIDER ADEQUACY OF THIS DISCLOSURE STATEMENT AND THE RELATED SOLICITATION PROCEDURES TO, AMONG OTHER THINGS, TAKE INTO ACCOUNT THE RESULTS OF THE SALE AND MARKETING PROCESS, IF ANY, FURTHER SPECIFICS OF ANY RESTRUCTURING TRANSACTION TO BE CONSUMMATED PURSUANT TO THE PLAN, AND TO ACCOMMODATE ADDITIONAL REQUESTS FOR DISCLOSURE.

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EXHIBITS

EXHIBIT A Chapter 11 Plan

I. INTRODUCTION

Toys “R” Us Property Company II, LLC (“Propco II” or the “Propco II Debtor”) and Giraffe Junior Holdings, LLC (“Giraffe Junior” or the “Giraffe Junior Debtor,” and together with the Propco II Debtor, the “Propco II Plan Debtors”) submit this disclosure statement (this “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Interests in the Propco II Plan Debtors in connection with the solicitation of acceptances with respect to the *Joint Chapter 11 Plan of Toys “R” Us Property Company II, LLC and Giraffe Junior Holdings, LLC* (the “Plan”), dated June 11, 2018.² A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan, if consummated, will facilitate a wind-down and liquidation of the Propco II Plan Debtors’ remaining operations and assets.

THE PROPCO II PLAN DEBTORS BELIEVE THAT THE COMPROMISE CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE PROPCO II PLAN DEBTORS’ ESTATES AND PROVIDES THE BEST RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS IN THE PROPCO II PLAN DEBTORS. AT THIS TIME, THE PROPCO II PLAN DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES OF THE PROPCO II PLAN DEBTORS. THE PROPCO II PLAN DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT

Giraffe Junior, an indirect wholly-owned subsidiary of Toys “R” Us, Inc. (together with its subsidiaries, the “Company”), is the direct owner of all of Propco II’s limited liability company interests. Propco II is a ~~single purpose entity and is a~~ separate entity from the rest of the Company. Propco II is a special purpose entity organized solely to acquire, own, hold, sell, assign, transfer, lease and otherwise deal with real estate properties, and to exercise all powers enumerated in the Delaware Limited Liability Company Act relating thereto. Propco II does not have its own employees or systems. The assets and credit of Propco II and Giraffe Junior are not available to satisfy the debts or other obligations of Toys “R” Us, Inc. or any of its other affiliates.

Propco II owns fee and ground leasehold interests in properties in various retail markets throughout the United States (collectively, the “Properties” and each, a “Property”). All of Propco II’s assets, including the Properties, are collateral securing Propco II’s prepetition obligations under the Mortgage Loan Documents (as defined below) and Propco II’s obligations under the Initial Adequate Protection Order (as defined below),³ and thus are subject to liens in favor of the Trust (as defined below).

The Properties ~~a~~ were leased on a triple-net basis pursuant to that certain Second Amended and Restated Master Lease Agreement, dated as of November 3, 2016, by and between Propco II, as landlord, and Toys “R” Us - Delaware, Inc. (“Toys Delaware”), as tenant, (the “Master Lease”). As the operating entity for all of Toys “R” Us, Inc.’s North American businesses, Toys Delaware operates~~s~~ the Properties as Toys “R” Us stores, Babies “R” Us stores, or side-by-side stores, or sublease~~s~~ them to alternative

² Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern.

³ The Debtors have filed a motion seeking approval of an order amending the Initial Adequate Protection Order, which is pending approval of the Bankruptcy Court.

retailers. Substantially all of Propco II's revenues and cash flows ~~are~~have been derived from the master rent payments from Toys Delaware paid in accordance with the Master Lease.

Following worse than expected 2017 fiscal year earnings, a series of reactions and covenant defaults frustrated prospects for reorganizing the domestic enterprise as a going-concern. In March 2018, the Debtors filed a motion seeking authority to begin an orderly liquidation of their U.S. business and to commence store closing sales across the country. On March 22, 2018, the Court entered an order authorizing the wind down and the store closings, which are expected to conclude no later than June 30, 2018. Once the U.S. wind down and store closing process is complete, the Properties will effectively "go dark."

Toys Delaware ~~will reject~~rejected the Master Lease as of June 30, 2018, ~~and thus~~which severely constrained the Propco II Debtor's liquidity ~~will~~. Specifically, the rental payments made by Toys Delaware to the Propco II Debtor under the Master Lease were the sole source of revenue for the Propco II Debtor. With limited cash on hand, as of June 30, 2018, the Propco II Debtor no longer had any revenues. With knowledge that the Master Lease would be severely constrained. As a result~~rejected or deemed rejected, on June 11, 2018,~~ the Propco II Plan Debtors ~~have~~filed a motion~~contemporaneously herewith~~ seeking the approval of bid procedures to commence an expeditious sale and marketing process for all or substantially all of the Propco II Debtor's assets. The Propco II Plan Debtors and their advisors worked diligently with their stakeholders, including the Special Servicer (as defined below) to negotiate acceptable bidding procedures, and a sale timeline, that would result in an expeditious and cost-effective path forward toward confirmation of a chapter 11 plan. In connection with the sale and marketing process, the Propco II Debtor reached an agreement with the Special Servicer under the Mortgage Loan Documents, documented in the Amended Adequate Protection Order (as defined below), for the Trust to fund the necessary carry costs to maintain and preserve the Properties up to a certain amount through the end of July 2018, including taxes, ground rents, utilities, insurance premiums, common charges and assessments, among other expenses as set forth in the Amended Adequate Protection Order. The estimated carry costs associated with the Properties is approximately \$2.8 million for the month of July 2018, plus the cost to insure the Properties.

The Propco II Debtor intends to complete a sale of its assets pursuant to the Plan, but may also complete the sale pursuant to ~~section 363 and 365 of the Bankruptcy Code, if necessary~~a Sale Order under section 363 and 365 of the Bankruptcy Code in lieu of completion pursuant to a Plan if Administrative Claims exceed the amount set forth in Schedule I of the Plan and the Purchaser (as defined below), after good faith negotiations with the Propco II Debtor, is the successful bidder and elects to consummate the sale pursuant to section 363 and 365 of the Bankruptcy Code.

As set forth in the bidding procedures motion, the Propco II Debtor will enter into a stalking horse agreement with a designee of the Trust (the "Purchaser") and the Purchaser's credit bid for the assets will act as the stalking horse bid at the auction, if an auction is held, setting a base-line bid for the Propco II Debtor's assets. Additionally, the court approved bidding procedures (the "Propco II Bidding Procedures") contemplating a two-phase marketing and sale process. In the initial phase, the Propco II Debtors and their advisors will solicit non-binding indications of interest which shall be submitted no later than July 16, 2018. If the non-binding indications of interest total in the aggregate at least \$375 million, the Propco II Debtor will initiate a second phase of the bid process.

As part of its stalking horse bid, the Special Servicer agreed to (a) a credit bid of \$480 million of the obligations of Propco II under the Propco II Mortgage Loan less a dollar for dollar reduction for certain assumed claims, subject to credit bids of additional incremental amounts of the obligations of Propco II under the Propco II Mortgage Loan and Servicing Agreement in accordance with bidding procedures sought pursuant to the Bid Procedures Motion; and (b) the Purchaser's assumption of certain assumed liabilities (the "Credit Bid").

If the Propco II Debtor initiates a second phase of the bid process, (i) the auction shall occur no later than August 16, 2018, (ii) if the stalking horse bidder is the successful bidder at the auction, the closing of the sale of the assets shall occur no later than August 23, 2018, and (iii) if the stalking horse bidder is not the successful bidder at the auction, all closings, or the effective date of such closings, of the sales of individual properties shall occur on August 23, 2018, unless otherwise consented to by the Trust (such consent not to be unreasonably withheld, conditioned, or delayed), or such earlier date as determined by the Bankruptcy Court. If a second phase of the bid process is necessary, the Debtors and certain other parties in interest, including the Special Servicer shall negotiate in good faith to determine the date of the final bid deadline and the sale hearing; subject to the date of the auction and the closing set forth above.

If the non-binding indications of interest do not total at least \$375 million in the aggregate, the Propco II Debtor will not enter into the second phase of the bid process and the Purchaser will be the successful bidder. As set forth in the Propco II Bidding Procedures, if the Propco II Debtor does not initiate a second phase of the bid process, the confirmation hearing or sale hearing shall be held no later than July 30, 2018 and the Sale Transaction shall close no later than July 31, 2018.

The two-phase marketing process was structured to determine whether there was sufficient interest in the Properties within the range of the Purchaser's credit bid.

The Propco II Plan Debtors believe that the Plan maximizes stakeholder recoveries in these Chapter 11 Cases. The Propco II Plan Debtors seek the Bankruptcy Court's approval of the Plan and urge all Holders of Claims and Interests entitled to vote to accept the Plan by returning their Ballots so that Prime Clerk LLC, the Propco II Plan Debtors' solicitation agent (the "Solicitation Agent"), actually receives such Ballots by the Voting Deadline, i.e., July 25th, 2018, at 4:00 p.m. prevailing Eastern Time. Assuming the Plan receives the requisite acceptances the Propco II Plan Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment of creditors and similarly situated equity interest holders, subject to the priority distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the Propco II Plan Debtors as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the Propco II Plan Debtors may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Propco II Plan Debtors sending me this Disclosure Statement?

The Propco II Plan Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Propco II Plan Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to

enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and to share such disclosure statement with all Holders of Claims or Interests whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution (if any) under, the Plan depends on what type of Claim against or Interest in the Propco II Plan Debtors you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a “Class.” Each Class’s respective voting status is set forth below:

Class	Claim/Interest	Status	Voting Rights
Class A1	Other Secured Claims against Propco II	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class A2	Other Priority Claims against Propco II	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class A3	Mortgage Loan Secured Claims against Propco II	Impaired	Entitled to Vote
Class A4	General Unsecured Claims against Propco II	Impaired	Entitled to Vote
Class A5	Propco II Interests	Impaired	Entitled to Vote
Class B1	Other Secured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B2	Other Priority Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B3	Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B4	General Unsecured Claims against Giraffe Junior	Impaired	Entitled to Vote
Class B5	Giraffe Junior Interests	Impaired	Entitled to Vote

D. What will I receive from the Propco II Plan Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to Holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Propco II Plan Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

Each Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive under the Plan the treatment described below in full and final satisfaction, compromise, settlement, and release of, and in exchange for, such Holder’s Allowed Claim or Allowed Interest, except to the extent different treatment is agreed to by the Propco II Plan Debtors and the Holder of such Allowed Claim or Allowed Interest, as applicable. Unless otherwise indicated, the Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the later of the Effective Date and the date such Holder’s Claim or Interest becomes an Allowed Claim or Allowed Interest or as soon as reasonably practicable thereafter.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY [BASED ON THE CREDIT BID](#) AND THEREFORE ARE SUBJECT TO

CHANGE. FOR A COMPLETE DESCRIPTION OF THE PROPCO II PLAN DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.⁴

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims ⁵	Projected Recovery Under the Plan ⁶
Class A1	Other Secured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim against the Propco II Debtor, each Holder thereof shall receive, at the option of the Propco II Debtor: (i) payment in full in Cash; (ii) delivery of the collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code; (iii) Reinstatement of such Other Secured Claim; or (iv) such other treatment as shall render such claim Unimpaired.	\$1 -\$0-\$25,000	100%
Class A2	Other Priority Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Priority Claim against the Propco II Debtor, each Holder thereof shall receive payment in full in Cash or such other treatment as shall render such claim Unimpaired.	\$1 -\$0-\$100,000	100%

⁴ The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Propco II Plan Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim: (a) a Claim that is scheduled by the Propco II Plan Debtors as neither disputed, contingent, nor unliquidated and for which no contrary proof of claim has been filed; (b) a Claim that is not a Disputed Claim or has been allowed by a Final Order; (c) a Claim that is allowed (i) pursuant to the terms of the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court or (iii) pursuant to any contract, instrument, indenture, or other agreement entered into or assumed in connection herewith; or (d) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed as of the Claims Objection Deadline. Except for any Claim that is expressly Allowed pursuant to the Plan, any Claim that has been, or is hereafter, listed in the Schedules as contingent, unliquidated, or disputed and for which no Proof of Claim has been Filed is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

⁵ [The claim amounts set forth in this table are based on scheduled or filed, but not reconciled, claims against the Propco II Debtors pursuant to the general bar date of April 6, 2018, with the exception of the low estimate of the Mortgage Loan Secured Claims which is the unpaid principal balance of the Propco II Mortgage Loan.](#)

⁶ [Projected recoveries are based on the Credit Bid being the successful bid. The percentage recovery could be higher if the Auction takes place and yields a higher successful bid.](#)

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims ⁵	Projected Recovery Under the Plan ⁶
Class A3	Mortgage Loan Secured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Mortgage Loan Secured Claim, the Trust shall receive either: (i) the Sale Proceeds, (as defined in the Plan), if any, up to payment in full of the Trust's Allowed Mortgage Loan Secured Claim or, (ii) if the Purchaser is the Successful Bidder, the Propco II Debtor's assets in accordance with the Purchase Agreement.	0% \$490.3 million – \$507.1 million ⁷	0% 94.7–97.9%
Class A4	General Unsecured Claims against Propco II	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed General Unsecured Claim against the Propco II Debtor, including any Mortgage Loan Deficiency Claim, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Propco II Debtor.	0% \$0 – \$6.0 million	0% 0%
Class A5	Propco II Interests	On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of a Propco II Interest shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against the Propco II Debtor.	N/A	0% 0%
Class B1	Other Secured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim against the Giraffe Junior Debtor, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against and Interests in the Propco II Debtor, up to payment in full of such Holder's Allowed Other Secured Claim.	0% \$0	0% 0%

⁷ [The Special Servicer reserves all rights with respect to the estimated amount of Mortgage Loan Secured Claims against Propco II.](#)

SUMMARY OF EXPECTED RECOVERIES				
Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Projected Amount of Claims ⁵	Projected Recovery Under the Plan ⁶
Class B2	Other Priority Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Priority Claim against the Giraffe Junior Debtor, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Giraffe Junior Debtor, up to payment in full of such Holder's Allowed Other Priority Claim.	0 \$0 = \$100,000	0 % 0%
Class B3	Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Giraffe Junior Debtor, up to payment in full of such Holder's Allowed Giraffe Junior Mezzanine Loan Claim.	0 \$70.2 million in principal amount ⁸	0 % 0%
Class B4	General Unsecured Claims against Giraffe Junior	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed General Unsecured Claim against the Giraffe Junior Debtor, including any Giraffe Junior Mezzanine Loan Deficiency Claim, each Holder thereof shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Giraffe Junior Debtor.	0 \$0 = \$325,000	0 % 0%
Class B5	Giraffe Junior Interests	On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of a Giraffe Junior Interest shall receive its Pro Rata share of the Sale Proceeds, if any, after payment of all Claims against the Giraffe Junior Debtor.	N/A	0 % 0%

⁸ The Giraffe Junior Mezzanine Loan Lenders reserve all rights with respect to the estimated amount of Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior.

E. What will I receive from the Propco II Plan Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims, and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.A of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan.

F. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Propco II Plan Debtors will be able to effectuate the Restructuring Transactions (as defined in the Plan). It is possible that any alternative, including a potential sale of the Propco II Debtor's assets under section 363 of the Bankruptcy Code may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* Article X.A.2 of this Disclosure Statement, entitled "Confirmation of the Plan - Best Interests of Creditors—Liquidation Analysis."

G. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan becomes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to Holders of Allowed Claims or Interests will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. See Article X of this Disclosure Statement, entitled "Statutory Requirements for Confirmation of the Plan," for a discussion of the conditions precedent to consummation of the Plan. "Consummation" refers to "substantial consummation" of the Plan, as defined in section 1101(2) of the Bankruptcy Code, and means (1) the transfer of all or substantially all of the property proposed by the Plan to be transferred; (2) assumption by the Propco II Plan Debtors or by the successors to the Propco II Plan Debtors under the Plan of the business or of the management of all or substantially all of the property dealt with by the Plan; and (3) commencement of distributions under the Plan.

H. What are the sources of Cash and other consideration required to fund the Plan?

In the event the Purchaser is the Successful Bidder, (i) the Purchaser shall, subject to the Sale Order Election (as defined in the Plan) fund the distributions to Holders of Allowed Administrative Claims, Professional Fee Claims, Secured Claims, Priority Claims, and Priority Tax Claims against the Propco II Debtor in accordance with the treatment of such Claims in Article III of the Plan and (ii) Holders of General Unsecured Claims against Propco II and Propco II Interests and all classes of Claims against or Interests in the Giraffe Junior Debtor shall receive no distribution. In the event the Purchaser is not the Successful Bidder, Propco II's Cash on hand (if any), the Sale Proceeds (if any), [including Insurance Refund Claims \(as defined in the Plan\)](#), and any other Cash received or generated by the Propco II Plan Debtors shall be used to fund the distributions to Holders of Allowed Claims and Interests against the Propco II Plan Debtors in accordance with the treatment of such Claims and Interests as set forth in Article III.B of the Plan.

[As set forth in the Plan, the Sale Order Election allows the Purchaser \(after good faith negotiations with the Propco II Debtor\) to consummate the Sale Transaction pursuant to a Sale Order under sections 363](#)

and 365 of the Bankruptcy Code in lieu of the Plan if Administrative Claims asserted against the Propco II Debtor exceed the aggregate amounts of Administrative Claims listed on Schedule 1 to the Plan, which includes amounts for Administrative Claims on account of accrued real estate taxes, accrued other professional fees, common area maintenance charges, potential landlord claims, and prepetition real estate taxes. In addition, the Administrative Claims listed on Schedule 1 to the Plan include the unpaid fees and expenses of Kirkland & Ellis LLP, as legal counsel to the Propco II Plan Debtors, A&G Realty Partners, LLC, as real estate advisor to the Propco II Plan Debtors, Lazard Frères & Co. LLC, as investment banker to the Propco II Plan Debtors, Alvarez & Marsal North America, LLC, as restructuring advisor to the Propco II Plan Debtors, Goldberg Kohn Ltd., as counsel to the CT Corporation independent directors, Kramer Levin Naftalis & Frankel LLP, as counsel to the statutory committee of unsecured creditors (the “Committee”), FTI Consulting, as financial advisor to the Committee, Moelis & Company, as investment banker to the Committee, Fox Rothschild LLP, as counsel to the Propco II Plan Debtors’ on conflicts matters, and Prime Clerk LLC, as notice and solicitation agent, related to the Propco II Bidding Procedures, the Purchase Agreement, the Disclosure Statement, the Plan, the Confirmation Order, the Initial Adequate Protection Order, the Amended Adequate Protection Order, the Sale Order, or any other work for the sole, or allocable, benefit of the Propco II Plan Debtors, as applicable, and lender negotiations in connection with any of the foregoing.

If the Purchaser is the successful bidder, the Professional Fee Claims of the Propco II Plan Debtors will be limited to the amounts set forth in Schedule 1 to the Plan. These amounts are referred to as the “Professional Fee Claims Cap” in the Plan. If the Purchaser is not the successful bidder, the Professional Fee Claims Cap will only continue to apply if the Sale Proceeds are less than the aggregate amount of (i) the Allowed Mortgage Loan Claims, (ii) the Allowed Carrying Cost Claims, (iii) the aggregate amount of unpaid Professional Fee Claims through the effective date of the Plan as estimated in accordance with Article II.B of the Plan (the “Professional Claim Fee Estimate”), and (iv) the Professional Fee Claims Cap less the Professional Fee Claim Estimate, the difference of which shall not exceed \$250,000. This sum is defined in the Plan as the Payoff Amount. Accordingly, if the Purchaser is not the successful bidder and the Sale Proceeds are less than the Payoff Amount, the Professional Fee Claims shall be funded (a) with the Sale Proceeds in an amount by which such Sale Proceeds exceed the sum of the Allowed Mortgage Loan Claims and the Allowed Carrying Cost Claims and (b) by the Purchaser in an amount equal to the Payoff Amount less the amount of the Sale Proceeds.

In the event the Purchaser is not the Successful Bidder and the Sale Proceeds equal or exceed the Payoff Amount, the Professional Fee Claims shall be funded with Cash from the Sale Proceeds in an amount equal to the Professional Fee Escrow Amount.

The Giraffe Junior Mezzanine Loan Lenders believe that the amount of the Professional Fee Claims shall be limited to the Professional Fee Claims Cap in all circumstances, including in situations where the Purchaser is not the successful bidder and the Sale Proceeds exceed the Payoff Amount. The Propco II Plan Debtors disagree with this position and all parties’ rights are reserved.

I. Is there potential litigation related to the Plan?

Parties in interest may object to the approval of this Disclosure Statement and may object to Confirmation of the Plan as well, which objections potentially could give rise to litigation. In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Propco II Plan Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code.

J. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Propco II Plan Debtors estimate the aggregate amount of Allowed General Unsecured Claims against the Propco II Debtor to be approximately ~~\$(---)~~\$0 – \$6.0 million and against Giraffe Junior to be approximately ~~\$(---)~~\$0 – \$325,000. Each Holder of an Allowed Unsecured Claim against the Propco II Debtor will receive its Pro Rata share of the Sale Proceeds, if any, after payment of all senior Claims against the Propco II Debtor. Each Holder of an Allowed Unsecured Claim against Giraffe Junior will receive its Pro Rata share of Sale Proceeds, if any, after payment of all Claims against the Propco II Debtor and all senior Claims against Giraffe Junior. Although the Propco II Plan Debtors' estimate of Allowed General Unsecured Claims is the result of the Propco II Plan Debtors' and their advisors' careful analysis of available information, General Unsecured Claims actually asserted against the Propco II Plan Debtors may be higher or lower than the Propco II Plan Debtors' estimate provided herein, which difference could be material. In the event the Purchaser's credit bid for the assets of the Propco II Debtor is the successful bid, there will be no distribution to Class A4 General Unsecured Claims against Propco II, Class A5 Propco II Interests, or any class of Claims against or Interests in the Giraffe Junior Debtor.

The projected amount of General Unsecured Claims set forth herein is subject to change and reflects the Propco II Plan Debtors' current view on potential rejection damages. Any change in the number, identity, or timing of actual rejected Executory Contracts and Unexpired Leases could have a material impact on the amount of General Unsecured Claims. To the extent that the actual amount of rejection damages Claims changes, the value of recoveries to Holders of General Unsecured Claims could change as well, and such changes could be material.

Further, as of the Petition Date, the Propco II Debtor was party to certain litigation matters that arose in the ordinary course of operating their businesses and could become party to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. Although the Propco Debtor has disputed, is disputing, or will dispute in the future the amounts asserted by such litigation counterparties, to the extent these parties are ultimately entitled to a higher amount than is reflected in the amounts estimated by the Propco II Debtor herein, the value of recoveries to Holders of General Unsecured Claims could change as well, and such changes could be material.

Finally, the Propco II Plan Debtors, the Committee, or other parties in interest may object to certain proofs of claim, and any such objections ultimately could cause the total amount of Allowed General Unsecured Claims to change. These changes could affect recoveries to Holders of General Unsecured Claims, and such changes could be material.

K. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, the Plan contains certain releases (as described more fully in Article IV.F of this Disclosure Statement, entitled "Releases"), including mutual releases between (a) the Propco II Debtor; (b) the Giraffe Junior Debtor; (c) Giraffe Holdings, LLC; (d) the ~~Creditors'~~ Committee and its members; (e) the Special Servicer; (f) the Trust; (g) the Sponsors; (h) the Giraffe Junior Mezzanine Loan Lenders (if the Giraffe Junior Mezzanine Loan Lenders vote to accept the Plan and do not object to the Plan); (i) the Purchaser; and ~~(j)~~ with respect to each of the foregoing entities in clauses (a) through ~~(h)~~, such entity's current and former affiliates, and each of such entity's, and such entity's current and former affiliates', current and former equity holders (regardless of whether such interests are held directly or indirectly), subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals; provided that any party that opts out of the releases contained in the Plan shall not be a "Released Party."

The Plan, however, does not operate to release (i) subject to the Intercompany Bar Date, claims held by the estates of other Debtors that may be asserted against the Propco II Debtor, the Giraffe Junior Debtor or Giraffe Holdings, LLC, including potential claims that may be pursued by the Committee on behalf of such other Debtors' estates, or (ii) claims or causes of action against any of the Released Parties that may be held by the estates of Debtors other than the Propco II Debtor, the Giraffe Junior Debtor or Giraffe Holdings, LLC. Additionally, the Plan does not release any claims or defenses under the Intercreditor Agreement, dated as of November 3, 2016, by and between Goldman Sachs Mortgage Company and Bank of America N.A., collectively as Mortgage Lender and the Giraffe Junior Mezzanine Loan Lenders (the "Intercreditor Agreement"). The Giraffe Junior Mezzanine Loan Lenders believe any claims or defenses under the Intercreditor Agreement should be released under the Plan. The Propco II Plan Debtors disagree with this position and all parties' rights are reserved.

The Propco II Plan Debtors believe that the Propco II Plan Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Restructuring Transactions contemplated by the Plan and the Propco II Plan Debtors' overall restructuring efforts. Further, the Propco II Plan Debtors assert that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Propco II Plan Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize the value of the Propco II Plan Debtors for the benefit of all parties in interest. Accordingly, for all of these reasons the Propco II Plan Debtors believe that each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

Based on the foregoing, the Propco II Plan Debtors believe that the releases and exculpations in the plan are necessary and appropriate and meet the applicable legal standard. Moreover, the Propco II Plan Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for the propriety of the release and exculpation provisions.

The Plan also provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties; provided that any Holder of a Claim or Interest that votes to reject the plan (and thereby opts out of the releases) shall not be a "Releasing Party" or a "Released Party" under the Plan. All voting creditors will have an opportunity to opt-out of the third party releases set forth in Article VIII.C of the Plan. Additionally, Holders of Other Secured Claims against Propco II and Other Priority Claims against Propco II will receive an opt-out form in connection with solicitation of the Plan. Voting creditors that vote to reject the Plan will be deemed to have opted out of the third party release. If a Holder of a Claim or Interest opts out or otherwise rejects the Plan, such party shall not be a "Released Party" or a "Releasing Party," under the Plan

L. What is the effect of the Plan on the Propco II Plan Debtors' ongoing business?

The Propco II Debtor intends to sell all or substantially all of its assets under chapter 11 of the Bankruptcy Code. Therefore, if the sale is conducted pursuant to the Plan, Confirmation will mean that all or substantially all of the Propco II Debtor's assets will be sold. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Propco II Debtor that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

M. Could subsequent events potentially affect recoveries under the Plan?

Potentially, yes. As described in greater detail below, the Propco II Plan Debtors will conduct a marketing process seeking purchasers for all or substantially all of the Propco II Debtor's assets, and may hold an Auction related to this marketing process, in accordance with the Propco II Bidding Procedures. Further details regarding the Auction are described in Article VIII.G of this Disclosure Statement, entitled "Marketing Process and Sale Transaction." Failure to close any component of the Sale Transaction could have a material negative effect on the estimated recoveries set forth herein.

N. Do the Propco II Plan Debtors recommend voting in favor of the Plan?

Yes. The Propco II Plan Debtors believe the Plan provides for a larger distribution to the Propco II Plan Debtors' creditors than would otherwise result from any other available alternative. The Propco II Plan Debtors believe that the Plan is in the best interest of all Holders of Claims or Interests, and that any other alternatives (to the extent they exist) fail to realize or recognize the value inherent under the Plan.

IV. OVERVIEW OF THE PLAN

A sale of all or substantially all of the Propco II Debtor's assets may be accomplished either through a chapter 11 plan or a sale pursuant to section 363 and 365 of the Bankruptcy Code. The Propco II Debtor prefers that the sale be accomplished through the Plan. The key terms of the Plan are as follows:

A. General Settlement of Claims and Interests.

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests, Causes of Action, and controversies released, settled, compromised, or otherwise resolved pursuant to the Plan. The Plan shall be deemed a motion to approve such good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interest of the Propco II Plan Debtors and their Estates. Distributions made to Holders of Allowed Claims in any Class are intended to be final.

B. Restructuring Transactions.

On the Effective Date, or as soon as reasonably practicable thereafter, the Propco II Plan Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan (the "Restructuring Transactions"), including: (1) the execution and delivery of any appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan, and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) rejection or assumption, or assumption and assignment, as applicable, of Executory Contracts and Unexpired Leases; (4) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; and (5) subject to the occurrence of the Effective Date, the consummation of the transactions contemplated by the Sale Transaction.

C. Sale Transactions.

The Propco II Plan Debtors will conduct a marketing and sale process and may hold an Auction of all or substantially all of the Propco II Debtor's assets in accordance with the Propco II Bidding Procedures to determine the Successful Bidder. The Propco II Bidding Procedures will set forth the terms of any initial Minimum Overbid Amount. The Debtors will seek to elicit a higher or better Sale Transaction offer, if any, pursuant to the process set forth in the Propco II Bidding Procedures.

Pursuant to the Propco II Bidding Procedures, ~~July 27, 2018~~ July 16, 2018 at 5:00 p.m., prevailing Eastern Time is the initial bid deadline whereby non-binding indications of interest must be submitted. If a second phase of the bidding process is determined to be necessary, the Special Servicer and the Debtors have agreed to negotiate in good faith to determine the date of the Final Bid Deadline (as defined in the Propco II Bidding Procedures). ~~If no entity submits an initial Minimum Overbid Amount~~ non-binding indication of interest of \$375 million (or if no group of entities submit, in non-binding indications of interest aggregating to at least \$375 million), the aggregate, an initial Minimum Overbid Amount) ~~Propco II Debtor will not initiate a second phase of the bid process, and~~ the Purchaser will be deemed the Successful Bidder for purposes of the Sale Transaction. If the Propco II Debtor initiates a second phase of the bid process in accordance with the court approved bid procedures and the individual bids of the parties do not exceed the Trust's credit bid, the Purchaser will be deemed the Successful Bidder for purposes of the Sale Transaction.

If the Propco II Plan Debtors are able to secure such a higher or better Sale Transaction offer in accordance with the Propco II Bidding Procedures, and the Successful Bidder is an Entity other than the Purchaser, the Trust will be paid the Sale Proceeds up to the allowed amount of its Mortgage Loan Claims as set forth in Article III of the Plan and the Sale Transaction will be consummated pursuant to the terms of the Plan, or in accordance with sections 363 and 365 of the Bankruptcy Code ~~if the Sale Transaction is not implemented through the Plan.~~ If the Propco II Plan Debtors are unable to secure such higher or better Sale Transaction offer at the conclusion of the marketing and Auction process contemplated by the Propco II Bidding Procedures, the Purchaser will be deemed to be the Successful Bidder and the Debtors will proceed to consummate the Sale Transaction by and between the Propco II Debtor and the Purchaser, as the Successful Bidder, pursuant to the terms of the Plan, or in accordance with sections 363 and 365 of the Bankruptcy Code if the ~~Sale Transaction is not implemented through the Plan~~ Purchaser exercises the Sale Order Election.

If a credit bid of the Purchaser is the Successful Bidder, (i) there will be no distribution to Class A4 General Unsecured Claims against Propco II, Class A5 Propco II Interests, or any class of Claims against or Interests in the Giraffe Junior Debtor and (ii) the Assumed Liabilities of the Purchaser shall include Administrative Claims, Professional Fee Claims, Other Secured Claims, Priority Claims, and Priority Tax Claims, in each case against Propco II, not to exceed the aggregate amounts of such claims listed on Schedule 1 of the ~~Purchase Agreement~~ Plan. Pursuant to the Purchase Agreement, if the aggregate amount of all Administrative Claims asserted against Propco II as of the latest deadline set by the Court for the filing of proofs of Administrative Claims exceeds the aggregate amount of Administrative Claims listed on Schedule 1 of the ~~Purchase Agreement~~ Plan, the Purchaser may elect to consummate the Sale Transaction pursuant to a Sale Order rather than the Plan, in which case certain Administrative Claims against Propco II may not be paid; *provided* that the Propco II Debtor and the Purchaser shall engage in good faith discussions regarding the amount of the Administrative Claims asserted and whether such claims are reasonably likely to be Allowed before the Purchaser elects to consummate the Sale Transaction pursuant to a sale order.

The Purchaser shall have the right, in its sole discretion, to remove any of the Propco II Debtor's assets from the Purchaser Bid (as defined in the Plan). If the Propco II Plan Debtors do not initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Purchaser shall identify the Excluded Assets (as defined in the Plan) on or before July 16, 2018. If the Propco II Plan Debtors

initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Purchaser shall identify the Excluded Assets no later than ten (10) days before the closing of the Sale Transaction. To the extent there are Excluded Assets and the Propco II Plan Debtors do not initiate a second phase of the bid process in accordance with the Propco II Bidding Procedures, the Propco II Plan Debtors shall include in the Plan Supplement the method for disposition of such Excluded Assets. Additionally, in the event there are Excluded Assets, the Credit Bid shall be reduced by the Allocated Loan Amount (as defined in the Mortgage Loan Agreement) for each Excluded Asset.

D. Corporate Action.

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, the Propco II Plan Debtors, or any other Entity or Person. All matters provided for in the Plan involving the corporate structure of the Propco II Plan Debtors, and any corporate action required by the Propco II Plan Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Propco II Plan Debtors or their Estates.

Upon the Effective Date or as soon as reasonably practicable thereafter, after making all distributions provided for under the Plan, the Propco II Plan Debtors shall be deemed to have been dissolved and terminated.

Upon the Effective Date or as soon as reasonably practicable thereafter, the existing board of directors and managers, as applicable, of the Propco II Plan Debtors shall be dissolved without any further action required on the part of the Propco II Plan Debtors or the Propco II Plan Debtors' officers, directors, shareholders, and members and any remaining officer or directors of the Propco II Plan Debtors shall be dismissed without any further action required on the part of the Propco II Plan Debtors, the shareholders of the Propco II Plan Debtors, or the officers and directors of the Propco II Plan Debtors. The directors, managers, and officers of the Propco II Plan Debtors shall be authorized to execute, deliver, and File, or record such contracts, instruments, and other agreements or documents and take such other actions as they may deem necessary or appropriate in their sole discretion to implement the provisions of Article IV.H of the Plan.

The authorizations and approvals contemplated by Article IV.H of the Plan shall be effective notwithstanding any requirements under applicable nonbankruptcy law.

E. Recoveries to Certain Holders of Claims and Interests.

The recoveries to Holders of Claims and Interests are described in Article III.D of this Disclosure Statement, entitled "What will I receive from the Propco II Plan Debtors if the Plan is consummated?"

F. Releases.

The Plan contains certain releases, as described in Article III.K of this Disclosure Statement entitled "Will there be releases and exculpation granted to parties in interest as part of the Plan?"

The Plan provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties: provided that any Holder of a Claim or Interest

that votes to reject the Plan (and thereby opts out of the releases) shall not be a “Released Party” or a “Releasing Party” under the Plan.

The release, exculpation, and injunction provisions that are contained in the Article VIII of the Plan are copied in pertinent part below.

1. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Propco II Plan Debtors’ Estates shall be fully released, settled, and compromised, and the holder of such mortgages, deeds of trust, Liens, pledges, or other security interest against any property of the Propco II Plan Debtors’ Estates shall be authorized to take such actions as may be reasonably requested by the Propco II Plan Debtors to evidence such releases.

Without limiting the foregoing, and except as otherwise provided in the Purchase Agreement, all assets shall be transferred to the Purchaser free and clear of all Claims, Liens, encumbrances or Interests, including transfer taxes, pursuant to sections 363, 365, or 1123 of the Bankruptcy Code, as applicable.

2. Debtor Release.

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Propco II Plan Debtors and the Propco II Plan Debtors’ Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives, and any and all other entities who may purport to assert any Cause of Action, directly or derivatively, by, through, for, or because of the foregoing entities, from any and all Causes of Action, including any derivative claims, asserted on behalf of the Propco II Plan Debtors, that the Propco II Plan Debtors or the Propco II Plan Debtors’ Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim against, or Interest in, the Propco II Plan Debtors or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Propco II Plan Debtors, the Propco II Plan Debtors’ in- or out-of-court restructuring efforts, intercompany transactions, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Sale Transaction, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the Sale Transaction, the Plan, or the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, any claims or defenses under the Intercreditor Agreement, or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including, the Purchase Agreement.

Entry of the Confirmation Order shall constitute the Bankruptcy Court’s approval, pursuant to Bankruptcy Rule 9019, of the releases described in Article VIII.B of the Plan by the Propco II Plan

Debtors, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in Article VIII.B of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (2) in the best interest of the Propco II Plan Debtors and all Holders of Interests and Claims; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to the Propco II Plan Debtors asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

3. Third Party Release.

As of the Effective Date, each Releasing Party is deemed to have released and discharged the Propco II Plan Debtors and each Released Party from any and all Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Propco II Plan Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Propco II Plan Debtors, the Propco II Plan Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Sale Transaction, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the Sale Transaction, the Plan, or the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, [any claims or defenses under the Intercreditor Agreement](#), or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including the Purchase Agreement.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Article VIII.C of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in Article VIII.C of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (2) in the best interests of the Debtors and all Holders of Interests and Claims; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to any of the ~~Debtors~~ [Releasing Parties](#) asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

4. Exculpation.

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur [any liability with respect to](#), and each Exculpated Party is released and exculpated from any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Propco II Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Plan, the Sale Transaction, or any Restructuring Transaction, contract, instrument, release or other agreement or document created or entered into in connection

with the Disclosure Statement or the Plan, the filing of the Propco II Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, except for claims related to any act or omission that is determined in a Final Order to have constituted actual fraud or gross negligence, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

Notwithstanding anything contained herein to the contrary, the foregoing exculpation does not release the Master Lease Rejection Claim, the Mortgage Loan Guaranty Claim, the Giraffe Junior Mezzanine Loan Guaranty Claim, any claims or defenses under the Intercreditor Agreement, or any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, including the Purchase Agreement.

5. Injunction.

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan, the Purchase Agreement, or the Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been compromised, settled, or released, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Propco II Plan Debtors, the Exculpated Parties, or the Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

Upon entry of the Confirmation Order, all Holders of Claims and Interests and their respective current and former employees, agents, officers, directors, principals, and direct and indirect affiliates shall be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan. Each Holder of an Allowed Claim or Allowed Interest, as applicable, by accepting, or being eligible to accept, distributions under or Reinstatement of such Claim or Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Article VIII.E of the Plan.

V. VOTING AND CONFIRMATION

A. Class Entitled to Vote on the Plan.

As described more fully above, Class A3 (Mortgage Loan Secured Claims against Propco II), Class A4 (General Unsecured Claims against Propco II), Class A5 (Propco II Interests), Class B1 (Other Secured Claims against Giraffe Junior), Class B2 (Other Priority Claims against Giraffe Junior), Class B3 (Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior), Class B4 (General Unsecured Claims against Giraffe Junior), and Class B5 (Giraffe Junior Interests) are the only classes entitled to vote to accept or reject the Plan (the "Voting Classes").

If your Claim or Interest is not included in the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package or a Ballot. If your Claim is included in the Voting Classes, you should read your Ballot and carefully follow the instructions set forth therein. Please use only the Ballot that accompanies this Disclosure Statement or the Ballot that the Propco II Plan Debtors, or the Solicitation Agent on behalf of the Propco II Plan Debtors, otherwise provide to you.

B. Votes Required for Acceptance by a Class.

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims or interests is determined by calculating the amount and, if a class of claims, the number, of claims and interests voting to accept, as a percentage of the allowed claims or interests, as applicable, that have voted. Each Class of Claims or Interests entitled to vote on the Plan will have accepted the Plan if: (a) the Holders of at least two-thirds in dollar amount of the Claims or Interests actually voting in each Class vote to accept the Plan; and (b) the Holders of more than one-half in number of the Claims ~~or Interests~~ actually voting in each Class vote to accept the Plan.

C. Certain Factors to Be Considered Prior to Voting.

There are a variety of factors that all Holders of Claims and Interests entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan, including that:

- the financial information contained in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement;
- although the Propco II Plan Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Propco II Plan Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;
- the Propco II Plan Debtors may request Confirmation without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code; and
- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims or Professional Fee Claims.

While these factors could affect distributions available to Holders of Allowed Claims and Interests under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of Holders within the Voting Classes or necessarily require a re-solicitation of the votes of Holders of Claims and Interests in such Voting Classes.

For a further discussion of risk factors, please refer to Article IX hereof, entitled “Risk Factors.”

D. Solicitation Procedures.

1. Solicitation Agent.

The Propco II Plan Debtors retained Prime Clerk LLC (“Prime Clerk”) to act, among other things, as the solicitation agent (the “Solicitation Agent”) in connection with the solicitation of votes to accept or reject the Plan.

2. Solicitation Package.

Holders of Claims and Interests who are entitled to vote to accept or reject the Plan as of ~~July~~ July 2, 2018 (the “Voting Record Date”), will receive appropriate solicitation materials (the “Solicitation Package”), which will include, in part, the following:

- the appropriate Ballot(s) and applicable voting instructions, together with a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement, including the Plan as an exhibit thereto.

3. Distribution of the Solicitation Package and Plan Supplement.

The Propco II Plan Debtors will use their reasonable best efforts to cause Prime Clerk to distribute ~~the Solicitation Packages~~ solicitation packages, including ballots, to Holders of Claims and Interests ~~in~~ entitled to vote to accept or reject the Plan as soon as practicable following the Voting Classes conclusion of the hearing on or before ~~the Disclosure Statement, and no later than the solicitation deadline of July 6,~~ 2018.

The Solicitation Package (except for the Ballots) may also be obtained: (a) from Prime Clerk by (i) visiting <https://cases.primeclerk.com/toysrus>, (ii) writing to Prime Clerk at Toys “R” Us Property Company II, LLC, Ballot Processing Center, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusballots@PrimeClerk.com; or (b) for a fee via PACER at <http://www.vaeb.uscourts.gov>.

At least seven (7) days prior to the Voting Deadline, the Propco II Plan Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be filed with the Bankruptcy Court and made available at <https://cases.primeclerk.com/toysrus>. The Propco II Plan Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement: (a) from Prime Clerk by (i) visiting <https://cases.primeclerk.com/toysrus>, (ii) writing to Prime Clerk at Toys “R” Us Property Company II, LLC, Ballot Processing Center, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusballots@PrimeClerk.com; or (b) for a fee via PACER at <http://www.vaeb.uscourts.gov>.

As described above, certain Holders of Claims may not be entitled to vote because they are Unimpaired or are otherwise presumed to accept the Plan under section 1126(f) of the Bankruptcy Code. In addition, certain Holders of Claims and Interests may be Impaired but are receiving no distribution under the Plan, and are therefore deemed to reject the Plan and are not entitled to vote. Such Holders will receive only the Confirmation Hearing Notice and a non-voting status notice. The Propco II Plan Debtors are only distributing a Solicitation Package, including this Disclosure Statement and a Ballot to be used for voting

to accept or reject the Plan, to the Holders of Claims or Interests entitled to vote to accept or reject the Plan as of the Voting Record Date.

E. Voting Procedures.

If, as of the Voting Record Date, you are a Holder of a Class A3, Class A4, Class A5, Class B1, Class B2, Class B3, Class B4, or Class B5 Claim or Interest, you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by completing the Ballot and returning it in the envelope provided. If your Claim or Interest is not included in the Voting Classes, then you are not entitled to vote and you will not receive a Solicitation Package. Except as otherwise set forth herein, the Voting Record Date and all of the Propco II Plan Debtors' solicitation and voting procedures shall apply to all of the Propco II Plan Debtors' creditors and other parties in interest.

1. Voting Deadline.

The deadline to vote on the Plan is ~~July 25~~, **2018, at 4:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). To be counted as a vote to accept or reject the Plan, a Ballot must be properly executed, completed, and delivered, whether by first class mail, overnight delivery, personal delivery, or electronic online submission so that the Ballot is **actually received** by Prime Clerk no later than the Voting Deadline.

2. Voting Instructions.

As described above, the Propco II Plan Debtors have retained Prime Clerk to serve as the Solicitation Agent for purposes of the Plan. Prime Clerk is available to answer questions, provide additional copies of all materials, oversee the voting process, and process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS
To be counted, all Ballots must be <u>actually received</u> by Prime Clerk by the Voting Deadline, which is July 25 , 2018, at 4:00 p.m., prevailing Eastern Time , at the following address:
Toys "R" Us Property Company II, LLC Ballot Processing Center c/o Prime Clerk LLC 830 Third Avenue, 3rd Floor New York, New York 10022
If you have any questions on the procedure for voting on the Plan, please call the Propco II Plan Debtors' restructuring hotline maintained by Prime Clerk at:
(844) 794-3476 (toll free) (917) 962-8499 (International)

More detailed instructions regarding the procedures for voting on the Plan are contained in the Ballots distributed to Holders of Claims and Interests that are entitled to vote to accept or reject the Plan. All votes to accept or reject the Plan must be cast by using the appropriate Ballot. All Ballots must be properly executed, completed, and delivered according to their applicable voting instructions by: (i) first

class mail, in the return envelope provided with each Ballot; (ii) overnight courier; (iii) hand-delivery; (iv) electronic online submission at <https://cases.primeclerk.com/toysrus>, so that the Ballots are **actually received** by Prime Clerk no later than the Voting Deadline in accordance with the procedures set forth in the applicable Ballot. Any Ballot that is properly executed by the Holder of a Claim or Interest entitled to vote that does not clearly indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted.

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan may cast only one Ballot for each Claim or Interest in a Voting Class held by such Holder. By signing and returning a Ballot, each Holder of a Claim or Interest entitled to vote will certify to the Bankruptcy Court and the Propco II Plan Debtors that no other Ballots with respect to such Claim or Interest have been cast or, if any other Ballots have been cast with respect to such Claim or Interest, such earlier Ballots are superseded and revoked.

All Ballots will be accompanied by postage prepaid return envelopes. It is important to follow the specific instructions provided on each Ballot, as failing to do so may result in your Ballot not being counted.

The Plan provides that (i) all Holders of Claims and Interests that are deemed to accept the Plan and who do not opt out of the releases provided by the Plan; (ii) all Holders of Claims and Interests who vote to accept the Plan; and (iii) all Holders in voting classes who abstain from voting on the Plan and who do not opt-out of the releases provided by the Plan will be deemed to have released all Causes of Action against the Propco II Plan Debtors and the Released Parties: provided that any Holder of a Claim or Interest that votes to reject the Plan (and thereby opts out of the releases) shall not be a “Released Party” or a “Releasing Party” under the Plan.

3. Ballots Not Counted.

No Ballot will be counted toward Confirmation if, among other things: (i) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim or Interest; (ii) it was transmitted by means other than as specifically set forth in the Ballots; (iii) it was cast by an entity that is not entitled to vote on the Plan; (iv) it was cast for a Claim listed in the Propco II Plan Debtors’ schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no proof of claim was timely filed; (v) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (vi) it was sent to any party other than the Solicitation Agent; (vii) it is unsigned; or (viii) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

F. ~~Plan-Disclosure Statement~~ Objection Deadline.

Parties must object to approval of the Disclosure Statement on a final basis by July 9, 2018, at 4:00 p.m., prevailing Eastern Time. All objections to the approval of the Disclosure Statement on a final basis must be filed with the Bankruptcy Court and served on the Propco II Plan Debtors, counsel to the Committee, and certain other parties in interest so that they are actually received on or before the objection deadline.

G. Plan Objection Deadline.

Parties must object to Confirmation of the Plan by ~~July 25~~, 2018, at 4:00 p.m., prevailing Eastern Time (the “Plan Objection Deadline”). All objections to the Plan must be filed with the Bankruptcy Court and served on the Propco II Plan Debtors, counsel to the Committee, and certain other parties in interest so that they are **actually received** on or before the Plan Objection Deadline.

G.H. Confirmation Hearing.

Assuming the requisite acceptances are obtained for the Plan, the Propco II Plan Debtors intend to seek [final approval of this Disclosure Statement and Confirmation of the Plan](#) at the Confirmation Hearing. The Confirmation Hearing is scheduled to commence on **July 30, 2018, at 9:00 a.m.**, prevailing Eastern Time, before the Honorable Keith L. Phillips, in the United States Bankruptcy Court for the Eastern District of Virginia, located at 701 East Broad Street, Suite 4000, Richmond, Virginia 23219. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the entities who have filed objections to the Plan, without further notice to other parties in interest. The Bankruptcy Court, in its discretion and before the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

VI. THE PROPCO II PLAN DEBTORS' HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. History of Toys "R" Us, Inc. (Propco II's Parent).

Seeking to capitalize on the post-World War II baby boom, Charles Lazarus, the founder of Toys "R" Us, Inc., first opened Children's Bargain Town, a baby furniture store, in Washington D.C. in 1948. After the success of adding toys and baby products to Children's Bargain Town, Lazarus shifted focus and opened his first store dedicated exclusively to toys in 1957 and called it Toys "R" Us Inc. The Company went on to open big-box stores across the United States, dominating toy sales with deep discounts and a huge selection, squeezing out smaller mom-and-pop toy shops.

Toys "R" Us, Inc. completed an initial public offering in 1978. Over time, the Company grew into a toy conglomerate with a broad, loyal customer base. The Company expanded internationally in 1984 with its first wholly-owned store in Canada and a licensed operation in Singapore. The Company launched Toysrus.com in 1998. In addition, the company launched its first Babies "R" Us location in 1996. Babies "R" Us stores focus solely on baby products and furniture, aiming to provide shopping expertise and specialized products for new families.

Toys "R" Us was acquired and taken private in 2005. Following a highly competitive process, an investment group led by entities advised by or affiliated with Bain Capital Private Equity, LP, Kohlberg Kravis Roberts & Co. L.P., and Vornado Realty Trust bought Toys "R" Us for approximately \$6.6 billion, including \$5.3 billion of debt secured in large part by company assets. After going private, Toys "R" Us further expanded its international presence, primarily in China and Southeast Asia.

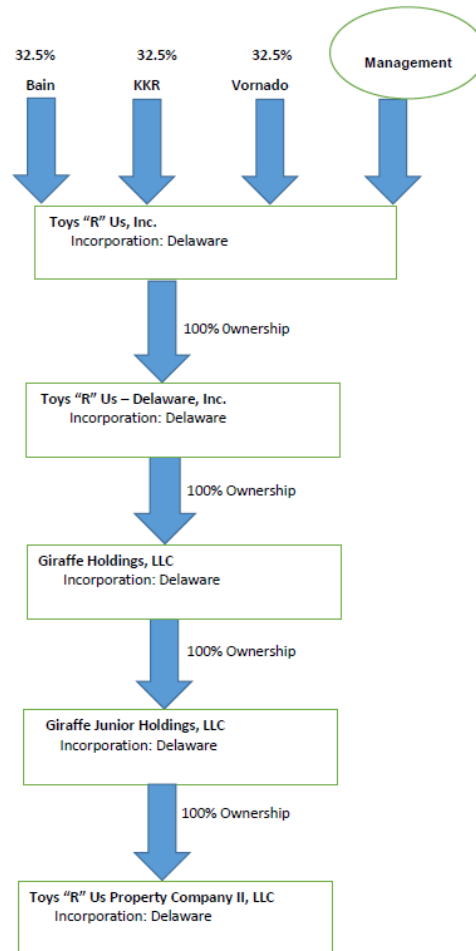
B. History of Propco II and Giraffe Junior.

Propco II and Giraffe Junior were both incorporated in 2005 as Delaware limited liability companies as part of a legal reorganization of the businesses of the Company. As part of the reorganization, Propco II received, as contributions from Toys-Delaware and other affiliates, certain of the Company's real property assets, which Propco II ~~now leases~~ [leased](#) to Toys-Delaware in accordance with the Master Lease [up until the Master Lease was rejected on June 30, 2018](#). Therefore, Propco II has historically operated as a property holding company for Toys Delaware.

Prior to the chapter 11 filing of Propco II and Giraffe Junior, independent managers were appointed at Propco II and Giraffe Junior. The LLC agreement for each entity requires that two independent managers

consent to taking any “Material Action”⁹ so long as (a) the Giraffe Junior Mezzanine Loan is outstanding (in the case of Material Actions of Giraffe Junior), or (b) the Giraffe Junior Mezzanine Loan or Propco II Mortgage Loan are outstanding (in the case of Material Actions of Propco II).

A simplified corporate structure chart showing Propco II in relation to Giraffe Junior, Toys Delaware, and Toys “R” Us, Inc. is set forth below.



C. Propco II Plan Debtors’ Current Assets and Operations

The Propco II Debtor is a direct subsidiary of the Giraffe Junior Debtor, and both are indirect wholly owned subsidiaries of Debtor Toys “R” Us, Inc. The Giraffe Junior Debtor’s primary asset is its 100% ownership interest in Propco II.

⁹ “Material Action” means (i) the filing, or consent to the filing, of a bankruptcy or insolvency petition, (ii) any general assignment for the benefit of creditors or the institution of any other insolvency proceeding, (iii) the seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official in respect of the Company, (iv) admitting in writing in a legal proceeding the Company’s inability to pay its debts generally as they become due (unless failure to do so is a violation of law), or (v) to the fullest extent permitted by law, the dissolution, liquidation, consolidation, merger or sale of all or substantially all of its assets.

The Propco II Debtor owns fee simple and leasehold interests in, collectively, 123 real properties located in 29 states, which include 112 owned real estate stores and eleven (11) ground leasehold interests. Pursuant to the Master Lease, Propco II leases the Properties to Toys Delaware on a triple-net basis, which means that under the Master Lease, Toys Delaware pays all real estate taxes, building insurance, and maintenance on the Properties [up until the Master Lease was rejected on June 30, 2018](#). As a result, substantially all of Propco II's revenues and cash flows derive from payments from Toys Delaware under the Master Lease.

D. Propco II Plan Debtors' Capital Structure.

1. Propco II Mortgage Loan.

On November 3, 2016, Propco II entered into a floating-rate loan as borrower with Goldman Sachs Mortgage Company and Bank of America N.A., as lenders in the initial amount of \$512 million (the "[Propco II Mortgage Loan](#)") pursuant to that certain Loan Agreement (as amended, novated, supplemented, extended or restated from time to time, the "[Mortgage Loan Agreement](#)"). The Mortgage Loan is evidenced by two promissory notes, each in the original principal amount of \$256 million, made by Propco II on the same date: (a) Promissory Note A-1 in favor of Goldman Sachs Mortgage Company and (b) Promissory Note A-2 in favor of Bank of America N.A. The Mortgage Loan has a maturity date of November 9, 2019.

Several additional transactions were executed on November 3, 2016, to securitize the Propco II Mortgage Loan into commercial mortgage-backed securities. First, the TRU Trust 2016-TOYS, Commercial Mortgage Pass-Through Certificates, Series 2016-TOYS (the "[Trust](#)") was established by TRU 2016-1 Depositor, LLC, as depositor (the "[Depositor](#)") pursuant to that certain Trust and Servicing Agreement, dated as of November 3, 2016 (the "[Servicing Agreement](#)," and together with the Mortgage Loan Agreement, the "[Mortgage Loan Documents](#)"), by and among the Depositor and Wells Fargo Bank, National Association, in its capacity as servicer, special servicer, and certificate administrator. Following the creation of the Trust, the Propco II Mortgage Loan was transferred to the Trust pursuant to, among other things, (i) that certain Mortgage Loan Purchase and Sale Agreement, dated as of November 3, 2016, among the Original Lenders and TRU 2016-1 Depositor, LLC, as depositor, (ii) that certain Allonge to Promissory Note A-1, dated November 3, 2016, from Goldman Sachs to Wilmington Trust, National Association, solely in its capacity as Trustee for the Certificate Holders (as defined below), and (iii) that certain Allonge to Promissory Note A-2, dated November 3, 2016, from Bank of America N.A. to Wilmington Trust, National Association, solely in its capacity as Trustee for the Certificate Holders. Next, in exchange for the Propco II Mortgage Loan, the Trust issued to the Depositor certificates evidencing the entire beneficial interest in the Trust. These certificates were sold and transferred through certain placement agents to investors (collectively, the "[Certificate Holders](#)"). Pursuant to the Servicing Agreement, Wells Fargo Bank, National Association was appointed as the special servicer (the "[Special Servicer](#)") of the Propco II Mortgage Loan.

The Propco II Mortgage Loan is secured by, among other things, a first lien mortgage on the Properties. Toys "R" Us, Inc. guaranteed the payment and performance of liabilities of Propco II under the Mortgage Loan Agreement for damages resulting from certain breaches or actions, including certain intentional abuses or destruction of the Properties, fraud, intentional misrepresentation, willful misconduct, misappropriation or intentional misapplication of funds, the failure of Propco II to remain a single-purpose entity and certain other violations of the Mortgage Loan Agreement and related loan documents. [The Debtors believe such guarantee was triggered by the filing of the chapter 11 cases.](#)

As of the Petition Date, approximately \$507 million in aggregate principal amount remained outstanding under the Propco II Mortgage Loan. The Propco II Mortgage Loan is Propco II's only funded debt.

2. Mezzanine Loan Agreement

On November 3, 2016, Giraffe Junior entered into a mezzanine loan agreement (the “Mezzanine Loan Agreement”) with certain funds managed by Brigade Capital Management, LP, providing for a fixed-rate loan (the “Giraffe Junior Mezzanine Loan”) in the initial principal amount of \$88 million. The Giraffe Junior Mezzanine Loan accrues interest at a non-default fixed rate of 12.50% per annum.

The Giraffe Junior Mezzanine Loan is secured by a first priority pledge of all of Giraffe Junior’s ownership interests in Propco II, together with certain accounts and other related collateral of Giraffe Junior, pursuant to a pledge and security agreement. Toys “R” Us, Inc. guaranteed the payment and performance of ~~liabilities of Giraffe Junior under the Mezzanine Loan Agreement. The terms of the guaranty for the Giraffe Junior Mezzanine Loan are substantially similar to the terms of the guaranty for the Propco II Mortgage Loan.~~ Giraffe Junior under the Mezzanine Loan Agreement. The Propco II Plan Debtors’ believe Toys “R” Us, Inc. guaranteed the payment and performance of liabilities of Propco II under the Giraffe Junior Mezzanine Loan for damages resulting from certain breaches or actions, including certain intentional abuses or destruction of the Properties, fraud, intentional misrepresentation, willful misconduct, misappropriation or intentional misapplication of funds, the failure of Propco II to remain a single purpose entity and certain other violations of the Giraffe Junior Mezzanine Loan and related loan documents. The lender for the Giraffe Junior Mezzanine Loan believes it is an unqualified guarantee for payment under the Giraffe Junior Mezzanine Loan. The Propco II Plan Debtors disagree with this position and all parties’ rights are reserved. The Debtors believe such guarantee was triggered by the filing of the chapter 11 cases. Under that certain Intercreditor Agreement, dated November 3, 2016, all rights to payment under the Mezzanine Loan Agreement are subordinated to rights to payment under the Mortgage Loan Agreement, which must be paid in full in cash prior to any distributions under the Mezzanine Loan Agreement.

3. Propco II Plan Debtors’ Interests.

Giraffe Junior, an indirect, wholly-owned subsidiary of Toys “R” Us., Inc., owns 100% of the equity interests in Propco II.

Giraffe Holdings, LLC, an indirect, wholly-owned subsidiary of Toys “R” Us., Inc., owns 100% of the equity interests in Giraffe Junior.

VII. EVENTS LEADING TO THE CHAPTER 11 FILING OF PROPCO II AND ITS AFFILIATES

A confluence of factors contributed to the need for Toys “R” Us, Inc. and its debtor affiliates, including Propco II to commence chapter 11 cases, including market trends and a highly-leveraged capital structure. In light of shifting consumer demand toward online marketplaces and competition from one-stop retailers such as Walmart® and Target®, the Company’s revenue has trended downwards over the past five years, decreasing profits and increasing leverage. Although the Company has managed its complex, highly-leveraged capital structure by refinancing its debt obligations before they come due, the Company’s cash debt service burden of approximately \$400 million per year was unsustainable. As a result, the Company concluded that a comprehensive deleveraging would be required to allow the Company to right-size its balance sheet, make necessary investments, and maximize the long-term value of the business.

The Company also faced certain liquidity challenges that reduced the Company’s strategic flexibility in executing a deleveraging strategy. In the face of these liquidity concerns, the Company worked with its advisors to investigate the possibility of raising approximately \$200 million of incremental liquidity. The Company and its advisors engaged with potential lenders and their advisors regarding alternative structures to raise the necessary incremental funds, including considering a sale-leaseback

transaction with certain existing lenders. Ultimately, no such liquidity-enhancing transaction proved to be viable.

With the goal of implementing a comprehensive deleveraging, but without a solution to near-term liquidity pressures, the Company asked its advisors to focus on contingency planning, including securing debtor-in-possession financing and preparing for an orderly chapter 11 filing. When news broke that the Company was considering restructuring options, including a chapter 11 filing, trade and credit insurers immediately began to pull terms and cease shipping product. As a result, the Company accelerated its preparations for chapter 11 cases, finalized negotiations, and documented debtor-in-possession financing arrangements.

A. Refinancing Efforts.

The Company as a whole has a large and complex organizational and capital structure. Historically, when faced with pending debt maturities, the Company has sought and obtained refinancing of such pending debt, generally extending the maturities to avoid making large cash payments. This substantial debt-service burden hampered the Company's operational investment.

The capital structure of the Propco II Plan Debtors is made up of solely the Propco II Mortgage Loan and the Giraffe Junior Mezzanine Loan. On November 3, 2016, Propco II completed \$512 million of Commercial Mortgage-Backed Securities financing and \$88 million of mezzanine financing. The proceeds and a \$51 million rent prepayment from Toys Delaware to Propco II in conjunction with an amendment to the Master Lease agreement, along with cash on hand were used to redeem the aggregate principal amount of \$725 million of 8.500% senior secured notes due 2017 of Propco II. Propco II entered into the Mortgage Loan Agreement, providing for a floating-rate loan in the initial principal amount of \$512 million.

B. Operational and Market Considerations.

The Company faced challenges to its liquidity resulting from operational struggles, outdated technology, and a failure to adapt to market changes.

Following the close of the 2013 fiscal year, the Company recognized the need to implement broad organizational changes to confront market headwinds and drive increased revenue. Over the next several years, the Company's Board of Directors conducted executive searches and hired several new executives. The Board of Directors and management began making short-term and long-term strategic changes to, among other things, the Company's inventory and supply chain process, website and IT platform, and store formats. Additionally, the Company invested in and expanded to strategic geographic markets to stabilize and grow topline sales. Yet, despite the Company's best efforts, the overall revenue trend in the United States was declining as the Company struggled to maintain market share and compete in the changing retail environment.

The Company, like many other apparel and retail companies, faces a challenging environment as a result of pressure from competitive big box retailers and the general market shift towards online shopping. These factors left the Company with a relatively high cost structure coupled with decreasing revenues, resulting in diminishing cash flow. Certain trends, along with deep discounting to drive in-store sales, contributed to a 3.4 percent decrease in revenue during the 2016 holiday season as compared to the 2015 season, and negative or declining same-store sales trends. This trend continued into 2017.

On September 6, 2017, a news article stating that the Company was considering all strategic options, including a potential restructuring, was published. This news story was picked up by media outlets around the world and appeared on national television shows within hours. Within 72 hours, a significant percentage of the Company's vendors called the Company to inform them that they would not ship product

without cash on delivery. In addition, as discussed above, the Company's international credit insurers withdrew their coverage. The impact on the Company's supply chain was fast and furious. Within a week, 40 percent of the supply chain refused to ship product and 10 days later, practically all of the Company's vendors had refused to ship without cash on delivery. The Company lost its access to product during the critical shipping period to build inventory for the holiday season.

The Company and its advisors worked feverishly during this period to finalize the terms of a debtor-in-possession financing facility to ensure that the Company would have sufficient liquidity to reactivate their supply chain, build inventory, and fund chapter 11 cases. Neither of the Propco II Plan Debtors, however, are obligors of the debtor in possession financing. The Company then initiated chapter 11 proceedings on September 19, 2017.

VIII. EVENTS OF THE CHAPTER 11 CASES

A. First and Second Day Relief.

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), the Propco II Plan Debtors and their co-debtors (the "Debtors") filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees and vendors following the commencement of the Chapter 11 Cases. A brief description of the Debtors and their business and each of the First Day Motions and the evidence in support thereof is set forth in (i) the *Declaration of David A. Brandon, Chief Executive Officer of Toys "R" Us, Inc., in Support of Chapter 11 Petitions and First Day Motions* (the "Brandon Declaration") and (ii) the *Declaration of Michael J. Short, Chief Financial Officer of Toys "R" Us, Inc., in Support of First Day Motions* (the "Short Declaration" and together with the Brandon Declaration, the "First Day Declarations"), filed contemporaneously with the Debtors' voluntary petitions for relief filed under chapter 11 of the Bankruptcy Code.

On October 10, 2017, the Debtors held their second day hearing before the Bankruptcy Court. At the second day hearing, the Bankruptcy Court granted certain of the first day relief on a final basis, including authority to continue to pay employee wages and benefits [Docket No. 703], insurance premiums [Docket No. 712], and taxes in the ordinary course of business [Docket No. 727]. In addition, the Bankruptcy Court entered a final order with regard to the Debtors' cash management motion [Docket No. 704], and debtor-in-possession financing for certain North American Debtors [Docket No. 711]. The Bankruptcy Court also granted orders establishing procedures for interim compensation and reimbursement of expenses for retained professionals [Docket No. 746] and procedures regarding the transfer of Toys "R" Us, Inc.'s common stock [Docket No. 728].

The First Day Motions, the First Day Declarations, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at <https://cases.primeclerk.com/toysrus>.

B. Other Procedural and Administrative Motions.

The Propco II Plan Debtors also filed several other motions after the Petition Date to facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith, including motions and applications to retain professionals pursuant to sections 327 and 328 of the Bankruptcy Code, including Kirkland [Docket No. 219] and Kutak Rock LLP [Docket No. 215] as the Debtors' legal counsel, Lazard Frères & Co. LLC as the Debtors' investment banker [Docket No. 213], and Alvarez & Marsal North America, LLC as the Debtors' restructuring advisor [Docket No. 212], which applications were all approved by the Bankruptcy Court. The Debtors filed a number of additional retention applications, including an application to retain A&G Realty Partners, LLC as real estate

consultant and advisor to the Debtors' [Docket No. 214], KPMG LLP as tax consultants and internal audit advisor to the Debtors [Docket No. 788], Ernst & Young LLP as the Debtors' auditor [Docket No. 789], Shaw Fishman Glantz & Towbin LLC as conflicts counsel to Giraffe Holdings, LLC, Giraffe Junior, and Propco II [Docket No. 783], and Munger, Tolles & Olson LLP as counsel to Toys "R" Us, Inc. [Docket No. 770], which applications were all approved by the Bankruptcy Court. Toys Delaware also filed an application to employ Katten Muchin Rosenman LLP as its counsel [Docket No. 2908], which was approved by the Bankruptcy Court. The foregoing professionals are, in part, responsible for the administration of the Chapter 11 Cases. The postpetition compensation of all of the Debtors' professionals retained pursuant to sections 327 and 328 of the Bankruptcy Code is subject to the approval of the Bankruptcy Court.

C. Litigation Matters.

In the ordinary course of business, the Propco II Plan Debtors are party to certain legal proceedings. With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Propco II Plan Debtors that were or could have been commenced before the commencement of the Chapter 11 Case. In addition, the Propco II Plan Debtors' liability with respect to litigation stayed by the commencement of the chapter 11 cases generally is settled and released upon confirmation of a plan under chapter 11, with certain exceptions. Therefore certain litigation Claims against the Propco II Plan Debtors may be subject to discharge in connection with the Chapter 11 Case.

D. Adequate Protection Order~~s~~.

On November 2, 2017, the Debtors filed a motion seeking approval from the Court for Propco II to provide adequate protection to the Trust in order to protect against any diminution in value of the collateral securing the Propco II Mortgage Loan. The Court entered an order [Docket No. 1003] (the "Initial Adequate Protection Order") granting the Trust the following, as adequate protection: (i) adequate protection liens on all Propco II's present and after-acquired property and assets; (ii) superpriority administrative expense claims against Propco II; (iii) payment of current interest at the non-default rate; (iv) amortization payments; (v) payment of late fees to the extent interest and amortization payments are not paid by the agreed upon payment date; (vi) Propco II's continued compliance under the Master ~~Loan~~ Lease Agreement; (vii) reimbursement of costs and expenses incurred by the Special Servicer in connection with the Mortgage Loan Documents; (viii) payment of securitization fees; (ix) all Revenues (as defined in the Mortgage Loan Agreement), after payment of certain adequate protection obligations of Propco II, would be released to the Special Servicer and applied to pay down the balance of the Mortgage Loan, and (x) Propco II would comply with all cash management provisions in the Mortgage Loan Agreement. Under the Initial Adequate Protection Order, the Propco II Debtor and the Committee reserved the right to seek recharacterization of certain adequate protection payments under the Initial Adequate Protection Order as payments of principal or on account of the Trust's secured claim, subject to the claims and defenses of the Trust and the Special Servicer.

As part of the Initial Adequate Protection Order, all of the Debtors, on behalf of themselves and all parties in interest, waived all claims and challenges with respect to the indebtedness and liens of the Trust and the ability to bring actions for preferences, fraudulent transfers or conveyances. The Initial Adequate Protection Order did, however, grant the Committee time to investigate and bring certain claims on behalf of the Debtors' estates, subject to an initial deadline of February 21, 2018. That deadline has been extended a number of times: to March 30, 2018 [Docket No. 1773]; then to April 30, 2018 [Docket No. 2461]; then to May 21, 2018 [Docket No. 2922]; then to June 6, 2018 [Docket No. 3134]; then to June 20, 2018 [Docket No. 3334]; then to June 27, 2018 [Docket No. 3460]; and finally to July 18, 2018 [Docket No. 3579], the current deadline to file a motion for standing to pursue solely the potential claims and causes of action that

constitute a “Challenge” (meaning (i) objecting to or challenging the amount, validity, perfection, enforceability, priority, or extent of any of the Prepetition Secured Obligations or the Prepetition Encumbrances (both as defined in the Initial Adequate Protection Order), or (ii) otherwise asserting or prosecuting any action for preferences, fraudulent transfers or conveyances, other avoidance power claims or any other claims, counterclaims, or causes of action, objections, contests, or defenses) that were identified in the written report that was delivered to the Special Servicer on May 18, 2018; subject to all rights, claims, and defenses of the Trust and its Representatives (as defined in the Initial Adequate Protection Order). In accordance with the Initial Adequate Protection Order, the Committee continues to reserve the right to pursue such Challenges on behalf of the Debtors’ estates.

Certain additional claims or causes of action against the Propco II Debtor, Giraffe Junior Debtor or Giraffe Holdings, LLC may exist, and are not subject to the challenge deadline set forth in the Initial Adequate Protection Order. Such claims include, but are not limited to, recharacterization of the Master Lease and claims to recover overpayments by Toys Delaware under the Master Lease. In addition, nothing in the Plan impacts claims or causes of action against the Special Servicer or any other party held by any Debtor other than the Propco II Debtor, the Giraffe Junior Debtor or Giraffe Holdings, LLC.

On June 21, 2018, the Debtors filed a motion seeking approval of an order amending the Initial Adequate Protection Order (the “Amended Adequate Protection Order”), whereby (i) the Special Servicer would agree to carve out from its collateral certain fees and expenses of the Propco II Plan Debtors’ and the Committees’ professionals, subject to the Professional Fee Claims Cap, and (ii) the Trust would agree to fund certain costs, as set forth therein, necessary to maintain and preserve the Properties through the end of July 2018. Since the Master Lease was rejected or deemed rejected as of June 30, 2018 and the Propco II Plan Debtors have limited cash on hand, this amended order is necessary to maintain and preserve the Properties. Specifically, under the Amended Adequate Protection Order, costs necessary to maintain and preserve the Properties including taxes, rents, utilities, insurance premiums, common charges and other assessments, property management services, and the amount of corporate overhead owed to Toys Delaware shall be paid first from any cash on hand at Propco II and then by the Special Servicer in an amount not to exceed \$1.8 million, plus the cost of insurance. The amount of corporate overhead owed to Toys Delaware for the month of July 2018 shall be funded in an amount of no less than \$190,000, which includes a ten percent (10%) mark up for services provided by Toys Delaware for the month of July 2018. As set forth in the Amended Adequate Protection Order, all parties’ rights are expressly reserved with respect to the mark up, if any, for any services provided by Toys Delaware for any time after July 31, 2018.

Under the Amended Adequate Protection Order, Toys Delaware shall have no obligation to (i) pay or incur any costs unless sufficient funds have been deposited with Toys Delaware by Propco II or the Trust, (ii) pay or incur any costs to any third party in excess of amounts funded to Toys Delaware by Propco II for such purposes at any given time; and (iii) provide the services described in the Amended Adequate Protection Order on behalf of Propco II unless Propco II or the Trust has paid for such services in accordance with the terms of the Amended Adequate Protection Order.

On July [2], 2018, the Bankruptcy Court approved the Amended Adequate Protection Order.

E. Schedules and Statements

On November 16, 2017, the Propco II Debtor filed its Schedules of Assets and Liabilities [Docket No. 6] and Statements of Financial Affairs [Docket No. 8]. On the same day, the Giraffe Junior Debtor filed its Schedules of Assets and Liabilities [Docket No. 5] and Statements of Financial Affairs [Docket No. 6].

F. Appointment of Official Committee

On ~~December 21~~September 26, 2017, the U.S. Trustee filed the *Appointment of Unsecured Creditors Committee* [Docket No. 206], notifying parties in interest that the U.S. Trustee had appointed ~~a statutory committee of unsecured creditors~~ (the “Committee”) in the Chapter 11 Cases. The Committee is composed of the following members: Mattel, Inc., Huffey Corporation, Evenflo Company Inc., KIMCO Realty, Simon Property Group, Inc., The Bank of New York Mellon, Euler Hermes North America Insurance Co., LEGO Systems, Inc., and Veritiv Operating Company. The Committee has retained Kramer Levin Naftalis & Frankel LLP and Wolcott Rivers Gates as its legal counsel ~~and~~ FTI Consulting, Inc. as its financial advisor, and Moelis & Company, LLC as its investment banker.

G. Wind Down

After filing the Chapter 11 Cases, the Debtors obtained debtor-in-possession financing to reopen their global supply chain and best position the company for a successful holiday season—a season that historically contributed approximately 40% of the Company’s annual revenue. However, the many obstacles facing the company proved insurmountable, and 2017 U.S. holiday sales came in well below projections. A combination of factors contributed to the Debtors’ performance, including: (i) delays and disruption associated with reopening the supply chain in chapter 11 and during the holiday season, (ii) diversified competitors including Target, Walmart, and Amazon pricing toys at low-margins or as loss-leaders; prices at which the Debtors could not compete because they rely exclusively on toys for profit, (iii) a greater than expected decline in toy and gift card sales following the chapter 11 filing, and (iv) the Debtors’ inability to offer online prices or shipping on more attractive terms than their competitors.

Notwithstanding the Debtors’ thorough process (conducted in coordination with all stakeholders) to find a potential investor or financial or strategic buyer for all or any subset of the Debtors’ U.S. operations, the Debtors’ efforts did not result in a viable transaction.

The 2017 fiscal year earnings shortfall also triggered a series of reactions that frustrated prospects for reorganizing the U.S. business as a going-concern, which ultimately caused the Debtors to file a motion seeking authority to begin an orderly liquidation of their U.S. business.

On March 22, 2018, the Court entered an ~~ed~~ order [Docket No. 2344] authorizing the wind down and orderly liquidation of the Debtors’ U.S. business. In connection therewith, the Court authorized the Debtors to conduct store closings at the Debtors’ 735 remaining stores, pursuant to an agreement with certain store closing sale consultants. In connection with the agreement, the store closing sales were scheduled to end no later than June 30, 2018. As a result, the Company will no longer need the Properties after June 30, 2018 for continued operations and the Properties will “go dark.”

H. Marketing Process and Sale Transaction

The Propco II Debtor and its advisors have engaged and will continue to engage in arm’s-length, good faith negotiations with interested parties regarding a potential sale of all or substantially all of the assets of the Propco II Debtor’s Estate.

On June 11, 2018, the Debtors filed a motion seeking approval of the Propco II Bidding Procedures and an expedited confirmation schedule, which, among other things, requested ed that the court establish certain dates and deadlines for the bidding procedures hearing, initial bid deadline, final bid deadline (if necessary), auction (if necessary), disclosure statement hearing, and sale hearing, which shall be the confirmation hearing if the sale of all or substantially all of the ~~the~~ Propco II Debtor’s assets are sold pursuant to the Plan, among other dates. The Propco II Plan Debtors and their advisors worked diligently with their stakeholders (including the Special Servicer) and their advisors to negotiate mutually acceptable

modifications to the Propco II Bidding Procedures and sale timeline. On June 25, 2018, the Bankruptcy Court entered an order approving the Propco II Bidding Procedures.

Under the order approving the Propco II Bidding Procedures, the ~~Propco II Debtor is requesting the court to approve~~approved the Purchaser as ~~the~~ stalking horse bidder, ~~whereby the Purchaser would act as the stalking horse bid~~ for the Propco II Debtor's assets. As a stalking horse bidder, the Purchaser ~~would agree~~agrees to "credit bid" for Propco II's assets, meaning that the Purchaser ~~could~~will bid the amount of the Trust's Claim under the Propco II Mortgage Loan Documents. ~~In particular, the Propco II Debtor seeks court approval of the stalking horse agreement with the Purchaser.~~ Under the stalking horse agreement, the Purchaser ~~would~~will acquire all of the real, personal, tangible, intangible and other property that is Collateral (as defined in the Propco II Mortgage Loan), including the Properties (as defined in the Propco II Mortgage Loan), certain designated contracts, prepaid assets (including prepaid taxes ~~and insurance~~), certain purchased claims (including rejection claims against Toys Delaware resulting from the rejection of the Master Lease and any and all claims against the Special Servicer or the Trust) and cash (including the proceeds of the sale of any furniture, fixtures, and equipment owned by Propco II), but excluding the certain excluded assets, if any, free and clear of all claims, interests, liens and encumbrances, in accordance with procedures acceptable to the Special Servicer, in exchange for the Credit Bid, which is a combination of: (a) a credit bid of \$480 million of the obligations of Propco II under the Propco II Mortgage Loan less a dollar for dollar reduction for certain assumed claims, subject to credit bids of additional incremental amounts of the obligations of Propco II under the Propco II Mortgage Loan and Servicing Agreement in accordance with bidding procedures sought pursuant to the Bid Procedures Motion; and (b) the Purchaser's assumption of certain assumed liabilities.

As set forth in the ~~proposed~~ Propco II Bidding Procedures, ~~other~~ parties will have until ~~July 21, 16,~~ 2018 to submit non-binding indications of interest for the Propco II Debtor's assets ~~and if it is reasonably likely that such~~. If the non-binding indications of interest can exceed the stalking horse bid for the Propco II Debtor's assets total, in the aggregate, then the Debtors shall initiate more than \$375 million, a second phase of the bid process will be initiated. If a second phase is entered into, the sale hearing and plan objection deadline will be moved to a later date, and the Propco II Debtor and the Purchaser shall negotiate in good faith regarding the time period for such second phase of the bid process, including the ~~dates of the final bid deadline and the Auction date of the final bid deadline, provided that (i) the Auction shall occur no later than August 16, 2018, (ii) if the Stalking Horse Bidder is the successful bidder at the Auction, the closing of the sale shall occur no later than August 23, 2018, and (iii) if the Stalking Horse Bidder is not the successful bidder at the Auction, all closings, or the effective date of such closings, of the sales of individual properties shall occur on August 23, 2018, unless otherwise consented to by the Trust (such consent not to be unreasonably withheld, conditioned, or delayed), or such earlier date as determined by the Bankruptcy Court.~~ The Propco II Debtor may consider any qualified bids for any portion of the Propco II Debtor's assets (the requirements for such qualified bids are described in the Propco II Bidding Procedures), provided that for such individual bids to be selected as the ~~qualified bid and/or the~~ successful bidders at the Auction, the sum of such individual bids must collectively exceed the credit bid ~~of the Purchaser~~ or the credit overbid of the Purchaser, as applicable, or, in each case, if otherwise consented to by the Special Servicer. If a bidder other than the Purchaser is the successful bidder, such bidder will be responsible for the Carry Costs on the Properties from the Auction through the closing of the Sale Transaction.

Please refer to the Propco II Bidding Procedures Order and the Propco II Bidding Procedures for additional information about the bidding requirements and the sale and marketing process.

IX. RISK FACTORS

Holders of Claims and Interests should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Propco II Plan Debtors' business or the Plan and its implementation.

A. Bankruptcy Law Considerations.

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to Holders of Allowed Claims and Interests under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims and Interests in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Propco II Plan Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Propco II Plan Debtors created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

3. The Propco II Plan Debtors May Fail to Satisfy Vote Requirements.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Propco II Plan Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Propco II Plan Debtors may seek to confirm an alternative chapter 11 plan or transaction. There can be no assurance that the terms of any such alternative chapter 11 plan or other transaction would be similar or as favorable to the Holders of Interests and Allowed Claims as those proposed in the Plan and the Propco II Plan Debtors do not believe that any such transaction exists or is likely to exist that would be more beneficial to the Estates than the Plan.

4. The Propco II Plan Debtors May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Propco II Plan Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim or Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan is not confirmed by the Bankruptcy Court, it is unclear what, if anything, Holders of Interests and Allowed Claims against them would ultimately receive.

The Propco II Plan Debtors reserve the right to modify the terms and conditions of the Plan as necessary before Confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class of Claims or Interests, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property with a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

5. Nonconsensual Confirmation.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Propco II Plan Debtors believe that the Plan satisfies these requirements, and the Propco II Plan Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

~~6. Continued Risk upon Confirmation.~~

~~Even if the Plan is consummated, the Propco II Plan Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further industry deterioration or other changes in economic conditions, potential revaluing of their assets due to chapter 11 proceedings, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan reflecting the Plan will achieve the Propco II Plan Debtors' stated goals.~~

6. In addition, at [Exclusivity Period](#).

At the outset of the Chapter 11 Cases, the Bankruptcy Code gave the Propco II Plan Debtors the exclusive right to propose a chapter 11 plan and prohibited creditors and others from proposing a plan. The Propco II Plan Debtors will have retained the exclusive right to propose and solicit votes on the Plan upon filing their Petitions. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Propco II Plan Debtors' ability to achieve confirmation of the Plan in order to achieve the Propco II Plan Debtors' stated goals.

7. The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Propco II Plan Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

8. The Propco II Plan Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan, the Propco II Plan Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

9. Risk of Non-Occurrence of the Effective Date.

Although the Propco II Plan Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

10. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to Holders of Allowed Claims and Interests under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. [Other Debtors estates may hold Claims, including Claims for recharacterization of the Master Lease and overpayment of rent by Toys Delaware, against Propco II or Giraffe Junior that may impact recoveries at Propco II and Giraffe Junior.](#) The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Interests under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and Interests and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims and Interests may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims and Interests may vary from the estimated Claims and Interests contained in this Disclosure Statement. Moreover, the Propco II Plan Debtors cannot determine with any certainty at this time, the number or amount of Claims and Interests that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to Holders of Allowed Claims and Interests under the Plan.

11. Releases, Injunctions, and Exculpations Provisions May Not Be Approved.

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Propco II Plan Debtors or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan, and the Propco II Plan Debtors may not be able to obtain Confirmation of the Plan.

12. The Total Amount of Allowed General Unsecured Claims May Be Higher than Anticipated by the Propco II Plan Debtors.

With respect to Holders of Allowed General Unsecured Claims, the claims filed against the Propco II Plan Debtors' estates may be materially higher than the Propco II Plan Debtors estimated. As Holders of Allowed General Unsecured Claims receive a Pro Rata distribution, additional Claims could reduce the recovery.

13. Certain Tax Implications of the Plan.

Holders of Allowed Claims and Interests should carefully review Article XI of this Disclosure Statement entitled "Certain United States Federal Income Tax Consequences of the Plan," to determine how tax implications of the Plan and the Chapter 11 Cases may adversely affect the Holders of Claims and Interests.

B. Risks Related to the Propco II Plan Debtors' Businesses.

1. The Propco II Plan Debtors' Only Assets, ~~and Sole Source of Revenue,~~ Are the Properties ~~and the Master Lease.~~

~~The Propco II~~ The Giraffe Junior Debtor's primary asset is its ownership interest in Propco II- The Propco II Debtor's only assets are the Properties and cash on hand. The Propco II Debtor has no operations or employees ~~and generates. Previously, the Propco II Debtor generated~~ all of its revenues from rental payments made by Toys Delaware pursuant to the Master Lease. ~~Absent continued payments from Toys Delaware under~~ Because the Master Lease, ~~was rejected as of June 30, 2018, Toys Delaware will no longer make such payments and~~ the Propco II Debtor will rely solely on its limited cash on hand to cover costs necessary to maintain and expenses. ~~Moreover, the Giraffe Junior Debtor's primary asset is its ownership interest in Propco II~~ preserve the Properties, including taxes, ground rents, utilities, insurance premiums, common charges and other assessments, property management services, and corporate overhead owed to Toys Delaware (the "Carry Costs"). In accordance with the Amended Adequate Protection Order, the Carry Costs shall first be paid by cash on hand at Propco II and then by the Trust, in an amount not to exceed \$1.8 million, plus the cost to insure the Properties, through the end of July 2018.

The Master Lease is a triple-net lease whereby Toys Delaware, as tenant, ~~is~~ was obligated (prior to rejection) to pay most operating costs with respect to the Properties. ~~However, if the Propco II Debtor has unexpected expenses not covered by~~ Now that the Master Lease, ~~the Propco II Debtor's net cash flow could be adversely affected. Toys Delaware's failure to make payments under the Master Lease would have a material adverse effect on the Propco II Debtor's financial condition.~~

~~In addition to the risk that Toys Delaware might fail to make payments under the Master Lease~~ has been rejected, Toys Delaware ~~may fail to perform other obligations under the Master Lease~~ is no longer paying the operating costs for the Properties, including the obligations to pay real estate taxes on the Properties and the rent owed under any underlying ground leases, insure ing the Properties, maintain ing the

Properties in good repair and condition and in compliance with laws, remediate~~ing~~ any environmental problems at the Properties, and restore~~ing~~ any Property following a casualty or condemnation. ~~The failure of Toys Delaware to perform these obligations may have a material adverse effect on the value of the Properties and the Propco II Debtor's financial condition. Thus, the Debtors have negotiated with the Special Servicer and sought approval of the Amended Adequate Protection Order to cover the Propco II Plan Debtors' Carry Costs through the end of July 2018.~~

The Properties include eleven (11) ground leases to which the Propco II Debtor is also a party, as tenant. As part of the Chapter 11 Cases, the Propco II Debtor must determine whether to assume, reject, or assume and assign its unexpired non-residential real property leases. By an order of the Bankruptcy Court [Docket No. 1329], unless a landlord consented to an extension, all unexpired non-residential real property leases of the Propco II Debtor were deemed rejected on April 16, 2018. Of Propco II's eleven (11) ground leases, ~~ten (10)~~nine (9) of the landlord counterparties agreed to an open-ended extension to assume, reject, or assume and assign their unexpired non-residential real property leases until not earlier than the confirmation of the Propco II Debtor's chapter 11 plan, ~~while. Of the ~~one~~two~~ remaining landlord counterparties, one landlord counterparty ~~only~~ agreed to an extension until June 30, 2018, ~~for the unexpired non-residential real property lease for store #7534 located at 492 State Road, Dartmouth Towne Center, N. Dartmouth, Massachusetts (the "N. Dartmouth Lease"), while the other remaining landlord counterparty agreed to an extension until August 31, 2018 for the unexpired non-residential real property lease for store #3518 located at 2003 Cheryl Drive, Pittsburgh, Pennsylvania (the "Cheryl Drive Lease"). The landlord counterparty to the Dartmouth Lease did not agree to a further extension. As a result, on June 29, 2018 the Debtors filed a notice to assume the Dartmouth Lease [Docket No. 3641]. The Purchaser has agreed that the Dartmouth Lease will not be an Excluded Asset.~~

If the Sale Transaction does not close on or before ~~June 30~~August 31, 2018, or the landlord counterparty to the Cheryl Drive Lease does not agree to a further extension, the Propco II Debtor will need to decide whether to assume or reject the unexpired non-residential real property lease. If the Propco II Plan Debtors does not assume, reject, or assume and assign the one unexpired non-residential real property lease on or before ~~June 30~~August 31, 2018, such lease will be deemed rejected.

~~2. — Toys Delaware May Reject the Master Lease.~~

~~3. — If the Master Lease is rejected, Toys Delaware would be required to surrender the Properties to the Propco II Debtor and the Propco II Debtor would have a General Unsecured Claim against Toys Delaware. Notably, the Company's store closing sales are scheduled to end no later than June 30, 2018, and by an order~~

2. — If the Sale Order Election is Made, or the Administrative Claims Are Not Paid Or Otherwise Agreed, the Plan Cannot Be Confirmed.

~~of the Bankruptcy Court [Docket No. 2608] the deadline for the assumption or rejection of the Master Lease is June 30, 2018. If the Master Lease is rejected~~

To confirm a chapter 11 plan, section 1129(a)(9) of the Bankruptcy Code requires, among other things, that "except to the extent that the holder of a particular claim has agreed to a different treatment of such claim," claims entitled to administrative priority under 507(a)(2) or 507(a)(3) must be paid in full in order for a debtor to confirm a chapter 11 plan. To the extent that the Propco II Plan Debtors are unable to pay such claims in full or otherwise agree to treatment with the applicable holder, the Propco II Plan Debtors may be unable to confirm a chapter 11 plan.

~~, the Propco II Debtor will lose its primary source of revenue, and will likely be unable to service its debt and pay~~

As part of its stalking horse agreement with the Purchaser, if the Purchaser is the Successful Bidder, the Purchaser has the right to make the Sale Order Election (as defined in the Plan) if administrative claims, including those subject to the Professional Fee Claims Cap (as defined in the Plan) exceed \$10.365 million, the detail of which is set forth in Schedule 1 to the Plan and more fully discussed in Article III.H. herein. In this circumstance, the Propco II Debtor and the Purchaser shall engage in good faith discussions regarding the amount of the Administrative Claims asserted and whether such claims are reasonably likely to be Allowed before the Purchaser elects to consummate the Sale Transaction pursuant to a sale order. If the Purchaser makes the election, the Plan will be withdrawn and the sale will proceed under section 363 of the Bankruptcy Code.

~~the carrying costs associated with the~~

While the amounts set forth in Schedule 1 to the Plan represent an estimate of the administrative claims that the Propco II Plan Debtors expect to be asserted, such claims have not been finalized and additional amounts could be asserted that could increase the likelihood of the Sale Order Election (and subsequent withdrawal of the Plan). The bar date to file intercompany Administrative Claims against the Propco II Debtor is July 9, 2018; *provided, however* that July 23, 2018 shall be the deadline for any (x) intercompany Administrative Claims brought by the Committee on behalf of any other Debtor's estate against the Propco II Plan Debtors or their estates or (y) intercompany Administrative Claims on account of shared services provided by Toys Delaware. The bar date to file all other administrative claims against the Propco II Debtors is (a) July 16, 2018 for all Administrative Claims against the Propco II Plan Debtors arising on or prior to June 30, 2018, (b) for all claims arising after June 30, 2018, the 15th day of the month following the month in which the claim arose, and (c) 14 days following any hearing on a plan of liquidation, structured settlement, or other proposed resolution of the Propco II Chapter 11 Cases. In the case that the Purchaser is the Successful Bidder, the Propco II Plan Debtors and Committee professionals have agreed to the Professional Fee Claims Cap that would result in the administrative claims on account of professional fees being satisfied. In the case that the sale process moves into the second phase, the carrying costs will be funded by the Purchaser (which may ultimately be charged to a different successful bidder, if it is not the Purchaser), in an amount to be agreed at that time. If the Purchaser is not the successful bidder and the administrative claims, including Professional Fee Claims, cannot be satisfied in full on account of the successful bid, then the holder of the allowed administrative claim will need to agree to alternate treatment in order for the Plan to be confirmed.

3. A Termination Event Under the Amended Adequate Protection Order May Occur.

~~Properties.~~

As a result of the Master Lease rejection, the Propco II Debtor lost its primary source of revenue. The Propco II Plan Debtors negotiated with the Special Servicer and sought approval of the Amended Adequate Protection Order to, in part, provide Propco II with additional funding to pay the carrying costs of the Properties through the end of July 2018. However, if a Termination Event (as defined in the Amended Adequate Protection Order) occurs, the Propco II Plan Debtors will likely not have the cash necessary to cover the carrying costs for the Properties. The Termination Events are set out in Schedule 1 of the Amended Adequate Protection Order.

4. Real Estate Investments Are Subject to Various Risks and Fluctuations and Cycles in Value and Demand, Many of Which Are Beyond Propco II's Control.

Certain events may decrease available cash, as well as the value of the Properties. These events include, but are not limited to:

- adverse changes in national or local economic and demographic conditions;
- ~~adverse changes in the financial condition of the tenant;~~
- inability to ~~collect rent from the tenant~~ find new tenants after the Master Lease was deemed rejected on June 30, 2018;
- reductions in the level of demand for commercial space and changes in the relative popularity of properties;
- increases in the supply of or demand for commercial space in a particular area;
- fluctuations in interest rates, which could adversely affect the Propco II Plan Debtors' ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990;
- property and casualty losses, some of which may be uninsured;
- liens, encumbrances, zoning matters or other matters affecting title to or use of real estate;
- asbestos/lead related liabilities and costs of containment or removal and other environmental hazards at the Properties for which the Propco II Debtor may be liable, including those created by prior owners or occupants, existing tenants, adjacent land or other parties; and
- terrorist attacks which, among other things, could lead to damage to one or more of the Properties, result in higher costs for insurance premiums or diminished availability of insurance coverage for losses related to terrorist attacks.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in market rents or property values. ~~If the Propco II Debtor's cannot operate the Properties to meet the Propco II Debtor's financial expectations, its financial condition, results of operations, cash flow and ability to satisfy its debt service obligations could be materially adversely affected.~~

5. The Propco II Plan Debtors May Will Not Be Able to Generate or Obtain Sufficient Cash to Service All of Their Indebtedness.

The Propco II Plan Debtors' ability to make scheduled payments on, or refinance ~~its~~ their debt obligations depends on the Propco II Plan Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business,

legislative, regulatory, and other factors beyond the Propco II Plan Debtors' control. ~~The~~Since the Master Lease was rejected, the Propco II Plan Debtors ~~may~~will likely be unable to generate sufficient cash flow from operations or to obtain alternative sources of financing in an amount sufficient to fund the Propco II Plan Debtors' liquidity needs. As of the date hereof, the Propco II Plan Debtors only have access to additional funds through the end of July 2018 in accordance with the terms and conditions of the Amended Adequate Protection Order.

6. The Propco II Plan Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Propco II Plan Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include: (a) ability to develop, confirm, and consummate the Sale Transaction specified in the Plan; (b) ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with third parties; (d) ~~ability to maintain contracts that are critical to the Propco II Plan Debtors' operations, including the ground leases;~~ (e) ability of third parties to seek and obtain Bankruptcy Court approval to terminate contracts and other agreements with the Propco II Plan Debtors; (f) ability of third parties to seek and obtain Bankruptcy Court approval to terminate or shorten the exclusivity period for the Propco II Plan Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Propco II Plan Debtors' creditors and other third parties who have interest in the Chapter 11 Cases that may be inconsistent with the Propco II Plan Debtors' plans.

These risks and uncertainties could affect the Propco II Plan ~~Debtors' business and operations~~Debtors in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Propco II Plan Debtors' relationships with third parties, which in turn could adversely affect the Propco II Plan Debtors' ~~operations and~~ financial condition. Also, the Propco II Plan Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Propco II Plan Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Propco II Plan Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Propco II Plan Debtors' plans.

7. Operating in Bankruptcy for a Long Period of Time May Harm the Propco II Plan ~~Debtors' Businesses~~Debtors.

A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Propco II Plan Debtors' businesses, financial condition, ~~results of operations,~~ and liquidity. In addition, the longer the proceedings related the Chapter 11 Cases continue, the more likely potential purchasers will lose confidence in the Propco II Debtor's ability to sell its business and may seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Propco II Plan Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. ~~If the Chapter 11 Cases continue for a prolonged period of time, it may be necessary for the Propco II Plan Debtors to seek debtor in possession financing to fund their operations. If the Propco II Plan Debtors are forced to seek debtor in possession financing, the likelihood that the Propco II Plan Debtors will instead be required to liquidate may be increased, and, as a result, creditor recoveries may be significantly impaired.~~

Notably, the ~~deadline for the assumption or rejection of the~~ Master Lease ~~is~~ was rejected as of June 30, 2018. ~~If~~ Because the Master Lease ~~is~~ was rejected, the Propco II Debtor ~~will lose~~ lost its primary source of revenue, and it will be unable to service its debt obligations or pay carrying costs associated with the Properties. The Propco II Debtor has limited cash on hand, and the Trust has only agreed to pay an additional \$1.8 million, plus the cost of insurance, which is only enough to cover the Propco II Debtors' carrying costs through the end of July 2018.

X. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan.

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan “does not discriminate unfairly” and is “fair and equitable” as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the “best interests” of Holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Propco II Plan Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11 for plan confirmation; (2) the Propco II Plan Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

1. Feasibility.

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan.

The Plan provides for the sale of the Propco II Debtor’s assets and a liquidation of the Propco II Plan Debtors. A sale of all or substantially all of the Propco II Debtor’s assets may be accomplished either through the Plan or a sale pursuant to section 363 and 365 of the Bankruptcy Code. The Propco II Plan Debtors prefer that the sale be accomplished through the Plan, but in either case, the proceeds of the sale will be used to fund Plan distributions.

2. Best Interests of Creditors—Liquidation Analysis.

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each Holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such Holder with a recovery that has a value at least equal to the value of the recovery that each such Holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code beginning on what would have been the Effective Date. Accordingly, if an Impaired Class does not unanimously vote to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member’s Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Propco II Plan Debtors were liquidated under chapter 7 beginning on the Effective Date.

The Propco II Plan Debtors believe that the Plan will satisfy the best interests test because, among other things, the recoveries expected to be available to Holders of Allowed Claims and Interests under the

Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation, as discussed more fully below.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. After accounting for administrative expenses, unsecured creditors (including any secured creditor deficiency claims) are paid from the sale proceeds of any unencumbered assets and any remaining sale proceeds of encumbered assets in excess of any secured claims, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

All or substantially all of the assets of the Propco II Debtor's business will be liquidated through the Sale Transaction and the Plan effects a liquidation of the Propco II Plan Debtors' remaining assets. Although a chapter 7 liquidation would achieve the same goal, the Propco II Plan Debtors believe that the Plan provides a greater recovery to Holders of Allowed Mortgage Loan Secured Claims than would a chapter 7 liquidation. Liquidating the Propco II Plan Debtors' Estates under the Plan likely provides Holders of Mortgage Loan Secured Claims with a larger, more timely recovery, primarily due to expected materially lower realized sale proceeds in chapter 7.

A chapter 7 liquidation beginning on what would have been the Effective Date would provide less recovery for creditors than the Plan. The delay of the chapter 7 trustee becoming familiar with the assets could easily cause bids already obtained to be lost, and the chapter 7 trustee will not have the technical expertise and knowledge of the Propco II Debtor's business that the Propco II Debtor had when it proposed to sell its assets. Moreover, the distributable proceeds under a chapter 7 liquidation will be lower because of the chapter 7 trustee's fees and expenses.

Sale proceeds in chapter 7 would likely be significantly lower particularly in light of the ~~the~~-time delay associated with the chapter 7 trustee's learning curve for these assets. In addition to the expected material reduction in sale proceeds, recoveries would be further reduced (in comparison with the Plan) due to the expenses that would be incurred in a chapter 7 liquidation, including added expenses for wind down costs and costs incurred by the chapter 7 trustee and any retained professionals in familiarizing themselves with the Propco II Debtor's assets, and these specific Chapter 11 Cases, in order to complete the administration of the Estate. *See, e.g.*, 11 U.S.C. § 326(a) (providing for compensation of a chapter 7 trustee up to three percent of the value of the assets); 11 U.S.C. 503(b)(2) (providing administrative expense status for compensation and expenses of a chapter 7 trustee and such trustee's professionals).

The Propco II Plan Debtors' Estates would continue to be obligated to pay all unpaid expenses incurred by the Propco II Plan Debtors during the Chapter 11 Cases (such as compensation for Professionals), which may constitute Allowed Claims in any chapter 11 case. Moreover, the conversion to chapter 7 would also require entry of a new bar date for filing claims that would be more than 90 days following conversion of the case to chapter 7. *See* Fed. R. Bankr. P. 1019(2); 3002(c). Thus, the amount of Claims ultimately filed and Allowed against the Propco II Debtor could materially increase, thereby further reducing creditor recoveries versus those available under the Plan.

In light of the foregoing, the Propco II Plan Debtors submit that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, delayed distributions, and the prospect of additional claims that were not asserted in the Chapter 11 Cases. Accordingly, the Propco II Plan Debtors believe that the Plan provides an opportunity to bring the highest return for creditors.

B. Alternative Plans.

Based upon guidance from its advisors, the Propco II Plan Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Propco II Debtor's Estate. The Propco II Plan Debtors believes that the Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

C. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to Confirmation that, except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (2) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question; or (3) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Votes that have been "designated" under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of claims. Thus, a Class of creditor Claims ~~and Interests~~ will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance, subject to Article III of the Plan. ~~Only Holders of Claims and Interests in the Voting Classes will be entitled to vote on the Plan.~~

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds in dollar amount of those interests who actually vote to accept or reject a plan. Votes that have been "designated" under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of interests. Thus, a Class of Interests will have voted to accept the Plan only if two-thirds in amount actually voting cast their Ballots in favor of acceptance, not counting designated votes, subject to Article III of the Plan. ~~No Class including~~ Only Holders of Claims and Interests ~~is~~ in the Voting Classes will be entitled to vote on the Plan.

D. Confirmation Without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if Impaired Classes entitled to vote on the plan have not accepted it or if an Impaired Class is deemed to reject the Plan; provided that the plan is accepted by at least one Impaired Class of Claims. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cram down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

1. No Unfair Discrimination.

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of Classes of Claims of equal rank (e.g., classes of the same legal character). The Propco II Plan Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Propco II Plan Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for nonconsensual Confirmation.

2. Fair and Equitable Test.

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Propco II Plan Debtors believe that the Plan satisfies the “fair and equitable” requirement because, for each applicable Class, there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

i. Secured Claims.

The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

ii. Unsecured Claims.

The condition that a plan be “fair and equitable” to a non-accepting class of unsecured claims requires that either: (i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

iii. Equity Interests.

The condition that a plan be “fair and equitable” to a non-accepting class of equity interests includes the requirements that either: (i) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (A) the allowed amount of any fixed liquidation preference to which such holder is entitled; (B) any fixed redemption price to which such holder is entitled; or (C) the value of such interest; or (ii) if the class does not receive the amount as required under (i) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction.

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Propco II Plan Debtors and to certain U.S. Holders (each a “Holder,” and as defined below) of Claims. The following summary does not address the U.S. federal income tax consequences to Holders of Claims who are Unimpaired or otherwise entitled to payment in full in Cash under the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the “IRC”), the U.S. Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the U.S. Internal Revenue Service (the “IRS”) and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect and affect the accuracy of this discussion. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Propco II Plan Debtors do not intend to seek a ruling from the IRS as to any of the tax consequences of the Plan discussed below. The discussion below is not binding upon the IRS or the courts. No ruling has been or will be obtained from the IRS regarding any matter discussed herein, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

Except as specifically set forth below, this summary does not address non-U.S., state, local or non-income tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to the Propco II Plan Debtors within the meaning of the IRC, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, governmental authorities or agencies, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, employees or persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation, persons who hold Claims, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy), unless otherwise specifically stated herein. Furthermore, this summary assumes that a Holder holds only Claims in a single Class and holds a Claim only as a “capital asset” (within the meaning of Section 1221 of the IRC). This summary also assumes that the various debt and other arrangements to which any of the Propco II Plan Debtors are a party will be respected for U.S. federal income tax purposes as debt, as applicable, in accordance with their form. This summary does not discuss differences in tax consequences to a Holder that acts or receives consideration in a capacity other than as a Holder of a Claim of the same Class, and the tax consequences for such Holders may differ materially from that described below.

For purposes of this discussion, a “U.S. Holder” is a Holder of a Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust’s administration and one or more “United States persons” (within the meaning of Section 7701(a)(30) of the IRC) have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a “Non-U.S. Holder” is any Holder of a Claim that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a Holder, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are Holders should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY, ONLY ADDRESSES CERTAIN CONSIDERATIONS WITH RESPECT TO THE U.S. TAX TREATMENT OF THE PROPCO II PLAN DEBTORS AND U.S. HOLDERS, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, NON-U.S., AND NON-INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain United States Federal Income Tax Consequences to the Propco II Plan Debtors

For U.S. federal income tax purposes, the Propco II Plan Debtors are disregarded entities of Toys Delaware, which is a member of an affiliated group of corporations (or entities disregarded for U.S. federal income tax purposes that are wholly owned by members of such group), of which Toys “R” Us Inc. is the common parent (the “Toys Group”). The Propco II Plan Debtors anticipate that the Sale Transactions may give rise to significant taxable income or loss if they are structured as a sale of the Propco II Plan Debtors’ assets; however, any such taxable income or loss will not be recognized by the Propco II Plan Debtors for U.S. federal income tax purposes because they are disregarded entities for U.S. federal income tax purposes. Therefore, any such taxable income or loss will be recognized by Toys Delaware. In light of certain recent authorities released by the IRS, this gain or loss may be based on the total outstanding amount of debt (determined under U.S. federal income tax principles) rather than the amount of consideration received in exchange for such assets. Additionally, under those same authorities, it is unclear whether the cancellation of Claims under these circumstances will give rise to cancellation of indebtedness income (“CODI”) that is subject to exclusion from the Toys Group’s taxable income under Section 108 of the IRC.

C. Certain United States Federal Income Tax Consequences to U.S. Holders of Allowed Claims.

1. Consequences to U.S. Holders of, Mortgage Loan Secured Claims, Allowed Other Priority Claims Against Giraffe Junior, Allowed Other Secured Claims Against Giraffe Junior, Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, and Allowed General Unsecured Claims.¹⁰

Pursuant to the Plan, in full satisfaction of their claims, Holders of Allowed Mortgage Loan Secured Claims will exchange such Claims for either (a) their Pro Rata share of Cash from the Sale Proceeds (if any) available to satisfy such Claims in accordance with their relative priority, or (b) their interest in the Propco II Debtor’s assets (if applicable); and Holders of Allowed Other Priority Claims against Giraffe

¹⁰ The discussion in the tax discussion of the Disclosure Statement assumes that Holders of Mortgage Loan Secured Claims are treated as owning an undivided interest in the Mortgage Loan Secured Claims through their participation in the applicable lending arrangement and, in the event that the ~~Trust~~-Credit Bid is successful, the discussion further assumes that Holders of the Mortgage Loan Secured Claims should consult with their tax advisors regarding these assumptions, because there is a meaningful possibility that “up the chain” structuring could occur without the Debtors’ participation that would alter these assumptions.

Junior, Allowed Other Secured Claims against Giraffe Junior, Holders of Giraffe Junior Mezzanine Loan [Secured Claims against Giraffe Junior](#), and Allowed General Unsecured Claims against the Propco II Plan Debtors will exchange such Claims for their Pro Rata share of Cash from the Sale Proceeds (if any) available to satisfy such Claims in accordance with their relative priority.

A U.S. Holder of such Claim that receives Cash or an interest in the Propco II Debtor's assets (as applicable) will be treated as receiving its distributions under the Plan in a taxable exchange under Section 1001 of the IRC. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or original issue discount, if any), each U.S. Holder of such Claims should recognize gain or loss equal to the difference between (a) either (i) the sum of the Cash received (if any) in exchange for the Claim or (ii) the fair market value of Propco II Debtor's assets received (as applicable), and (b) such U.S. Holder's adjusted basis, if any, in such Claim. A U.S. Holder's ability to deduct any loss recognized on the exchange of its Claims will depend on such U.S. Holder's own circumstances and may be restricted under the IRC. Subject to the rules regarding market discount and accrued interest discussed below, any gain or loss recognized will generally be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder has held the Claim for more than one year. Long-term capital gains of any individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

To the extent applicable, a U.S. Holder that receives an interest in the Propco II Debtor's assets should obtain a tax basis in the Propco II Debtor's assets received, other than any such amounts treated as received in satisfaction of accrued but untaxed interest (or original issue discount, if any), equal to such property's fair market value as of the date such property is distributed to the U.S. Holder. The holding period for any such Propco II Debtor's assets should begin on the day following the Effective Date.

The tax basis of any Propco II Debtor's assets determined to be received in satisfaction of accrued but untaxed interest (or original issue discount, if any) should equal the amount of such accrued but untaxed interest (or original issue discount, if any), but in no event should such basis exceed the fair market value of the Propco II Debtor's assets received in satisfaction of accrued but untaxed interest (or original issue discount, if any). The tax basis of any Propco II Debtor's assets should begin on the day following the Effective Date.

2. Consequences to Holders of Propco II Interests and Giraffe Junior Interests.

The U.S. federal income tax consequences of Sale Proceeds, if any, received on account of the Propco II Interests and the Giraffe Junior Interests in accordance with their relative priority will be disregarded because the entities are disregarded for U.S. federal income tax purposes.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR U.S. FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

3. Accrued Interest and OID.

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest or original issue discount ("OID") on such Claims. Such amount should be taxable to that U.S. Holder as interest income if such accrued interest or OID has not been previously included in the Holder's gross income for U.S. federal income tax purposes. Conversely, U.S. Holders of Claims may be able to recognize a deductible loss to the extent any accrued interest or OID on the Claims was previously included in the U.S. Holder's gross income but was not paid in full by the Propco II Plan Debtors. Such a loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest or OID on Allowed Claims, the extent to which such consideration will be attributable to accrued interest or OID is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest or OID that accrued on such Claims, if any. Certain legislative history and case law indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for U.S. federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest or OID and then as a payment of principal. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE U.S. FEDERAL INCOME TAX TREATMENT OF ACCRUED INTEREST.

4. Market Discount.

Under the “market discount” provisions of Sections 1276 through 1278 of the IRC, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount may be treated as ordinary income (instead of capital gain), to the extent of the amount of “market discount” on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with “market discount” if it is acquired other than on original issue and if its U.S. Holder’s adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding “qualified stated interest” or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued).

5. Consequences to Holders of Mortgage Loan Secured Claims of Owning the Propco II Debtor’s Assets.

In the event that the Trust is the Successful Bidder, the Trust will thereafter own all of the Propco II Debtor’s assets. Because the Trust is treated as a grantor trust for U.S. federal income tax purposes, Holders of Mortgage Loan Secured Claims should be treated as the deemed owners thereof.

No entity-level tax should be imposed on the Trust with respect to earnings generated by the assets held by it. Each Certificate Holder of the Trust must report on its U.S. federal income tax return its allocable share of income, gain, loss, deduction, and credit, if any, recognized or incurred by the Trust, even if no distributions are made, with such allocations being consistent with the allocation provisions of the Trust. In particular, allocations of taxable income with respect to the Trust shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed, if, immediately before such deemed distribution, the Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the Certificate Holders, taking into account all prior and concurrent distributions from the Trust. Similarly, taxable losses of the Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidation distribution of the remaining assets. The tax book value of the assets for this purpose shall equal their respective fair market values on the Effective Date or, if later, the date such assets were acquired, adjusted in either case in accordance with the tax

accounting principles prescribed by the applicable provisions of the IRC, Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

The character of items of income, gain, loss, deduction, and credit to such Certificate Holder in the Trust, and the ability of such Certificate Holder to benefit from any deductions or losses, may depend on the particular circumstances or status of the Certificate Holder. Taxable income or loss allocated to a Certificate Holder should be treated as income or loss with respect to the interest of such Certificate Holder in the Trust and not as income or loss with respect to such Certificate Holder's Claim.

In the event any tax is imposed on the Trust, the Trustee thereof shall be responsible for the payment, solely out of the assets of the Trust of any taxes imposed on the Trust. The Trustee shall be liable to prepare and provide to, or file with, the appropriate taxing authorities and other required parties such notices, tax returns, and other filings, including all federal, state and local tax returns as may be required under the Bankruptcy Code, the Plan, or by other applicable law. As soon as reasonably practicable after the close of each calendar year, the Trustee shall send each affected Certificate holder a statement setting forth such Certificate Holder's respective share of income, gain, loss, deduction, and credit for the taxable year, and shall instruct each Certificate Holder to report all such items on its tax return for such year and to pay and tax due with respect thereto.

U.S. Holders of Mortgage Loan Secured Claims should consult their tax advisors regarding the potential U.S. federal income tax consequences arising from the Trust's ownership of the Propco II Debtor's assets (as applicable).

D. Certain United States Federal Income Tax Consequences to Non-U.S. Holders of Claims.

The following discussion includes only certain U.S. federal income tax consequences of the Restructuring Transactions to Non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local, and the foreign tax consequences of the consummation of the Plan to such Non-U.S. Holder.

Whether a Non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is generally determined in the same manner as set forth above in connection with U.S. Holders.

1. Consequences to Non-U.S. Holders of Mortgage Loan Secured Claims, Allowed Other Priority Claims Against Giraffe Junior, Allowed Other Secured Claims Against Giraffe Junior, Giraffe Junior Mezzanine Loan Secured Claims against Giraffe Junior, and Allowed General Unsecured Claims.¹¹

i. Gain Recognition.

Any gain realized on receipt of the Sale Proceeds by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the Non-U.S. Holder is an

¹¹ The discussion in the tax discussion of the Disclosure Statement assumes that Holders of the Mortgage Loan Secured Claims are treated as owning an undivided interest in the Mortgage Loan Secured Claims through their participation in the applicable lending arrangement and, in the event that the ~~Trust~~ Credit Bid is successful, the discussion further assumes that Holders of the Mortgage Loan Secured Claims will be treated as owning an undivided interest in the assets received by the Trust. Holders of the Mortgage Loan Secured Claims should consult with their tax advisors regarding these assumptions, because there is a meaningful possibility that "up the chain" structuring could occur without the Debtors' participation that would alter these assumptions.

individual who was present in the United States for 183 days or more during the taxable year in which the Restructuring Transactions occur and certain other conditions are met, (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (“ECI”) (and if an applicable income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), or (iii) any gain is subject to taxation under FIRPTA (as defined and discussed below).

If the first condition applies, to the extent that any gain is taxable, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder’s capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second condition applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States in the same manner as a U.S. Holder.

ii. Accrued Interest.

Payments to a Non-U.S. Holder that are attributable to accrued but untaxed interest generally will not be subject to U.S. federal income or withholding tax, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the Non-U.S. Holder is not a U.S. person, unless:

- (a) the Non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of all classes of the Propco II Plan Debtors’ stock entitled to vote;
- (b) the Non-U.S. Holder is a “controlled foreign corporation” that is a “related person” with respect to the Propco II Plan Debtors (each, within the meaning of the IRC);
- (c) the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the IRC; or
- (d) such interest is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (in which case, provided the Non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the Non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. Holder’s effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

A Non-U.S. Holder that does not qualify for exemption from withholding tax with respect to accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on payments that are attributable to accrued but untaxed interest. For purposes of providing a properly executed IRS Form W-8BEN or W-BEN-E, special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers’ securities in the ordinary course of their trade or business.

2. Consequences to Holders of Mortgage Loan Secured Claims of Owning the Propco II Debtor's Assets.

To the extent that the Trust is the Successful Bidder and Holders of Mortgage Loan Secured Claims are treated as owning an undivided interest in the Propco II Debtor's assets (but only to the extent such Non-U.S. Holders are Certificate Holders in the Trust), any income arising from such assets may give rise to ECI to Non-U.S. Holders--the extent to which any ECI arises will depend on whether the Trust's ownership and operation of the Propco II Debtor's assets rises to the level of a "trade or business" for U.S. federal income tax purposes. In the event such ownership and operations do constitute a "trade or business," the Non-U.S. Holders will be subject to U.S. federal taxes on its share of such income. A Non-U.S. Holder's share of ECI would be subject to tax at normal graduated U.S. federal income tax rates and, if the Non-U.S. Holder is a corporation for U.S. federal income tax purposes, may also be subject to U.S. branch profits tax equal to 30 percent (or such lower rate provided by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year, subject to certain adjustments. Additionally, some or all of the gain on a disposition of a Non-U.S. Holder's undivided interest in the Propco II Debtor's assets could be treated as ECI to the extent that such gain is attributable to assets that generate ECI. A Non-U.S. Holder generally will be required to file a U.S. federal income tax return if it is deemed to be engaged in a U.S. trade or business.

In addition to the rules relating to ECI discussed above, the Debtors expect that all or substantially all of the Propco II Debtor's assets will constitute U.S. real property interests ("USRPIs") for purposes of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"). As such, the Trust's disposition of such assets will be subject to taxation as if the ECI rules discussed immediately above applied, and the Non-U.S. Holders would also be subject to withholding of 21 percent of the gain realized, if any, on the disposition that is allocable to such Non-U.S. Holder. Further, to the extent the Trust distributes such assets to the Non-U.S. Holders, such Non-U.S. Holders will also be subject to withholding on 15 percent of the fair market value (as of the time of the taxable distribution) of such assets.

The consummation of the Plan is expected to result in the Trust holding significant U.S. real property interests. Each Non-U.S. Holder is strongly encouraged to consult with its own tax advisors regarding the potential impact of these issues on its investment in interests in the Trust.

E. FATCA.

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account Holders and investors or be subject to withholding at a rate of 30 percent on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income, and beginning January 1, 2019, gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax

F. Information Reporting and Back-Up Withholding.

In general, information reporting requirements may apply to payments of interest (including accruals of OID) and any other reportable payments, possible including amounts received pursuant to the Plan and payments of proceeds from the Sale Transactions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 24 percent) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to

backup withholding (generally in the form of a properly executed IRS Form W-9 for a U.S. Holder). Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided* that the required information is timely provided to the IRS. Any amounts deducted and withheld generally should be allowed as a credit against that recipient's U.S. federal income tax, provided that appropriate proof is timely provided under the rules established by the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments who is required to supply information but who does not do so in the proper manner. U.S. Treasury Regulations generally require the disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. All Holders are urged to consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

The Propco II Plan Debtors, or the applicable agent, shall withhold all amounts required by law to be withheld from payments of interest and comply with all applicable information reporting requirements. All Holders are urged to consult their tax advisor regarding these U.S. Treasury Regulations and whether the contemplated transactions under the Plan would be subject to these U.S. Treasury Regulations and require disclosure on your tax return.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE PROPCO II PLAN DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, NON-U.S., OR NON-INCOME TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XII. RECOMMENDATION

In the opinion of the Propco II Plan Debtors, based on the advice of the Propco II Plan Debtors’ advisors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Propco II Plan Debtors’ creditors than would otherwise result in any other scenario. Accordingly, the Propco II Plan Debtors recommend that Holders of Claims and Interests entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Respectfully submitted,

Dated: ~~June 11~~ July 2, 2018

Giraffe Junior Holdings, LLC
By: Giraffe Holdings, LLC, its Managing Member

/s/ Matthew Finigan

Name: Matthew Finigan
Title: Executive Vice President—Chief Financial Offer and Treasurer

Dated: ~~June 11~~ July 2, 2018

Toys “R” Us, Property Company II, LLC
By: Giraffe Junior Holdings, LLC, its Economic Member
By: Giraffe Holdings, LLC, its Managing Member

/s/ Matthew Finigan

Name: Matthew Finigan
Title: Executive Vice President—Chief Financial Offer and Treasurer

Prepared by:

Edward O. Sassower, P.C.
Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

James H.M. Sprayregen, P.C.
Anup Sathy, P.C.
Chad J. Husnick, P.C. (admitted *pro hac vice*)
Emily E. Geier (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

-and-

Michael A. Condyles (VA 27807)
Peter J. Barrett (VA 46179)
Jeremy S. Williams (VA 77469)
KUTAK ROCK LLP
901 East Byrd Street, Suite 1000
Richmond, Virginia 23219-4071
Telephone: (804) 644-1700
Facsimile: (804) 783-6192

Co-Counsel to the Debtors and Debtors in Possession

Exhibit A

Chapter 11 Plan